



GEM

2019/2020 United States Report

GLOBAL ENTREPRENEURSHIP MONITOR

National Entrepreneurship Assessment for the United States of America



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Global Entrepreneurship Monitor 2019/2020 United States Report



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Unless otherwise noted, GEM data were used in the preparation of this report. Their interpretation and use are the sole responsibility of the authors.

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Global Entrepreneurship Monitor 2019/2020 United States Report

Babson College

Foreword

Congratulations to the 50 economies and hundreds of researchers who have produced the 2019 Global Entrepreneurship Monitor survey results. As a member of the founding GEM Board of Directors, I marvel at the growth and impact of GEM over more than two decades.

In classic entrepreneurial style, the Global Entrepreneurship Monitor research project was launched 22 years ago. It was a big idea crafted by two great academics at Babson College (Bill Bygrave) and the London Business School (Michael Hay), who were determined to test the proposition that entrepreneurship is the wellspring of economic growth. From a five-country pilot, GEM has evolved into a multi-year study that has become a key component supporting public policy, capital formation, and venture creation.

Like most entrepreneurial ventures, GEM has evolved and grown over the years, constantly seeking more depth of analysis and understanding. Since the first survey in 1999, GEM has recruited 114 national teams and continually enhanced the survey to provide novel insights about the many ways entrepreneurs impact the world. Particularly in the United States, where the media often focus on technology entrepreneurs, GEM has brought attention to the broad range of people who start a diverse array of businesses in many contexts, and who collectively contribute to the economic and social progress of the United States.

Today, a traumatized global community seeks new insights into economic healing and financial wellness. Entrepreneurship is the answer. Indeed, problem-solving becomes an opportunity to create value when viewed through the lens of entrepreneurship. Each year, GEM researchers put forth global, national, and special topic reports to assess the progress of key indicators. For example, this year at least a dozen targeted analyses provide deep insights, often by country, on textured entrepreneurial behavior by individual groups such as women, and motivational mindsets like wanting to make a difference in the world.

GEM's advanced analysis of entrepreneurship reveals a complex ecosystem influencing opportunity-motivated behavior. Ventures play a key role in how an entire economy functions. Older and well-established firms often rely on entrepreneurs somewhere in the value chain for supply, innovation, and market access. With advanced research completed over the years, the importance of GEM's original metric, total entrepreneurial activity (TEA), remains a bellwether indicator of the importance of entrepreneurship to a healthy society. This year's report scores the highest TEA in the history of GEM research for the United States.

The 22 years of GEM Reports should be required reading for policymakers, and for benefactors and stakeholders who allocate capital.

Stephen Spinelli Jr., PhD
President, Babson College



Executive Summary

In 2019, the Global Entrepreneurship Monitor (GEM) conducted its 21st annual survey of entrepreneurship, generating an extensive and detailed look at entrepreneurship around the world. The United States has participated in every GEM survey since 1999. In 2019, the GEM U.S. research team, based at Babson College, surveyed 3,000 adults about their entrepreneurial affiliations and perceptions, and the rate and characteristics of entrepreneurship. The United States was among 50 economies participating in the GEM 2019 cycle and among 32 economies classified as high-income.

The results indicate that, of the 202 million working-age adults in the United States, 27% are starting a business or running a business they own and manage. This equates to 54.5 million people generating their own source of income, with many creating jobs for others. Of these, 33.1 million are in the entrepreneurial phase, starting or running businesses less than three and a half years old; 19.2 million are running established businesses (more than three and a half years old); and 2.2 million are participating in the entrepreneurial phase with a new business while running an established one.

The importance of entrepreneurship to the U.S. economy becomes clear when one stops and considers business owners in a community who provide products and services people depend on. Of note are entrepreneurs who transform ideas into novel solutions that together advance society and improve wellbeing. This demonstrates the value entrepreneurs bring each day to every person in the United States.

The future of entrepreneurship in the United States was uncertain as this report went to press in the summer of 2020. However, the report offers an insight into what entrepreneurship looked like in 2019, before the onset of the global pandemic. It was a time when the economy was humming along and entrepreneurship was thriving. One can look back to the experience of the financial crisis and forward into the future to next year's results for lessons learned from the COVID-19 crisis. But this report will contribute in its own way to an evolving understanding about the nature and cycles of entrepreneurship in the United States over time.

Below are select results from the 2019 GEM United States survey.

ACTIVITY LEVELS ACROSS BUSINESS PHASES AND TYPES

- Total entrepreneurial activity (TEA) increased to 17.4% in 2019, a 10% increase from 2018 and the highest level reported in GEM's 21 years for the United States.
- Established business activity in 2019 was up by over one-third of the prior-year level to 10.6%, also the highest level reported in the United States by GEM.
- Business exit rates (2.2%), in which a business continued after departure of the entrepreneur, are slightly higher in the United States than in other high-income economies. However, the percentage of adults who closed a business in the last year (2.9%) is on a par with the high-income average.
- The United States has a relatively high level of entrepreneurial employee activity (EEA) (6.5%), along with high TEA, showing that entrepreneurial opportunities can emerge from both the startup sector and established companies.

EXECUTIVE SUMMARY

ENTREPRENEURIAL MOTIVATIONS

- The United States shows moderately low necessity – motives (41%) and among the highest wealth motives (69%) within the 32 developed economies.
- Impact motives – having a goal to make a difference in the world – were cited by 66% of U.S. entrepreneurs, among the highest level in the developed economies.
- The United States places near the middle of the high-income economies with respect to the proportion of entrepreneurs stating they are starting a business to continue a family tradition (31%).

SERIAL ENTREPRENEURSHIP

- In the United States, 55% of the adult population have started at least one business in their lifetime, with 26% saying they have started two or more businesses.
- Among entrepreneurs, 48% have started at least one other business besides the one they are presently starting or running. Among established business owners, 53% had started at least one other business prior to their current one. This means that nearly half or more of those currently starting or running businesses in the United States were at least on their second venture.

ENTREPRENEURIAL IMPACT

- The United States is distinct from the average of the other 31 high-income economies in having a high proportion of entrepreneurs in the manufacturing and transportation sectors (15% versus 11%) and in the finance sector (11% versus 4%), while participating less in the wholesale/retail sector (25% versus 35%).
- The percentage of TEA competing in the medium- and high-technology sectors was 7%.
- Among U.S. entrepreneurs, 32.5% expect to create six or more jobs in the next five years, higher than the average of 28% for the other 31 high-income economies. An equal percentage state they will create one to five jobs. Overall, established business owners are only half as likely as TEA to project adding jobs in the next five years.
- While 70% of entrepreneurs are not introducing a new product or service, 16% state their offerings are new to people in their local area, 5% report their offerings are new to people in the country, and 8% claim their products or services are new to the world.
- In 2019, 24% of U.S. entrepreneurs conducted sales outside the United States, while 43% sold nationally.

ENTREPRENEURIAL AFFILIATIONS, TALENT, AND SELF-PERCEPTIONS IN SOCIETY

- In the United States, 60% of adults know at least one person who started a business or became self-employed in the past two years, with nearly half (46%) knowing more than one person who did so.
- Four measures of entrepreneurial talent were added to the GEM survey in 2019. In the United States, 70% of adults state that other people think they are highly innovative, and 70% of adults have long-term vision—the ability to think forward into the future to what may be possible. A majority (65%) of respondents stated they are typically alert to opportunities. However, only 46% of adults stated they will act on opportunities when they spot them.
- Opportunity perceptions dropped slightly in 2019, to 67.2%. However, this indicator is still more than twice the percentage reported in 2009.
- Capabilities perceptions jumped upward to 65.5% in 2019, after 11 years of hovering around 55%.

- Among those seeing opportunities, 35.1% would not start a business because of fear of failure. This indicator stayed the same as in 2018, with both years representing the highest level reported by GEM in the United States. However, fear of failure is low in the United States compared to other developed economies.
- Entrepreneurial intentions increased by over 10% in 2019; 20.4% of the U.S. adult population stated they intend to start a business in the next three years.
- In the United States, a large majority of adults (71%) believe it is easy to start a business.

EXPERT RATINGS ON CONDITIONS FOR ENTREPRENEURSHIP

- The United States has the highest expert rating on cultural and social norms conducive to entrepreneurship (7.7 out of 10) among all developed economies in GEM reporting, with the 31 other economies only averaging just above 5 on a 10-point scale.
- Entrepreneurial finance in the United States (6.0) also stands out as distinct from the average in the 31 other economies and is among the highest of the individual scores across the sample.
- Physical infrastructure is also high in the United States (7.5), but this is typical for a developed economy.
- The United States is rated a little higher than the average for the developed economies on government policy, taxes, and bureaucracy (4.9), and a little lower on government programs for entrepreneurship (4.2). This perhaps reflects that support for entrepreneurship is slightly more likely to occur through policy in the United States, while other developed economies may rely more on programs to support entrepreneurs.
- The lowest rating for the United States is in school-stage entrepreneurship education (3.9). This is also the lowest-rating category for the other developed economies. Post-school entrepreneurship education, however, rates a little better in the United States (5.4) than the average for the other developed economies.
- Moderately low-rated factors include market factors and R&D transfer to small and new firms.

AGE PATTERNS FOR PHASES AND TYPES OF ENTREPRENEURS

- In the United States, the highest TEA rates are among the age groups 25-34 and 35-44 (22%). However, those under 25 years of age are also starting businesses at a relatively high rate (16%).
- Substantial activity can be seen among those aged 65-74, with TEA of 6% and established business ownership (EBO) over 11%. Given that workforce participation rates are 27% for this age group, it can be surmised that the majority of those aged 65 and over who are still working are likely to be running their own businesses.
- Entrepreneurial employee activity peaks in mid-career at 10% among those aged 35-44.
- Business exits and closures appear to happen about equally across the age groups, despite fluctuations in TEA and established business activity.

AGE PATTERNS FOR ENTREPRENEURIAL MOTIVATIONS

- The youngest age group has both high impact motives and high wealth motives, each at 76% for entrepreneurs aged 18-24, suggesting ambitious expectations to make a difference in the world and get rich.
- Necessity motives are highest in the two youngest age groups, 45% for age 18-24 and 46% for age 25-34, and also for those in late career at 43% for age 55-64.
- Family traditions are less of a driver of entrepreneurship among young people, but become more important in older age groups, particularly those 45-54 years of age (37%).

EXECUTIVE SUMMARY

AGE PATTERNS FOR ENTREPRENEURIAL AFFILIATIONS, TALENT, AND SELF-PERCEPTIONS

- About two-thirds of people under age 45 know an entrepreneur personally.
- Opportunity perceptions fluctuate little across age groups, with the biggest difference between the youngest age group, where 63% of those aged 18-24 have opportunity perceptions, and the next age level, 25-34, reporting 72% on this indicator.
- Capability perceptions are lowest among those aged 18-24 (45%), increasing to a fairly constant level between 69% and 73% across those in mid- to late career, aged 35-64.
- Fear of failure is highest among the youngest age group (47%), and it follows a generally decreasing path as individuals age and gain experience.
- Entrepreneurial intentions peaked sharply in the 25-34 age group during 2019 (21%), falling by almost half to 12% in the next age group, despite both age ranges showing equal TEA rates.

WOMEN'S PARTICIPATION IN ENTREPRENEURSHIP

- In 2019, the rate of women's entrepreneurship was 16.6%, compared to 18.3% for men. Notably, the gender gap narrowed to an all-time low of less than two percentage points, one of the lowest gender gaps in the world.
- Women 35-44 years of age show the highest TEA rate (21% for women versus 23% for men). Adults aged 25-34 exhibit the greatest gender gap in TEA (19% for women versus 25% for men), with very little difference between genders in all other age groups.
- More than half of women and men have started at least one business so far in their career (52% for women versus 57.5% for men). Among women entrepreneurs, 44% have started at least one other business besides the one they are currently starting, compared to 52% for men.
- Women are more likely than men to be motivated to make a difference in the world (70.5% versus 62.5%) and to start a business because jobs are scarce (45% versus 37.5%), and they are less likely to be motivated by the prospects of great wealth or a very high income (64.5% versus 73%).

ENTREPRENEURIAL SELF-PERCEPTIONS AND TALENT AMONG WOMEN

- A majority of women believe there are many opportunities around them for starting a business (63% of women versus 71% of men), and state they have the capabilities for entrepreneurship (60% of women versus 71% of men)—the latter of which exhibited an 11-percentage-point increase from 2018. However, fear of failure among women seeing opportunities remained moderately high at 40% compared to 31% of men.
- In 2019, 59% of women stated it is easy to start a business versus 69% of men.
- The data for 2019 reflect a continuing pattern of intentions for women, remaining at 12% versus 15.5% for men.
- Talent indicators revealed that 70% of women have long-term vision compared to 69% of men, and 67% are innovative versus 70% of men. Just over half are proactive (54% of women versus 53% of men) and just over one-third are alert to opportunities (36% of women versus 33% of men).

BUSINESS IMPACT CHARACTERISTICS AMONG WOMEN ENTREPRENEURS

- Women entrepreneurs are most likely to start businesses in wholesale and retail (26% of TEA), health, education, government, and social services (21%), and professional and administrative services (18%).
- Women entrepreneurs mostly start local businesses, accounting for 88% of female TEA versus 82% for men. Only 8% of women entrepreneurs sell nationally, and 4% conduct business internationally, compared to 11% and 7% for men, respectively.
- The business discontinuance rate, where one closed a business, is 3% for both genders. Business exits, where a business continued after departure of the entrepreneur, is 2% for both genders.
- With respect to innovation, 72% of women versus 68% of men do not offer a new product or service, and 6% of women believe they are offering something new to the world, compared to 9% of men. For both genders, 16% of entrepreneurs stated their innovations were new locally, while 5% said they introduced innovations that were new nationally.



Introduction

The U.S. Economy in 2019

Economic conditions and outlook significantly affect entrepreneurial activity and aspirations. The current status and future prospects of an economy measured as economic growth, disposable income, consumer confidence, unemployment, inflation, trade, and investment can affect entrepreneurial incentives, perceived opportunities, and eventually, entrepreneurial activities. Therefore, the GEM United States of America report offers a brief discussion of the U.S. economy in 2019.

The U.S. economy enjoyed another robust year in 2019. Although fears of recession prevailed at the beginning of the year, the economy proved strong. By July 2019, the American economy broke its record and entered its longest boom cycle. By the end of the year, Americans had for the first time experienced 12 years and 6 months of economic expansion. Seasonally adjusted annual growth was at a healthy rate of 2% to 3% in every quarter (Figure 1). By the end of the year, the economy was 2.3% larger than it had been at the end of 2018, about the average growth rate over the three preceding years. The per capita GDP stood at an all-time high of \$58,392. In comparison, the world economy experienced its weakest growth of the past 10 years, according to the International Monetary Fund.¹

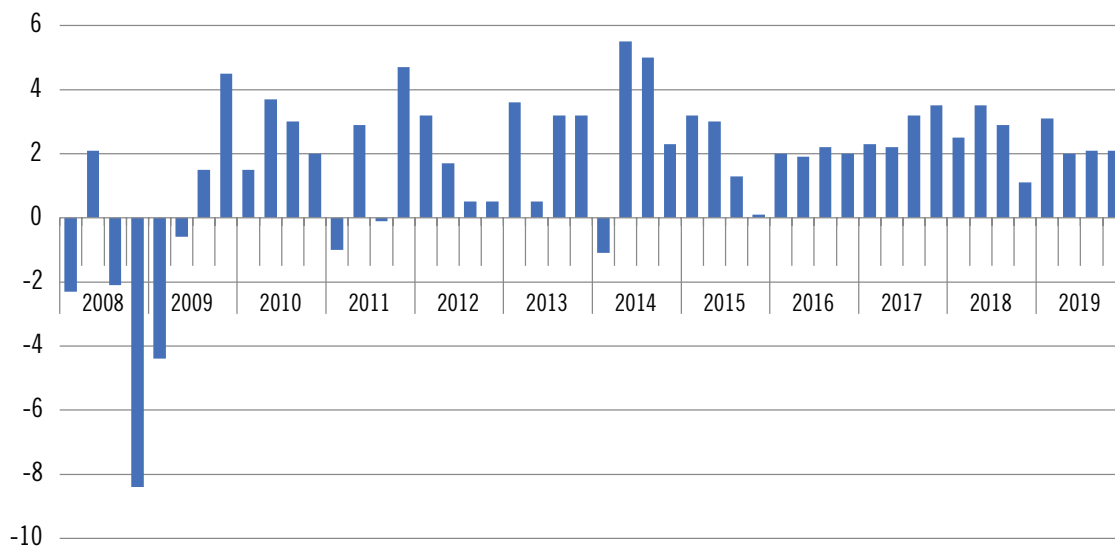


FIGURE 1
Percentage Change
in Real GDP from the
Preceding Quarter
(Seasonally Adjusted
Annual Rates)

SOURCE OF DATA:
Federal Reserve Bank of
St. Louis Economic Data
(FRED). Accessed on
June 11, 2020: [https://
fred.stlouisfed.org/series/
A191RL1Q225SBEA](https://fred.stlouisfed.org/series/A191RL1Q225SBEA).

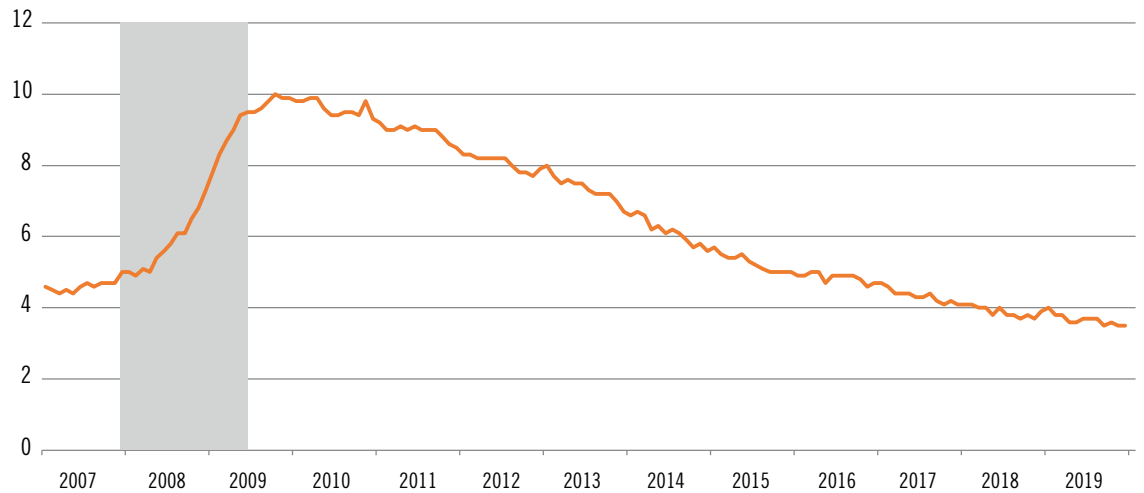
¹ <https://blogs.imf.org/2019/12/18/2019-in-review-the-global-economy-explained-in-5-charts/>

INTRODUCTION

As a result of robust economic growth, total non-farm employment reached an all-time high of about 152 million people by the end of the year. The economy added over 1.8 million jobs in this period, fewer than in the previous 3 years but reducing unemployment to a 50-year low (Figures 2 and 3). By the end of the year, unemployment had declined to a rate of 3.5%. The employment rate among adults aged 25-54 passed 80% and continued to slightly above its level before the Great Recession of December 2007 through June 2009. The employment rate for those aged 15-64 reached just below 71.8%, about the same as before the Great Recession.

FIGURE 2
National
Unemployment Rate,
Seasonally Adjusted
by Percent

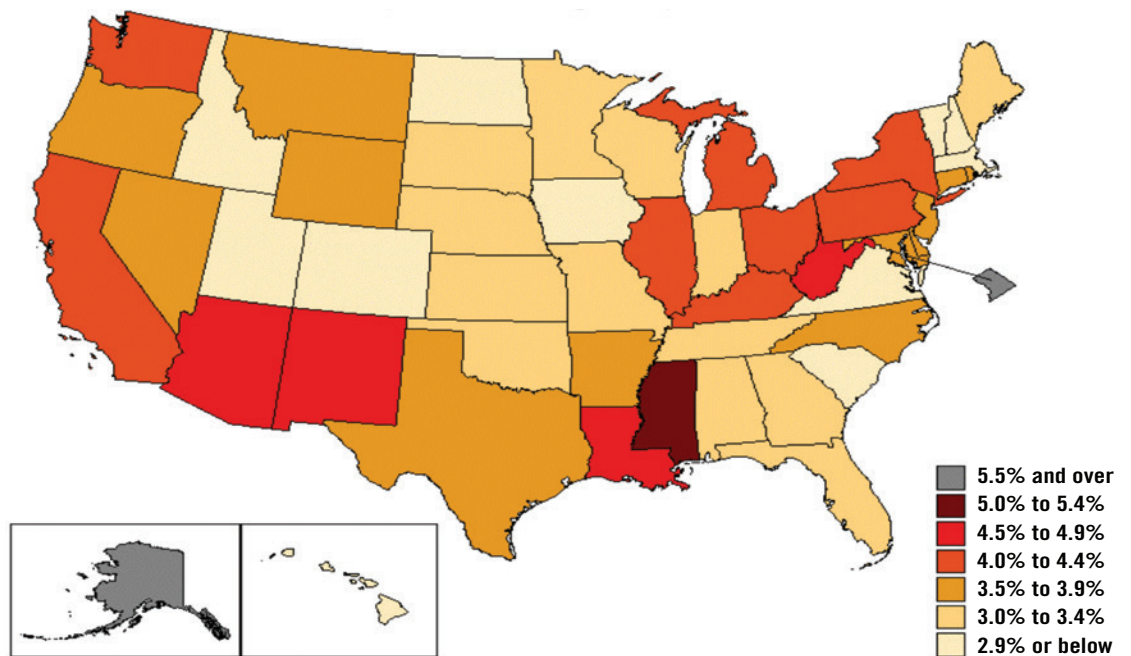
SOURCE OF DATA:
Federal Reserve Bank of
St. Louis Economic Data
(FRED). Accessed on
June 11, 2020.
[https://fred.stlouisfed.org/
series/UNRATE](https://fred.stlouisfed.org/series/UNRATE)



Note: The gray bar shows the recession period. Each tick mark on the horizontal axis shows the beginning of the year.

