



Entrepreneurship and the Global Perspective

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Global Entrepreneurship Research Association**

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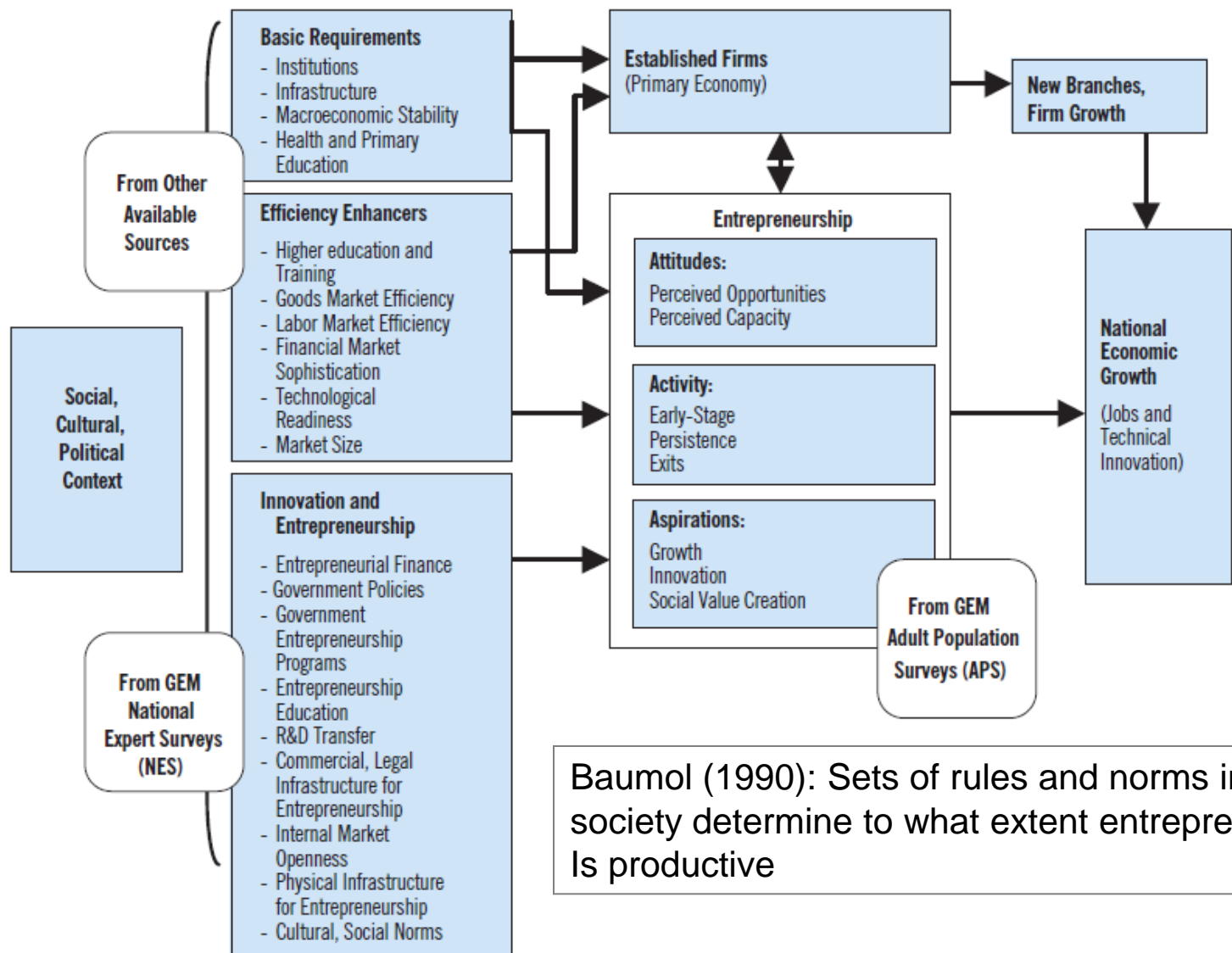
- Brief introduction to GEM
- Entrepreneurship in Europe
- The Polish context
- Trends in entrepreneurship and responses to the recession
- Conclusion / discussion



