

ICSB Gazette

The Global Leader Supporting Micro-, Small and Medium Enterprises

Monday, March 23, 2020. Issue 60

Motivations and Aspirations: Why Do People Start or Run a Business?

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INTRODUCTION AND SOME CHANGES

As noted earlier, there may be almost as many reasons for starting a business as there are people willing to start them. These can include striving to make a difference, seeking higher income and wealth, the desire for independence and autonomy, continuing a family tradition, or simply the lack of alternative job options.

These reasons matter, and

illustrate the overall socio-economic conditions in which individuals operate: for example, if there is a strong desire for independence or if jobs are seen as scarce. Similarly, the expectations and aspirations of those starting a business are important, including how many people they expect to employ, the anticipated scope of the customer base (e.g. the local area, rest of country, abroad), the proportion of revenue expected from international sales and, finally, the novelty of the business's products or services, and the technology and processes it uses. All of these dimensions will be considered in this chapter.

Since its inception, GEM has distinguished between opportunity and necessity as primary motivations for entrepreneurial activity. However, there has been growing recognition that this dichotomy may not fully reflect the nuances in motivations for founding contemporary startups. Following extensive debate, review and piloting, some significant changes were incorporated into the 2019 GEM Adult Population Survey (APS) to allow a more nuanced approach.

This 2019 Global Report delivers the first results of this major revision in GEM's approach to motivation. In the 2019 GEM APS, respondents actively engaged in starting or running a business were asked to assess the following statements concerning their motives for starting their business:

- **To make a difference in the world;**
- **To build great wealth or very high income;**
- **To continue a family tradition;**
- **To earn a living because jobs are scarce.**

Interviewees could choose on a five-point Likert scale from strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree and strongly disagree. In the charts that follow, those choosing somewhat agree/strongly agree are shown as a proportion of Total early-stage Entrepreneurial Activity (TEA) in each economy. Note that respondents were able to somewhat agree/strongly agree with as many motives as they chose. In Figure 4.1 economies are arranged by region in alphabetical order — the same order is maintained in the other three charts to enable visual comparison for each economy.

The proportion of those engaged in TEA who agree with the motive “To make a difference in the world” is highly variable, from less than one in 10 in some economies, but more than seven out of 10 in South Africa, India, Guatemala and Panama. This is tangible evidence of the emergence of purpose-driven businesses. “To build great wealth or very high income” is still a very common motivation, agreed with by more than eight out of 10 of those starting or running a new business in Iran, Qatar, Pakistan, India and Italy, but by less than two in 10 in Norway and Poland. This motive has the highest share of TEA for 15 of the economies.

Responses to the motive “To continue a family tradition” also vary considerably, with the proportion of entrepreneurs agreeing with this motive at less than one in 10 in both the Republic of Korea and the United Kingdom, but around eight out of 10 in Poland and India. This motive has the highest share in TEA in three economies: Poland, Germany and Ireland. The final motive, “To earn a living because jobs are scarce”, is agreed with by less than two in 10 of those engaged in TEA in Poland. Elsewhere this is a frequent choice, with over half of entrepreneurs agreeing in 35 of the economies, but it is especially common in the Latin America & Caribbean region, where no country has less than two out of three agreeing with this motive.

There is substantial variation in motivations across economies, sometimes between neighbors, and some commonalities between vastly different economies. For example, consider the United States compared to Italy and the Republic of Korea. Both the Republic of Korea and Italy have just one in 10 entrepreneurs agreeing they started the business to make a difference, compared to two out of three in the United States. At the same time, three out of 10 in the United States and Italy agree they are continuing a family tradition, compared to just one in 20 in the Republic of Korea. Finally, four out of 10 entrepreneurs in both the United States and the Republic of Korea agree that they have started the business because jobs are scarce, compared to nine out of 10 in Italy.

Taking all this data together, different economies tend to have unique profiles of motivations, though there are some weak regional differences, such as the high prevalence in Latin America & Caribbean of the motive “To earn a living because jobs are scarce”, noted above. The relationship with income level is also weak, with the need to earn a living appearing as a frequent motivation in some high-income as well as middle-income economies. However, the motive “To build great wealth or very high income” has the highest share of agreement among those starting or running a new business in a majority of the economies in the Asia & Pacific and Middle East & Africa regions, but none of the economies in Latin America & Caribbean. Four of the five economies with highest shares of agreement for the motive “To continue a family tradition”, and none of the five economies with highest share for “To make a difference in the world”, are from Europe.

