

# ICSB Gazette

The Global Leader Supporting Micro-, Small and Medium Enterprises

Monday, March 9, 2020. Issue 58

## The Social and Cultural Foundations of Entrepreneurship

Written By: The Global Entrepreneurship Monitor (GEM)



### What is the foundation of entrepreneurship around the world?

The decision to start a new business is the product of an individual's attitudes, perceptions and intentions, set within a social, cultural and political context that could support or constrain that decision. Some societies readily embrace enduring traditions of entrepreneurship and trade, yet others see

enterprise as a relatively new characteristic of an economy in transition. Whatever the cultural context, to be successful the entrepreneur must rely on a wide range of stakeholders, including investors, employees, suppliers and customers, as well as the tacit support of family and friends.

Then entrepreneurship is a social and cultural phenomenon that is reflected in the GEM Adult Population Survey (APS) questionnaire by asking whether the individual knows someone who has recently started a new business, whether there are currently good opportunities to start a new business in the local area, and how easy it is to start a business in their country. Knowing someone else who has started their own business can increase awareness of entrepreneurship, as well as heighten appreciation of the associated costs and benefits, and can provide the potential entrepreneur with a benchmark. Knowing other entrepreneurs means exposure to role models and mentors, hardwires the motivating factors or drivers for being successful, and provides connections to relevant stakeholders and advice. Seeing good opportunities to start a business may indicate that innovation potential exists, and also points to an ability to recognize such opportunities. Finally, considering whether or not it is easy to start a business can reflect how people perceive the environment as enabling or constraining to entrepreneurial activity.

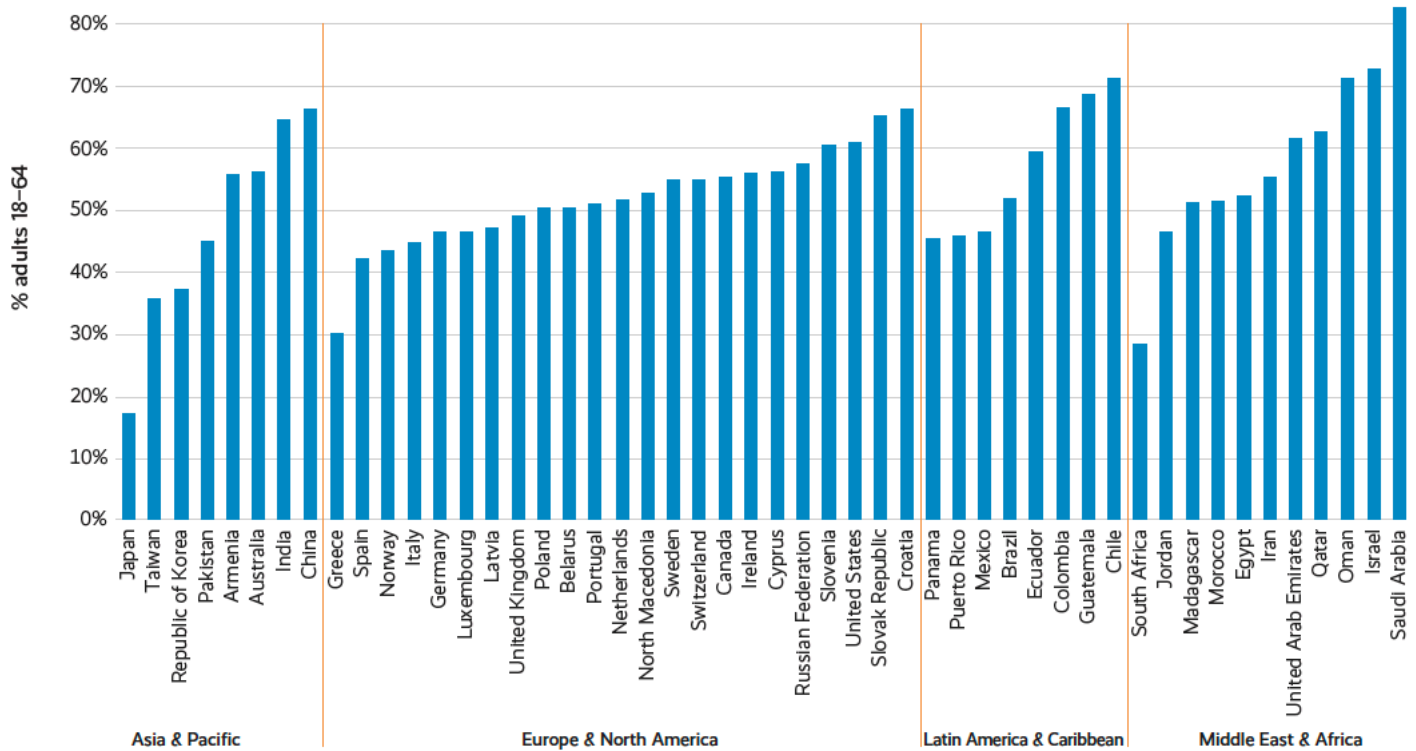


Figure 2.1 Knowing someone who has started a business in the past two years (% adults) Source: GEM Adult Population Survey, 2019