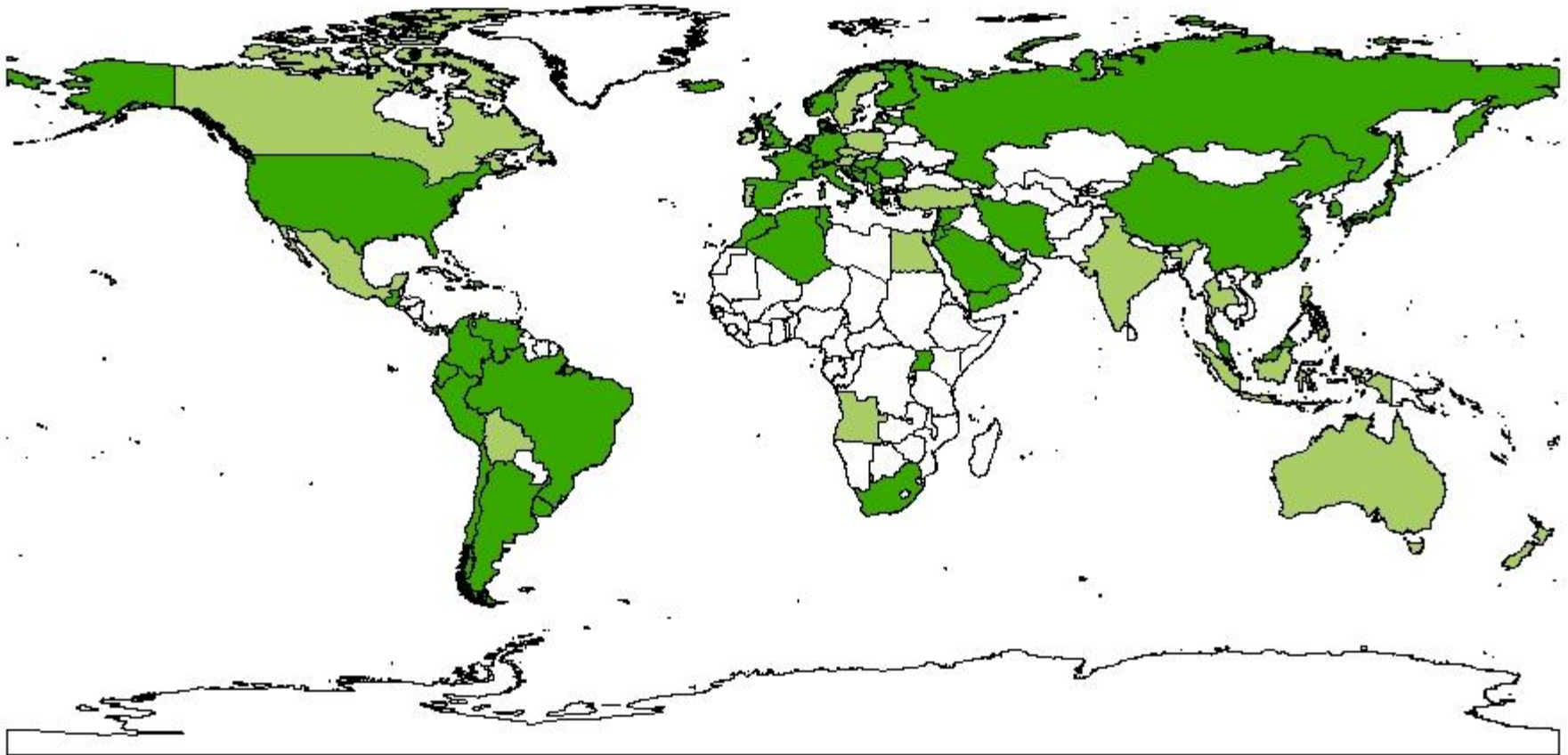
GEM: Motivation & Objectives

- “Entrepreneurship is important for economic development”
- Need for better understanding of the links between entrepreneurship & growth, and the role of policy
- Lack of detailed internationally comparable data

GEM Conceptual Model



GEM: Countries up to 2009





54 countries surveyed in 2009

Factor-Driven Economies

Algeria*, Guatemala*, Jamaica*, Lebanon*, Morocco*, Saudi Arabia*, Syria*, Tonga, Uganda, Venezuela*, West Bank & Gaza Strip, Yemen

Efficiency-Driven Economies

Argentina, Bosnia and Herzegovina, Brazil, Chile*, China, Colombia, Croatia*, Dominican Republic, Ecuador, Hungary*, Iran, Jordan, Latvia*, Malaysia, Panama, Peru, Romania*, Russia*, Serbia, South Africa, Tunisia, Uruguay*

Innovation-Driven Economies

Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, Israel, Italy, Japan, Republic of Korea, Netherlands, Norway, Slovenia, Spain, Switzerland, United Kingdom, United Arab Emirates, United States



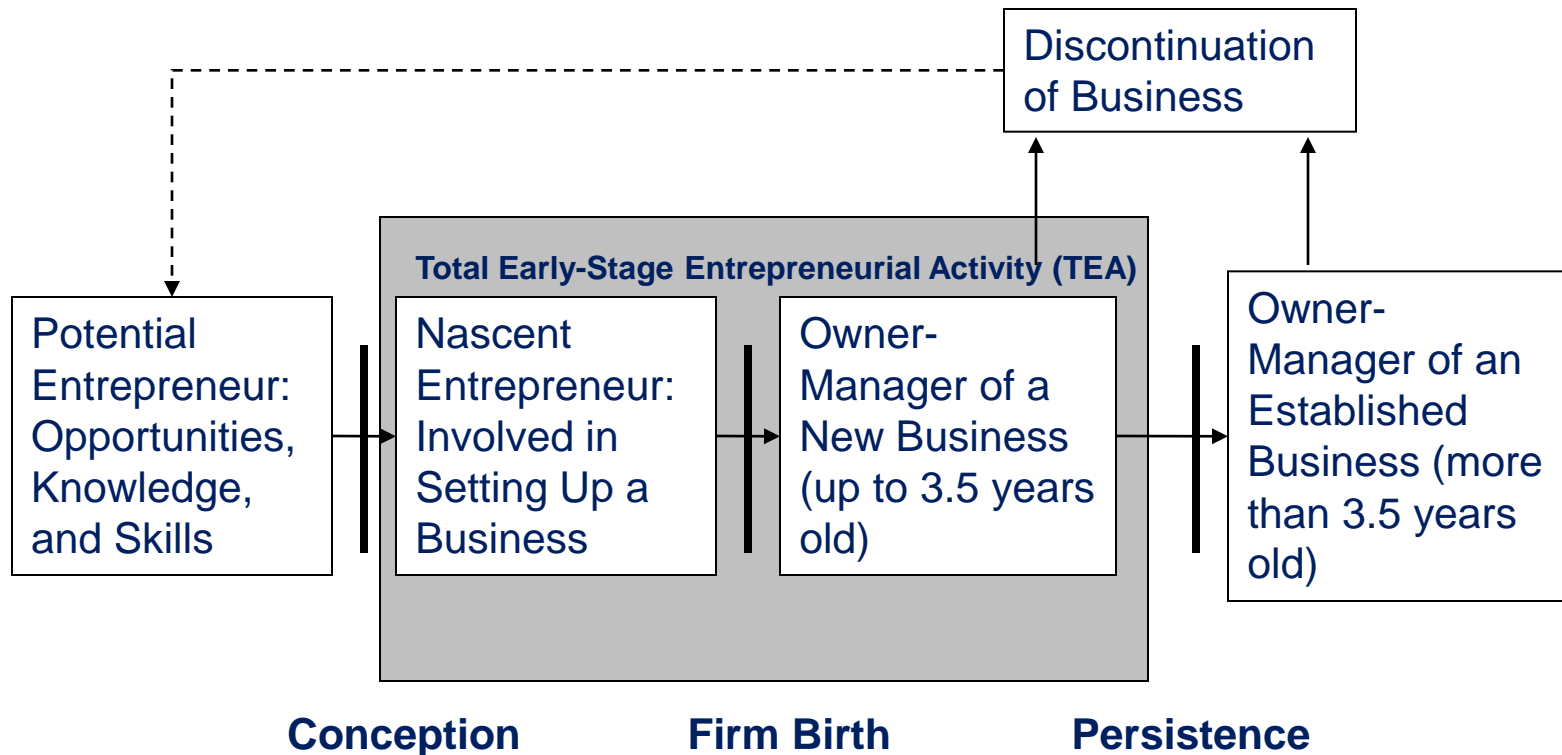
Unique features of GEM

- Harmonized data enables inter-country comparison
 - Captures formal and informal entrepreneurial activity
 - Collects data at the individual level
 - Makes distinctions between *types* of entrepreneurship
 - Measures e-ship across multiple phases:
 - Nascent
 - New
 - Established
 - Discontinuation
- } Important for Shumpeter's *creative destruction*