FIGURE 3
Unemployment Rates
by State, 2019 Annual
Averages*

SOURCE OF DATA:
U.S. Department of Labor,
Bureau of Labor Statistics.
Accessed on
August 27, 2019.
[https://data.bls.gov/
timeseries/LNS14000000](https://data.bls.gov/timeseries/LNS14000000)



Much growth leading to 2019 was consumer-driven. A strong labor market and lower taxes gave consumers more disposable income and allowed them to increase consumption. Real disposable income in the United States rose to a record level of \$15.1 trillion (\$45,866 per capita). In addition, the ratio of household debt to GDP stabilized at 76.3%, the lowest level since data have been available, further raising consumer confidence and consumer demand (Figure 4). Consumer sentiment remained at the highest level since 2004 (Figure 5). These factors encouraged consumer demand and offered a sizable market for entrepreneurs and small businesses, creating a suitable environment for new businesses to start and flourish.

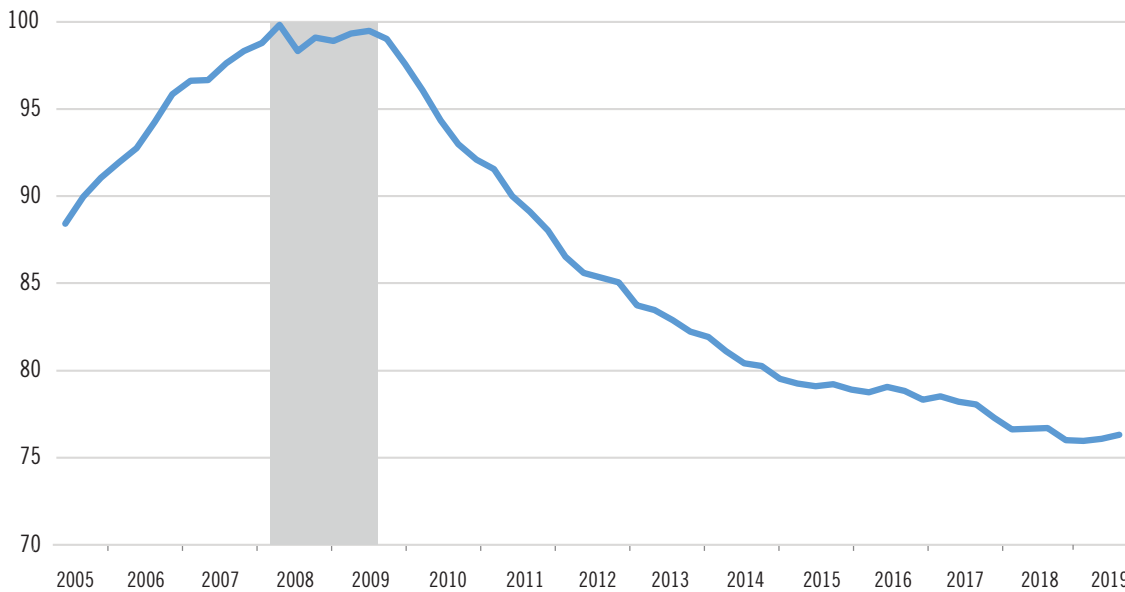


FIGURE 4
Ratio of Household Debt to GDP by Percent

SOURCE OF DATA: Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on June 12, 2020. <https://fred.stlouisfed.org/series/HDTGPDUSQ163N>.

Note: The gray bar shows the recession period. Each tick mark on the horizontal axis shows the beginning of the year.

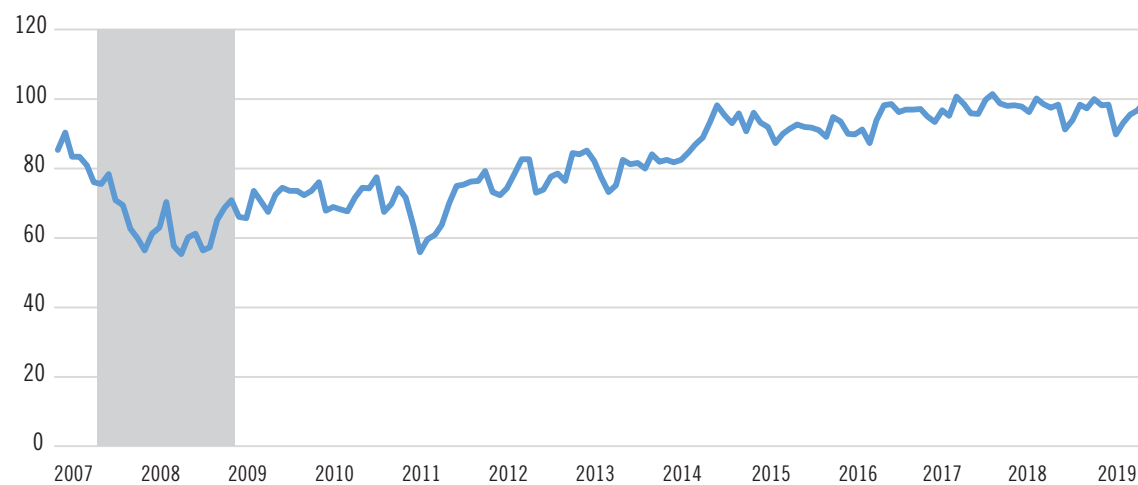


FIGURE 5
University of Michigan Consumer Sentiment Index

SOURCE OF DATA: Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on June 11, 2020. <https://fred.stlouisfed.org/series/UMCSENT>.

Note: The gray bar shows the recession period. Each tick mark on the horizontal axis shows the beginning of the year.

The stock market rallied throughout 2019. The S&P 500, the Dow Jones Industrial Average (DJIA), and the NASDAQ Composite Index broke their own records numerous times throughout the year and finished it strong. The S&P 500 gained nearly 29% during 2019, the DJIA rose by over 22%, and the NASDAQ Composite Index increased by over 35%.

INTRODUCTION

Despite these substantial improvements, the U.S. economy had to deal with several risk factors in 2019 that kept people on edge and raised fears of a potential recession. First, the global economy experienced the slowest growth in 10 years. In comparison, the strong performance of the U.S. economy increased demand in dollar-denominated equities and bonds, causing demand for the U.S. dollar to rise, which made the dollar stronger. This made imports cheaper and exports more expensive, negatively affecting global demand for American goods and services.

Second, the trade war between the United States and China intensified through 2019, affecting markets and the global economy. On multiple occasions, tariffs were imposed or raised on many Chinese exports to America. In retaliation, China raised tariffs on American products or simply halted imports on some products like soybeans. American farmers were negatively impacted. Annual U.S. farm exports to China declined by over \$15 billion. Farm debt levels and bankruptcies rose, leading the federal government to respond with a \$28 billion aid package to farmers. As a result of the trade war, by November 2019, U.S. exports to China declined from about \$130 billion to \$100 billion, while Chinese exports to the United States declined by \$70 billion, dropping from \$535 billion to \$465 billion (12-month rolling sums).² Research has shown that the U.S. tariffs on Chinese goods imported into the United States were paid by American importers, rather than by Chinese exporters.³

To encourage growth and mitigate market agitation over the trade war, the Trump administration urged the Federal Reserve to reduce interest rates. The Fed first cut its rate in the summer. Later in 2019, the yield curve inverted, meaning that short-term debt instruments began to provide higher yields than long-term debt instruments of the same credit quality. An inverted yield curve has preceded every recession since 1930, a powerful signal of potential recession. The occurrence of an inverted yield curve in August 2019 was a significant warning. Following that, the Fed reduced interest rates two more times in September and October 2019. In addition to this poor economic news, the federal government budget deficit over the previous 12 months had risen beyond \$1 trillion, which increased federal debt to \$23 trillion, an all-time high.

None of these drawbacks had any significant impact on the American economy. The growth rate, although lower than before, was respectable. The unemployment rate broke positive records, inflation was in check, and the stock market rallied through the end of the year. But worries remained for 2020.

Little did anyone know in the summer of 2019 what lay ahead—a crisis unprecedented in modern society for its rapid and wholesale impact, afflicting nearly every corner of the globe, causing widespread loss of life and threatening the economic welfare of every community. GEM halted the start of its 2020 cycle to revise its survey to include questions about the effect of COVID-19 on entrepreneurship and established business ownership. This will provide internationally comparable, representative data that can be examined longitudinally to detect changes in rates and characteristics of entrepreneurship resulting from the COVID-19 crisis.

This report will provide a baseline on the status of entrepreneurship before COVID-19. Although GEM could not reliably predict what lay ahead as this report was written, it will be possible to analyze data around the 2008 financial crisis to help guide an understanding of the effects of worldwide environmental jolts on entrepreneurship, while acknowledging differences in the nature of the 2020 crisis. Longitudinal data in this report will enable analysis, and the COVID-19 questions in the 2020 report will give additional information on effects of the crisis on entrepreneurship.

BACKGROUND ON GEM

Each summer since 1999, GEM has conducted random, representative surveys of at least 2,000 adults across the population of each participating economy. This produces primary data on rates of entrepreneurship across multiple phases of the process, the demographics, motivations, and ambitions of entrepreneurs, as well as characteristics of their businesses, such as level of innovativeness and industry participation. Additionally, GEM uncovers a range of insights on the attitudes, self-perceptions, and affiliations relative to entrepreneurship in society.

² <https://www.wsj.com/articles/trade-war-with-china-took-toll-on-u-s-but-not-big-one-11578832381> accessed on June 12, 2020.

³ Cavallo, A., Gopinath, G., Neiman, B., and Tang, G., Tariff Passthrough at the Border and at the Store: Evidence from US Trade Policy (October 1, 2019). University of Chicago, Becker Friedman Institute for Economics Working Paper No. 2019-24. Available at SSRN: <http://dx.doi.org/10.2139/ssrn.3470793>.

GEM is unique in providing globally comparable data that capture both informal and formal entrepreneurial activity. Its focus on entrepreneurs provides an insight into the people who are starting and running businesses, and those in society who may support their efforts. Countries like the United States, which participate in GEM on an ongoing basis, have longitudinal data that can track the evolution and cycles of entrepreneurship over time. GEM is the most frequently used source of data on entrepreneurship in academic publications; it helps governments, the private sector, higher education, and other audiences develop policies, programs, research, and lessons that advance understanding of and support for entrepreneurship.

GEM is dependent on, and grateful for, the dedication and enthusiasm of national teams, who oversee the survey in their economies and contribute their expertise to disseminate knowledge about entrepreneurship in their countries and across the globe. Also critical to GEM is the funding received from colleges and governments to conduct the survey and cover GEM central administration and technical support. The United States team is based at Babson College, which has been a consistent supporter of the GEM United States team and the lead global sponsor of GEM since its founding. GEM was co-founded by Babson Professor William Bygrave and London Business School Professor Michael Hay. GEM recognizes their entrepreneurial initiative in building and launching this research.

GEM introduced a number of improvements to existing measures in its 2019 survey. The societal measure of entrepreneurial affiliations now assesses the number of entrepreneurs one knows. Self-perceptions about opportunities, capabilities, and fear of failure have for several years been measured on a 5-point Likert scale in the United States. The rest of the GEM community adopted this improvement in 2019. These changes provide more nuance than the prior yes/no responses.

Recognizing that the necessity/opportunity dichotomy does not always capture the range and overlap of reasons for starting a business, GEM revised its indicators of entrepreneurial motivations to include one or more of the following: necessity, wealth, family, and impact. GEM also revised its measures of internationalization and innovation, to obtain more specific details on whether sales were local, national, or international, and whether the level of innovativeness would be judged in one's local community versus nationwide or new to the world.

In 2019, GEM added a measure of entrepreneurial talent, which includes four components: opportunity alertness, proactivity, innovation, and vision. While indicators such as opportunity perceptions are, at least to some extent, affected by current or persistent conditions in the environment, entrepreneurial talent is considered a more personal, lasting indicator of the potential for entrepreneurship residing in the people in a society. The United States team also included a question on prior entrepreneurial activity in its survey, asking respondents about the number of businesses they have previously started.

STRUCTURE OF THE REPORT

The GEM 2019 United States report begins with a review of participation across phases and types of entrepreneurial activity, entrepreneurial motivations, and prior entrepreneurial activity in Chapter 1. Chapter 2 describes impact characteristics, including industry sector, job creation expectations, innovation, and geographic scope. In Chapter 3, societal measures of entrepreneurial affiliations, talent, and self-perceptions are discussed, along with expert ratings on national conditions for entrepreneurship. Chapter 4 covers age patterns, and Chapter 5 provides a detailed assessment of women's entrepreneurship.



Chapter 1

Entrepreneurship and Business Ownership Activity in the United States

1.1 ENTREPRENEURSHIP AND ESTABLISHED BUSINESS ACTIVITY

Business startup and ownership activity in the United States was thriving in 2019, reaching the highest levels in 21 years for both total entrepreneurial activity (TEA) and established business ownership (EBO). TEA increased over 10% in 2019 from 2018. Established business activity in 2019 was up by over one-third of the level in 2018.

As Figure 1.1 demonstrates, TEA declined heavily in the post-recession years of 2009 and 2010, then jumped 60% in 2011. With some fluctuation, this indicator hovered around 12% for six years before climbing steadily to over 17% in 2019. The jump in established business activity likely shows a lagged effect of the consistent upward movement in TEA during the prior several years. Mature business activity depends on many aspects, such as conditions in the business and industry environment, and capabilities of the entrepreneurs. However, a prior boost in entrepreneurial activity does provide a foundation of businesses that could mature under the right circumstances.

A low unemployment rate in the United States (3.7% in June 2019⁴) means there was a supply of jobs available to compete with the option of starting a business. However, a tangential notion is that as a business environment improves, it benefits all types of businesses, albeit unevenly. In this respect, conditions were optimal for starting a business in 2019, and low unemployment meant a pool of job alternatives if startup ventures did not work out.

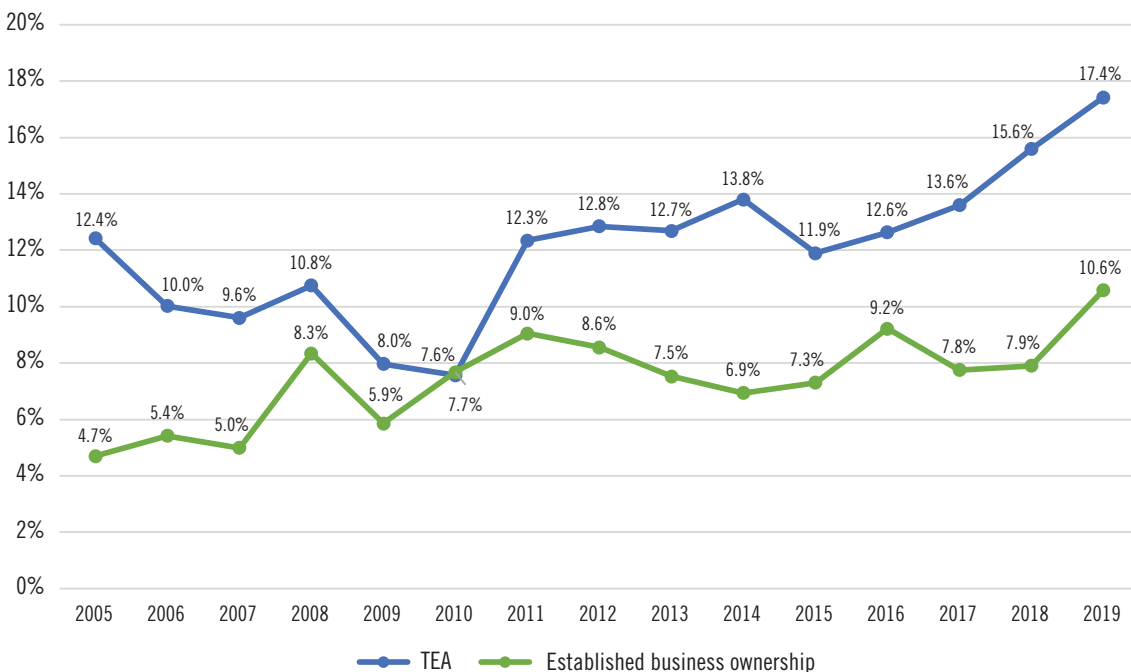


FIGURE 1.1
Total Entrepreneurial Activity (TEA) and Established Business (EBO) Ownership Rates in the U.S. Adult Population (18-64 Years of Age), 2005-2019

SOURCE OF DATA:
Global Entrepreneurship Monitor

⁴ www.bls.gov.

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A global comparison of TEA and established business rates among the 32 high-income economies participating in the Global Entrepreneurship Monitor (GEM) 2019 survey reveals that the United States has among the highest TEA rates in developed economies, far above the overall average of 12% for this group, and exceeded only by Canada and two Latin American countries, Chile and Panama.

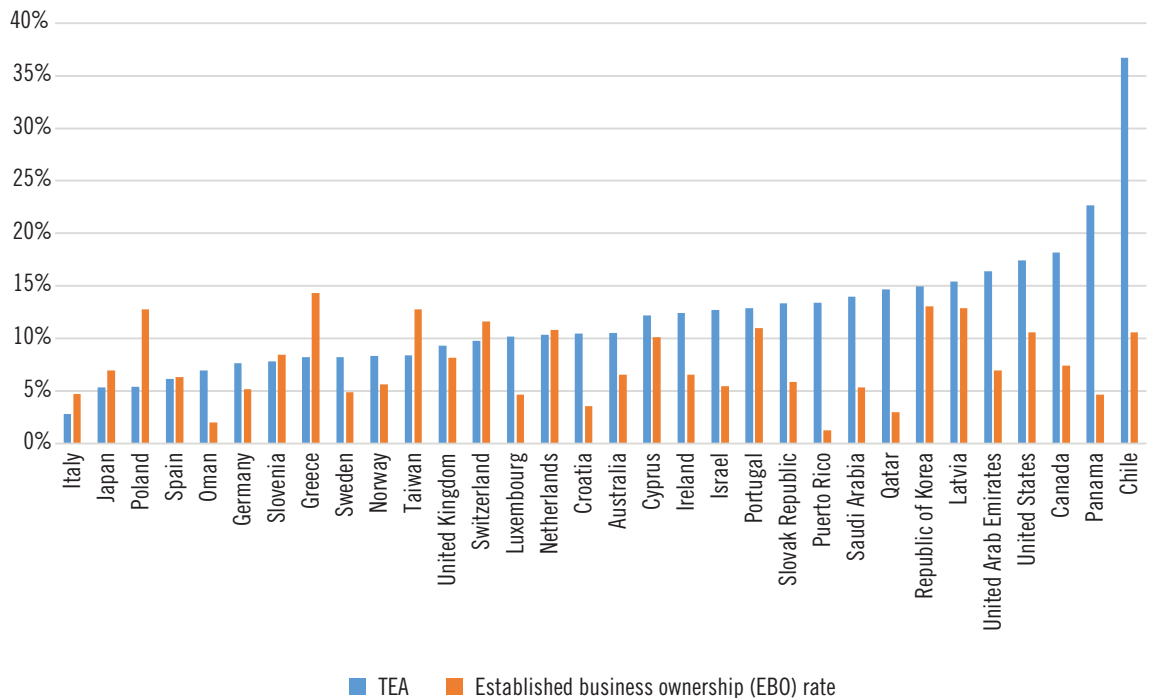
The United States shows higher than average established business activity, exceeded by a half dozen or so other economies where established business activity is close to, or above, TEA rates. The relationship between TEA and established business ownership needs to account for longitudinal patterns to determine if a particular ratio is a persistent result. Because GEM results can be considered a snapshot of activity at a point in time, it may be that TEA has increased or declined and that change has not yet registered in established business rates, which assess those owning and managing businesses more than three and a half years old.

Where established business rates are greater than TEA rates, this may indicate a recent decline in entrepreneurial activity. Alternatively, particularly where this is an ongoing result, it could be that people keep their businesses running a long time, and conditions in the environment are favorable enough to enable them to maintain and perhaps grow their businesses. In less developed economies, established business activity can be low relative to TEA, due to people starting businesses that are not sustainable, or because conditions in the environment constrain ongoing viability.

The longitudinal results shown in Figure 1.1 illustrate that, except for the TEA decline after the recession, established business rates are typically lower than TEA in the United States, registering around 60% of TEA on average. This ratio is low for a developed economy, although it varies considerably among the economies shown in Figure 1.2. It suggests that many people in the United States are starting businesses, and comparatively few are running mature businesses. This is not necessarily a negative result; for example, it may be the case that many businesses are sold or merged, and it could be a positive sign that people are willing to start a business, even if some do not work out. For this reason, it is important to examine exit rates, which are featured in the next section.

FIGURE 1.2
Total Entrepreneurial
Activity (TEA) and
Established Business
Ownership (EBO)
Rates in 32 High-
Income Economies,
2019

SOURCE OF DATA:
Global Entrepreneurship
Monitor



1.2 BUSINESS EXIT AND CLOSURE

Business owners may leave their businesses for a variety of reasons, not necessarily because they closed them. As previously mentioned, they may have sold or merged their businesses, or otherwise passed them on to others. Business exit rates, in which a business continued, are slightly higher in the United States (2.2%) than in other high-income economies. This may reflect a strategy of building and exiting a business. It may be that these entrepreneurs move on to pursue other careers, which could include starting other businesses, as the section on serial entrepreneurship at the end of this chapter demonstrates.

The percentage of U.S. adults who closed a business in the last year (2.9%) is on a par with the average for high-income economies (Figure 1.3). This can be seen as a positive result for the United States because TEA rates are among the highest in developed economies. Ideally, a dynamic entrepreneurial society contains people willing to start businesses, some exiting while their businesses continue, some maintaining businesses into maturity, but inevitably allowing for some to fail.