This chapter explores how these social and cultural foundations for entrepreneurship vary by global region and according to the economy’s income level. It is important, though, to be conscious of fact that, while social attitudes and culture affect levels of entrepreneurship, the opposite is also true

Figure 2.1 shows that the global picture of those knowing someone who has started a business in the past two years is highly variable:1 from less than two in 10 adults in Japan, to more than eight out of 10 in Saudi Arabia. Both South Africa and Greece have around three in 10 adults who personally know an entrepreneur. Along with Japan, these two economies have, on this indicator, low rates compared to other economies in their regions.

Personal affiliation with someone who has started a business is consistently high in Israel and in the Gulf countries of the Middle East (Qatar, the United Arab Emirates, Oman and Saudi Arabia), as well as in the Latin America & Caribbean region, accounting for around seven out of 10 adults in Colombia, Guatemala and Chile.

Obviously, variations in this indicator may overlap with new venture rates, even when accepting that there are substantial differences in networking characteristics between economies. Knowing someone who recently started a business may also have a negative impact on an individual’s propensity towards entrepreneurship, if signals of negative aspects dominate positive ones.

Japan has by far the lowest proportion of adults agreeing that they see good opportunities to start a business at just over one in 10, followed by the Russian Federation and Belarus. At the other end of the scale, almost nine out of 10 adults in Poland see good opportunities to start a business, followed by India, Sweden, China, and three Middle Eastern countries: Saudi Arabia, Qatar and Egypt.

There is also substantial variation by economy in the proportion of adults agreeing that it is easy to start a business locally. The lowest levels of agreement are in Israel, Japan and the Slovak Republic, with each having less than one in four adults with this perception. Many parts of Europe are seen as the easiest places to start a business, with more than three out of four adults agreeing it is easy to start a business in Poland, Norway, the Netherlands, the United Kingdom and Sweden.