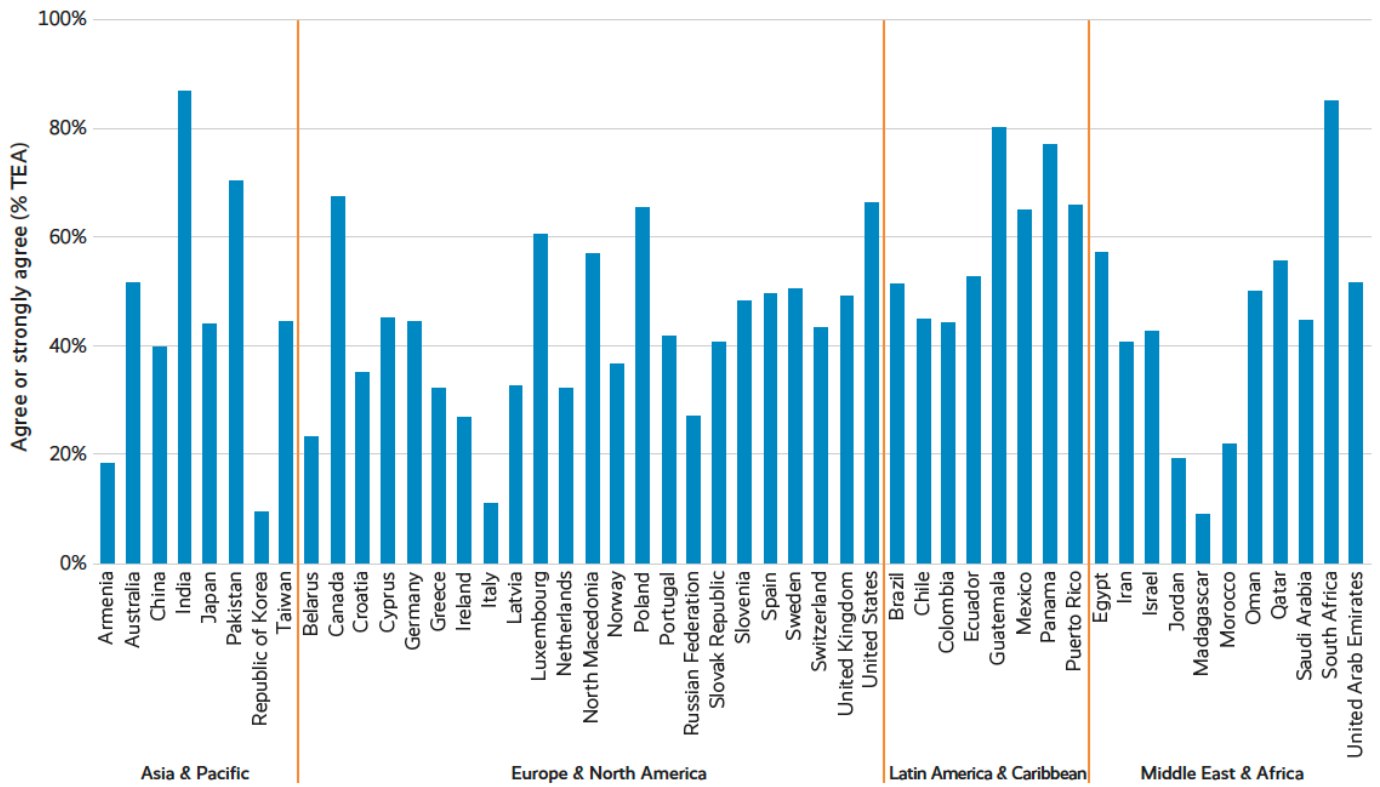


FIGURE 4.1 "Motivation to make a difference in the world": somewhat/strongly agree as % TEA
 Source: GEM Adult Population Survey, 2019

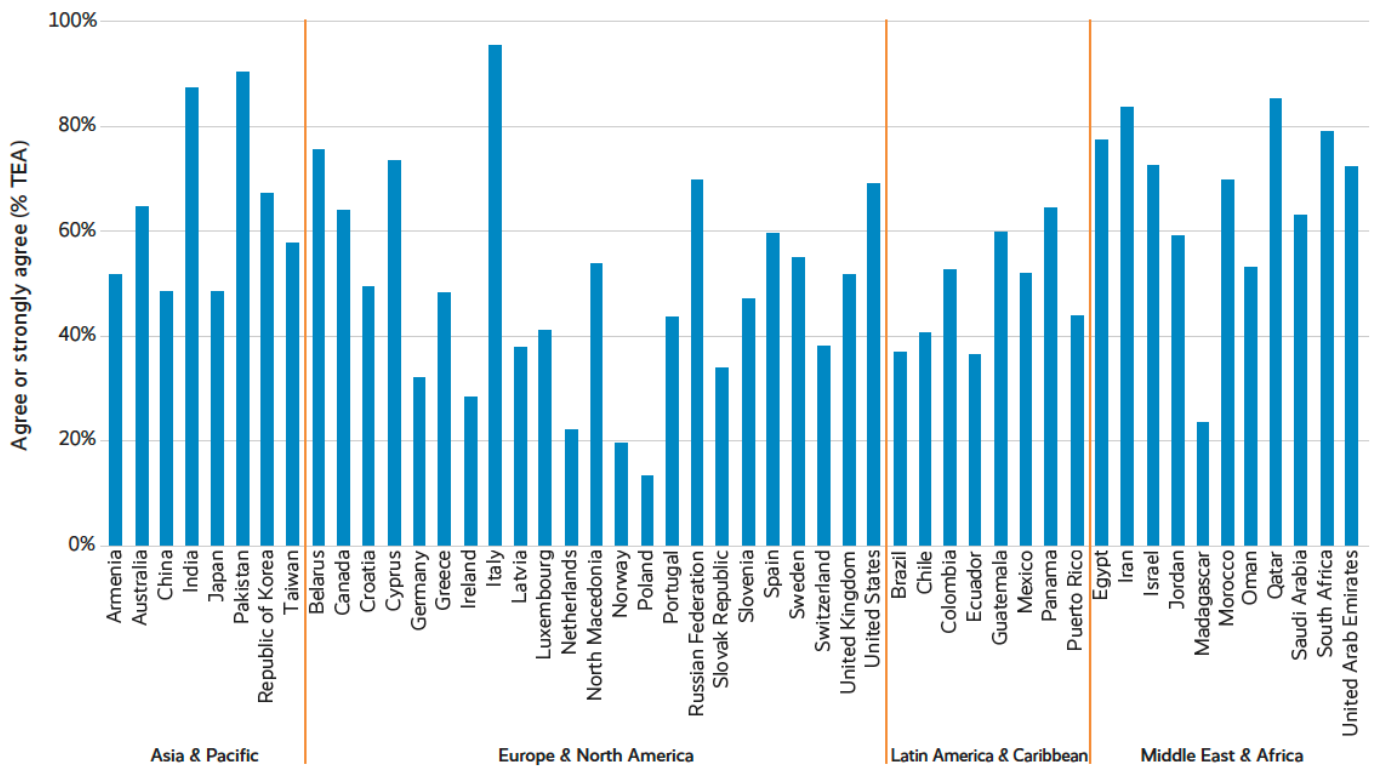


FIGURE 4.2 "Motivation to build great wealth or very high income": somewhat/strongly agree as % TEA
 Source: GEM Adult Population Survey, 2019