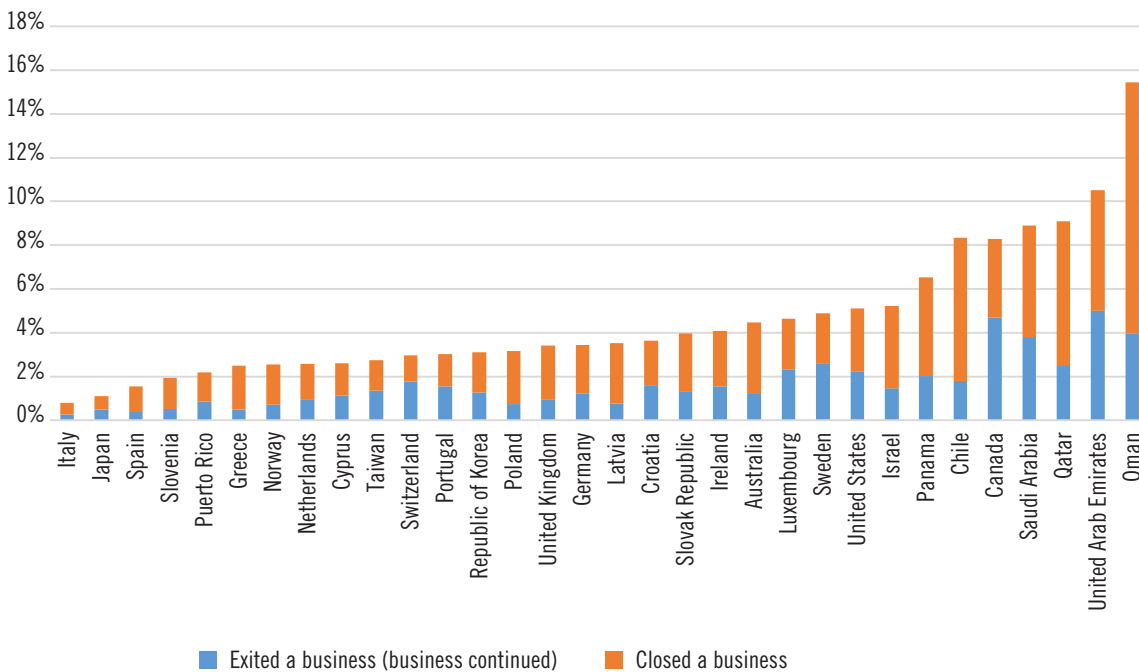


FIGURE 1.3
Percentage of Adults (18-64 Years of Age) Exiting and Closing Businesses in the Past Year in 32 High-Income Economies, 2019

SOURCE OF DATA:
Global Entrepreneurship Monitor

1.3 ENTREPRENEURIAL EMPLOYEE ACTIVITY (EEA)

Entrepreneurial behavior is not just about starting an independent venture, and it can take place in a variety of contexts. Established companies need entrepreneurs to develop new businesses to drive top-line growth as existing businesses mature and customer needs change, and to counteract competition from businesses introducing new products or services that seize market share. Particularly in developed economies with good career opportunities, even entrepreneurial types may prefer to work as employees, especially when such jobs offer stable salaries, promotions, benefits, and interesting work. Companies that attract and support ambition and creativity can generate new sources of revenue. Entrepreneurs within these organizations are what GEM calls entrepreneurial employees.

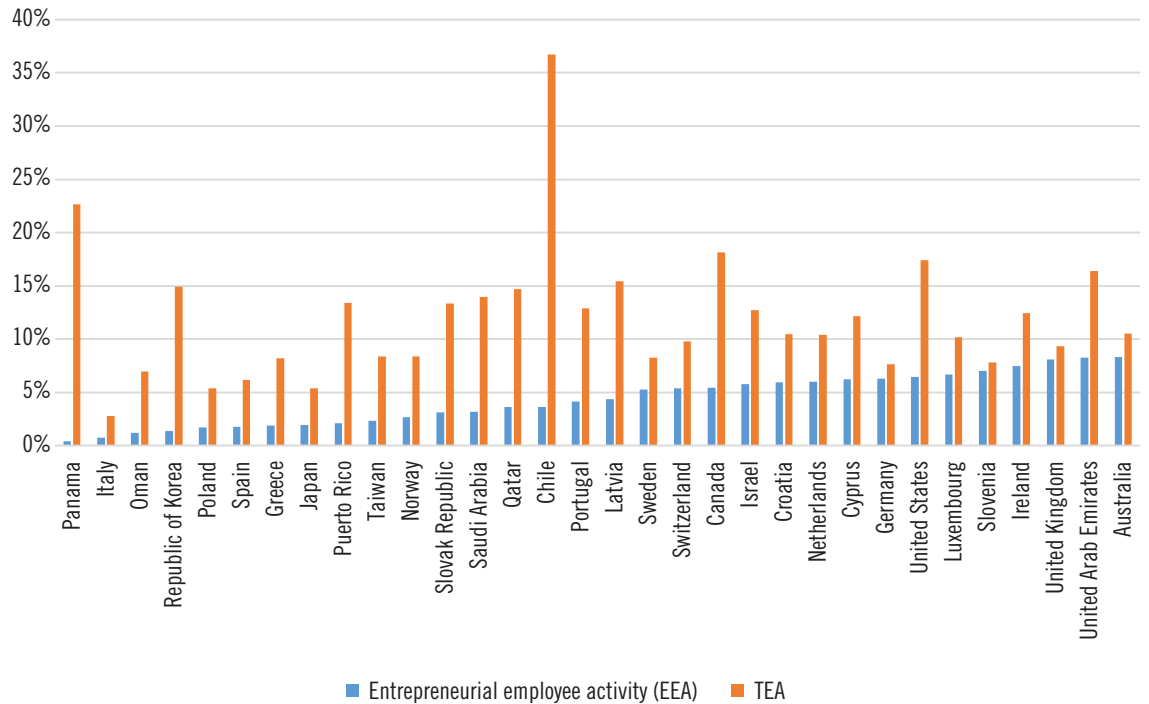
The United States has a relatively high level of entrepreneurial employee activity, along with high TEA (Figure 1.4). In this respect, the United States has a balance of both types of entrepreneurship. In contrast, entrepreneurship in economies like Panama, the Republic of Korea, and Chile are heavily weighted toward independent startup entrepreneurship, while Italy, Poland, and Japan have low levels of both forms.

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In the United States, entrepreneurial opportunities can emerge from both the startup sector and established companies. Therefore, entrepreneurs who prefer to work as employees can still exercise their entrepreneurial aspirations, and many may start new businesses in both contexts during their careers.

FIGURE 1.4
Total Entrepreneurial
Activity (TEA) and
Entrepreneurial
Employee Activity
(EEA) in
32 High-Income
Economies, 2019

SOURCE OF DATA:
Global Entrepreneurship
Monitor



1.4 MOTIVATIONS FOR STARTING A BUSINESS

Drivers of entrepreneurial behavior can be found in the motivations of those starting and running new businesses. Recognizing that entrepreneurs may have multiple motives for starting a business, GEM in 2019 revised its measure of entrepreneurial motivations, asking respondents whether they started their businesses for one or more of the following reasons: (1) because jobs were scarce, (2) to build great wealth or a very high income, (3) to make a difference in the world, and (4) to continue a family tradition.

The United States shows moderately low necessity motives (because jobs were scarce: 41%) and among the highest wealth motives (69%) in developed economies (Figure 1.5). Low necessity is likely due to low unemployment rates in the United States in summer 2019. The prevalence of wealth motives illustrates the allure of entrepreneurship—the get-rich prospects. No doubt highly successful entrepreneurs seen in the media serve as role models for the aspirations of many Americans.

While the pursuit of wealth motivates over two-thirds of entrepreneurs, a similar proportion (66%) cite impact motives in starting their businesses—having a goal to make a difference in the world (Figure 1.6). While these two motives may appear inconsistent with each other, it can be surmised that these entrepreneurs expect to make a huge impact, and great wealth along with it. In this respect, making a difference could mean they achieve something very big, so as to change the world in some manner. On the other hand, entrepreneurs with these motives may simply seek to solve a problem that improves lives or the environment even in small ways.

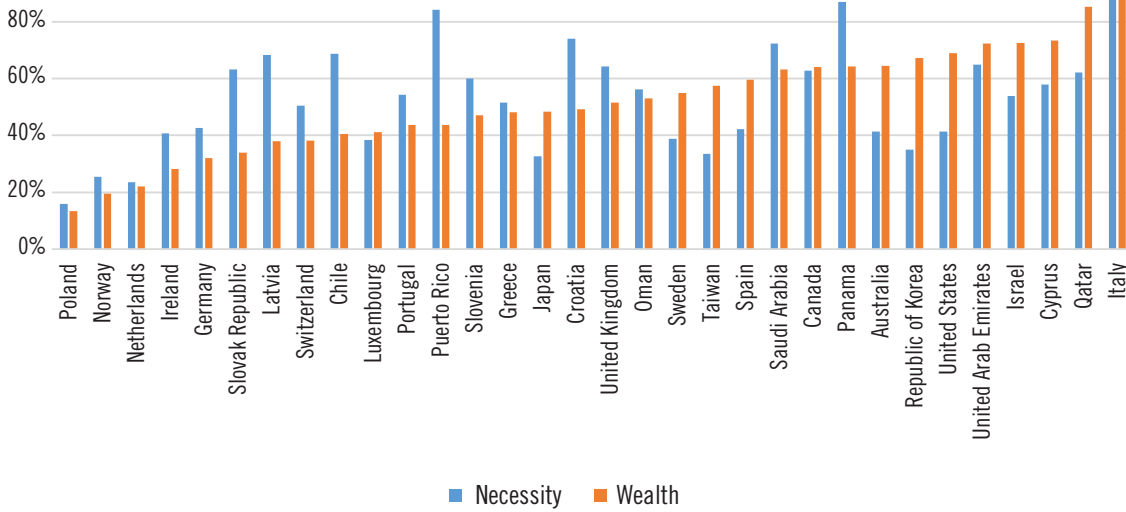


FIGURE 1.5
Necessity and Wealth Motivations for Total Entrepreneurial Activity (TEA) in 32 High-Income Economies, 2019

SOURCE OF DATA:
Global Entrepreneurship Monitor

Less frequent, but still significant, are family reasons for starting a business (31%). The United States places around the middle of high-income economies on this motive. In stating they are continuing a family tradition, these entrepreneurs are following in the footsteps of family members or working with family in some way. Family entrepreneurship may receive less recognition in the media, but it can be prominent in a community. Family connections thrive in a range of businesses, from small retail or service operations to large manufacturers and technology ventures.

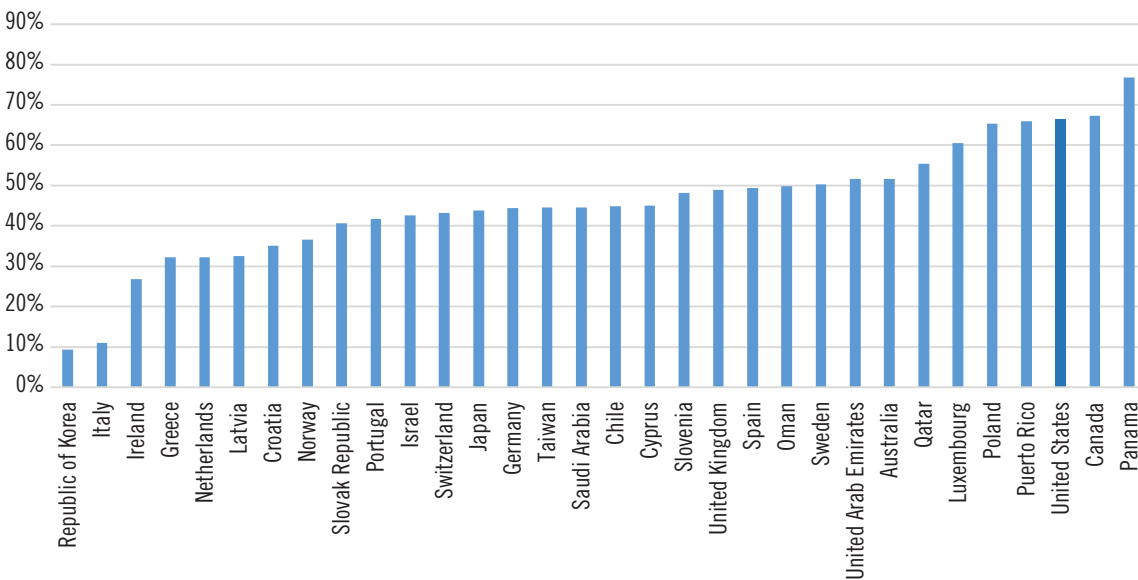


FIGURE 1.6
Impact Motivations for Total Entrepreneurial Activity (TEA) in 32 High-Income Economies, 2019

SOURCE OF DATA:
Global Entrepreneurship Monitor

1.5 SERIAL ENTREPRENEURSHIP

GEM measures at a point in time whether someone is currently in the process of starting or running a business. In 2019, the GEM United States team added a question about serial entrepreneurship to capture prior business startup activity. In the United States, 55% of the adult population had started at least one business in their lifetime, and 26% said they had started two or more. This supports the notion that entrepreneurship plays a role in the careers of many Americans. While most people have many different jobs during their lifetime, entrepreneurship is likely to be one's career pursuit at some point.

Among entrepreneurs, 48% had started at least one other business besides the one they were presently starting or running. Among established business owners, 53% had started at least one other business prior to their current one. This means that nearly half or more of those currently starting or running businesses in the United States are at least on their second venture.

A serial entrepreneur can be conceptualized as representing a portfolio of businesses—perhaps not all successful, but collectively contributing to an economy. Starting a business provides experience that can be applied to later efforts. Repeat entrepreneurs can also impact their societies by advising or mentoring other entrepreneurs, investing in startups, and otherwise supporting entrepreneurship in various ways.

SUMMARY

The GEM 2019 results show that entrepreneurship and established business ownership in the United States were at an all-time high in 2019. People exited ongoing businesses slightly more often than the average exit rate in developed economies, but they were no more likely to close a business. Entrepreneurs were highly likely to want to make an impact and/or to build great wealth, but they were less often starting a business out of necessity or to continue a family tradition. The high level of entrepreneurial employee activity and serial entrepreneurship illustrates how entrepreneurship thrives beyond a current independent business.





Chapter 2

Entrepreneurial Impact

2.1 INDUSTRY SECTOR PARTICIPATION

The United States is a large, developed country with many regional tastes, interests, and unique climates. It is not surprising to see the distribution of TEA across many different industry sectors. Changes over time are historical by nature, and current data show in what industries entrepreneurs are presently working. Trends in the data can provide a glimpse into the future, to where entrepreneurs believe there are future opportunities.

Some developing regions and governments across the globe may promote certain industries in order to exploit unique natural resources or past national advantage, but others like the United States champion entrepreneurial activity across varied sectors. Together with other developed economies, the United States has emphasized knowledge-intensive industries and service-based sectors, combining information and knowledge with creative individuals. The United States exhibits strong TEA rates in service-based industries where startup activity relies on technology and creativity as drivers of business opportunities.

Figure 2.1 compares a breakdown of TEA rates by industry sector in the United States with the average of 31 other high-income economies. All 32 high-income economies show similar patterns across industries, given that they may be examining many of the same types of opportunities. Continuing what appears to be a trend in recent years, total participation in the finance, information and communications technology, and professional and administrative services sectors within the United States (32%) is significantly higher than the average for the other 31 high-income economies (24%), and exceeds the U.S. rate in wholesale/retail (25%).

These trends suggest that entrepreneurs in the United States are increasingly exploring technological advances and other knowledge to find opportunities away from traditional wholesale/retail. Of particular note are the finance and manufacturing and transportation sectors, where technology opportunities abound in fin-tech and logistics. Data and technology-based opportunities tend to offer lower cost and greater upside within knowledge and service areas. The proportion of TEA in these two sectors in the United States outstrips the average of the other 31 developed economies (26% to 15%), although the other economies exhibit higher wholesale/retail activity.

2.2 TECHNOLOGY AND INNOVATION

Technology drives entrepreneurship in the United States, whether as an industry of choice or as a competitive tool to help exploit an opportunity. Entrepreneurs leverage new technology to create their product or service and/or use it to deliver their product or service. As Figure 2.2 shows, the percentage of TEA in the medium- and high-technology sectors has been in decline since 2017 but remains consistent in high single digits.

The only exception to this over the past dozen years was during the period immediately following the economic crisis at the end of the last decade. GEM identified few entrepreneurs in technology sectors after the 2008 economic crisis, and this is an important point given the worldwide COVID-19 pandemic of 2020. Entrepreneurship in technology sectors rebounded from the 2008 economic crash within a few years. Given that the United States is one of the countries hardest hit by COVID-19, a similar pattern may appear over the coming years.

FIGURE 2.1
Industry Breakdown
for Total
Entrepreneurial
Activity (TEA) in the
United States and
the Average for 31
Other High-Income
Economies, 2019

SOURCE:
Global Entrepreneurship
Monitor

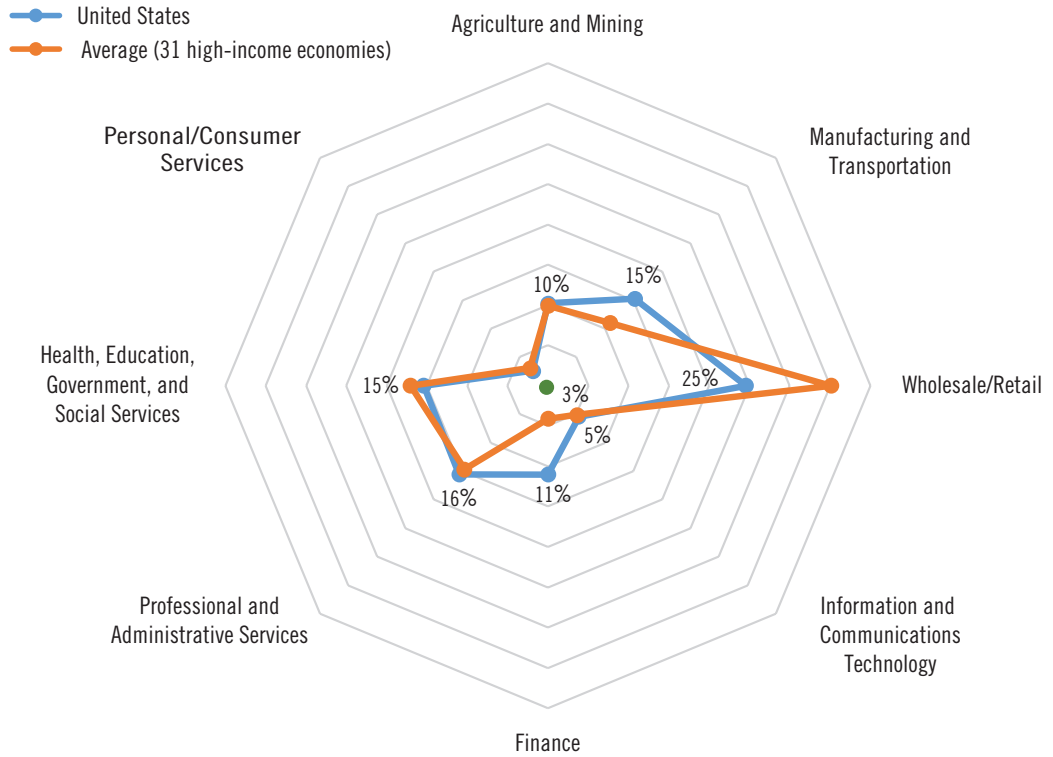
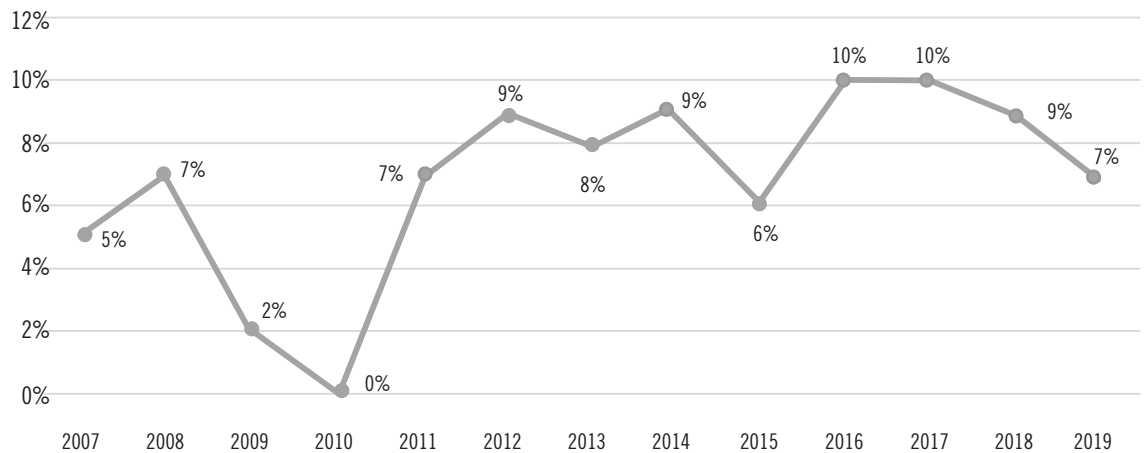


FIGURE 2.2
Percentage of Total
Entrepreneurial
Activity (TEA) in
the Medium- and
High-Technology
Sectors in the
United States,
2007-2019

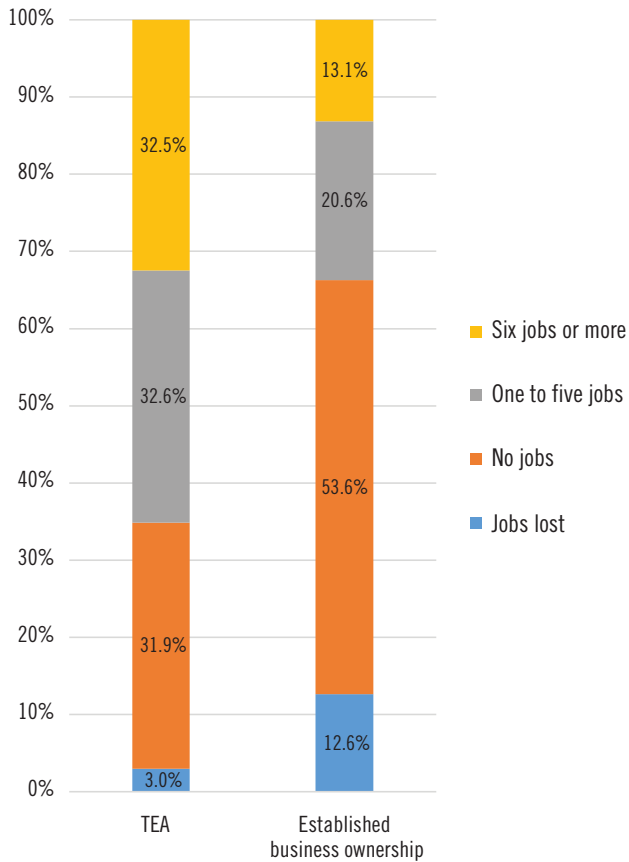
SOURCE:
Global Entrepreneurship
Monitor



2.3 JOB GROWTH EXPECTATIONS

An entrepreneur’s ability to create new jobs is a key measure of entrepreneurship and important for policymakers to understand. Perhaps most importantly, entrepreneurs with high expectations for job creation are signaling confidence, not only that they will succeed, but that their success is predicated on human assets and job growth. Entrepreneurs who create scores of jobs significantly grow local, regional, and national economies.