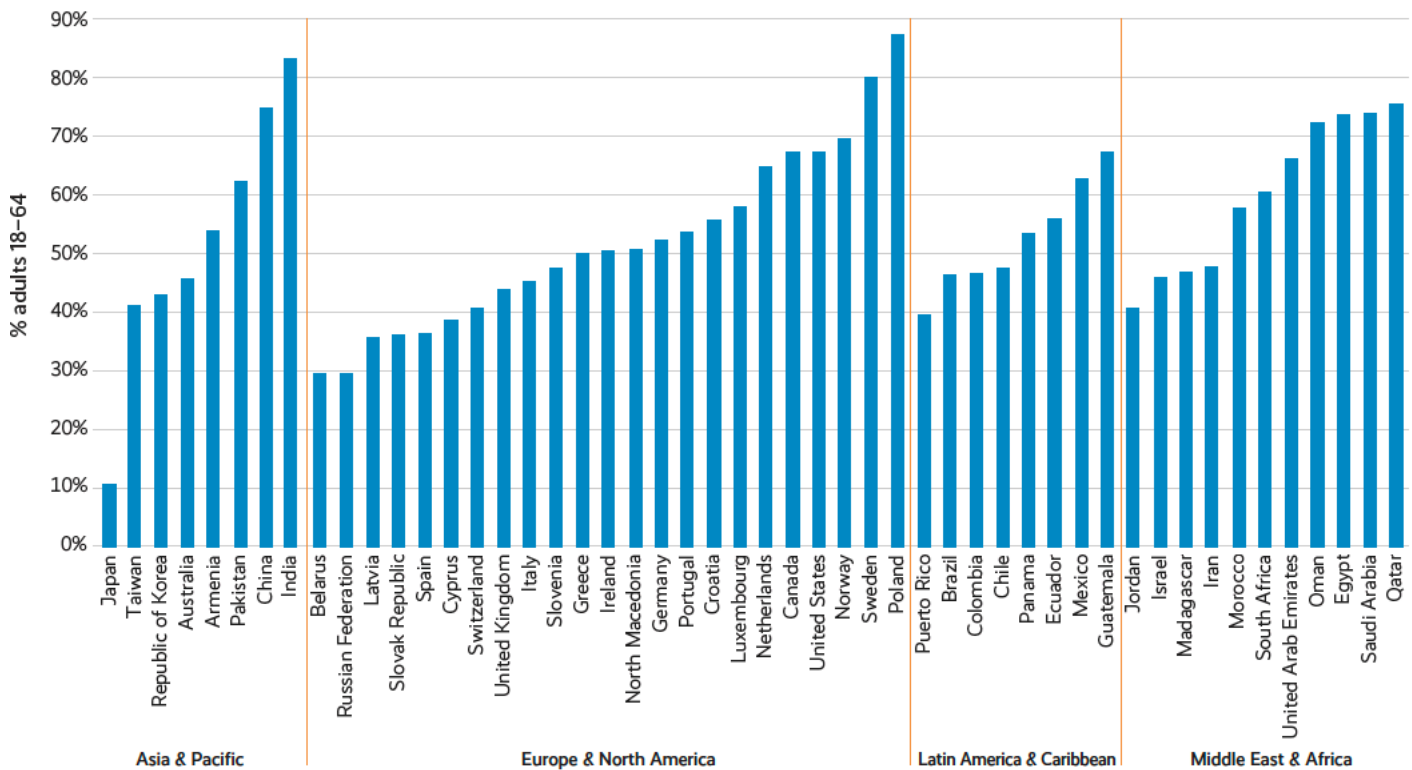


Figure 2.2 There are good opportunities to start a new business in my area (% adults) Source: GEM Adult Population Survey, 2019

There appears to be little association between social and cultural foundations for entrepreneurship and income levels. Good opportunities to start a business are perceived by high proportions of adults in low-income Pakistan and high-income Qatar, and by low proportions of adults in high-income Japan and low-income Madagascar. Similarly, high shares of adults think it is easy to start a business in high-income Norway, the Netherlands and the United Kingdom, but low shares in high-income Japan, Republic of Korea, Puerto Rico, Chile and Israel.

It may be that some high-income economies have policies and conditions that foster entrepreneurship while others do not, even if the general business environment is highly developed. On the other hand, in some low-income economies there may be few constraints on business activity, while other economies have uncertain operating environments or other challenges, such as a shortage of value chain partners or weak markets for their products. These aspects will be more fully explored by GEM National Teams in the development of national reports, combining data from this global report with local know ledge.

However, there is clearly some association between perceptions of opportunities and perceived ease of starting a business, with Japan and the Slovak Republic having low shares of adults in each and Poland and India having high shares of adults in each. Together these indicators may show whether people recognize

opportunities and are empowered to act on them. Similarly, they also reveal the extent to which people perceive the environment as rich in opportunities, and the conditions that enable their pursuit.

Some economies show contrasting results between these two indicators. In the United Kingdom, for example, fewer than half of adults (44%) perceive good business opportunities, while almost twice as many (82%) believe it is easy to start a business, suggesting a good environment for entrepreneurship but relatively few opportunities. In China, by contrast, more than seven out of 10 adults see good opportunities, but less than half that proportion considers it is easy to start a business there. There may be lots of opportunities, but many hurdles to overcome in pursuing them.