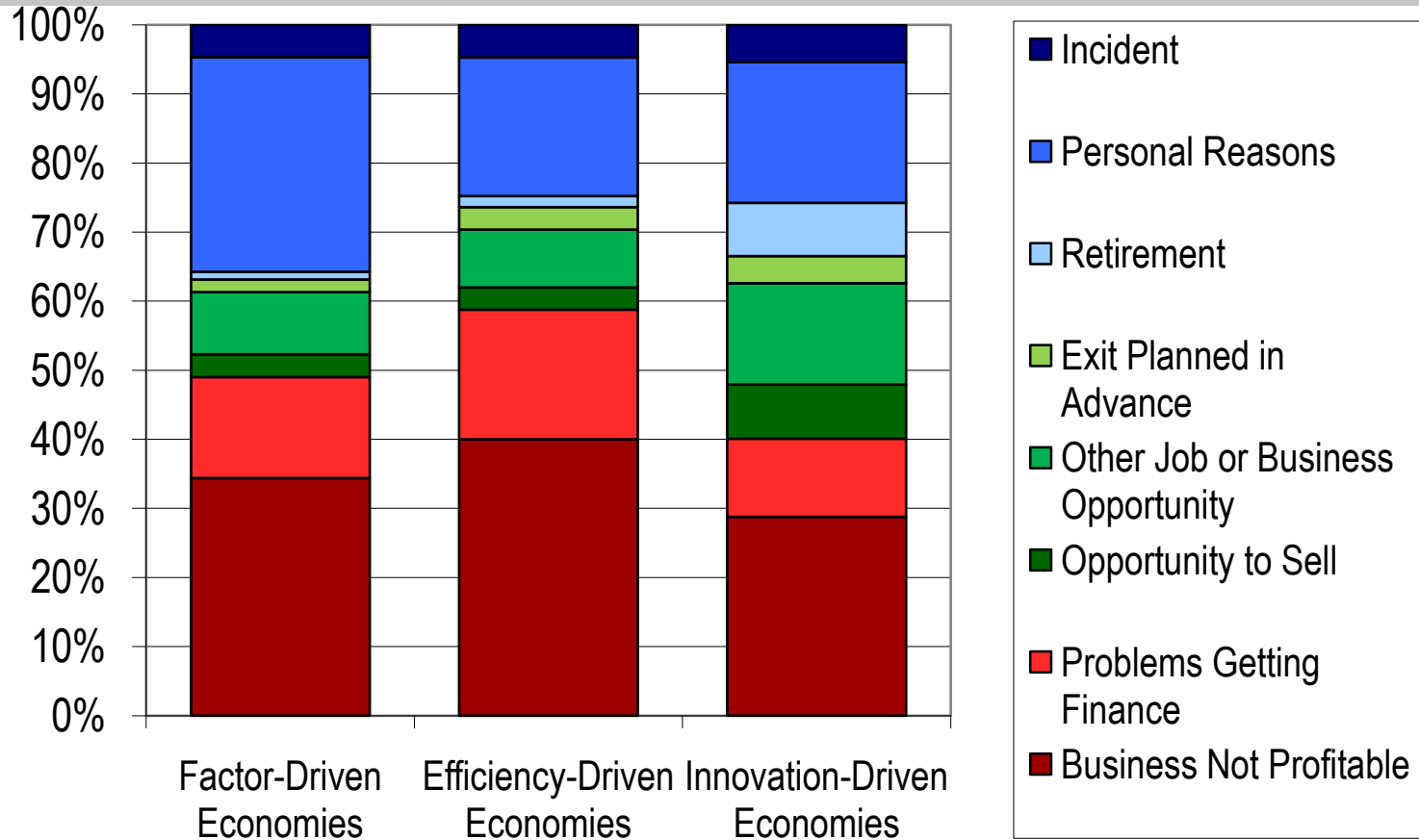
Measuring Entrepreneurial Activity

GEM identifies different phases in the entrepreneurial process





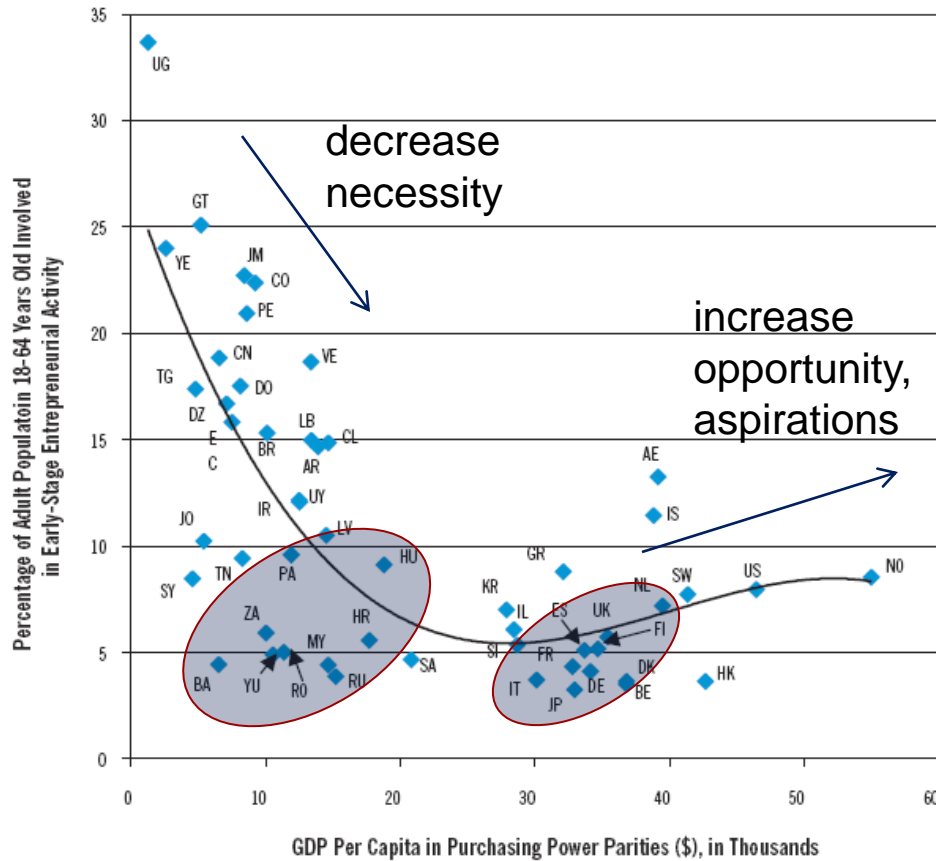
Why people discontinue businesses





Europe's Position in a Global Perspective (I)

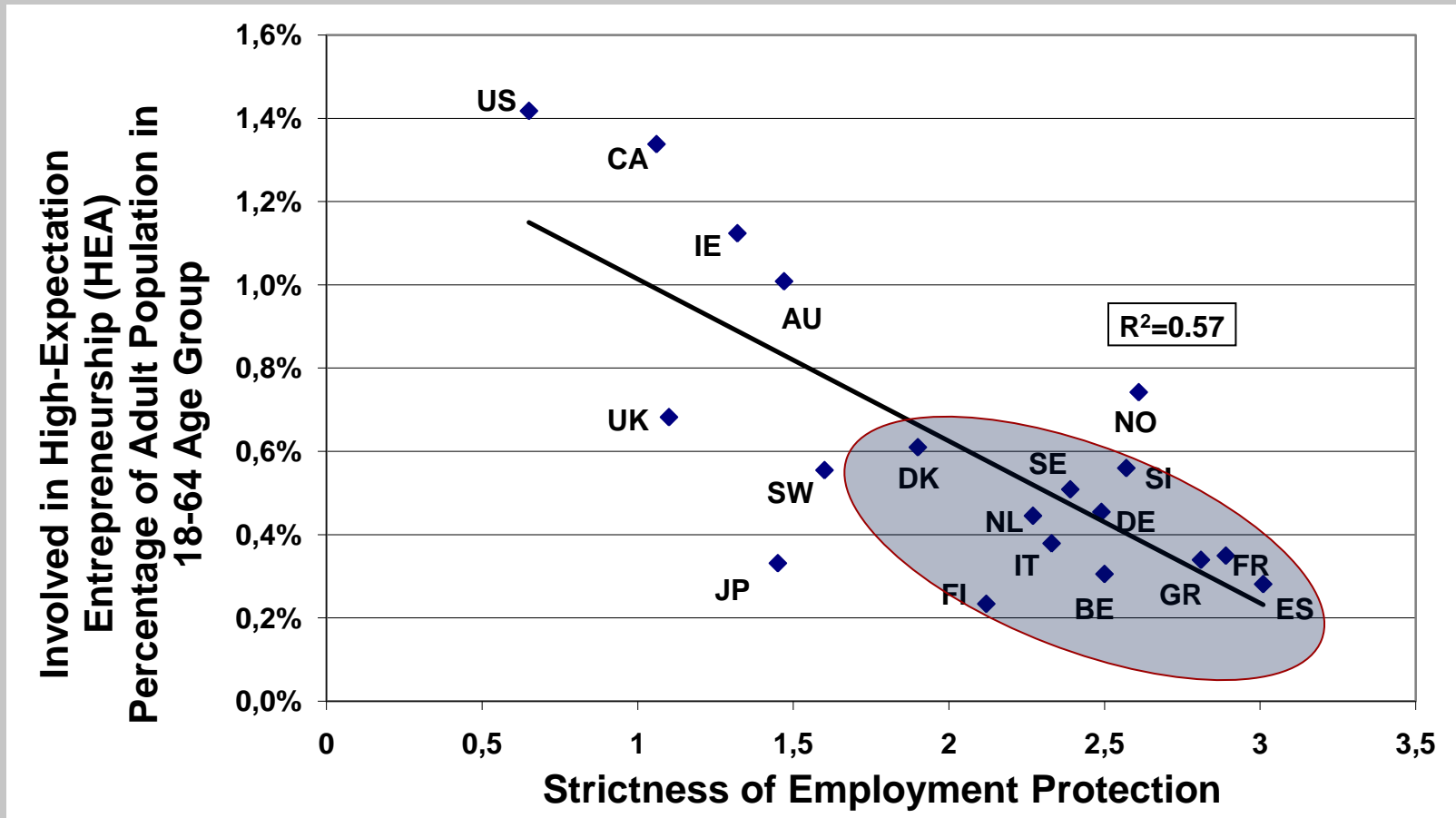
Early-stage Entrepreneurial activity (TEA) and GDP per Capita





Europe's Position in a Global Perspective (II)

High Expectation Entrepreneurship and Employment Protection Regulations





Entrepreneurship in Europe (I)

- Differences between countries
 - North / South divide
 - West /East divide
- North-West Europe: low-medium participation in early-stage entrepreneurship, many other alternatives for income (and employees more protected, see previous slide).
- Southern Europe: higher participation in entrepreneurship, but less ambitious. Increase in necessity entrepreneurship in Greece. Decrease in early-stage entrepreneurial activity in Spain.
- Eastern Europe: less stable due to big changes in past decades. Increase in necessity entrepreneurship following the economic crisis, especially in Latvia and Hungary