Figure 2.3 provides a snapshot of job growth expectation rates of TEA and established business activity. Whereas nearly one-third of all entrepreneurs expect to create six or more jobs in the next five years, this figure drops to about 40% of this level within the established business ownership category. A similar pattern appears in the “One to five jobs” category. Overall, established business owners are only half as likely as TEA to project job creation in the subsequent five years. This suggests that established business owners understand the difficulties of building and growing a business. On the other hand, given that one-eighth of these owners project job loss, it may be the case that many owners observe a contraction in size as their businesses mature.



As a point of comparison, Figure 2.4 displays TEA job growth expectations for the United States and for the other 31 high-income economies surveyed by GEM. It is interesting to note some of the economies with high-growth expectations, particularly in the “Six jobs or more” category. This level of growth expectations may make sense for Saudi Arabia, which has a young population and a need to find opportunities outside of fossil fuels. Similarly, across the entire country of Chile, a focus on entrepreneurship and a need to branch out from a mining-dependent economy have bolstered the expectations of entrepreneurs. However, the United States shows a higher than average level in this medium- to high-growth category (32.5% versus 28% on average for the other 31 economies). This may reflect, at least in part, the industry sector distribution described at the beginning of this chapter.

FIGURE 2.3
Job Growth Expectations for Total Entrepreneurial Activity (TEA) and Established Business Ownership (EBO) in the United States, 2019

SOURCE:
Global Entrepreneurship Monitor

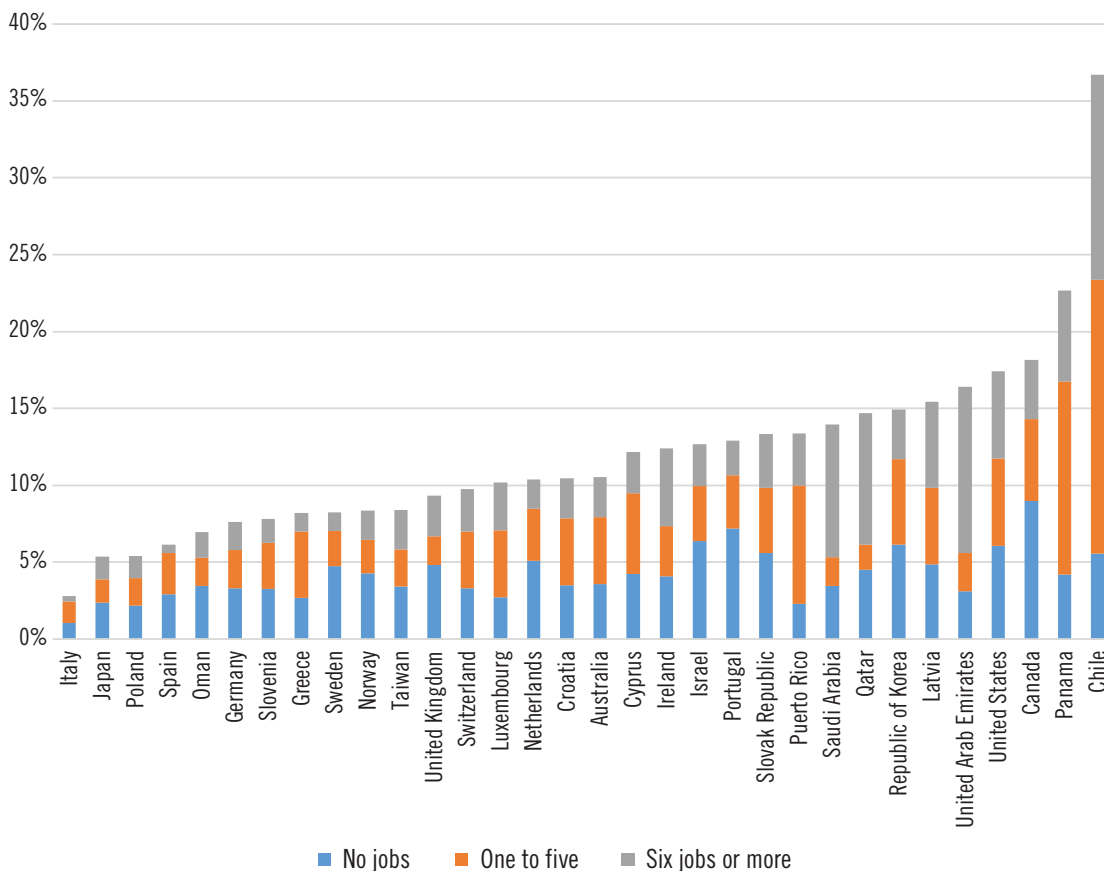


FIGURE 2.4
Job Growth Expectations for Total Entrepreneurial Activity (TEA) in 32 High-Income Economies, 2019

SOURCE:
Global Entrepreneurship Monitor

CHAPTER 2

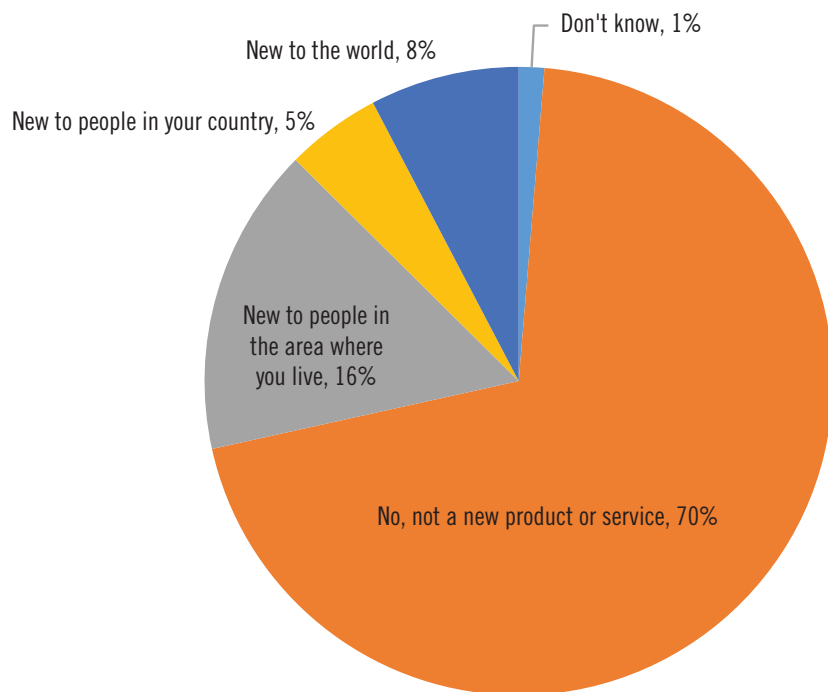
2.4 INNOVATION

At first glance, Figure 2.5 might be surprising as entrepreneurs and entrepreneurship are often portrayed as being contingent on innovation. While this may be the case for founders and firms portrayed in the media, such entrepreneurs and their firms are outliers. The vast majority of new ventures across the globe do not depend on new products or services. These numbers bear out for the United States as well, where 70% of respondents do not have a new product or service as their foundational offering.

However, almost 30% of TEA in the United States is contingent on some level of innovation. This seems appropriate, as it roughly mirrors what we see in older, more established firms. In these cases, organizations generate a large percentage of sales and revenue from established products, and perhaps one-quarter to one-third from products based on some incremental enhancement, or to a lesser degree, a revolutionary or breakthrough innovation. Figure 2.5 shows roughly the same result, with 16% of entrepreneurs stating their offerings are new to people in their local area, 5% stating their offerings are new to people in the country, and 8% stating their offerings are new to the world.

FIGURE 2.5
Presence
and Scope of
Innovation for Total
Entrepreneurial
Activity (TEA) in
the United States,
2019

SOURCE:
Global Entrepreneurship
Monitor



2.5 GEOGRAPHIC MARKET SCOPE

The size of the market in the United States, with free flow of goods and services between states, offers entrepreneurs an opportunity to grow their business without needing to market to other countries. Over the years, the large market size has generally kept relatively low the rates of international sales for U.S. entrepreneurs and entrepreneurs in other large market economies, as they do not need to pursue sales outside their own borders to break even.

However, globalization and the connectedness of the world appear to be changing this phenomenon. Whereas U.S. entrepreneurs may not need to go global to find a market, the relative ease with which globalization can be accomplished has changed the geographic scope for many businesses. In 2019, nearly one-quarter of TEA had sales outside the United States (Figure 2.6). This is still a relatively low number, compared to economies such as those in Europe, with smaller populations, and with neighbors having similar cultures, common languages, and open trade policies.

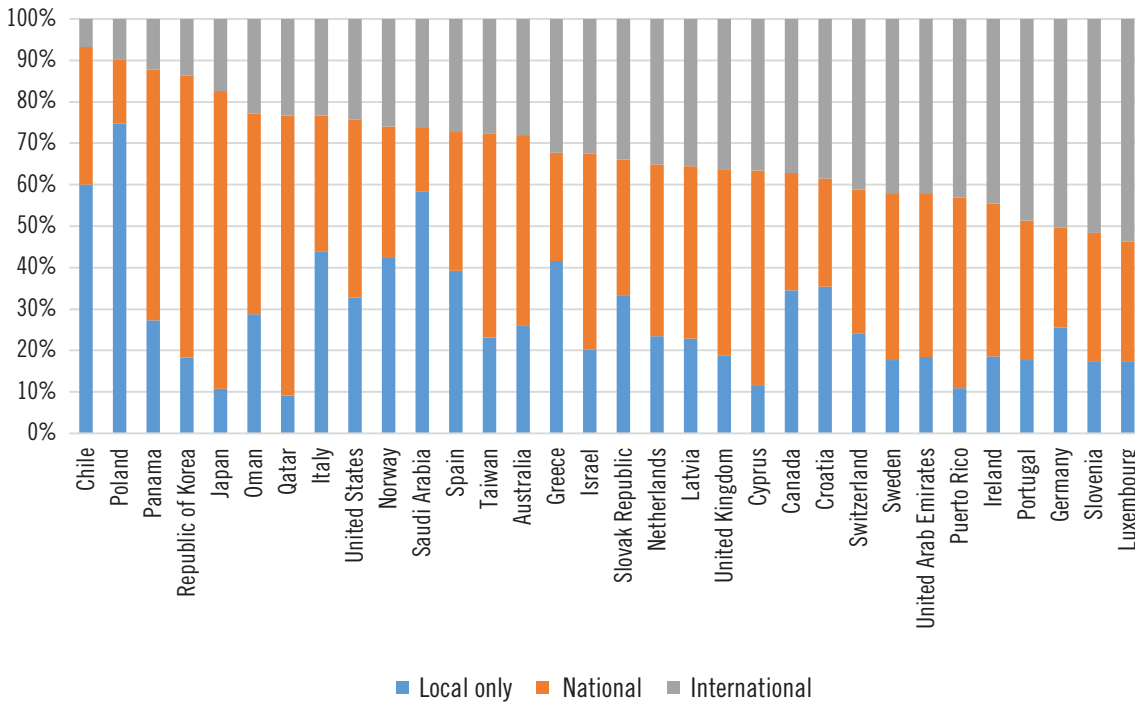


FIGURE 2.6
Geographic Scope of Total Entrepreneurial Activity (TEA) in 32 High-Income Economies, 2019

SOURCE:
Global Entrepreneurship Monitor

SUMMARY

Wholesale/retail activity is prominent among entrepreneurs in the United States, although participation in this sector is much lower than the average of the 31 other high-income economies. Entrepreneurship in the United States is also distinct from its high-income peers in having substantial activity in manufacturing and transportation, and in finance.

Entrepreneurs are much more optimistic about job creation prospects than established business owners, with two-thirds of entrepreneurs expecting to create jobs, and established business owners reporting half that level. However, given that one-eighth of business owners expect to reduce jobs, it could be the case that the mature phase is sometimes accompanied by a contraction in the business.

While most entrepreneurs starting businesses are not commercializing innovations, results indicate that innovative concepts are nonetheless being introduced locally and nationally, including concepts that are new to the world. Although the United States is a large and attractive market for entrepreneurs, a notable one-quarter of TEA is selling internationally.



Chapter 3

Entrepreneurship Potential

3.1 ENTREPRENEURIAL AFFILIATIONS

A nation's ability to generate and benefit from entrepreneurship depends on the readiness of its people and on conditions in society that foster entrepreneurship. It can be reasoned that people who have the talent and self-perceptions about entrepreneurship are likely to take steps to start a business. However, they will also rely on support from a variety of stakeholders and positive conditions in the environment.

Although media coverage of entrepreneurs inspires people and shapes attitudes about entrepreneurship, personal relationships take this a step farther. Entrepreneurs who already enjoy success can serve as role models, advisors, or direct participants for an aspiring entrepreneur. They may also provide resources in the form of investment or connections to investors, and links to other stakeholders such as co-founders, employees, industry or business experts, customers, and suppliers.

In 2019, GEM modified its indicator on entrepreneurial affiliations, adding to the measure which asked whether someone knows an entrepreneur personally, by asking how many entrepreneurs they know. In the United States, 60% of adults know at least one person who started a business or became self-employed in the past two years, with nearly half (46%) knowing more than one (Figure 3.1). It is likely that the more entrepreneurs one knows, the greater the likelihood they have the motivation and resources for entrepreneurship. This detail signals the embeddedness of networks for entrepreneurship—in other words, the extent to which people in their daily lives are surrounded by, and interacting with, entrepreneurs.

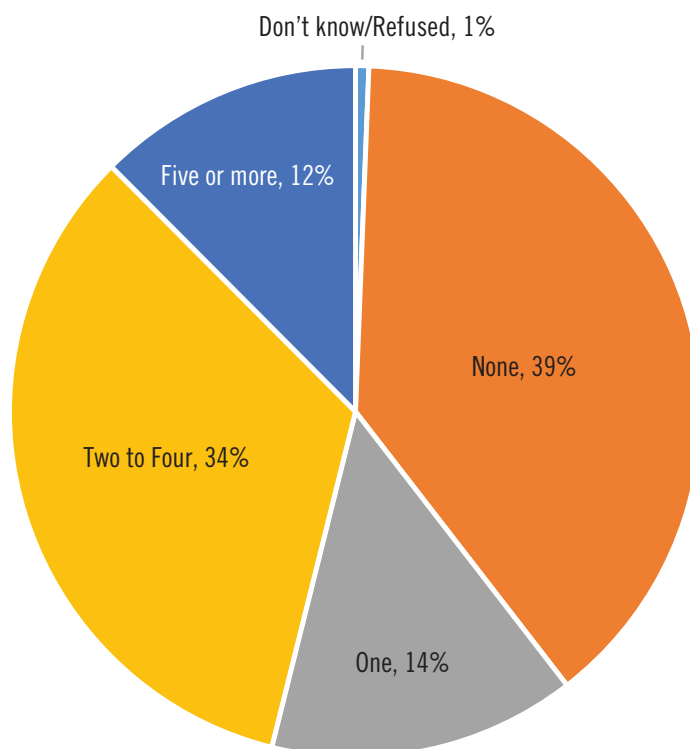


FIGURE 3.1
Number of
Entrepreneurs
One Knows
Personally in
the U.S. Adult
Population
(18-64 Years
of Age), 2019

SOURCE:
Global Entrepreneurship
Monitor

3.2 ENTREPRENEURIAL TALENT

In 2019, GEM added four items to its survey to capture entrepreneurial talent in a society. These items assess the extent to which people have the propensity to think and act entrepreneurially. The measures are based on extensive research by Gorkan Ahmetoglu and colleagues.⁵ They encompass four main dimensions of an entrepreneurial mindset as suggested by entrepreneurship literature: opportunism, proactivity, creativity, and vision. Ahmetoglu and colleagues developed and validated these measures with studies in multiple countries involving thousands of subjects. They worked with GEM to identify a single item for each dimension, creating a predictive overall assessment of entrepreneurial potential.

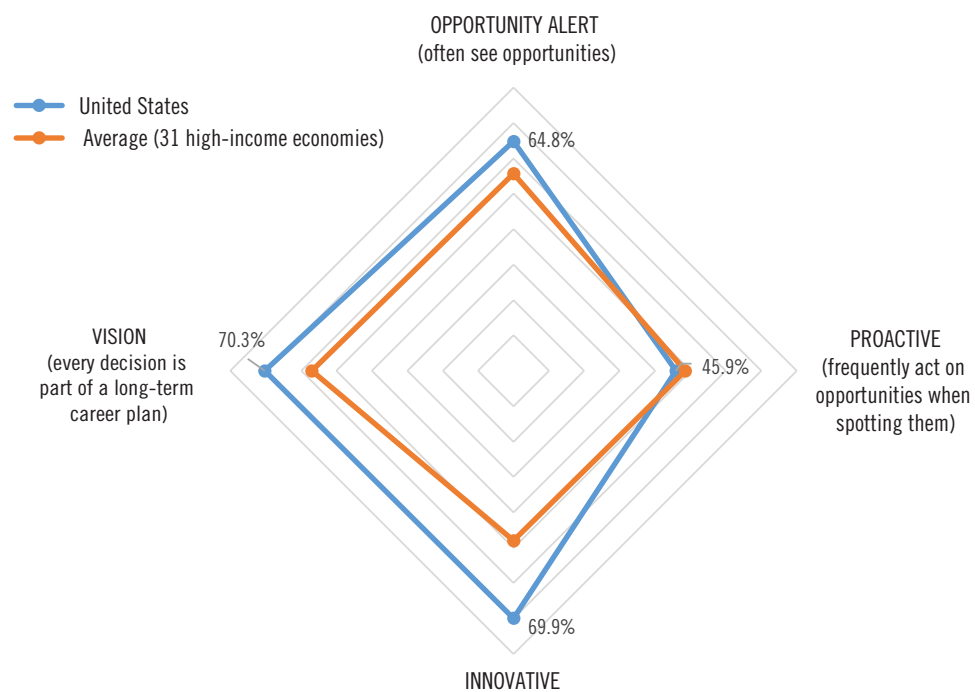
In the United States, 70% of adults state that other people think they are highly innovative (see Figure 3.2). This is nearly 50% higher than the average within the other 31 high-income economies participating in GEM in 2019. This large gap suggests that it is on this dimension where the United States is distinct. With respect to the measure on vision, 70% of adults also state they have long-term vision, the ability to think out into the future to what can be possible. The United States is also distinct on this component of talent, although less so in comparison to the innovation measure.

A majority (65%) of respondents stated they were alert to opportunities. This indicator is different from GEM's measure of opportunity perceptions because it assesses whether people are able to recognize opportunity. Opportunity perceptions, in contrast, are heavily influenced by a current situation—whether people see opportunities depends, at least in part, on whether there are presently such possibilities around them, and perhaps also whether others are talking about or pursuing them. Opportunity alertness is a more stable talent that people possess, regardless of shifts in the surrounding environment.

An imbalance is demonstrated with the proactive measure. Only 46% of adults will act on opportunities when they spot them. This appears also to be the case in the 31 other economies, on average. This result could mean that people have less incentive to act on opportunities, even though they may have the innovativeness, vision, and alertness to do so. They may not feel a need to pursue something entrepreneurial when they have good options for jobs and other pastimes, for example. On the other hand, if they feel it is too difficult, they may not try. This indicates that there may be underutilized talent in society and suggests that the proactive measure represents a bottleneck in realizing entrepreneurial outcomes.

FIGURE 3.2
Entrepreneurial
Talent Indicators
in the U.S. Adult
Population and
the Average for 31
Other High-Income
Economies, 2019

SOURCE:
 Global Entrepreneurship
 Monitor



⁵ www.metaprofiling.com

3.3 SELF-PERCEPTIONS ABOUT ENTREPRENEURSHIP

GEM measures of self-perceptions assess whether people see opportunities and believe they have entrepreneurial capabilities, and whether those who see opportunities would be deterred from starting a business due to fear of failure. As mentioned previously, these perceptions are influenced to varying extents by the current surrounding context.

Opportunity perceptions have exhibited a relatively volatile pattern from year to year, fluctuating up to 2009, but have followed a broadly upward trend since then. Although Figure 3.3 shows a slight drop in this indicator in 2019, it still reaches well over twice the 2009 number. This likely reflects the improving economy after the recession and the increase in activity shown in GEM's TEA measure. With such factors as technological advances that form the basis of opportunities and make it easy to start and run a business, as well as the popularity of gig and part-time pursuits, people are likely to see many possibilities around them.