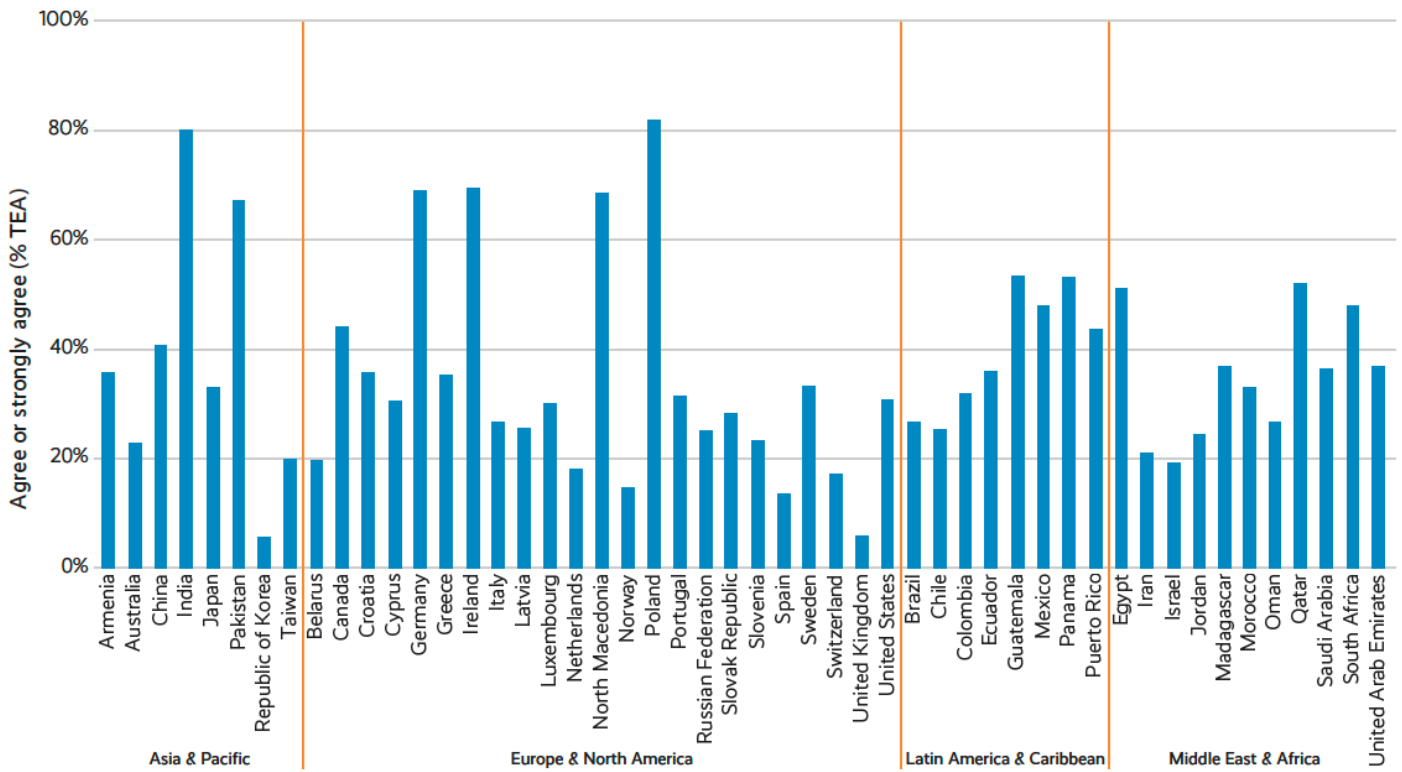


FIGURE 4.3 "Motivation to continue a family tradition": somewhat/strongly agree as % TEA
 Source: GEM Adult Population Survey, 2019

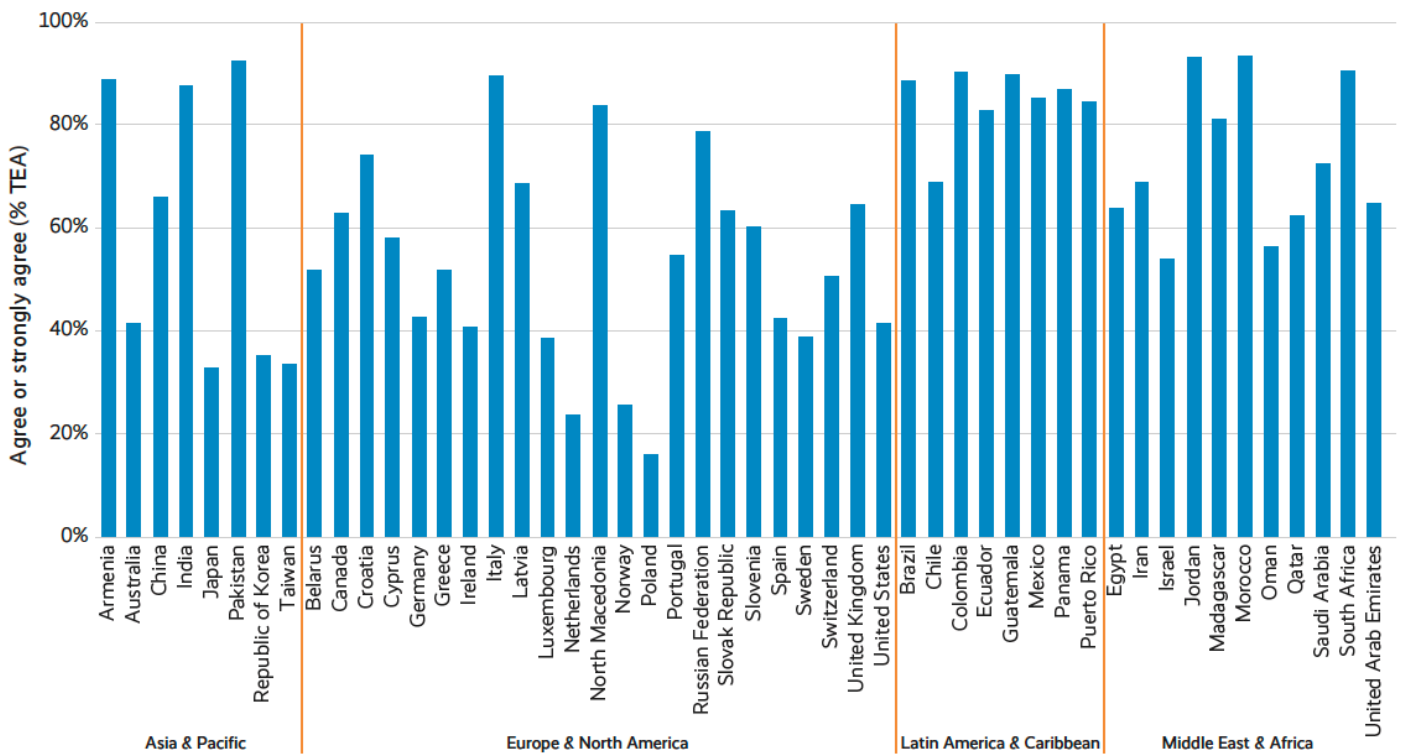


FIGURE 4.4 "Motivation to earn a living because jobs are scarce": somewhat/strongly agree as % TEA
 Source: GEM Adult Population Survey, 2019

4.2 GENDER AND MOTIVATION

Are there gender differences in the motivation for starting or running a new business? If there are, this may suggest differences in the nature or sustainability of these businesses. Are men likely to be more motivated by financial gain, or “To build great wealth or very high income”, and are women more interested in non-financial matters or “To make a difference in the world”, or does simply posing these questions reflect an inherent gender bias?