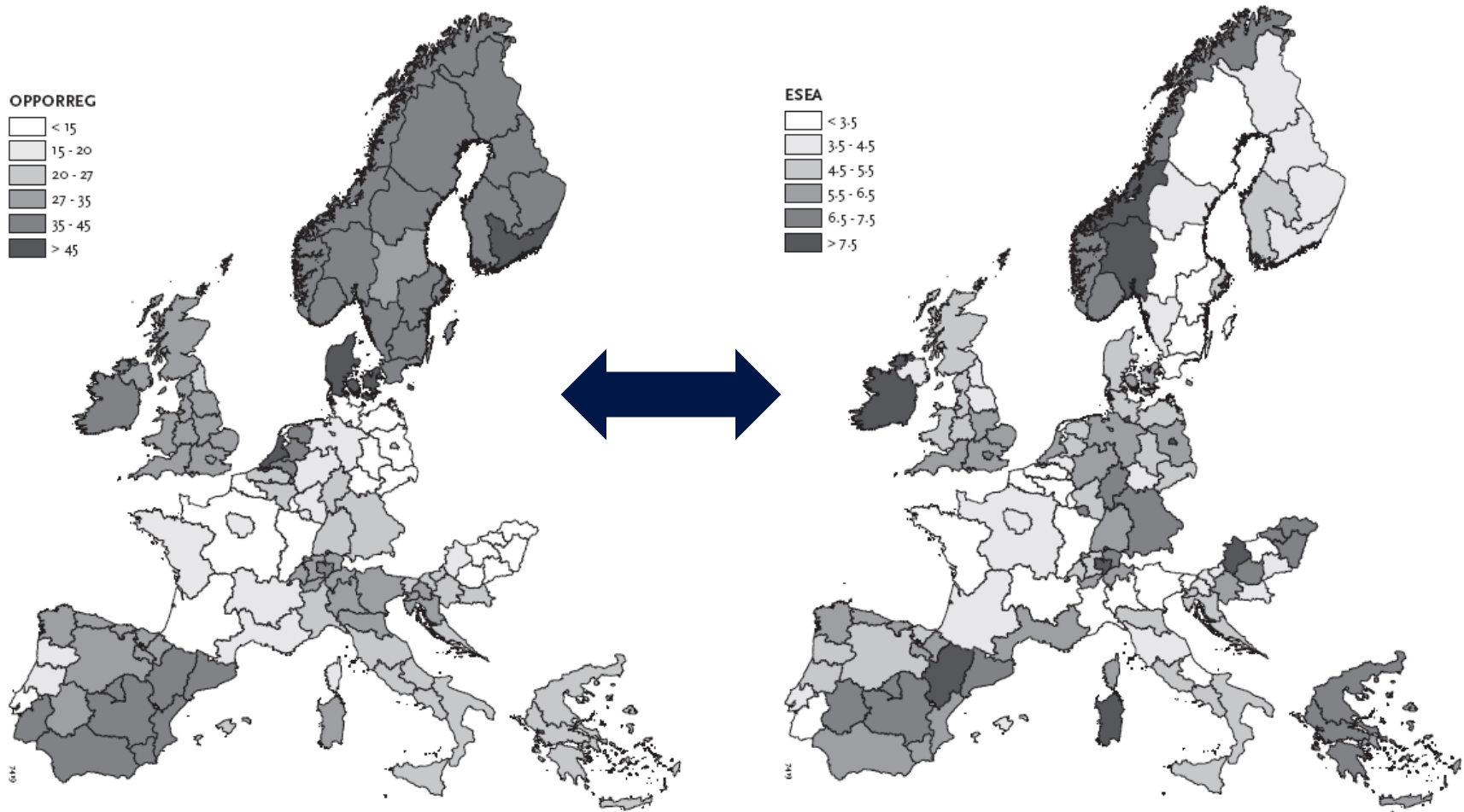
Entrepreneurship in Europe (2)

- Next slides map entrepreneurship across European regions using 2001-2006 data (based on over 350,000 data points)
- Differences at national and regional levels
 1. Differences in balance between perceptions and activity 1
 2. Differences in growth ambitions 2
- Low rates of early-stage entrepreneurial activity not necessarily ‘a bad thing’ if accompanied with good (employment) alternatives, for instance through *intrapreneurship* (GEM 2009 Global Report, p. 31).



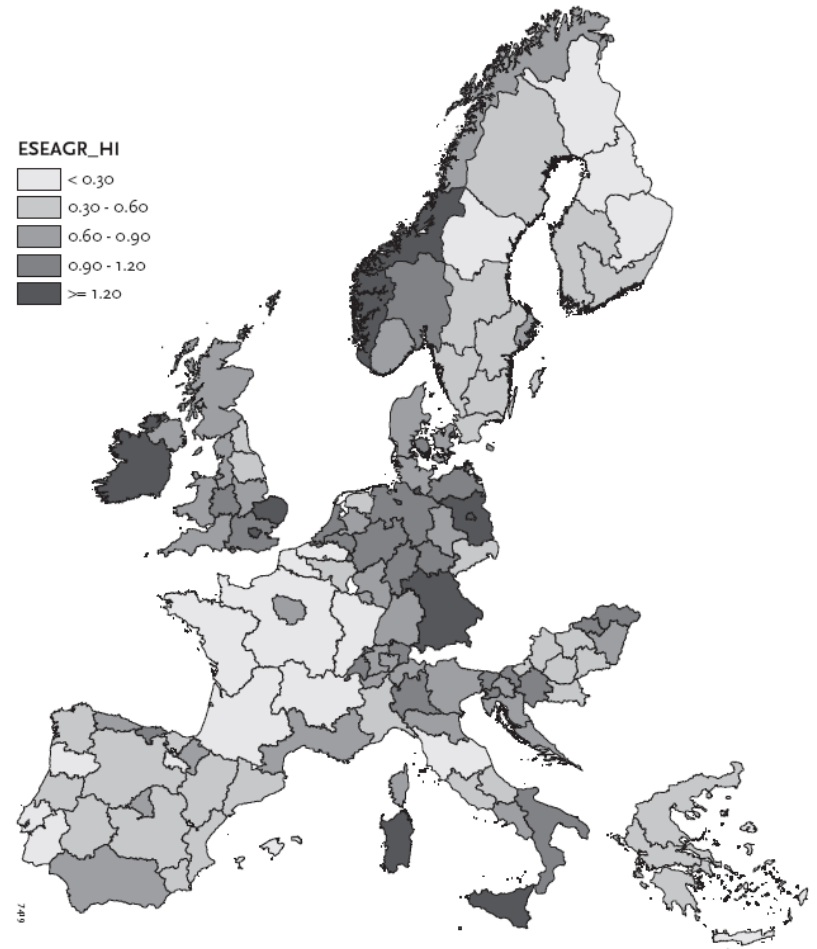
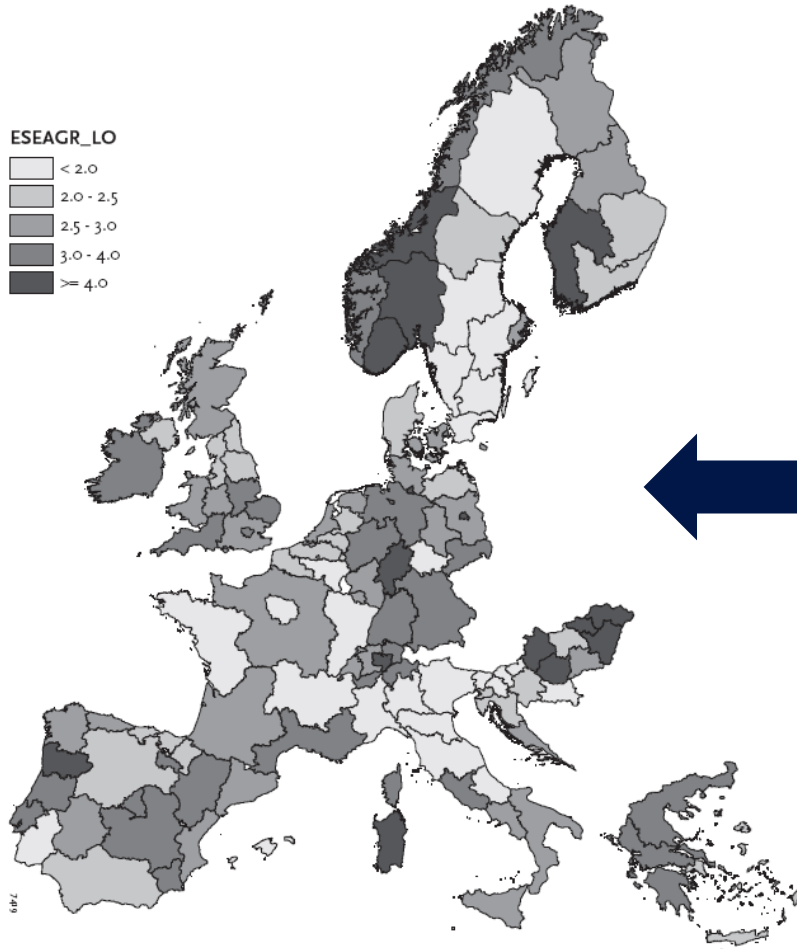
Perceived opportunities to start a business (2001-2006)