Capabilities perceptions jumped upward to 65.5% in 2019, after 11 years of hovering around 55%. The prior stability suggests this indicator has been an unwavering gauge of individual confidence and expertise, despite fluctuations or trends in the economy. Yet the nearly 20% increase in 2019 would seem to counter this assumption. Whether the current measure is due to education, experience, or changes in what it takes to start a business, it will be important to continue tracking this trajectory, although COVID-19 is likely to have an effect in 2020.

For many years, more people thought they had the capabilities for starting a business than those who thought there were opportunities for doing so. However, in 2016, opportunity perceptions surpassed capability perceptions and subsequently opened a gap between the measures, before realigning in 2019.

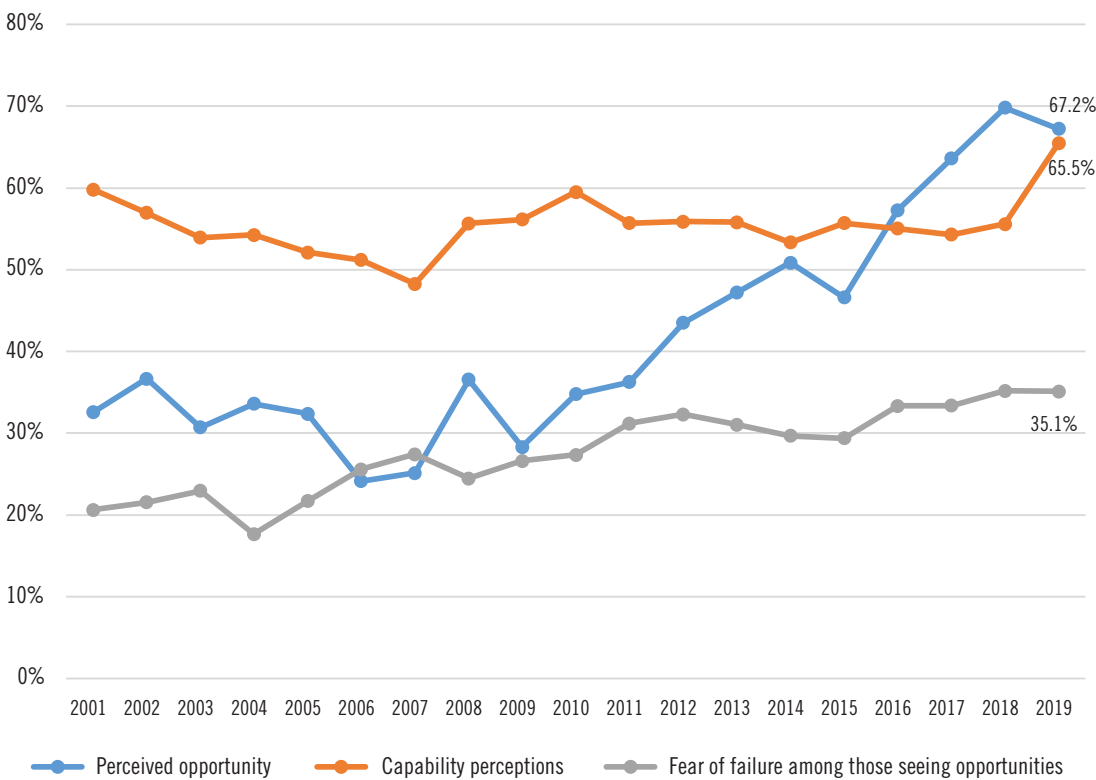


FIGURE 3.3
Opportunity and Capability Perceptions, and Fear of Failure, in the U.S. Adult Population (18-64 Years of Age), 2001-2019

SOURCE:
Global Entrepreneurship Monitor

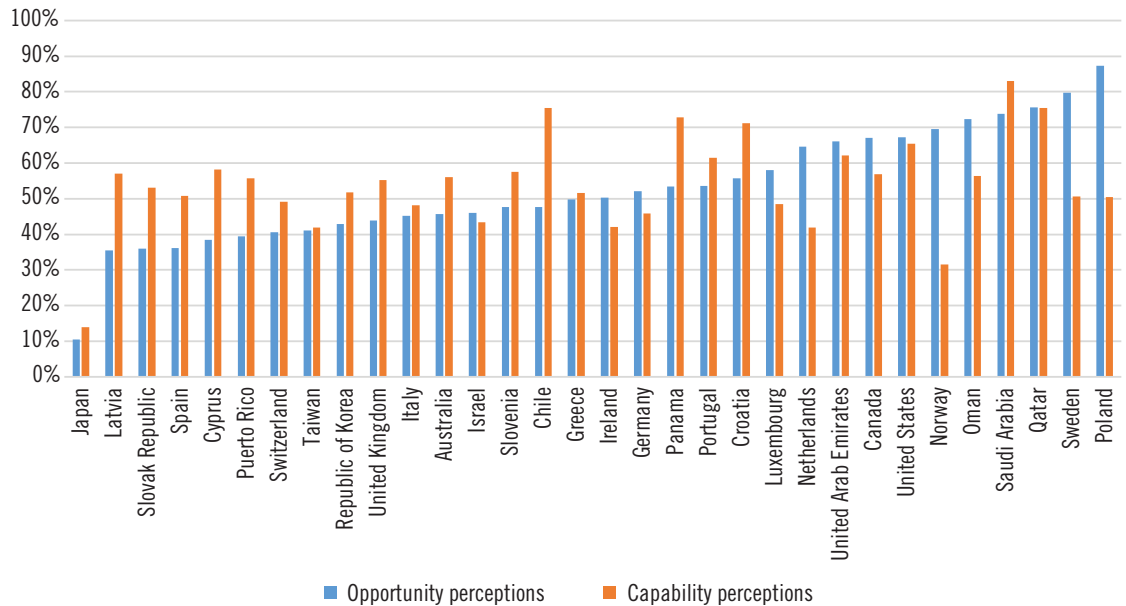
The balance between opportunity and capability perceptions shows the relationship between the existence and recognition of opportunities, and whether people have the ability to pursue them. As noted already, the United States shows a close relationship between these two measures, with prior gaps in either direction.

CHAPTER 3

A similar match can be seen in a handful of economies shown in Figure 3.4. Other economies have low capabilities relative to high recognition of opportunities, suggesting a need for training or other mechanisms to build practical knowledge about entrepreneurship. However, it often seems there are not enough opportunities for all the capable people in many economies, or that people show confidence in themselves, but do not see how to apply their abilities. The United States shows relatively high levels on both indicators.

FIGURE 3.4
Opportunity
and Capability
Perceptions in
32 High-Income
Economies, 2019

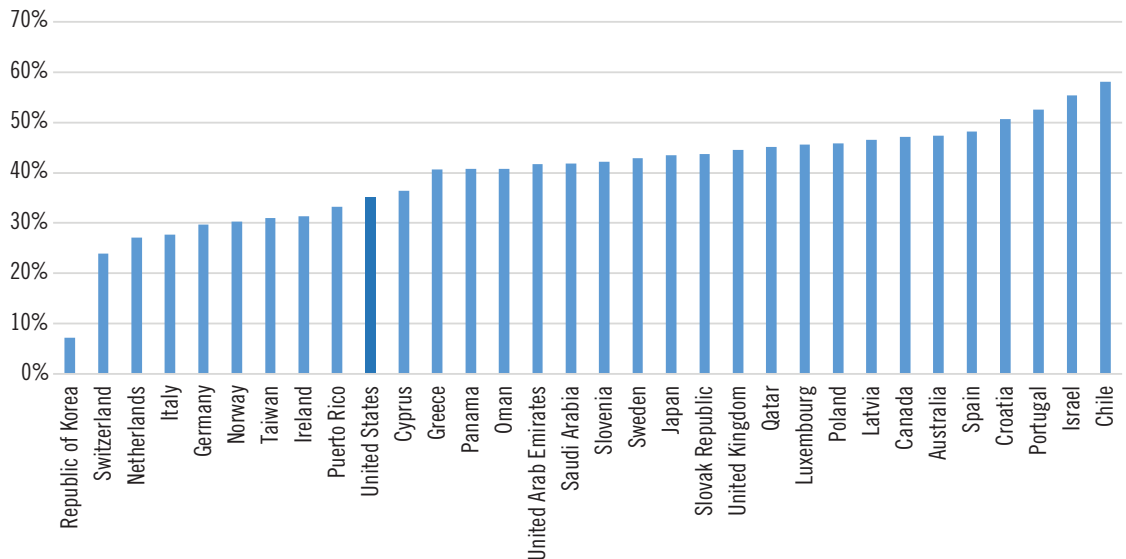
SOURCE:
Global Entrepreneurship
Monitor



GEM's measure of fear of failure is assessed among those seeing opportunities, based on the logic that people may see opportunities around them, but need to be willing to take a risk to pursue them. This measure stayed the same as in 2018 at 35.1%, but it represents a settling-in at a high level reached after a slow climb post-recession, a tapering-off for several years, then an edge upward as shown in Figure 3.3. However, fear of failure is low in the United States compared to other economies shown in Figure 3.5. It may be that, in wealthy economies, families have financial obligations and opportunity costs they would forgo to pursue entrepreneurship, which increases the risk of starting a business.

FIGURE 3.5
Fear of Failure
among Those Seeing
Opportunities in
32 High-Income
Economies, 2019

SOURCE:
Global Entrepreneurship
Monitor



3.4 ENTREPRENEURIAL INTENTIONS

Although talent and positive self-perceptions can reveal the extent to which there exist potential entrepreneurs in a society, entrepreneurial intentions signal a further step in this direction, representing those who intend to start a business in the next three years. This indicator increased slightly over 10% in 2019. As Figure 3.6 illustrates, more people want to start than actually start a business, and this gap is generally consistent over time. This is logical, given that not all who express a desire to enter entrepreneurship will actually take the required steps. However, it is a key relationship to monitor and evaluate, given that there could be constraints that prevent people from progressing from one phase to another.

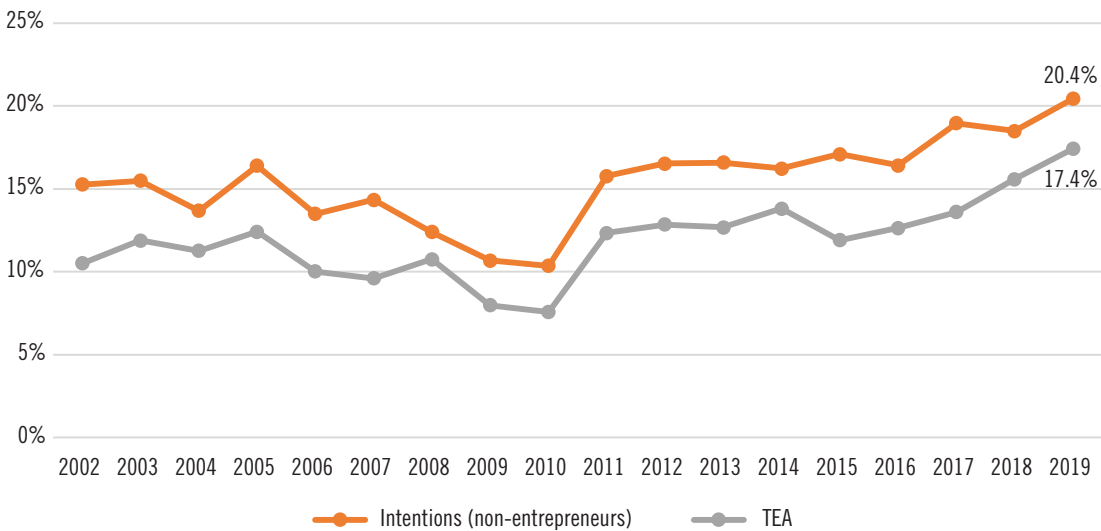


FIGURE 3.6
Entrepreneurial Intentions among Non-Entrepreneurs, and TEA Rates in the U.S. Adult Population (18-64 Years of Age), 2005-2019

SOURCE:
Global Entrepreneurship Monitor

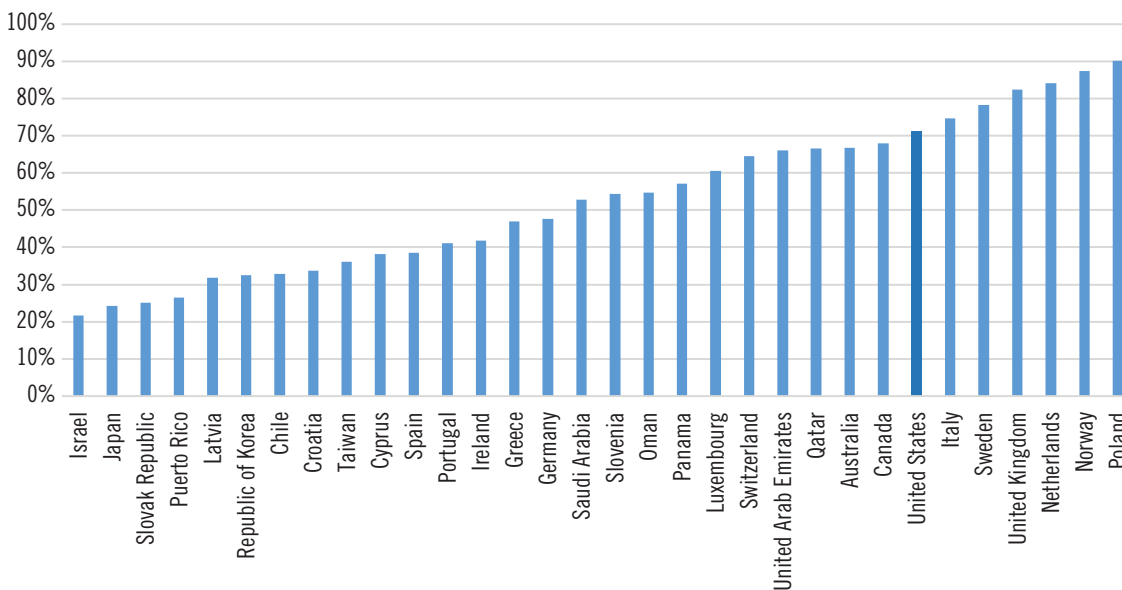


FIGURE 3.7
Perceptions about the Ease of Starting a Business in 32 High-Income Economies, 2019

SOURCE:
Global Entrepreneurship Monitor

3.5 EASE OF STARTING A BUSINESS

Perceptions about the ease of starting a business can serve as an indicator of whether the gap between intentions and TEA is environmental. In the United States, a high majority of adults (71%) believe it is easy to start a business (Figure 3.7). In Europe, a half dozen economies top this figure. Although it can be reasoned that developed economies have healthy business ecosystems, constraints may nonetheless exist, such as an economic downturn, policies that favor large companies over new or small ones, or heavy bureaucracy. Given that this indicator dips as low as 21% in Israel, a country seen as highly entrepreneurial, the ease of starting a business is not a perception that can be taken lightly.

3.6 EXPERT RATINGS ON CONDITIONS FOR ENTREPRENEURSHIP

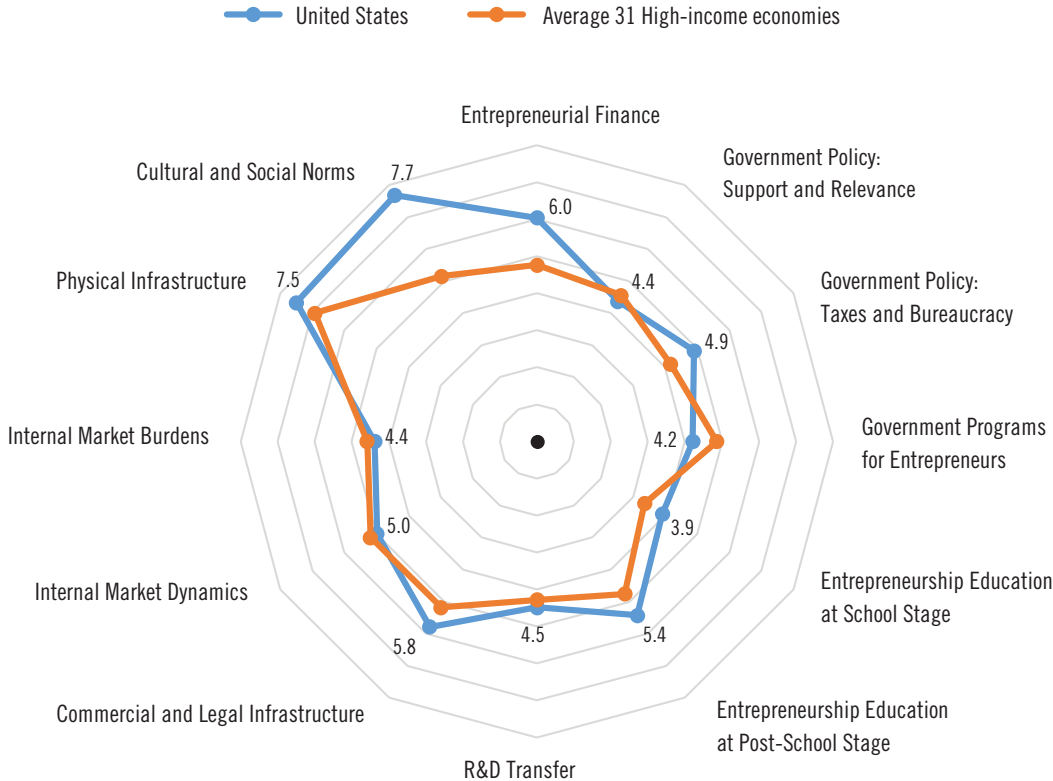
Figure 3.8 shows results from GEM’s national expert survey of 36 people familiar with one or more conditions that may influence entrepreneurial activity in an economy. The United States has the highest rating on cultural and social norms (7.7 out of 10) among developed economies in GEM, with the 31 other high-income economies averaging just above 5 on a 10-point scale. Entrepreneurial finance in the United States stands out from the average of the other 31 high-income economies and is among the highest individual scores across the sample. Physical infrastructure is also high in the United States, but that is typical for a developed economy.

The lowest rating is in school-stage entrepreneurship education. An entrepreneurship curriculum is not common in public or private schools in the United States or in most other countries. Post-school entrepreneurship education is rated a little better in the United States than the average for the other developed economies, likely boosted by the popularity of entrepreneurship courses and majors at colleges and universities in this country.

The United States is rated a little higher on government policy, taxes, and bureaucracy, and a little lower on government programs, compared to the average for the other developed economies. This perhaps reflects that support for entrepreneurship is slightly more likely to occur through policy in the United States, while other developed economies may rely more on programs to support entrepreneurs. Moderately low-rated factors include market factors and R&D transfer to small and new firms.

FIGURE 3.8
Expert Ratings
on National
Entrepreneurship
Conditions in the
United States and
the Average of 31
Other High-Income
Economies, 2019.

SOURCE:
Global Entrepreneurship
Monitor



SUMMARY

The potential for entrepreneurship in the United States was high in 2019. People had personal connections with entrepreneurs, and about two-thirds of the adult population expressed positive opportunity and capability perceptions. Additionally, over two-thirds of adults scored highly on two measures of talent: innovativeness and long-term vision. A similar number of adults indicated they are typically alert to opportunities.

Perhaps of concern is the persistently higher level of fear of failure GEM recorded in the past few years. In addition, less than half of adults indicated they will act on opportunities when they spot them. This could signal hesitancy in willingness to start a business; entrepreneurship is not for everyone, and perhaps that is a good thing. It is encouraging enough that there are positive attitudes in society and people who appreciate and support those who do start a business.

This appreciation for entrepreneurship in U.S. society is reflected in high expert ratings on cultural and social norms, and the availability of entrepreneurial finance. In addition, a majority of adults indicated it is easy to start a business, and the level of entrepreneurial intentions increased by over 10% from the previous year. Support for entrepreneurs, however, may require a more holistic understanding, and development of an appropriate mix of conditions that enable these efforts to thrive.





Chapter 4

Age Characteristics of Entrepreneurs

4.1 AGE PATTERNS FOR PHASES AND TYPES OF ENTREPRENEURS

In the United States, the most typical age ranges for starting businesses are 25-34 and 35-44. This is a wide span of 20 years encompassing early to mid-career for most people. Those in mid-career may have accumulated experience and resources, or the ability to acquire resources and have had time to build networks and credibility (Figure 4.1).

On the other hand, those in early career years may not have substantial financial obligations such as with children or mortgages. They have not typically entered a high-earning phase of their careers, which would make stable, well-paying jobs hard to resist. They have not yet accumulated life experiences that could make them more cautious, and they have the rest of their careers to make up for any losses. The United States has increasingly embraced the idea of young entrepreneurs. This may be why there is substantial activity among those under 25 years of age, even though many in this group may be in college or taking their first jobs.

Older age groups 55 and above are more likely to be running established businesses. The inflection point appears to occur in the age range 45-54, after which entrepreneurship declines and established business activity increases, peaking in the 55-64 age group. Of course, mature businesses would need to have been started at younger ages. Older age groups may have settled in, running a business possibly after experimenting with other businesses or employment.