Data from the 2019 GEM APS also allow us to see the proportion of men and women starting or running a new business who agree with the four statements on motivation outlined in the previous section. To assess any gender differences in motivation, for each of the four motives the proportion of women starting a business that agree with each in a particular economy was deducted from the corresponding proportion of men. A positive result shows that the proportion of men starting a business and agreeing with that motive is higher than that of women, implying that that motive is more important to men than to women. Figure 4.5 provides details concerning the first motive “To make a difference in the world” for each economy participating in the GEM 2019 research.

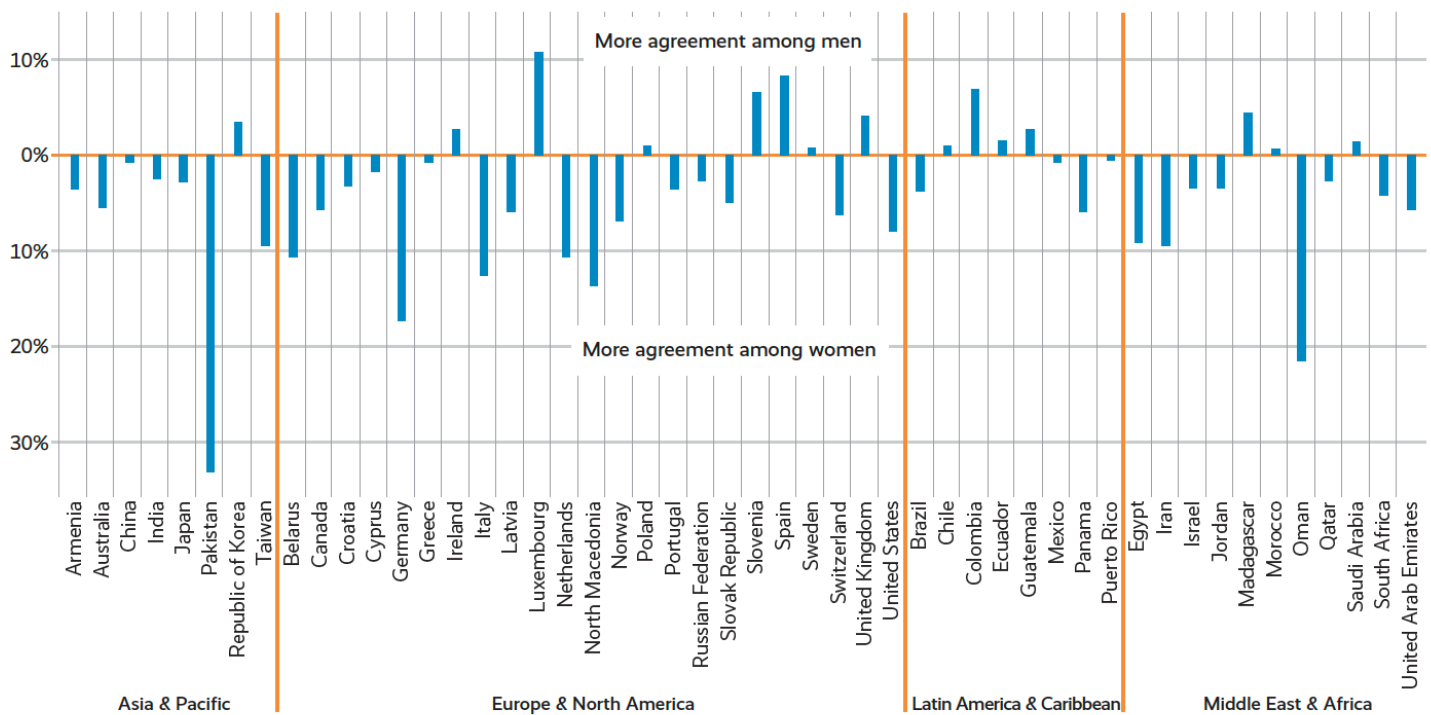
The figure shows that for 14 of the economies, the proportion of men involved in TEA who agree with the motive “To make a difference in the world” exceeds that of women, but for the other 36 economies the proportion is less. So, in the majority of these economies, women more often than men agree that they started a business because they want to make a difference in the world. On this evidence, women entrepreneurs appear more purpose-driven than men.

The process was repeated for the other three motives, with results for all four set out in Table 4.1, simply counting the number of economies for which this gender difference is positive or negative.

The table suggests that in three-fifths of the economies in the GEM sample, men starting businesses are more likely to agree with the motive “To build great wealth or very high income”, and with the motive “To continue a family tradition”, than women. In almost three-quarters of economies, women are more likely to agree with the motive “To make a difference in the world” and with the motive “To earn a living because jobs are scarce”.



FIGURE 4.6 Gender differences in proportions of those engaged in TEA who somewhat/strongly agree with the motive “To make a difference in the world”. Above the bar means relatively more men agree; below the bar means relatively more women agree. Source: GEM Adult Population Survey, 2019



Motivation	Out of 50	
	Male > Female	Male < Female
To make a difference in the world	14	36
To build great wealth or very high income	30	20
To continue a family tradition	31	19
To earn a living because jobs are scarce	14	36

TABLE 4.1
Gender differences in proportions of those engaged in TEA who somewhat/strongly agree with different motivations
Source: GEM Adult Population Survey, 2019