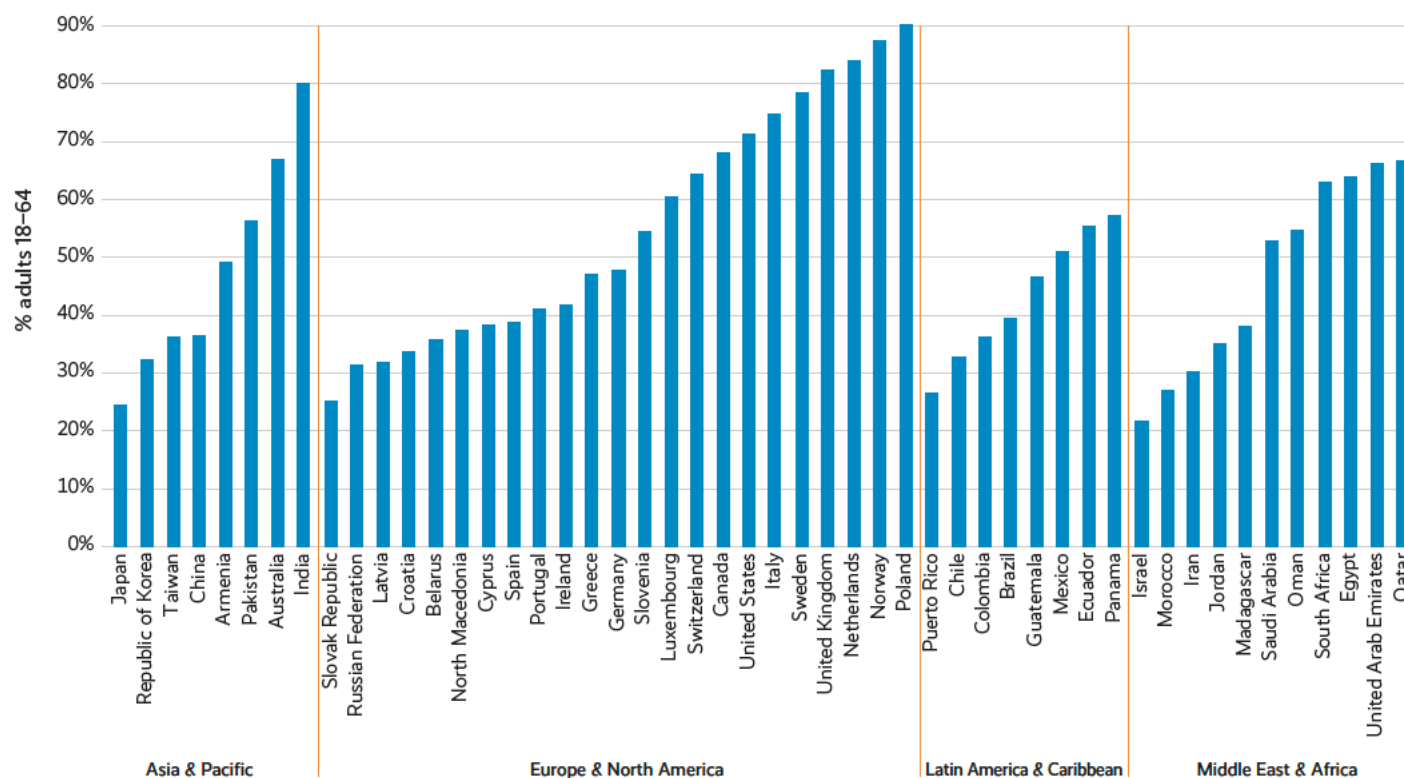


Figure 2.3 In my country, it is easy to start a business (% adults) Source: GEM Adult Population Survey, 2019

## SELF-PERCEPTIONS AND ENTREPRENEURSHIP

One important determinant of whether or not to start a business, and a significant influence on the success and longevity of that business, may be whether, and to what extent, individuals see themselves as potential entrepreneurs. To assess this, the GEM APS asks whether respondents agree that they personally have the knowledge, skills and experience to start a new business, and whether they see good opportunities but would not start a business for fear it might fail, with results shown in Figure 2.4 and Figure 2.5. In 38 out of the 50 economies, more than half of adults consider they have the skills, knowledge and experience to start a new business. Similarly, in 42 out of the 50 economies, less than half of those who see good opportunities would be deterred by fear of failure. Confidence in the ability to start a business is lowest in Japan and parts of Europe (Norway and the Russian Federation), and highest in India, Saudi Arabia, Ecuador and Guatemala.

The proportion of adults who agree that they see good opportunities but would not start a business for fear that it might fail, is by far lowest in the Republic of Korea (7%), while the next lowest are in three European countries: Switzerland, the Netherlands and Italy. However, more than half of those who see good

opportunities to start a business in India, Egypt, Jordan, Pakistan, Israel, Portugal and Croatia would not do so because of fear of failure. This is also the case in Chile, where capability perceptions run high, with three-quarters of adults reckoning they have the know ledge, skills and experience to start a business, but fear of failure may act as a constraint, given that nearly six out of 10 of those seeing good opportunities agree that they would be deterred by fear of failure.