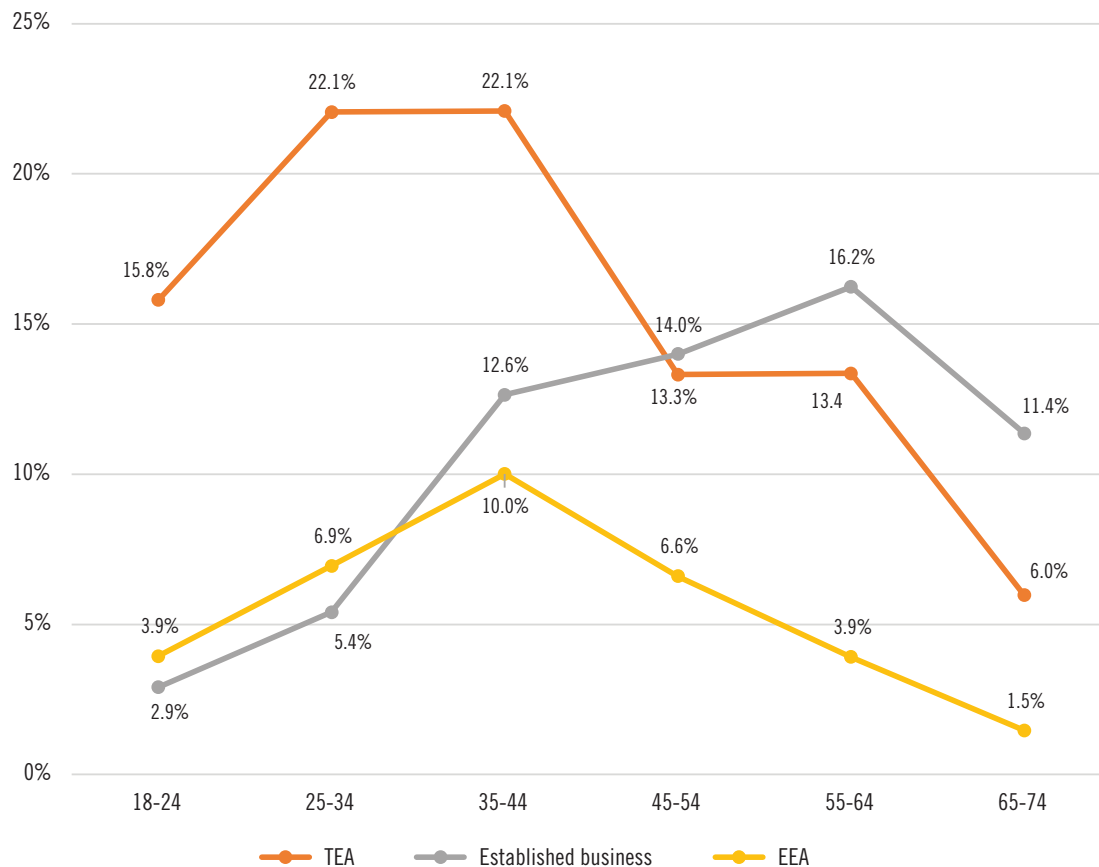


FIGURE 4.1
Total Entrepreneurial Activity (TEA),
Established Business Ownership (EBO)
and Entrepreneurial Employee Activity (EEA)
by Age Group
in the United States,
2019

SOURCE:
Global Entrepreneurship
Monitor

CHAPTER 4

It is notable that entrepreneurship is thriving among those aged 65-74, and this age group is nearly as likely as those aged 35-44 to be running established businesses. The workforce participation rate is only 27% among those aged 65-74, versus 83% for those aged 25-44.⁶ It can be surmised that most of those 65 and above who are still working are likely to be running their own businesses.

Entrepreneurial employee activity peaks in mid-career. These employees likely have built their experience and credibility, and may want to build a business, perhaps to advance in their career. In developed economies that offer stable and fulfilling jobs, it is likely this work will attract some entrepreneurs. Organizations that recruit and build entrepreneurs, and support their business-building efforts, can counter competitive threats and stagnating business, and maintain their viability and growth potential. In this manner, entrepreneurs in organizations have some advantages that facilitate their efforts (albeit also some disadvantages to overcome).

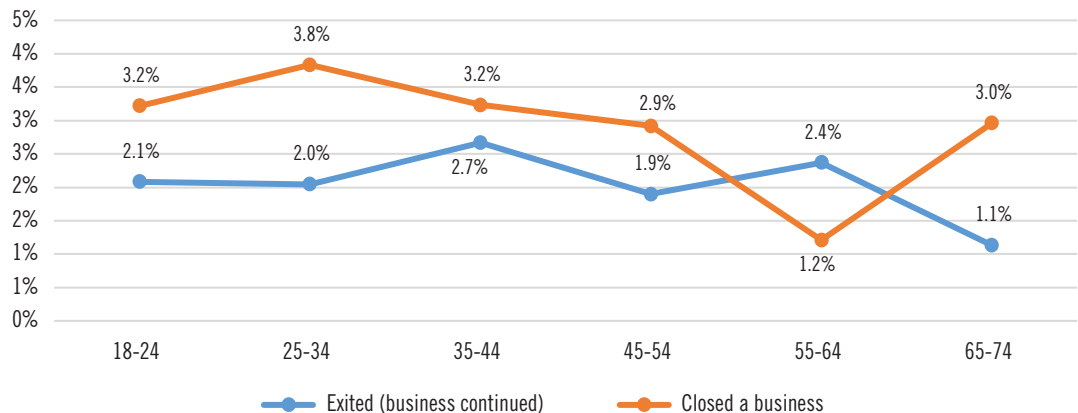
4.2 AGE PATTERNS FOR BUSINESS EXITS AND CLOSURE

In the United States, business closure rates are relatively similar in age groups below 55 years (Figure 4.2). TEA is at its highest level for the age groups 25-34 and 35-44 (Figure 4.1), so closures might reflect a higher incidence of business startup activity. On the other hand, TEA levels are lower in the earliest age group, so ventures among 18-24-year-olds may have a relatively higher likelihood of failure, or their businesses may be short-term pursuits. This may not be a bad result if it leads to later success as entrepreneurs gain and apply experience, hopefully with minimal financial loss.

Business closures are lowest in the 55-64 age group, then increase among ages 65-74 who likely close businesses when they retire. Fewer proportions of people in the oldest age group exit their businesses by passing them to new owners. For the most part, exits and closures appear to happen about equally across age groups, despite fluctuations in TEA and established business activity.

FIGURE 4.2
Exiting and Closing
Businesses by Age
Group in the United
States, 2019

SOURCE:
Global Entrepreneurship
Monitor



4.3 ENTREPRENEURIAL MOTIVATIONS BY AGE GROUP

Reasons for starting a business show fairly similar patterns among age groups for wealth and impact motives (Figure 4.3). Greatest impact motives are at ages 18-24. Wealth motives are equally likely in this age group. The expectation of this young age group might therefore be summarized as very ambitious—to make a difference in the world and get rich.

Necessity motives are high in the 18-24 and 25-34 age ranges. This may reflect the difficulty of finding suitable jobs for those with less experience. Additionally, given the high ambitions to build great wealth and make a difference in the world, young people may see entrepreneurship as a better route to achieving these objectives. Necessity motives decline among those in mid-career, but increase in the 55-64 age group, possibly reflecting job loss and age bias. Finally, family traditions are less a driver of entrepreneurship among young people, but become more important in older age groups, particularly ages 45-54 (37%).

⁶ <https://www.bls.gov/emp/tables/civilian-labor-force-participation-rate.htm>.

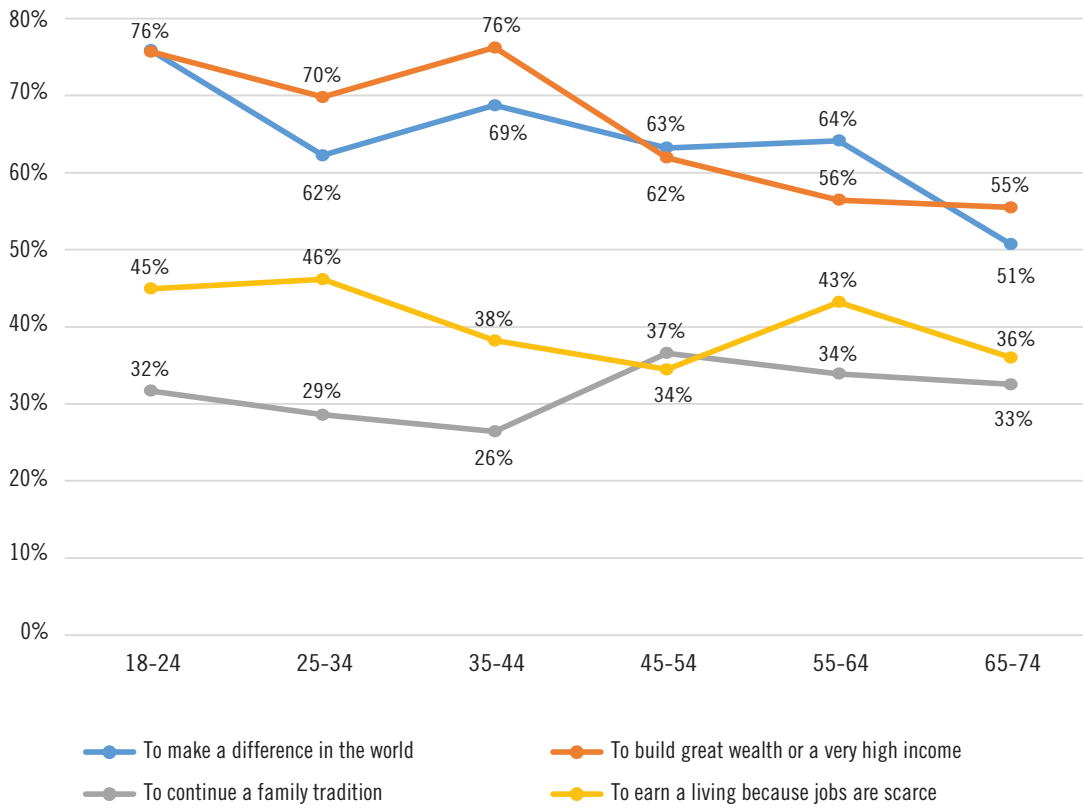


FIGURE 4.3
Motivations for Total Entrepreneurial Activity (TEA) by Age Group in the United States, 2019

SOURCE:
 Global Entrepreneurship Monitor

4.4 ENTREPRENEURIAL AFFILIATIONS BY AGE GROUP

The results on entrepreneurial affiliations show that about two-thirds of people under 45 know an entrepreneur personally, and this decreases in older age groups (Figure 4.4). Given the higher proportion of entrepreneurs aged between 25 and 44, it is likely that people in this age range have peers who are entrepreneurs. The youngest age group, although not as likely to be starting businesses, may nonetheless have role models and awareness of entrepreneurs. These affiliations can be important for inspiration and support among aspiring entrepreneurs. Those 45 years of age and older may have fewer peers who are entrepreneurs, but have instead business networks centering around employment.

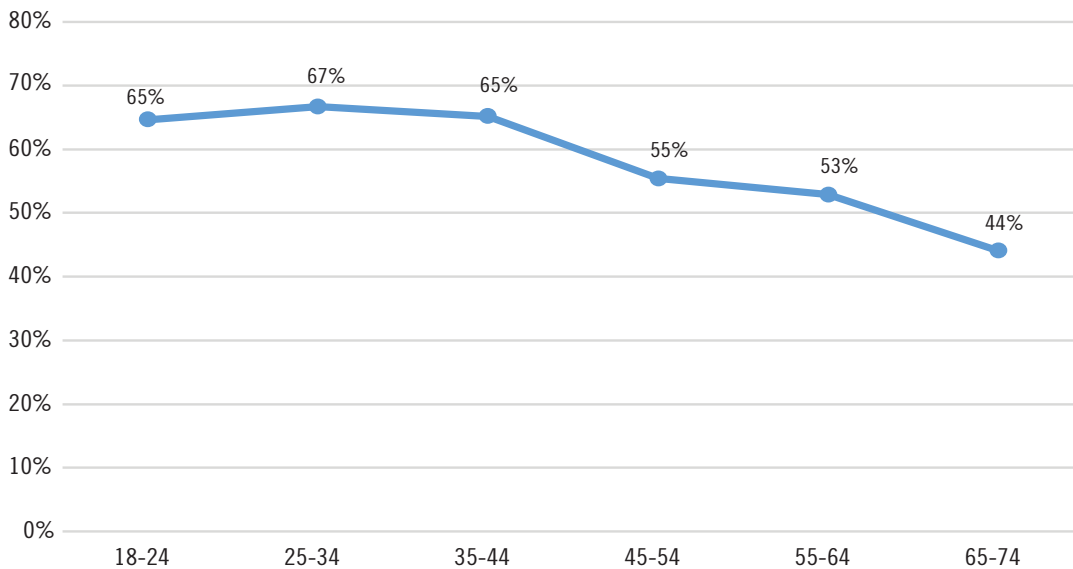


FIGURE 4.4
Percent of the U.S. Adult Population That Knows an Entrepreneur Personally (18-64 Years of Age), 2019

SOURCE:
 Global Entrepreneurship Monitor

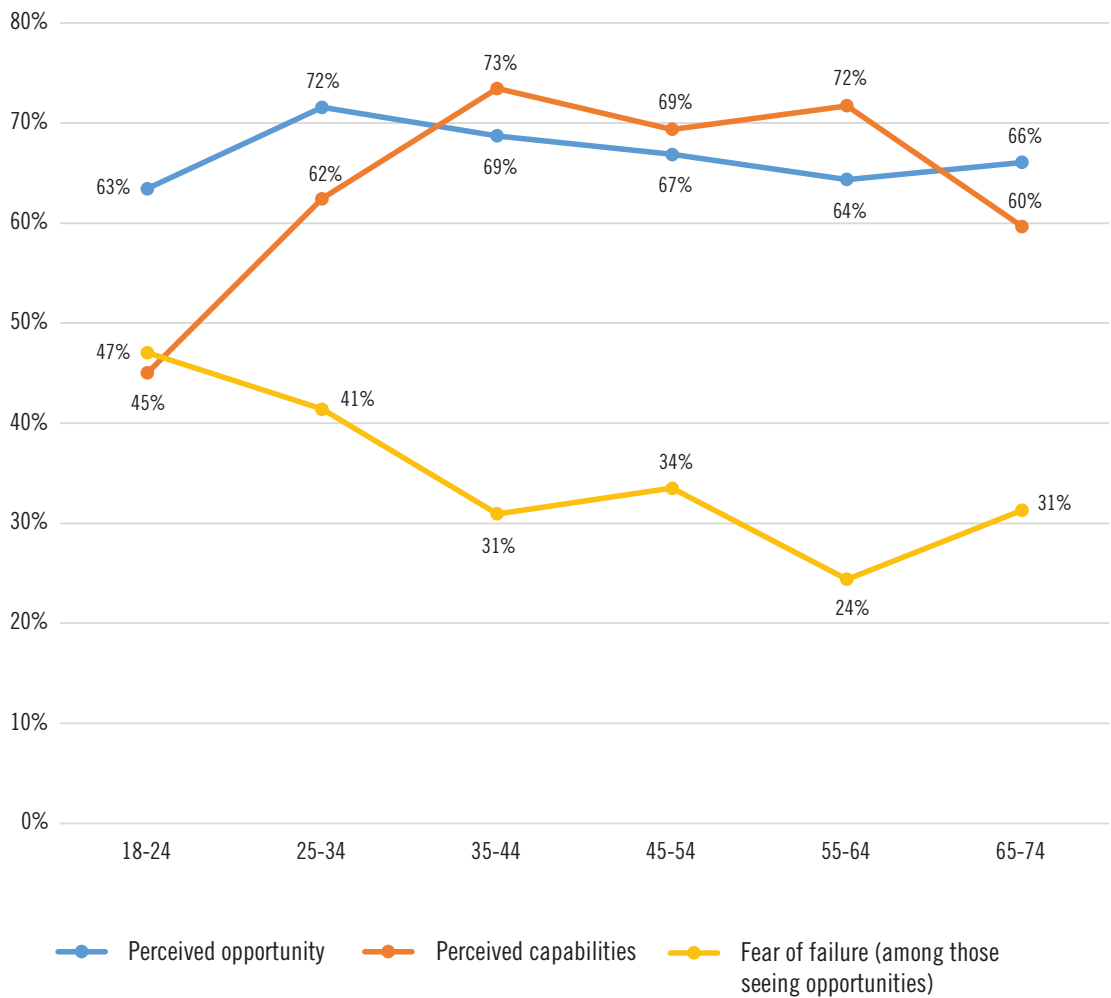
4.5 SELF-PERCEPTIONS BY AGE GROUP

Opportunity perceptions are highest in the 25-34 age group and second highest in the 35-44 age group (Figure 4.5). With these age groups seeing opportunities around them, it makes sense that they report the highest TEA levels. However, there is very little variation with age in this indicator compared to capability perceptions and fear of failure. Perhaps age differences in opportunity perceptions are dampened by relatively objective assessments of the context for entrepreneurship.

With regard to capability perceptions, ages 18-24 report the lowest level on this indicator, likely reflecting youth and less experience. In addition, fear of failure is highest. This could explain why TEA rates are relatively low in this age group, which exhibits less confidence and risk-taking propensity. Capability perceptions increase as fear of failure declines in the next two age groups, with smaller fluctuations beyond that. Perhaps people gain confidence with age and feel able to manage risks. Of course, these attitudes are only a partial explanation for why entrepreneurship rates vary by age, but they highlight how differently some age groups view entrepreneurship.

FIGURE 4.5
Opportunity
and Capability
Perceptions, and
Fear of Failure by
Age Group in the
United States, 2019

SOURCE:
Global Entrepreneurship
Monitor



4.6 ENTREPRENEURIAL INTENTIONS BY AGE GROUP

Entrepreneurial intentions exhibited a sharp peak in the 25-34 age group during 2019, falling by almost half in the next age group (Figure 4.6), despite both age ranges showing equal TEA rates (Figure 4.1). This pattern was not as distinct in the prior two years, where intentions were more similar between these age groups. The results in 2019 indicate an upswing in interest among 25-34-year-olds and a decline in intentions among 35-44-year-olds. This indicator should be examined in 2020 to determine if it suggests an ongoing pattern (although COVID-19 may introduce its own effect).

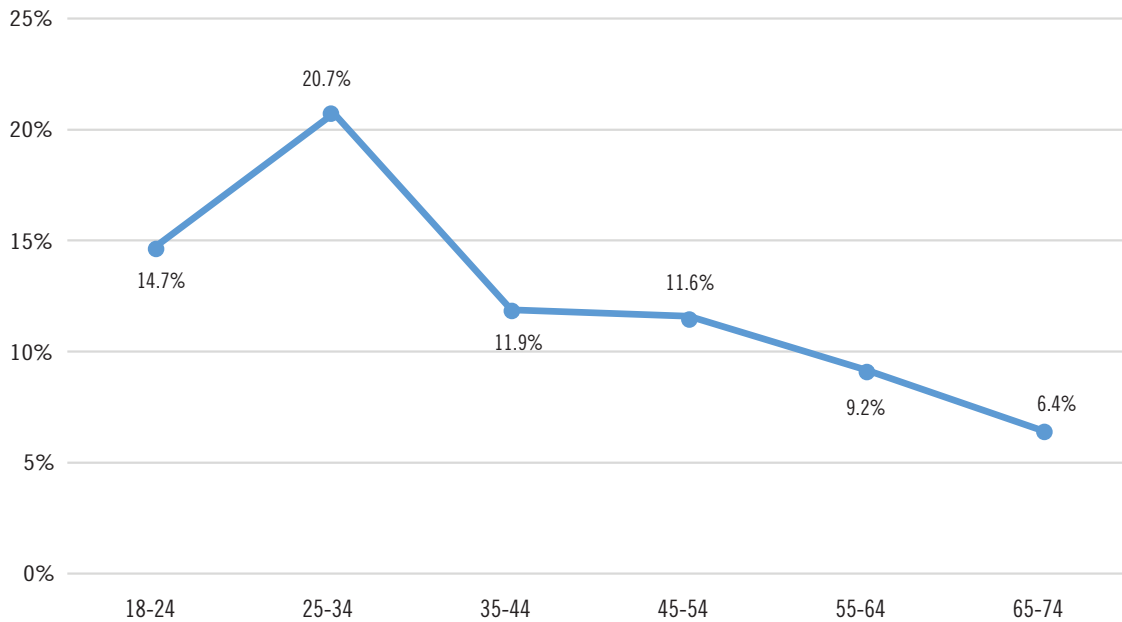


FIGURE 4.6
Entrepreneurial
Intentions among
Non-Entrepreneurs
by Age Group in the
United States, 2019

SOURCE:
Global Entrepreneurship
Monitor

SUMMARY

The results show that those in early to mid-career (25-44 years of age) are most likely to be starting businesses. The mid-career (35-44) age group is particularly remarkable in that it shows high TEA, a substantial increase in established business activity over younger age groups, and a peak level of entrepreneurial employee activity. Interestingly, this is the age group where capability perceptions reach a high level and fear of failure drops to a low point, with both indicators relatively stable after that. This mid-career age may balance the advantages of still being young, ambitious, and willing to take risks, with having the capabilities, resources, credibility, and networks that come with experience.

While TEA rates are somewhat lower among 18-24-year-olds, compared to the next two age groups, the level of activity among young people in the United States is nonetheless impressive, given that members of this age group are also likely to be in college or starting their first jobs. Capability perceptions are lowest at this age and fear of failure is highest. But these young adults are likely inspired by personal relationships with entrepreneurs and motivations to make a difference and gain wealth through entrepreneurship.

Among the oldest age group (65-74 years), starting and running businesses is clearly an important employment option for those still in the workforce. People at this age can run businesses they may have started in their early years, but they may also start businesses out of necessity or to work with family, even if they are less likely than younger adults to have the need or impetus for generating great wealth or making a major impact on the world. They have as much confidence in their entrepreneurial abilities, and they are as willing to take risks as those in mid-to late career and can apply this to new or existing businesses.