TEA: Early-stage entrepreneurial activity (2001-2006)



Early-stage Entrepreneurial Activity: Low growth oriented (2001-2006)

Early-stage Entrepreneurial Activity: High growth oriented (2001-2006)





Entrepreneurship in Europe: Conclusions

- Differences in entrepreneurship:
 - Supra-national
 - National
 - Regional
- Socio-economic and cultural heritages, expressed in institutional settings
- Importance of urban areas
- Demographic issues
- Migration
- Ageing societies

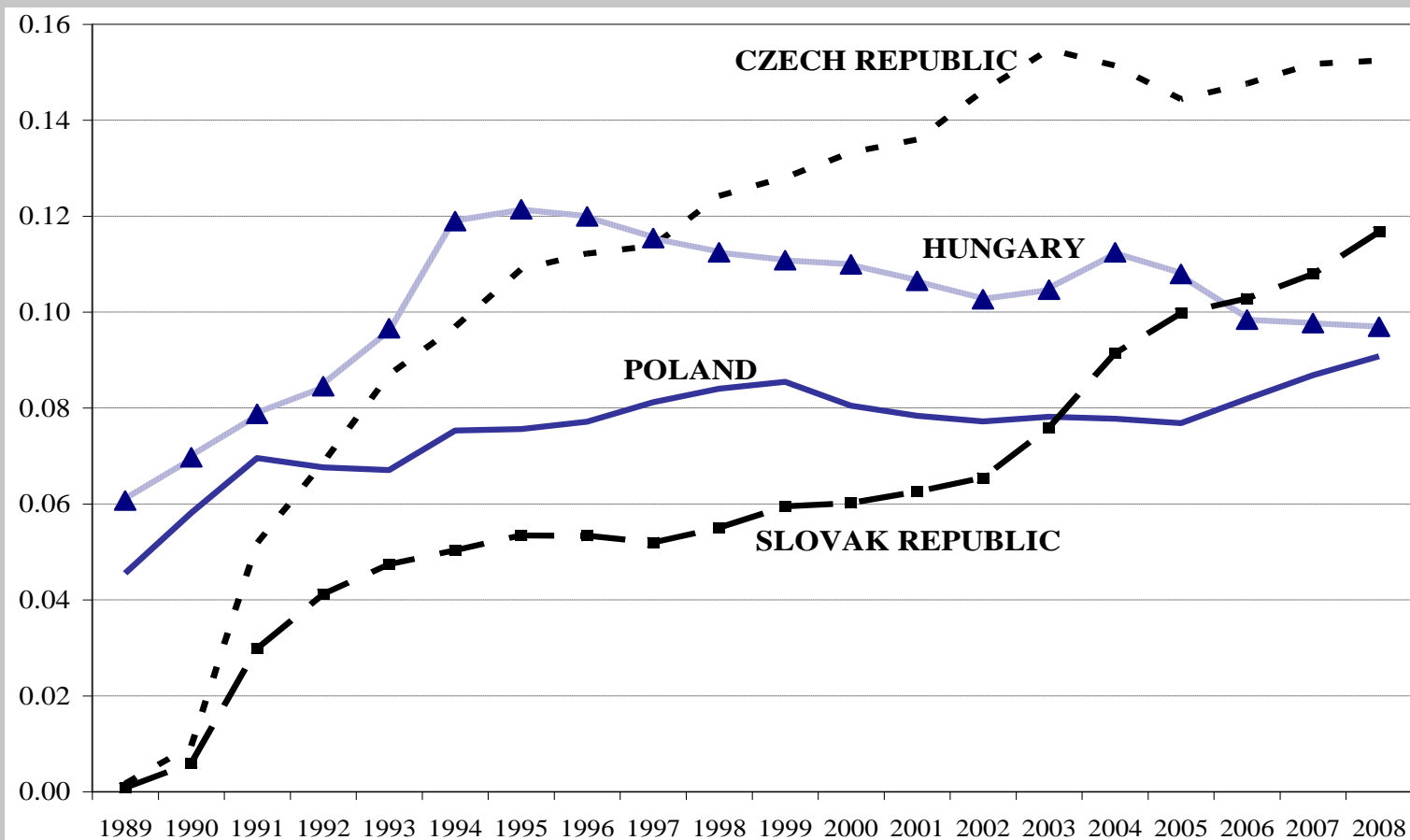


Entrepreneurship in Poland

- OECD-Report (2009), partly based on PARP (2008):
 - Positive attitudes but also negative images
 - Relatively high participation in entrepreneurial activity; large regional variation (east-west contrast)
 - Growth orientation: unclear