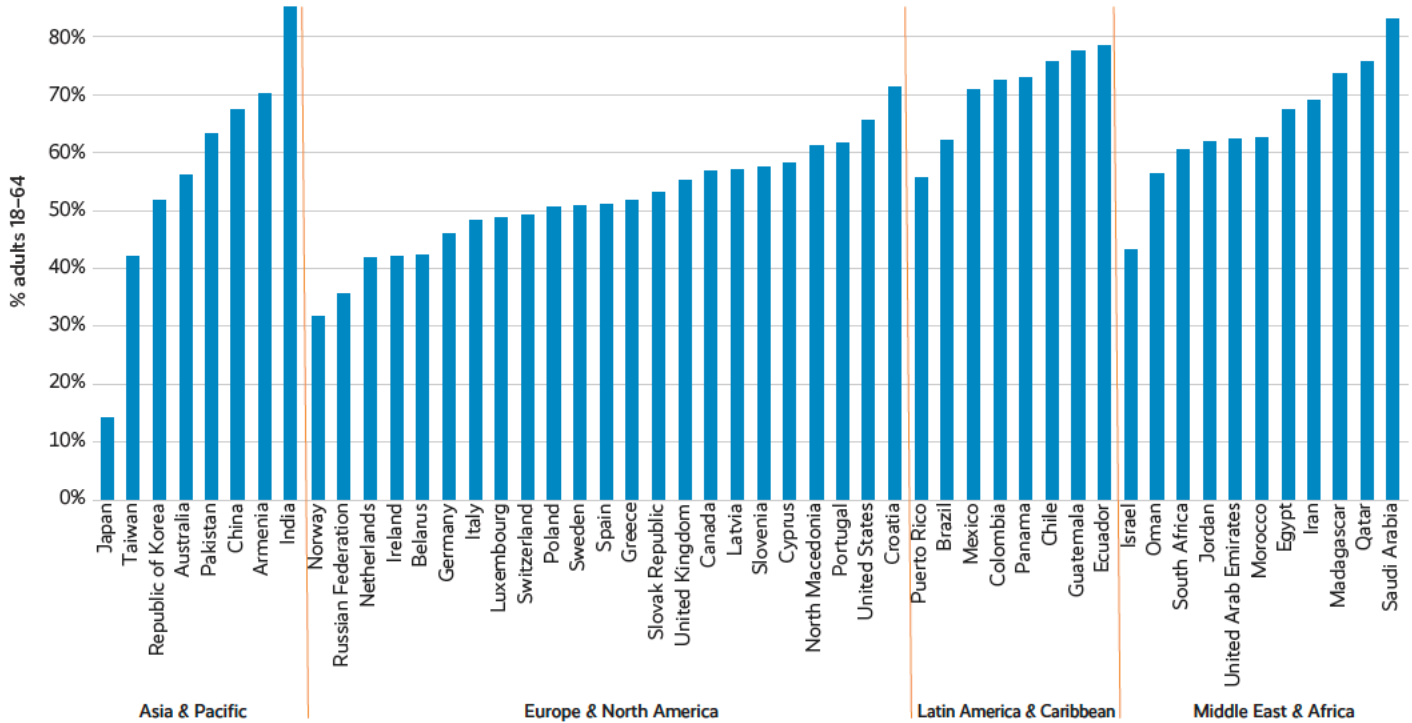


Figure 2.4 You personally have the knowledge, skills and experience to start a new business (% adults) Source: GEM Adult Population Survey, 2019