4.3 ACTIVITIES AND ASPIRATIONS

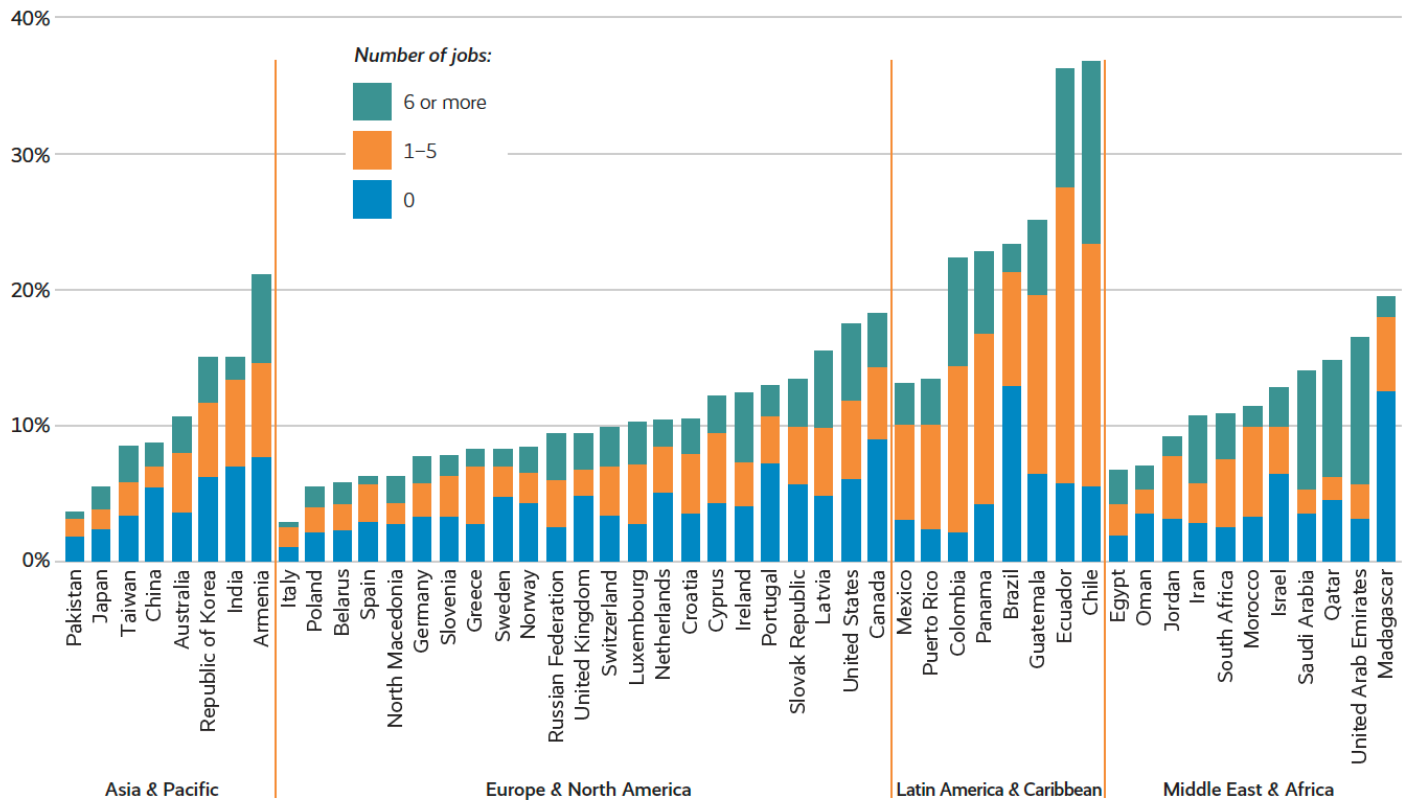
For any new venture the future is uncertain, but there are some expectations and activities that can influence the likelihood of success. This section will look briefly at the geographical scope of the entrepreneur's startup, whether they have customers beyond their local area, innovation levels in terms of new products and technologies, as well as at job and export expectations. All of these are important because they influence the likely impacts of the new business, not just in terms of new jobs and incomes, but also in the likely long-term sustainability of that new business as well as its potential growth path.

Figure 4.6 shows the proportion of entrepreneurs in each economy expecting to add no new jobs in five years' time, alongside the proportions expecting to employ an additional one to five, or to add six jobs or more.

The proportion of those starting or running a new business that expect to add no new jobs in five years' time varies from less than one in 10 in Colombia to more than six out of 10 in China and Madagascar. Conversely, in most countries a majority of new entrepreneurs expected their businesses to grow, in the sense of employing one or more additional people in future. In fact, job expectations are much higher in a number of

other economies, especially in parts of the Middle East & Africa, with well over half of those starting or running a new business in Saudi Arabia, the United Arab Emirates and Qatar expecting to add six or more jobs in the next five years.

FIGURE 4.6 Job growth expectations among early-stage entrepreneurs expecting to employ an additional 0, 1–5 or 6 or more people in five years’ time Source: GEM Adult Population Survey, 2019



In 19 of the 50 economies (including 11 in Europe), less than 2% of adults are both starting or running a new business and expecting to employ an extra six or more people in five years’ time. This low entrepreneurship rate combined with low growth aspirations greatly diminishes the employment potential of early-stage entrepreneurship. This may be a reflection of the types of business being started or a preference for working on one’s own or as a small business. The latter may be enabled by technology and access to other value-chain players. It may also be influenced by constraints such as labour laws or non-wage labour costs, which can pose difficulties for prospective employers. In some economies, it may also reflect positive conditions for entrepreneurial employees in established organizations, raising the opportunity cost of independent or even sponsored early-stage entrepreneurship.

On the other hand, 13 economies have 5% or more of adults starting or running a new business and expecting to employ an extra six or more people in five years’ time, including two with over 10% in this position. These are Chile with 13% and the United Arab Emirates with 11%.

GEM considers entrepreneurs to have a strong international orientation if a quarter or more of their revenue comes from customers outside their own economy.³ Exporting is made easier by positive trade policies,

effective low-cost logistics, low duties or tariffs, as well as by common languages and cultures. Figure 4.7 illustrates the proportion of adults starting or running a new business and expecting exports to be 25% or more of revenues. Not surprisingly, export-oriented entrepreneurs are more prevalent in smaller economies; this is most obvious in Europe.

More than one in four starting or running a new business in six economies in Europe & North America (Switzerland, Sweden, Canada, Luxembourg, Croatia and Ireland) and two in the Middle East (Saudi Arabia and the United Arab Emirates) expect sales outside of their country to generate 25% of their revenue or more. All of these can be classified as strongly export-oriented economies. However, relatively low levels of TEA in most of these economies mean that only Canada, Armenia and the United Arab Emirates have 4% or more of their adults both starting or running a new business and expect more than a quarter of revenue to come from outside their country.

New questions in the GEM 2019 APS enquired about the scope of the new business (whether they had local, national or global customers); the scope of their new products/services (whether they were new to customers locally, nationally or globally); and whether technologies/procedures were new locally, nationally or globally.