Chapter 5

Women's Entrepreneurship

5.1 GLOBAL COMPARISON OF WOMEN'S ENTREPRENEURSHIP RATES

New ventures create innovations that help societies advance by contributing to economic growth and providing support for sustaining families over time. Women entrepreneurs are a vital component of venture creation, launching innovations, providing jobs, and developing essential services for communities. In the United States, women are equal co-owners or majority owners of 45% of all privately held registered businesses, comprising 12.3 million firms.⁷ Globally, 252 million women are entrepreneurs, and another 153 million women are operating established businesses, according to the Global Entrepreneurship Monitor 2018/2019 Report on Women's Entrepreneurship, which provides an analysis of 59 economies.⁸ In recent years, the rate of women's entrepreneurial activity rose to an average of 10.2%, closing the gender gap among the 54 economies featured in both reports by three percentage points since the 2017 report.⁹

However, despite significant progress of women entrepreneurs, men are still more likely to start businesses; in fact, only 4 of the 50 economies participating in the GEM 2019 survey reported equal or higher TEA rates for women than for men: Saudi Arabia, Qatar, Madagascar, and Brazil (see Figure 5.1). The economies with the highest TEA rates for women in 2019 were in Latin America: Ecuador (34%), Chile (32%), Brazil (23%), Guatemala (22%), and Colombia (21%). In contrast, a large gender gap, where women start at less than 50% the rate of men, was observed in Pakistan, North Macedonia, Japan, Egypt, and Norway. The United States, however, is approaching parity for the first time in years, with women starting at 91% of the male rate.

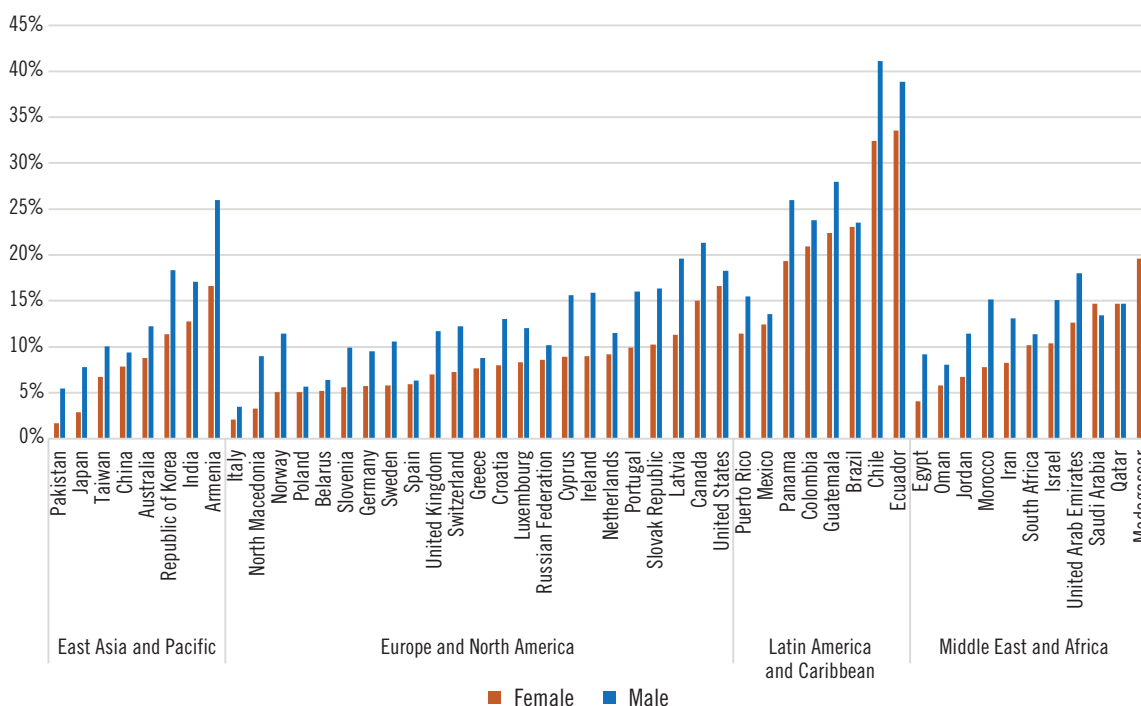


FIGURE 5.1
Total Entrepreneurial Activity (TEA) by Gender in 50 Economies, 2019

SOURCE:
Global Entrepreneurship Monitor

⁷ <https://www.businesswire.com/news/home/20180821005093/en/Number-Women-Owned-Businesses-Increased-3000-1972-New>

⁸ Elam, A., Brush, C.G., Greene, P.G., Baumer, B., Dean, M., and Heavlow, R. 2019.

Global Entrepreneurship Monitor 2018-2019 Women's Entrepreneurship Report. London: UK, Global Entrepreneurship Research Association.

⁹ Kelley, D., Baumer, B., Brush, C., Greene, P., Majbourni, M., Cole, M., Dean, M., and Heavlow, R. 2017. Global Entrepreneurship Monitor: Women's Entrepreneurship 2016/2017 Report. Wellesley, MA: Babson College.

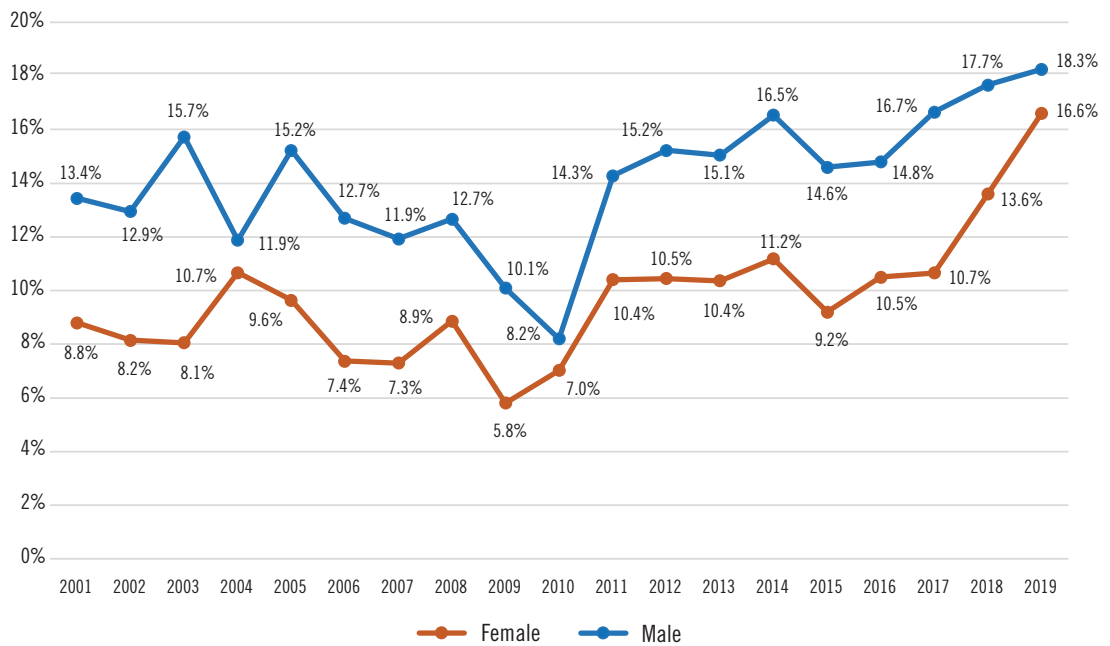
Given the economic and societal importance of women’s entrepreneurship, a better understanding of the contributions and challenges women face is critical for knowledge of entrepreneurship generally. While the prevailing narrative is that women and men entrepreneurs are equal in every way, that they have the same opportunities, attitudes, approaches, and access to financing, the reality is that there are differences, some of which matter.¹⁰ A better understanding of where there might be differences between men and women entrepreneurs in the startup process can yield insights for education, policy, and practice. This chapter includes an overview of women’s participation in entrepreneurship, societal attitudes among women, and the impact of women’s startup activity in the United States.

5.2 LONGITUDINAL ANALYSIS OF WOMEN’S ENTREPRENEURIAL ACTIVITY IN THE UNITED STATES

Since 2015, there has been a steady rise in the TEA rates of both men and women’s entrepreneurship in the United States. In 2015, the rate of women’s entrepreneurship was 9.2%, while for men it was 14.6%; but 2019 marked an all-time high with TEA rates of 16.6% and 18.3% respectively (see Figure 5.2). Notably, the gender gap narrowed to an all-time low of less than two percentage points, down from four percentage points the previous year, and one of the lowest gender gaps in the world.

FIGURE 5.2
Total Entrepreneurial Activity (TEA) by Gender in the U.S. Adult Population (18-64 Years of Age), 2001-2019

SOURCE:
Global Entrepreneurship Monitor



5.3 AGE DIMENSIONS OF ENTREPRENEURSHIP BY GENDER

An analysis of TEA rate by gender and age shows that women between 35 and 44 years of age are most likely to be starting a business (21%), similar to men (23%). The startup rate for women has consistently been highest in this age group for the past four years. A recent survey of small business trends shows that the main reasons women start businesses is to be their own boss, to pursue their passion, and because they are dissatisfied with their company work situation.¹¹ This parallels other evidence showing that women are looking for flexibility, autonomy, and the ability to control their own schedule, while at the same time having an opportunity to set their own pay rate for what they believe is their value, rather than being subject to a set wage.¹² Finally, one other catalyst for the rise in entrepreneurship in this age group could be that more financial and training support resources are available through accelerators and other programs.¹³

¹¹ <https://www.guidantfinancial.com/small-business-trends/women-in-business/>
¹² <https://www.forbes.com/sites/carolinecastrillon/2019/02/04/why-more-women-are-turning-to-entrepreneurship/#3d6bbe9a542a>
¹³ <https://www.startupfunding.co/blog/31-top-accelerators-and-incubators-for-women>

In the 25-34 age group for men, a high percentage are becoming entrepreneurs (25%), compared to only 19% of women, representing the biggest gender gap (see Figure 5.3). This age range is when women typically are having children and likely to be out of the workforce, which may explain the gender gap. However, the 2019 results show an increase of four percentage points for women (from 15%) over the previous year. In the 18-24 age group, it is notable that the gender gap is only one percentage point, resulting from a decline in the number of men of this age starting a business to 16% from 17% in 2018, but a rise from 13% in 2018 to 15% in 2019 for women. Further, startup rates show gender parity in the 45-54 and 55-64 age groups, and only a small gap in the 65-74 age group.

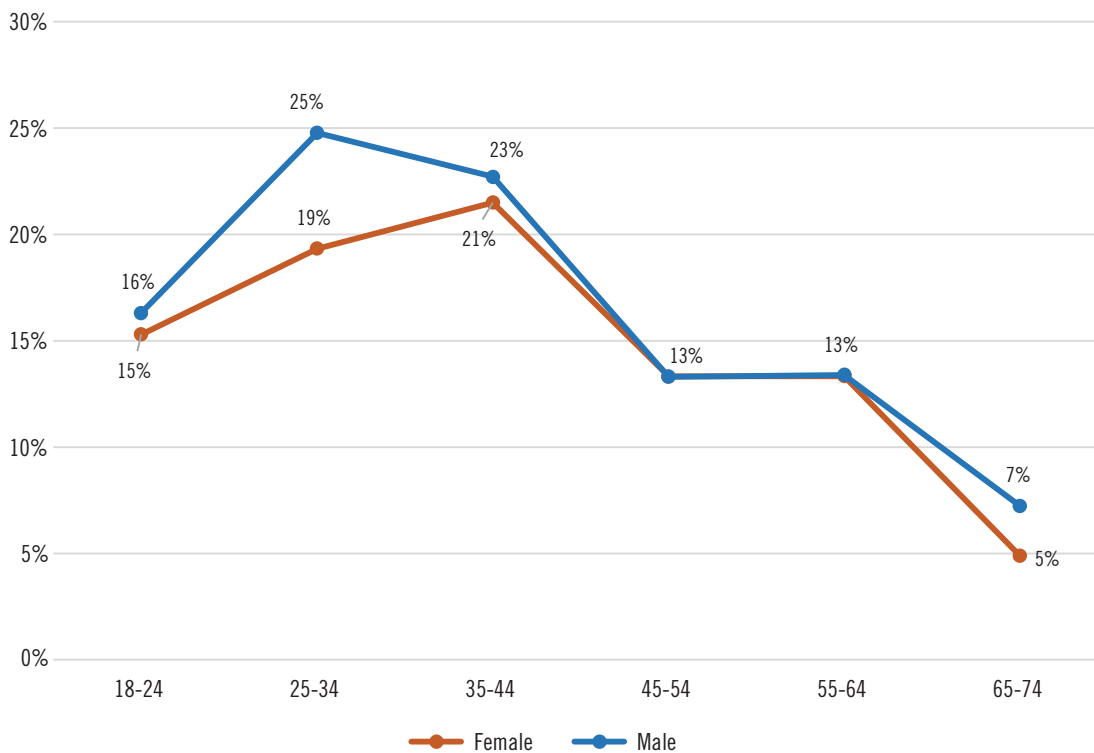


FIGURE 5.3
Age Distribution
of Total
Entrepreneurial
Activity (TEA) by
Gender in the U.S.
Adult Population,
2019

SOURCE:
Global Entrepreneurship
Monitor

Overall, the gender gap is decreasing except for the 25-34 age group. It is possible this trend might be influenced by increases in venture accelerators, crowdfunding options, educational courses, training, and other programs for women entrepreneurs. For instance, more college courses, online training, and dedicated programs and support are available to women entrepreneurs through incubators and accelerators.¹⁴ Also, there is evidence that women view opportunities in the corporate sector as limited and wish greater flexibility, as well as the ability to control their own future, therefore opting for entrepreneurship to create something of their own.¹⁵ Many programs target women aged 21-50, which might also be related to the slight rise in women's participation.

5.4 SERIAL ENTREPRENEURSHIP

Across the adult population in the United States, more than half of women (52%) have started at least one business in their career, and likewise 57.5% of men. Among women entrepreneurs, 44% have started at least one other business besides the one they were currently starting (52% for men entrepreneurs). These individuals can be considered "serial" entrepreneurs, having started more than one venture. In fact, 19% of women entrepreneurs have started two or more additional ventures (32% for men entrepreneurs).

¹⁴ <https://www.entrepreneur.com/women/courses>; <https://www.startupfunding.co/blog/31-top-accelerators-and-incubators-for-women>;
<https://ifundwomen.com/>

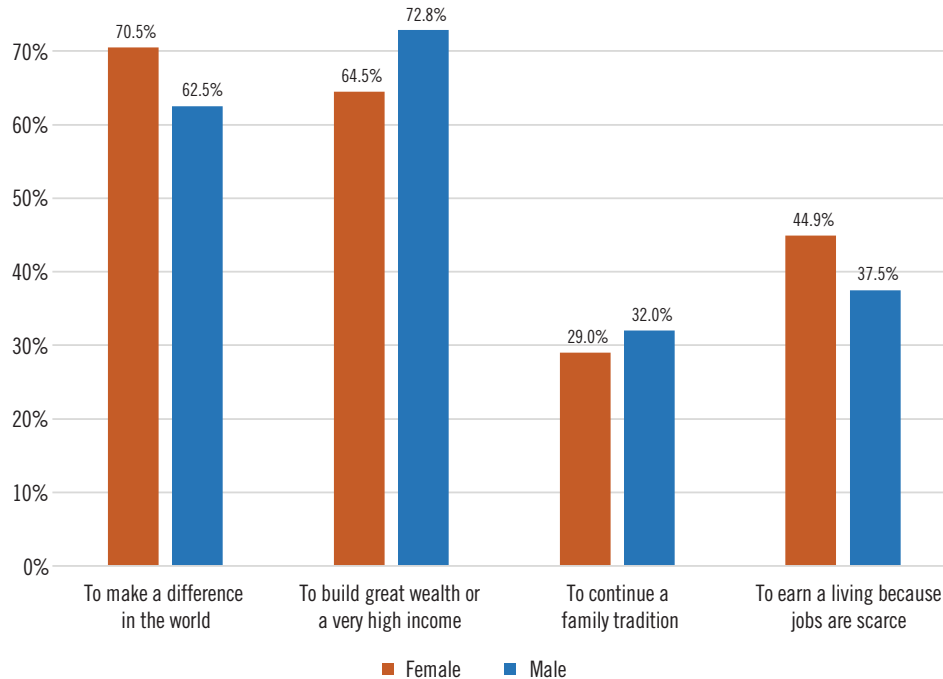
¹⁵ <https://www.forbes.com/sites/carolinecastrillon/2019/02/04/why-more-women-are-turning-to-entrepreneurship/#94e8dde542a7>

5.5 ENTREPRENEURIAL MOTIVATIONS AMONG WOMEN

It is well recognized that environment and market factors play a crucial role in the decision to start a venture. A host of personal motivations also influence the entrepreneurial process.¹⁶ GEM included four questions about motivations as noted in Figure 5.4.

FIGURE 5.4
Motivations for Total Entrepreneurial Activity (TEA) by Gender in the U.S. Adult Population, 2019

SOURCE:
 Global Entrepreneurship Monitor



Making a difference and achieving a higher income are the most important motives for both genders. Women are eight percentage points more likely than men to want to make a difference in the world, and men are eight percentage points more likely than women to seek great wealth or a very high income. This parallels earlier work which notes that men more often seek financial success and autonomy, while women are motivated by these in addition to self-realization and status.¹⁷ The table also shows that women are more likely to be motivated to earn a living because of scarce jobs, and this parallels earlier findings from GEM showing that women more often start businesses out of necessity. And finally, women are slightly less likely to be continuing a family tradition through entrepreneurship, a gender difference of only three percentage points.

5.6 ENTREPRENEURIAL SELF-PERCEPTIONS AND TALENT AMONG WOMEN

Societal attitudes toward entrepreneurship strongly influence who starts a business and who does not.¹⁸ In addition, it is well documented that intentions to start a business are influenced by perceived capabilities and skills associated with self-confidence.¹⁹ Each year, GEM measures several self-perceptions in the adult population, including perceptions about opportunities, perceived capabilities for starting a business, fear of failure, and entrepreneurial intentions. This year, the survey also captured key talent indicators regarding opportunity alertness, proactiveness, innovativeness, and vision.

In 2019, perceptions about opportunities decreased slightly from 2018 for both women and men, to 63% and 71% respectively, although still representing a relatively high level on this indicator (see Figure 5.5). The gender gap remains the same for both years at eight percentage points.

¹⁶ Shane, S., Locke, E., & Collins, C. 2003. Entrepreneurial motivation. *Human Resource Management Review*. 13:2. 257-279.

¹⁷ Manolova, T., Brush, C. & Edelman, L. 2008. What do women entrepreneurs want? *Strategic Change*. 17. 69-82.

¹⁸ Becker, G.S. 1964. *Human Capital: A Theoretical and Empirical Analysis*. Chicago: University of Chicago Press. Brush, C.G., Greene, P.G., & Hart, M.M. 2001. From initial idea to unique advantage: The entrepreneurial challenge of constructing a resource base. *Academy of Management Executive*. 15:1. 64-78.

¹⁹ Krueger, N., Reilly, M., & Carsrud, A. 2000. Competing models of entrepreneurial intentions. *Journal of Business Venturing*. 22:1. 97-118.

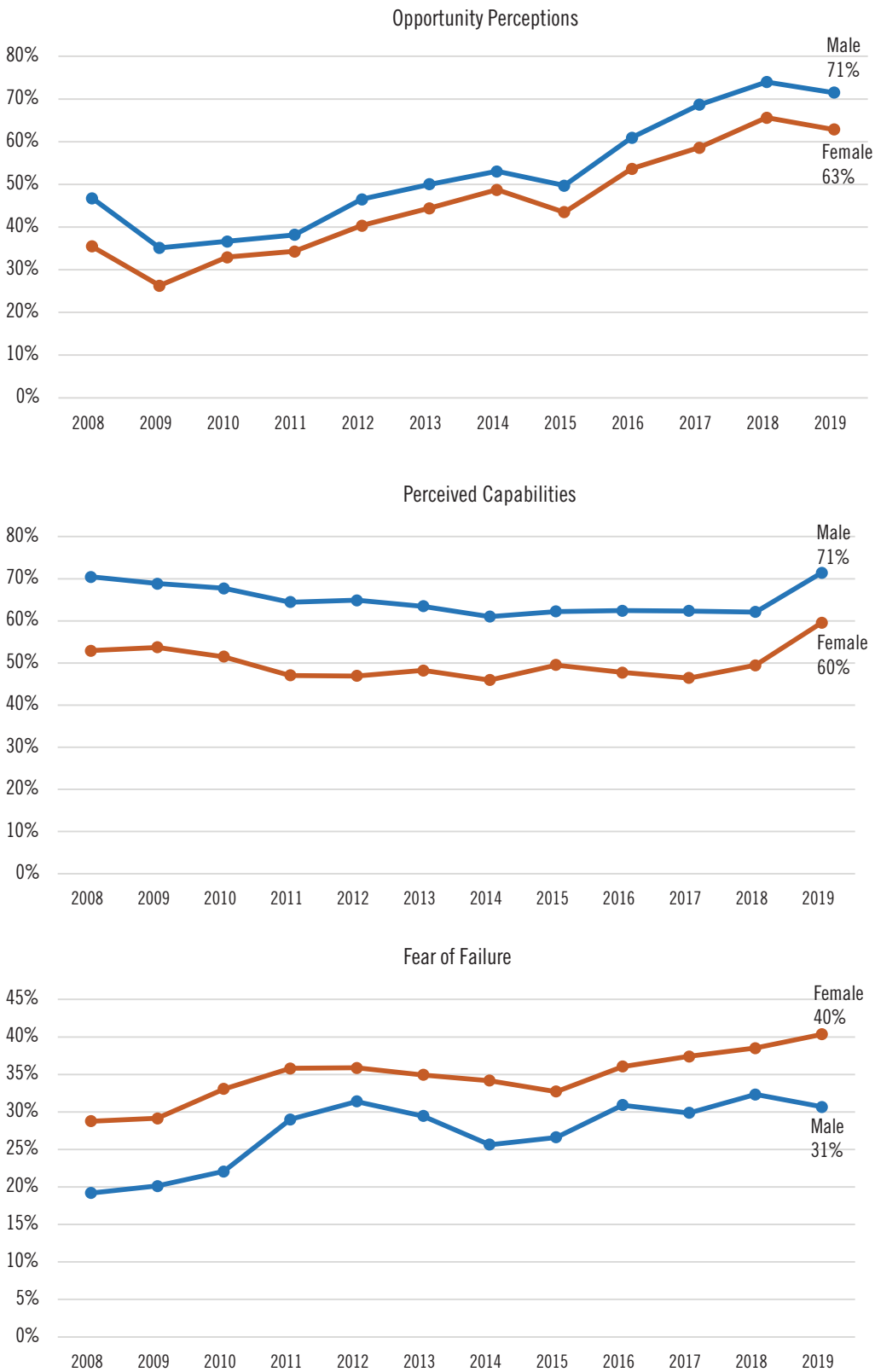


FIGURE 5.5
Opportunity
and Capability
Perceptions, and
Fear of Failure by
Gender in the U.S.
Adult Population,
2008-2019

SOURCE:
 Global Entrepreneurship
 Monitor

On the other hand, perceived capabilities for starting a business rose significantly for all adults. The perception of capabilities was somewhat steady for the past five years except for a dramatic increase in 2019. For women, there was a jump of 11 percentage points from 49% to 60%. For men, 71% believed they had capabilities in 2019, versus 62% the previous year. While the gender gap is still wide at 11 percentage points, it is notable that so many more women now than in prior years believe they have the capabilities to start a business.