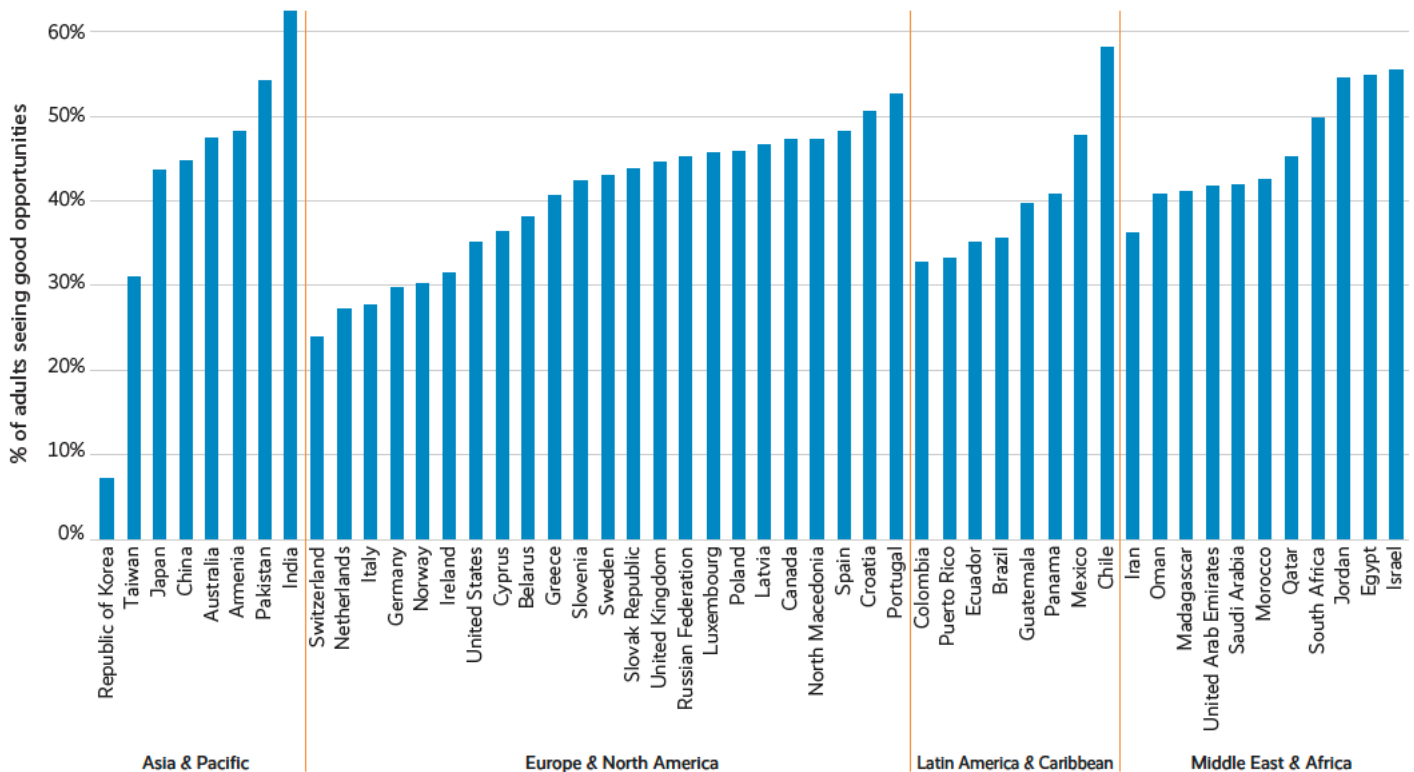


Figure 2.5 There are good opportunities, but would not start a business for fear of failure (% adults) Source: GEM Adult Population Survey, 2019

## ENTREPRENEURIAL TALENT

So far, the analysis has looked at social perceptions, including self-perceptions. Another influence on whether or not to start a business, and its prospects for success, may be the individual’s outlook or disposition: whether they are opportunistic, proactive or creative, and whether that individual has, and acts upon, a long-term career plan.

After extensive piloting, a set of new questions on individual outlook were added to the 2019 APS for the first time, and this section will summarize those first results. These questions invited respondents to agree or disagree with the following set of statements:

- You rarely see business opportunities, even if you are very knowledgeable in the area;
- Even when you spot a profitable opportunity, you rarely act on it;
- Other people think you are highly innovative;
- Every decision you make is part of your long-term career plan.



Questions about whether entrepreneurs see opportunities around them, and whether fear of failure would prevent them from pursuing them, are more or less indicators of how people perceive their environment. Questions about whether one tends to recognize opportunities, and one’s tendency to act on them, are reflective of the level of positive disposition towards entrepreneurship and illustrate the entrepreneurial potential of people in a society.



Figure 2.6 shows that fewer than three in 10 adults in Italy and the Netherlands agree that they rarely see business opportunities, compared to nearly seven out of 10 in four economies in the Middle East & Africa: Jordan, Egypt, Madagascar and Morocco, plus India. The proportion of adults agreeing that even when they spot an opportunity, they rarely act was lowest in Ireland and Italy. However, more than seven out of 10 in Guatemala, Egypt and Norway agree that they rarely act when they see profitable opportunities. In general (35 out of the 50 economies), the proportion that rarely acts on profitable opportunities is higher than those who rarely see such opportunities, although with some positive correlation between the two.