Figure 4.8 demonstrates the local nature of much new entrepreneurship, with six out of 10 entrepreneurs in Ecuador, Morocco, Madagascar

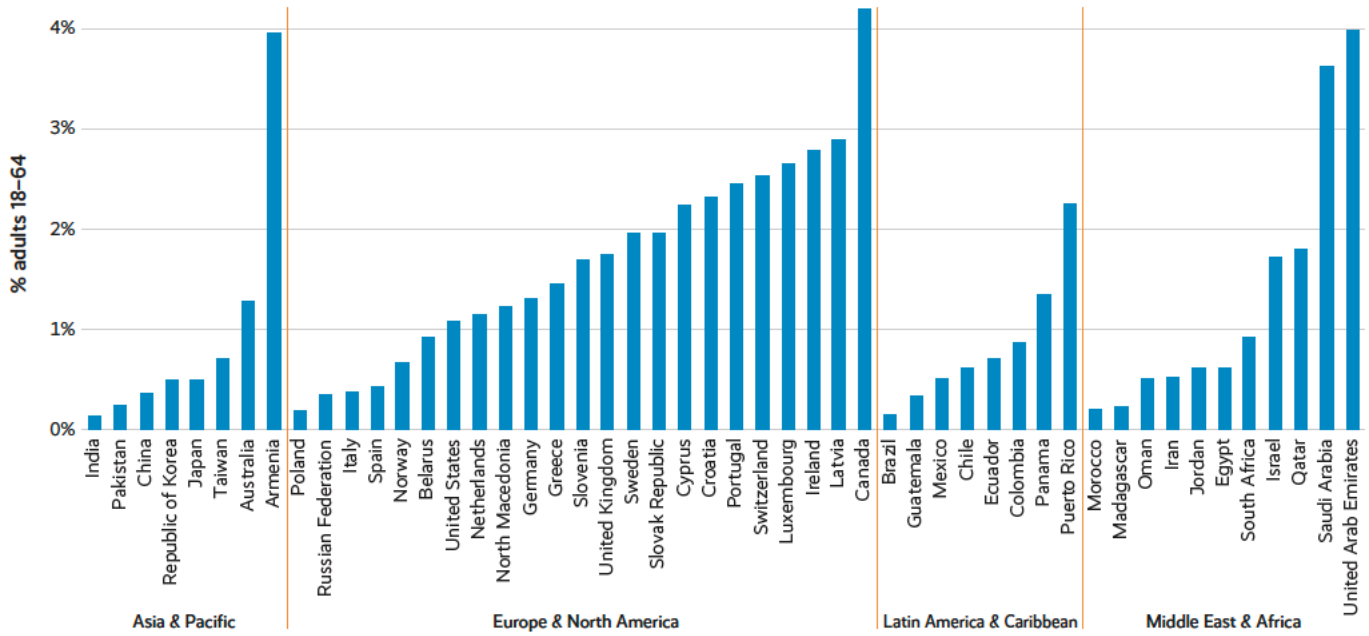


FIGURE 4.7 The percentage of adults both starting or running a new business and anticipating 25% or more of revenue from outside their country
 Source: GEM Adult Population Survey, 2019

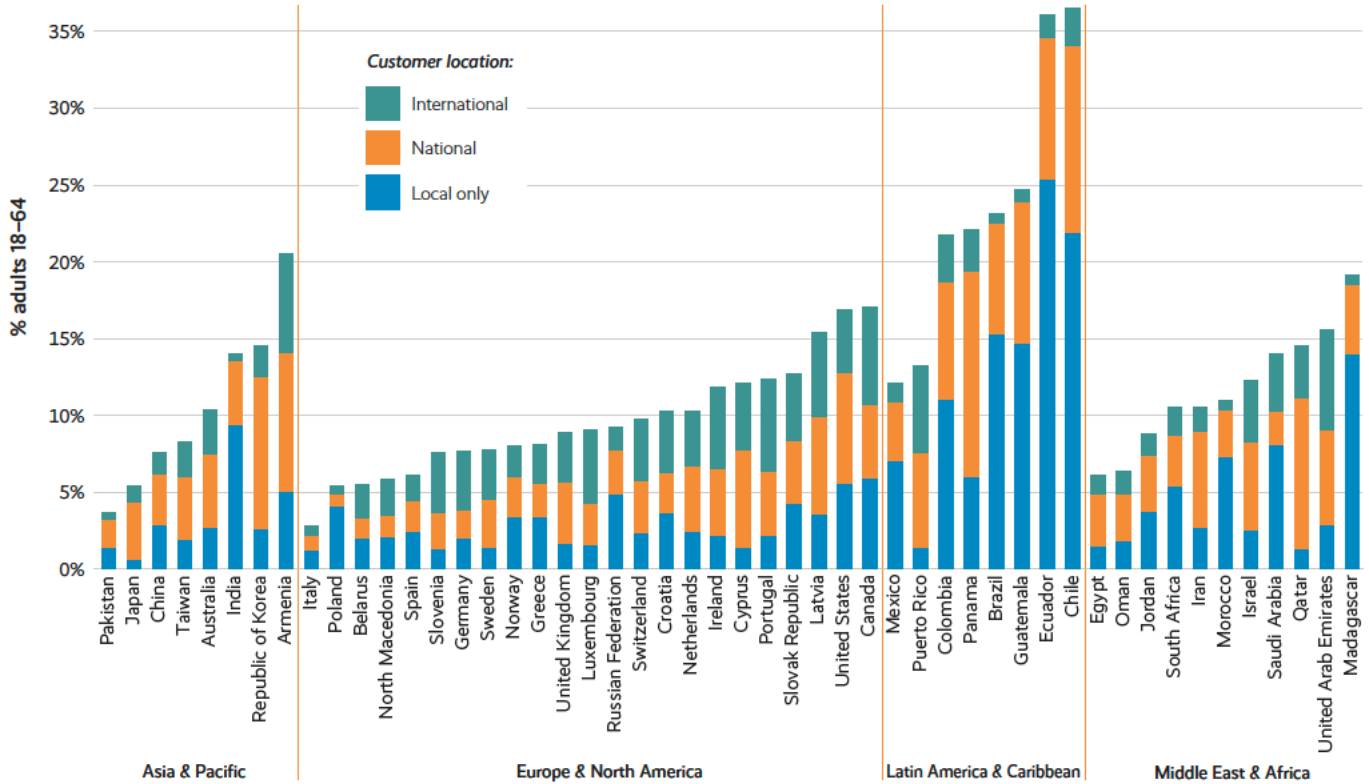


FIGURE 4.8 The level of TEA and those within this having customers only within their local area, only within their country, and those having international customers (all % adults)
 Source: GEM Adult Population Survey, 2019

and India having only local customers (where local is defined as the area where the entrepreneur lives), compared to around one in 10 in Japan, Qatar and Cyprus. However, in nine economies, more than four out of 10 entrepreneurs have customers outside their own country. Seven of these are in Europe (Germany, Slovenia, Ireland, Luxembourg, Portugal, Switzerland and Sweden), plus Puerto Rico and the United Arab Emirates. At the same time, four countries have just 3% of their entrepreneurs with customers outside of their country (India, Brazil, Guatemala and Madagascar).