Business Ownership Rates 1989-2008



Source: Cieslik and Van Stel (2010) Exploring business ownership in four Central and East European transition economies

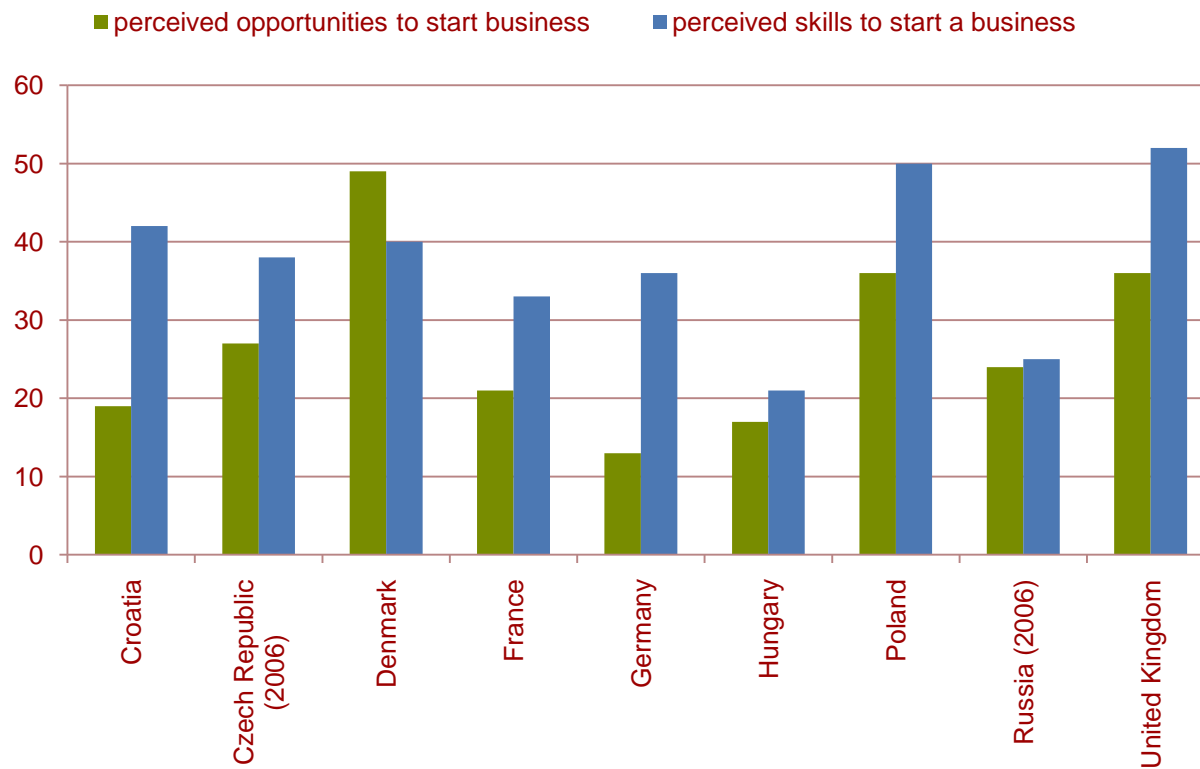


Possible explanations of the observed patterns

- During communism, business ownership was allowed to some extent in Poland and Hungary, whereas it was almost completely forbidden in e.g. former Czechoslovakia.
- However, on average, the entrepreneurs in Poland and Hungary during the communist era were possibly not well equipped to operate within a market environment (“lack of customer focus”).
- Path dependency: without severe shocks, economic and entrepreneurial activity will show little changes over time