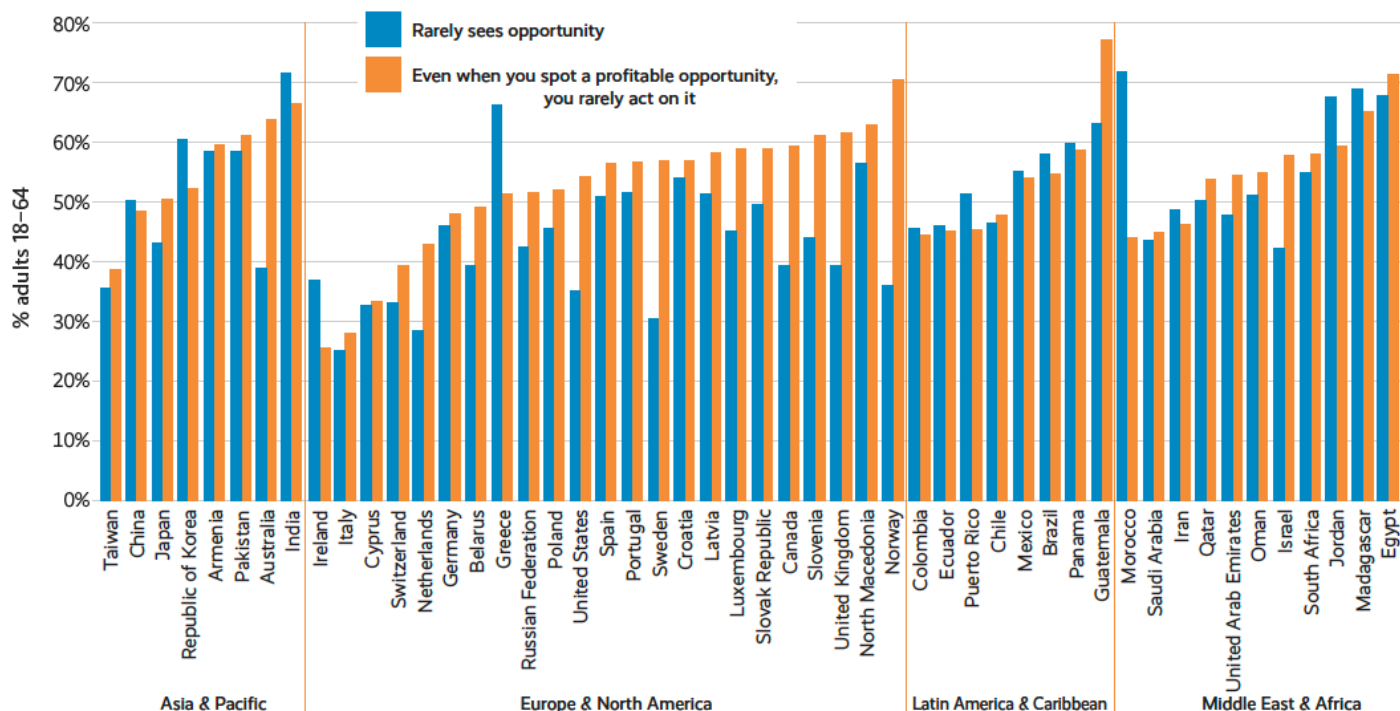


Figure 2.6 Opportunity and proactivity: % of adults agreeing that (a) they rarely see business opportunities, and (b) even if they see an opportunity, they rarely act on it Source: GEM Adult Population Survey,