Product and service novelty is a very important characteristic of much new entrepreneurship. Figure 4.9 shows the proportion of the adult population who were starting a new business and whose product or service is either:

- New to the area in which they live;
- New to their country;
- New to the world.

The share of entrepreneurs introducing products or services at least novel to the area in which they live is just one in 20 in Madagascar, but more than four out of 10 in Italy, Sweden and Canada.

Introducing products or services that are new to the world is a rare phenomenon. While levels of TEA have already been seen to vary widely across the globe, the proportion of adults starting a new business that is introducing new products or services to the world appears remarkably consistent at just over 1% of adults in seven economies: Canada, the United States, Panama, Germany, Ireland, Cyprus and Puerto Rico. Six economies reported no one in their sample of entrepreneurs that was starting a business and introducing products or services that are new to the world: Brazil, India, Pakistan, Oman, Belarus and Morocco.

These responses from entrepreneurs were also combined into two new measures of potential impact: the prevalence in the population of those starting or running a new business with at least national scope for both their customers and national novelty for their new products or processes, and the prevalence of early-stage entrepreneurs with international scope for their customers and international novelty for their products or processes. Unsurprisingly, the levels of each are generally low, meaning that the scope and novelty (if any) of most entrepreneurial offerings is largely local. But the prevalence of entrepreneurs with potential high impact varies considerably across the world. Figure 4.10 shows the prevalence of potentially impactful TEA in national and global terms.

FIGURE 4.9 The proportion of adults starting a new business with products or services that are either new to their area, new to their country or new to the world Source: GEM Adult Population Survey, 2019

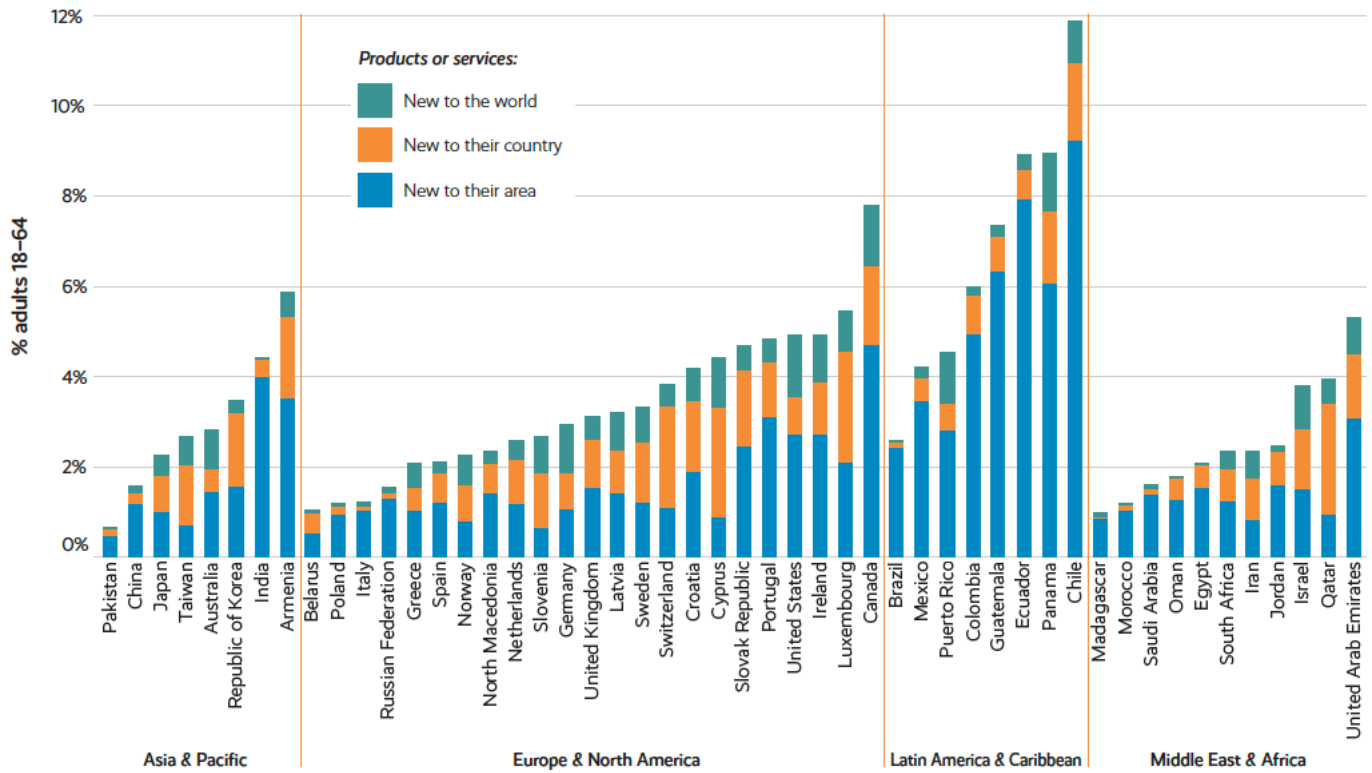
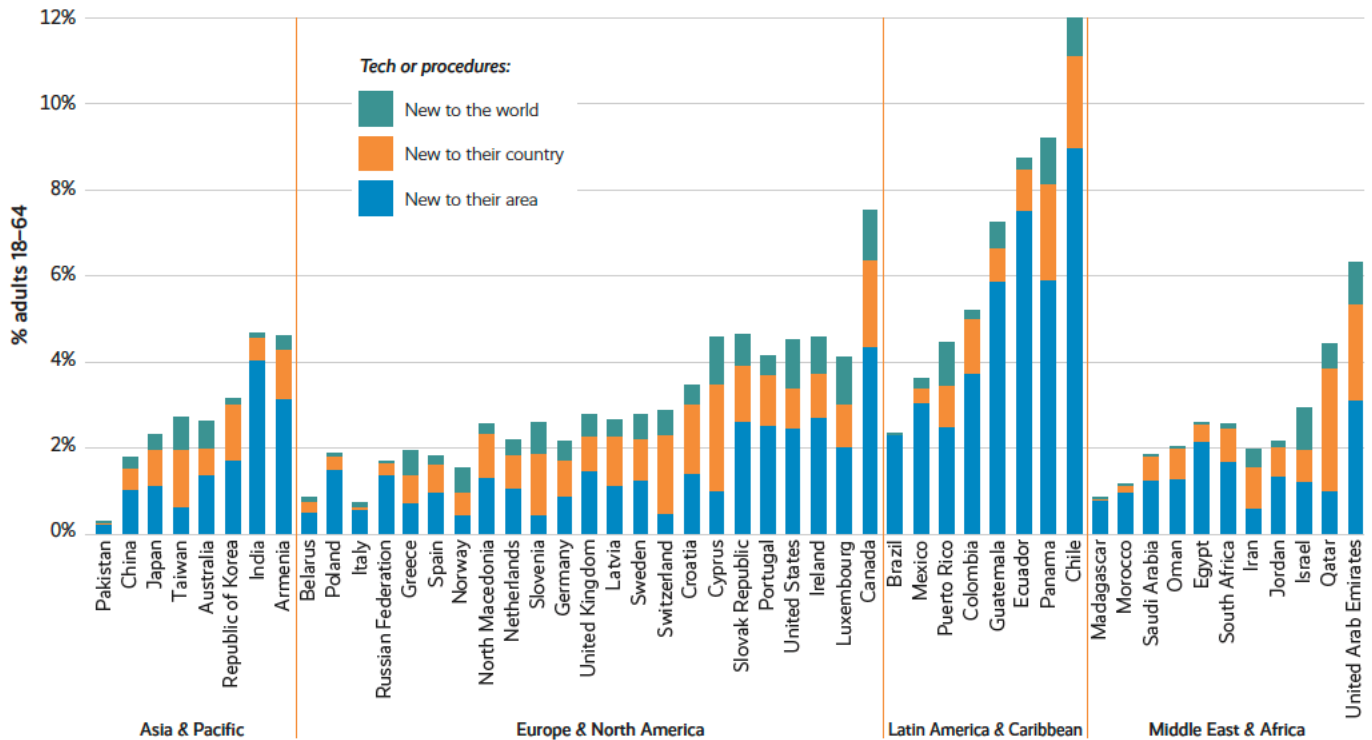