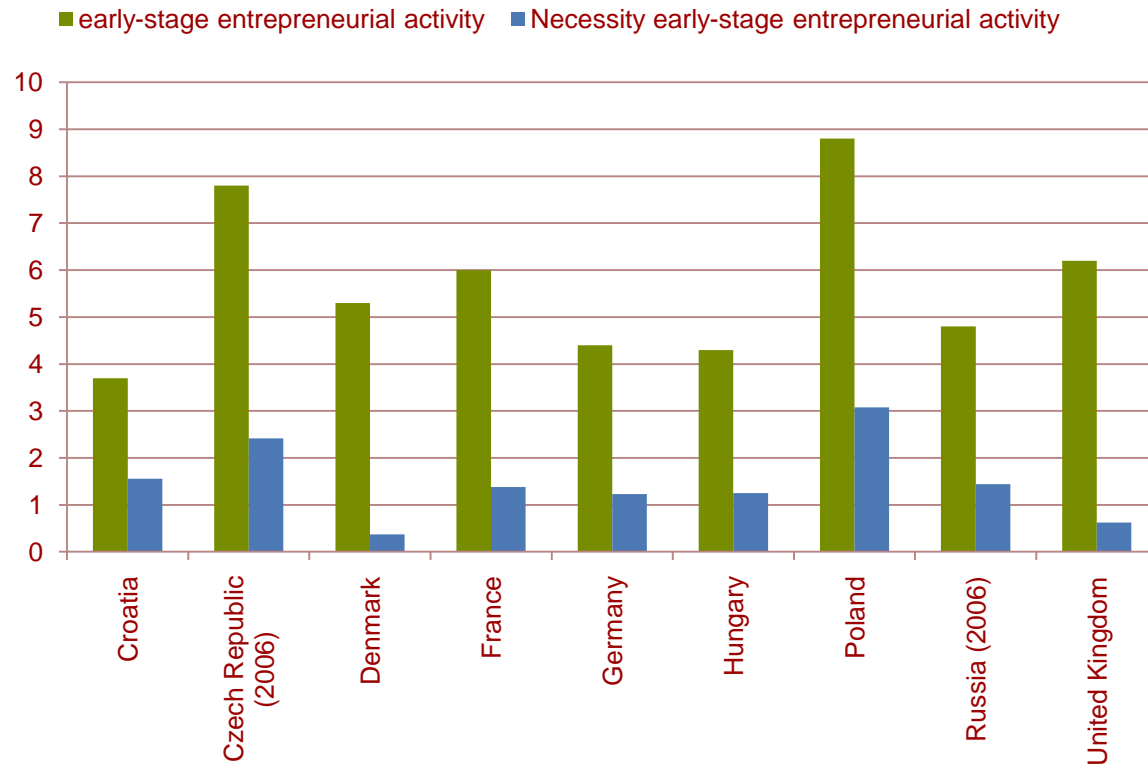


Entrepreneurial attitudes: GEM 2004 results





Entrepreneurial activity: GEM 2004 results





Entrepreneurship and the 2008-2009 recession

Comparing 2006-2007 with 2008-2009:

- **Opportunity perception** fell in half of all countries
- Decrease in opportunity perception in 50% of innovation-driven countries, increase in none of them
- Decrease in opportunity perception in 56% of other countries, increase in 13% of them
- **Fear of failure** rose in almost 40% of countries:
- Increase in fear of failure in 33% of innovation-driven countries, decrease in none
- Decrease in fear of failure in 44% of other countries, increase in one (6%)



Entrepreneurship and the 2008-2009 recession

Comparing 2006-2007 with 2008-2009:

- **Necessity entrepreneurship** increased as % of TEA in many innovation-driven countries:
- Increase in necessity entrepreneurship as % of TEA in 39% of innovation-driven countries, decrease in 11%
- Decrease in necessity entrepreneurship as % of TEA in 31% of other countries, increase in 25%



Entrepreneurship and the 2008-2009 recession

Comparing 2006-2007 with 2008-2009:

- **Business start-up attempts** in large innovation-driven economies most affected
- **New business activity** held up well
- Reduction in business start-up attempts in 50% of innovation-driven countries, increase in 25%
- Reduction in business start-up attempts in 31% of other countries, increase in 25%
- Reduction in new business activity in 11% of innovation-driven countries, increase in 39%
- Reduction in new business activity in 31% of other countries, increase in 38%



What the Entrepreneurs think

Comparing 2008 with 2009, more than half of entrepreneurs found that starting a business was more difficult, but around 20% found that it was less difficult.

Entrepreneurs were evenly divided on the effect on their prospects for growth.

Young, well-educated entrepreneurs who expected to create relatively high numbers of jobs were more likely to see more opportunities for their business as a result of the global slowdown.

The more established the entrepreneur, the more pessimistic they were likely to be



Trends in Global Entrepreneurial Activity

- Entrepreneurial activity, in terms of the prevalence rates measured in GEM, are rather consistent over time
- However, the global economic crisis does provide reasons for entrepreneurial activity to change. Changes can, however, be different depending on the (country) context
- In the following slides: changes over time for United Kingdom, Hungary, Croatia, Germany and Latvia
- Descriptive analysis!



GEM 2001-2009 Trends: Smoothed Measures



Attitudes

Attitudes

Attitudes

Attitudes

Attitudes

Activity

Activity

Activity

Activity

Activity

Aspirations

Aspirations

Aspirations

Aspirations

Aspirations



Conclusions from 2001-2009 trends

- We observe a mixture of responses, also among countries that seem rather ‘related’
- In general, entrepreneurial attitudes more in line with business cycles than entrepreneurial activity: the more remote to the ‘event’, the clearer the pattern
 - Many countries show decrease in perceived opportunities
 - Many countries show increase in fear of failure
 - More countries with decreasing nascent entrepreneurship rates than countries with increasing rates
 - Very mixed pattern for prevalence rates of owner-managers with new firms



Entrepreneurial responses to the crisis

Different responses, depending on the country context:

- Lower start-up activity due to:
 - Lower expected profits
 - Postponing intended start-ups
 - Difficulties getting finance
- Higher start-up activity due to:
 - Fewer job alternatives, combined with less favourable social security system: more necessity start-ups
 - Those seeing new opportunities arising from the crisis
- Either or both mechanisms may be at play in countries
 - Latvia exhibits higher start-up activity, Spain lower start-up activity
 - Spain's start-up activity may increase again if recovery does not set in substantially
 - UK: not so much affected or do both mechanisms apply?



What are the responses by entrepreneurs in 2009?

- Owner-managers in new firms with a positive response to the statement: “the global economic slowdown provides additional opportunities for your business” (% of total number of owner-managers in new firms)

Individual level determinants:

- Age (young)
- Opportunity-driven
- Innovation-oriented
- Job expectation
- International orientation

National level determinants:

- Perceived opportunities by population
- Migration
- Employment rigidity (-)

country	mean	se(mean)	N
Brazil	10%	2%	222
China	8%	1%	404
Finland	11%	4%	50
France	10%	7%	21
Germany	12%	3%	160
Greece	9%	3%	75
Hungary	11%	4%	58
Iceland	19%	5%	68
Israel	16%	5%	47
Italy	18%	6%	43
Latvia	9%	3%	105
Netherlands	16%	4%	79
Norway	15%	5%	62
Russia	6%	4%	36
South Africa	36%	6%	70
Spain	15%	1%	637
Switzerland	18%	6%	47
UK	16%	2%	584
United States	30%	5%	94



Conclusions / discussion

- Entrepreneurship is a multi-faced phenomenon, requiring a multi-faceted approach in policy making
- Lower rates of entrepreneurial activity are not necessarily negative indicators for economic development; it may mean that better job alternatives become available
- Influences stem from cultural heritage, socio-economic context, demography and geography
- Perhaps more information required to appreciate the Polish context that is relevant to entrepreneurship... (?)
- Linking to existing local strengths is more important than trying to copy others' strategies in the race for climbing in the global rankings
- Try to turn entrepreneurial activities that are prevalent but not productive into productive ones



Global Entrepreneurship Monitor



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Thanks for your attention!
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