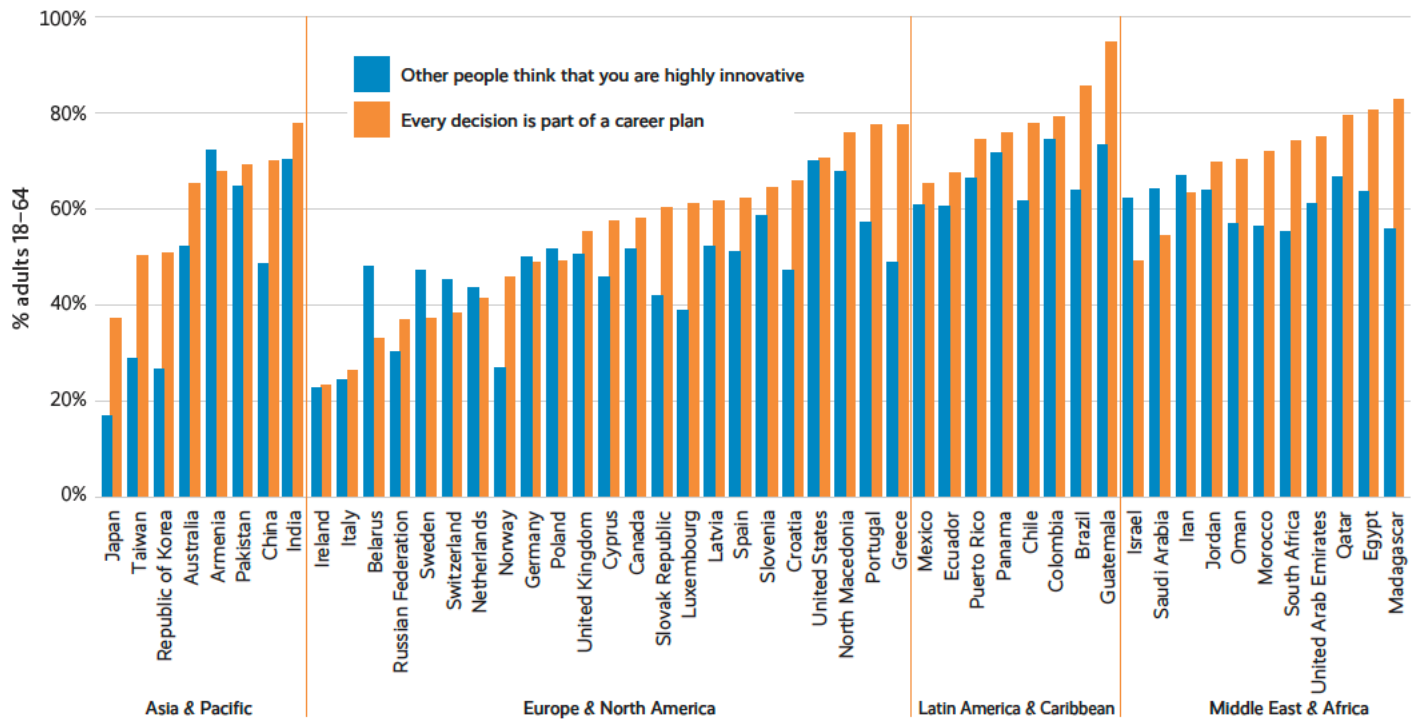


Figure 2.7 Innovation and long-term goals: % of adults agreeing that (a) other people think that you are highly innovative, and (b) every decision is part of a career plan Source: GEM Adult Population Survey, 2019

People often start undifferentiated “me too” businesses, which are difficult to sustain in a competitive environment, and which give customers little compelling reason to buy. More innovative people, on the other hand, create the foundations for a unique, sustainable business, advancing and even transforming the business environment and improving people’s lives. Likewise, a long-term perspective is suggestive of a strategic approach to life, enabling the building of significant value over a career.

The proportion of respondents agreeing that they are thought by other people to be highly innovative ranges from less than one in four in Japan, Ireland and Italy to more than seven out of 10 in Colombia, India, Armenia, Guatemala and Panama. The proportions agreeing that they act according to some long-term career plan are generally higher than the proportions thought to be highly innovative, but range from less than one in four in Ireland and Italy to more than eight out of 10 in Guatemala, Brazil, Madagascar and Egypt. Once more, there is a high degree of correlation between the two.

While there are few people who rarely see opportunity in Italy, Ireland and Taiwan, and few who rarely act when they do see opportunity in the same economies, there are also very few in these economies who consider themselves to be seen by others as highly innovative. It is clear that attitudes and perceptions, including self-perceptions, vary considerably between and across economies, and that some of these differences may have substantial implications for the level and durability of entrepreneurial activity. These levels will be assessed in some detail in the next chapter.

This chapter has looked at attitudes towards entrepreneurship, self-perceptions in terms of capabilities and fear of failure, and disposition, characterized by opportunism and proactivity, as well as innovation and long-term planning. Each of these varies considerably between economies. The proportions of adults personally knowing an entrepreneur are highest in the Middle East & Africa and Latin America & Caribbean regions. Relatively few in Japan, Taiwan and the Republic of Korea see good opportunities to start a



business, or consider this easy to do. The opposite is true of Poland and Norway, with high proportions of adults who both see good opportunities and consider it easy to start a business there. In all the sampled economies in the Latin America & Caribbean and Middle East & Africa regions (except Israel), more than half of adults see themselves as having the skills, know ledge and experience to start their own business, although throughout these economies a third or more of adults seeing good opportunities would be deterred by fear of failure. Almost seven out of 10 adults in Jordan, Egypt, Madagascar and Morocco agree that they rarely see business opportunities, compared to less than three out of 10 adults agreeing in the Netherlands and Italy.

### 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](#)



## About the International Council for Small Business (ICSB)

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editors of the ICSB Gazette is Mr. Kyle Lyon, ICSB Junior Project Manager and Mr. Skye Blanks, ICSB Junior Project Manager He will be soliciting ideas and articles from ICSB members world-wide.



### **Skye Blanks**

Editor, ICSB Gazette

Skye is the Junior Project Manager at the International Council for Small Business (ICSB) in Washington, D.C. and an Editor of the ICSB Gazette.

### **ICSB Executive Director**

#### **Comment:**

This ICSB Gazette issue is featuring an article from The Global Entrepreneurship Monitor (GEM) 2019-2020 Report

### **Contribute:**

Have a topic you would like to see or an article to share? Please submit for consideration to [skye@icsb.org](mailto:skye@icsb.org)

## **ICSB Gazette**