FIGURE 4.10 The proportion of adults starting a new business with technologies or procedures that are either new to their area, new to their country or new to the world Source: GEM Adult Population Survey, 2019



Nationally impactful entrepreneurs, as measured in this way, are extremely rare in Saudi Arabia, Madagascar and Brazil. They are more frequent in most European and North American economies, but even here they are notably rare in Poland, Italy, the Russian Federation and Belarus. Smaller economies tend to have higher prevalence rates, which is not surprising: it is easier to be potentially nationally impactful in Luxembourg than in India or China.

The proportion of TEA with potential global impact — that is, global scope for both customers and products or processes — is substantially lower, with the highest levels being just one in 100 individuals in Ireland, Israel, Puerto Rico and the United States. These potentially highly impactful entrepreneurs, while rare, seem to be more frequent in European and North American economies than in other regions.

In almost every economy, there is a strong relationship between the level of expected impact in terms of market scope and product or process novelty and the job expectations of the entrepreneur. This is especially noticeable in the difference between entrepreneurs with at least national scope and novelty, and other entrepreneurs. For example, in the United Arab Emirates, the prevalence of entrepreneurs expecting to create at least 20 jobs in five years' time was 10 times higher among entrepreneurs who had potential impact at the national or global level for scope and novelty than among those without this level of potential impact.

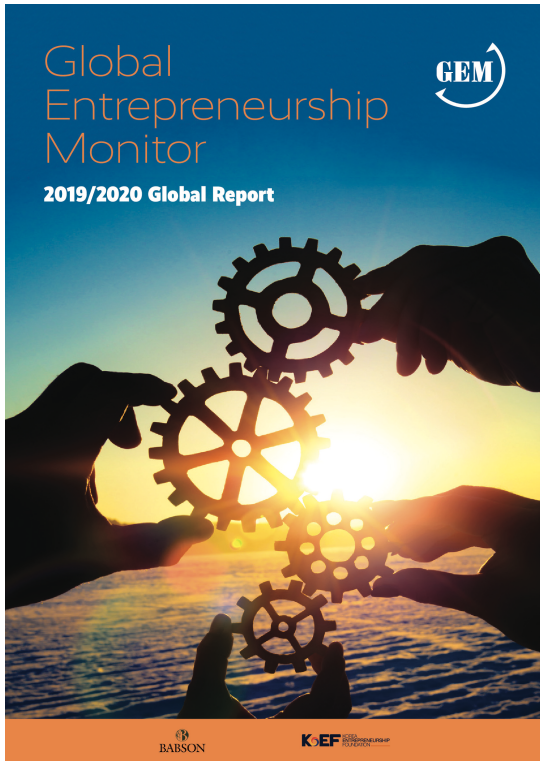
A number of the economies participating in GEM devote resources to encouraging innovation among entrepreneurs. Germany has its Digital Hub Initiative (<http://www.de-hub.de/en>), while Iran offers tax exemptions for knowledge-based and innovative businesses. Jordan has a cabinet committee to promote digitalization, while both Oman (Oman Technology Fund) and Morocco (InnovInvest) have government-backed funds to support innovation and technology. These new measures of the prevalence of potentially impactful entrepreneurship provide a benchmark for governments who wish to assess the level of innovative entrepreneurship in their economies.

This chapter has drawn on APS results to consider regional and gender differences in the motivation for starting a new business. This is particularly important in the context of the UN Sustainable Development Goals (SDGs), including especially Goal 1, “End poverty in all its forms everywhere”, and Goal 8, “Promote inclusive and sustainable economic growth, employment and decent work for all”. In 16 of the 50 economies, more than seven out of 10 entrepreneurs agree with the motive that they are starting a business “To earn a living because jobs are scarce”. Entrepreneurship is therefore a significant response to economic hardship in many countries, especially among women. The motive “To make a difference in the world” was agreed with by more than eight out of 10 adults in India, Guatemala and South Africa: solid evidence of the significance of “purposive entrepreneurship”.

The chapter also looks at evidence related to the aspirations of entrepreneurs, including the number of additional jobs they expect to create in the next five years, their scope in terms of local, national and global customers, and their novelty in products and processes in their local area, nationally and globally. In two of the 50 economies (Chile and the United Arab Emirates), more than one in 10 adults were starting or running a new business and expecting to create six or more new jobs in the next five years. More than 4% of adults in eight economies, including five in the Latin America & Caribbean region, plus Canada, India and the United Arab Emirates, were starting or running a new business producing goods and services that were novel at least to their area.

This evidence shows that the prevalence of entrepreneurs with the potential for high impact on their economies varies very considerably, while those entrepreneurs introducing new products or services to the world are rare everywhere.

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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