CHAPTER 5

The entrepreneurship startup phase is inherently uncertain and characterized by various risks for women entrepreneurs on many dimensions, for example: economic, psychogenic, family, and career. In 2019, fear of failure rates were relatively similar to those of 2018 for both genders, but a slight edge upward occurred for women and downward for men, opening a gap of nine percentage points (see Figure 5.5). The gender gap has remained somewhat stable (between five and seven percentage points) for the past several years, but the gap in 2019 is the highest since 2010.

The TEA increase is likely related to high perceived opportunities and capabilities, although the steady rise in fear of failure suggests that women still perceive it risky to start a business. In fact, 59% of women stated that it is easy to start a business, versus 69% of men. This trend is consistent with other developed economies that support basic social and economic needs. Therefore, fear of failure for women is higher than in less developed economies because they have more to lose.

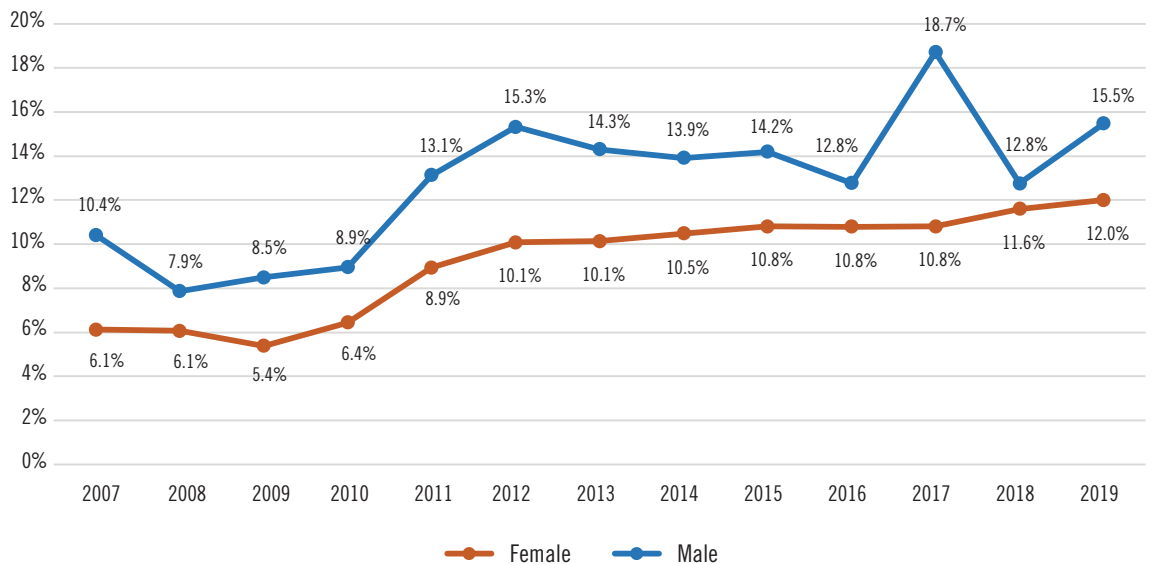
In light of overall trends, even though there was an increase in perceived capabilities and a rise in TEA in 2019, women still have lower beliefs about their capabilities than men. This survey cannot determine exact reasons for this disparity. It may be partly due to the persistent stereotype that a successful entrepreneur is male, a risk taker, innovative, and fits the image of Elon Musk or Mark Zuckerberg.²⁰ The narrative that all entrepreneurs have an equal chance to become such a figure can be detrimental to women, who may believe they are less capable because they are different from a male norm.²¹

Entrepreneurial intentions are defined as deliberate planned behavior associated with starting a new business. Intentions are a precursor to entrepreneurial action, but not all intentions result in a business startup.²² Data for 2019 reflect a continuing, consistent pattern for women but an increase for men from 2018, widening the gender gap (see Figure 5.6). It appears the narrow gap in 2018 may have been an aberration, since the trend line for most years shows a gap of roughly four percentage points.

A new series of questions added to the GEM 2019 survey assessed four measures of entrepreneurial talent: alertness to opportunities, proactiveness, innovativeness, and vision. These measures revealed parallel results for men and women (see Figure 5.7). In fact, there was a difference of fewer than three percentage points between genders across all four measures, with innovativeness and vision exhibiting the highest levels for both.

FIGURE 5.6
Entrepreneurial Intentions among Non-Entrepreneurs by Gender in the U.S. Adult Population, 2007-2019

SOURCE:
Global Entrepreneurship Monitor



²⁰ Brush, C. & Greene, P. 2020.

²¹ Bird, B. & Brush, C. 2002. A gendered perspective on organizational creation. *Entrepreneurship Theory and Practice*. 26:1. 41-65; Ridgeway, C. and Correll, S. 2004. Unpacking the gender system: A theoretical perspective on gender beliefs and social relations. *Gender & Society*. 18:4. 510-531.

²² Krueger, et al., 2000

Notably, women are slightly more likely to be alert to opportunities, while men are more often innovative. When this measure is considered with opportunity perceptions (Figure 5.5), there seems to be a paradox. Men are more likely than women to perceive opportunities around them, which reflects, at least in part, conditions in the environment. This likely leads men to have higher intentions to start a business. However, the talent measure shows that women have a slightly greater alertness to opportunities, which relates more to personal aptitude. The data do not reveal association with particular industries. Other factors may explain gender differences due to individual ability versus external conditions.

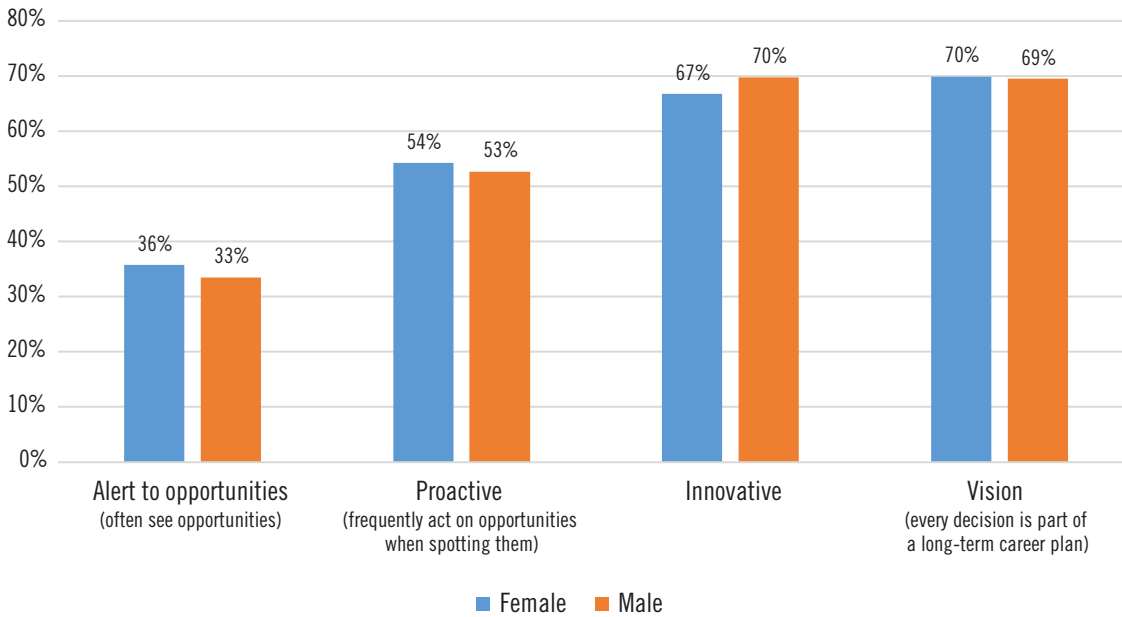


FIGURE 5.7
Entrepreneurial Talent Indicators by Gender in the U.S. Adult Population, 2019

SOURCE:
Global Entrepreneurship Monitor

5.7 BUSINESS IMPACT CHARACTERISTICS AMONG WOMEN ENTREPRENEURS

Entrepreneurs can impact economies through their businesses; and this includes the industries they participate in, the geographic scope of their activities, and the level of innovation and discontinuance. Consistent with the overall composition of businesses in the United States by industry, entrepreneurs primarily start businesses in the service and consumer goods sectors (see Figure 5.8).

Similar to past years, the sector with the highest percentage of startups by women is wholesale and retail (26%), which is also one of the highest sectors for startups by men (20%). Detailed analysis shows that nearly all businesses in this category are retail. This indicates that women continue to start businesses in sectors already highly populated with women, and with high levels of competition and the lowest entry barriers.

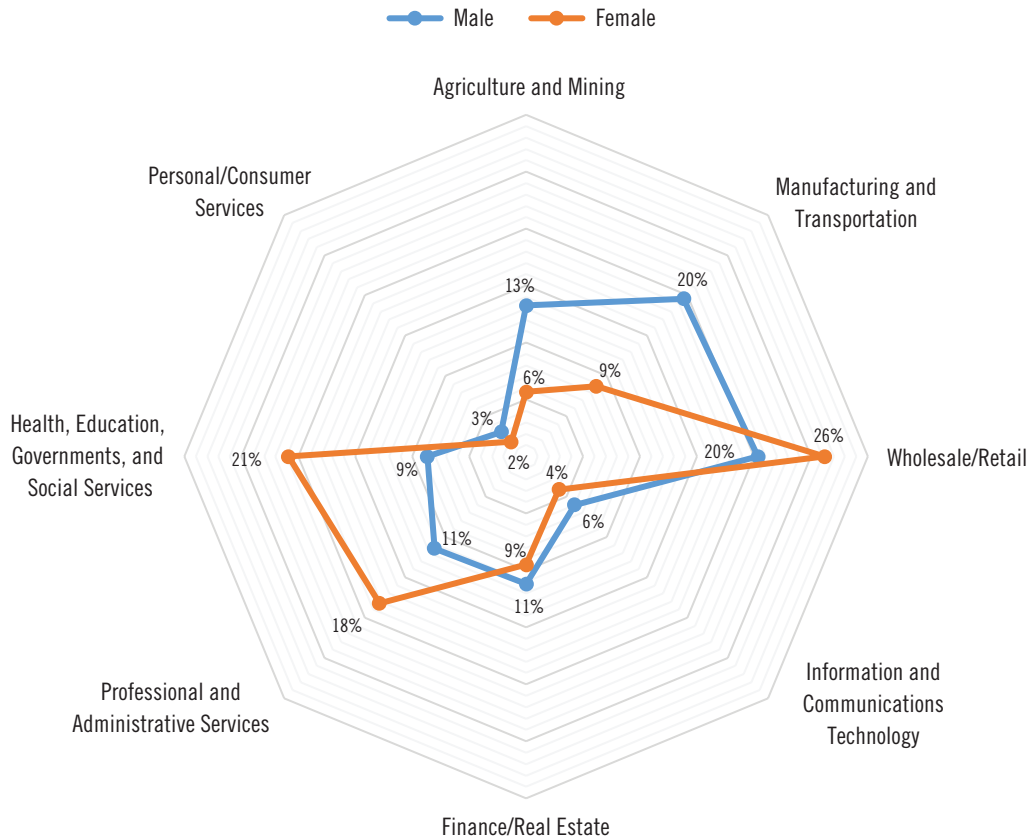
Women also have a strong presence in health, education, government, and social services (21%), and professional and administrative services (18%). The percentage of women starting businesses in professional and administrative services rose by nearly four percentage points, while the percentage of men starting in this sector declined by almost eight percentage points. In contrast, fewer women started businesses in personal/consumer services in 2019 than the previous year. The percentage of women starting businesses in manufacturing stayed relatively constant at 9%, which is less than half the percentage for men.

Notably, three sectors account for 65% of all startup activity for women: wholesale/retail; health, education, government, and social services; and professional and administrative services. All are generally business-to-consumer-oriented industries. In contrast, the same three sectors comprise only 40% of businesses launched by men.

Sectors where men have higher participation rates are more often business-to-business and capital-intensive sectors, such as manufacturing and transportation, agriculture and mining, and information and communications technology. The apparent trend toward gender segregation of industries is concerning because again, consumer-facing service businesses are more often vulnerable to local economic and social threats than those in high technology, manufacturing, or even finance, which tend to depend more on business customers.

FIGURE 5.8
Industry Breakdown for
Total Entrepreneurial
Activity (TEA) by
Gender in the United
States, 2019

SOURCE:
Global Entrepreneurship
Monitor



Regarding geographic scope, women start mostly local businesses, accounting for 88% of female TEA. Only 8% sell nationally and 4% sell internationally. This is consistent with the types of businesses started, in that service and retail are predominantly focused locally. Geographically for men, 82% sell locally, 11% sell nationally, and 7% sell internationally.

The business discontinuance rate for both men and women in the United States remains fairly low, under 3%. The rate for entrepreneurs exiting from a continuing business is also low, around 2% for both genders. At the firm level, research shows that a high percentage, about 30%, of businesses discontinue within the first two years and 50% within the first five years.²³ This affects only a small proportion of adults in the United States.

Finally, GEM considered the extent to which entrepreneurs are starting innovative businesses, assessing whether their products or services were new, and new to people where they live, within their country, or to the world. The results for males and females are almost identical, except that 72% of women versus 68% of men do not offer a new product or service; and 6% of women believe they are offering something new to the world, compared to 9% of men. For both genders, 16% of entrepreneurs stated their innovations were new locally, and 5% said their innovations were new nationally.

²³ <https://smallbiztrends.com/2019/03/startup-statistics-small-business.html>.

SUMMARY

In summary, TEA rates for both men and women entrepreneurs rose substantially to an all-time high in 2019, narrowing the gender gap. Women between the ages of 35 and 44 are more likely to start businesses than any other age group. The gender gap was largest in the 25-34 age group, but entrepreneurial activity for men and women was similar for all other age groups. Over half of women had started at least one business so far in their careers, and 44% of women entrepreneurs were serial entrepreneurs, in that they had started at least one other business besides the one they were currently starting. Analysis of motivations shows that women are more likely to want to make a difference in the world and earn a living than men, who more often aspire to build great wealth and continue a family tradition.

While opportunity perceptions declined slightly for men and women between 2018 and 2019, the percentage of women believing they have entrepreneurial capabilities rose in 2019. However, the fear of failure rate remained high for women and declined for men, widening a gender gap. Entrepreneurial intentions were fairly constant among women in 2019 compared to the previous year. New questions regarding talent indicators show similar results for men and women across the measures of opportunity alertness, proactiveness, innovativeness, and vision, with the highest levels on the last two indicators.

The industry analysis shows distinct differences by gender. Women are increasingly prominent in the service and retail sectors, whereas men are more likely to be in manufacturing, agriculture and mining, as well as retail. Both men and women entrepreneurs operate mainly on a local scale, and discontinuance and exit rates are small for both genders. Finally, most entrepreneurs of both genders sell locally and do not believe they are offering a new product or service.

Overall, the gender gap between men and women entrepreneurs is narrowing with regard to entrepreneurial activity, in part because women are likely to perceive opportunities and have increased confidence in their ability to start a business. However, women continue to start businesses predominantly in sectors that are local in scope with low entry barriers and intense competition.

A person wearing a blue surgical mask and a teal shirt is holding a white sign. The sign has the text "WELCOME, WE'RE OPEN" written on it. The word "OPEN" is in a larger, bold, green font. The person is holding the sign with their hands, and the sign is hanging from a white bar. The background is dark and out of focus.

WELCOME, WE'RE

OPEN

Conclusions

Entrepreneurship in the United States was moving briskly ahead in 2019. TEA was up 10% from the prior year, and established business ownership increased by over one-third from 2018. Prospects were high for job creation expectations, innovativeness, and global competitiveness. Societal measures signaled a healthy base of potential entrepreneurs, encouragement for their efforts, and favorable conditions for starting a business. Entrepreneurship engaged people of all ages, and the gender gap narrowed to one of the lowest in the world.

While there is still much to be done to improve conditions for entrepreneurship and facilitate long-term initiatives of entrepreneurs, the COVID-19 crisis has brought new challenges to entrepreneurship in the United States. The 2008 recession led to a decline in entrepreneurship rates, particularly among opportunity-driven entrepreneurs and those starting in technology sectors. Established business rates exhibited a lagged effect, where declines came several years after a drop in TEA. Fear of failure increased in 2009 and continued increasing through 2012, when nearly one-third of those seeing opportunities around them for starting a business would not do so because of the chance it might fail.

In highly uncertain times, entrepreneurs may hold off acting on their ambitions, temporarily or even permanently. Particularly when an economy turns downward, potential entrepreneurs may be deterred by market conditions where discretionary spending has dried up, especially if people face actual or possible job loss. Plans may be derailed by the cautiousness of investors, suppliers, and other stakeholders. Those wanting to start or already running businesses most affected by recession, like those in entertainment, arts, recreation, and travel, will feel even more constrained.

The COVID-19 recession was driven by a social crisis that produced impacts beyond individual financial situations, widely affecting the health and behavior of people around the world. It can be imagined that consequences will be uneven and unpredictable across the business community. Some businesses were already struggling when the pandemic hit; others will likely become less viable in a changed environment. Yet change brings opportunity and those able to adapt or capitalize on opportunities can thrive. Consequently, the types of businesses needed could include those in critical areas like health care, food, and maintenance. Entrepreneurs may need to adjust their approach, for example by starting small with low investment requirements.

Entrepreneurial thinking may be more critical than ever during times of global crisis, as opportunities emerge out of uncertainty and make way for different business models, new products or services, and innovative practices. For example, some well-known ventures were launched during 2008 and 2009, including Groupon, Uber, WhatsApp, Slack, Venmo, and AirBnB, to name only a few. Entrepreneurs who capitalize on changes taking place will find markets and perhaps other advantages such as less competition, better lease terms, lower interest rates, and qualified employees. Society will benefit from those who, for whatever reason, are bold enough to act on opportunities.




The 2020 GEM survey will assess the impact of COVID-19 globally, with questions about: businesses stopped and started; impacts on starting, running, and growing a business; difficulties, delays, and new opportunities; and the effectiveness of the government response for entrepreneurs and business owners. This will enable tracking changes in GEM indicators and examination of effects of the crisis on entrepreneurship. It is certain this current crisis will produce new lessons critical to acknowledge, learn from, and bring forward.

Photo Index

<p>COVER Tithi Luadthong is a painter and digital artist based in Thailand.</p> 	<p>PAGE 30 SoloCoco Company sells coconut oil and body-care products.</p> 
<p>PAGE 10 Aaron Walton (second from left), co-founder of Walton Isaacson, an entertainment marketing agency.</p> 	<p>PAGE 30 Dan Dalet (left) co-founded SoloCoco in his homeland of the Dominican Republic.</p> 
<p>PAGE 16 Miha and Maja Mikek, husband and wife, CEO and CFO, and co-founders of Celtra, a creative management platform for digital advertising.</p> 	<p>PAGE 30 Yulkendy Valdez (left) and Josuel Plasencia, co-founders of Forefront.</p> 
<p>PAGE 22 Tim DeMello, serial entrepreneur and founder of Gradifi.</p> 	<p>PAGE 30 Jamie Kent, singer, songwriter, and entrepreneur.</p> 
<p>PAGE 22 Astrid Pedregal and her sister, Alexandra Pedregal. They are co-founders of Crasqi, a men's swimwear brand.</p> 	<p>PAGE 36 Matt Rogers is a senior global produce coordinator for Whole Foods Market. He is a pioneer in organic farming in the Santa Cruz, California area.</p> 
<p>PAGE 29 Shay Jaffar, fashion entrepreneur and founder of Nomad Story.</p> 	<p>PAGE 36 Shriyans Bhandari (bottom) and Ramesh Dhani, co-founders of Greensole.</p> 

NOTE: All entrepreneurs featured throughout this report are graduates of Babson College.

Photo Index

<p>PAGE 36 LaShonda Cooks, artist based in Dallas, Texas.</p>		<p>PAGE 44 Steve Feinstein, dubbed “The Crooning CPA,” is a Chartered Global Management Accountant and CFO for Conceptual Mind-Works in San Antonio, Texas.</p>	
<p>PAGE 36 Jessica Wright, works for the Upper Saco Valley Land Trust.</p>		<p>PAGE 50 Carolyn Levosky, owner of Play Time, an arts and crafts store in Arlington, Massachusetts.</p>	
<p>PAGE 43 Brian Dixon, partner at Kapor Capital in Oakland, California.</p>		<p>PAGE 50 Ruthie Davis, founder and designer behind the eponymous shoe brand.</p>	
<p>PAGE 44 Marc Freedman, CFP and CEO of Freedman Financial in Peabody, Massachusetts. He hosts a radio show, Dollars & Sense, on 104.9 FM.</p>		<p>PAGE 50 Sharon Rowser, vice president and deputy director for the policy research and evaluation department of MDRC, a policy research organization.</p>	
<p>PAGE 44 Abby Speicher Carroll, co-founder of DARTdrones, a flight school for people learning to pilot drones.</p>		<p>PAGE 50 Sandi Summerson, senior vice president and general merchandise manager at Garnet Hill.</p>	
<p>PAGE 44 Priya Parrish is partner and chief investment officer at Impact Engine in Chicago.</p>		<p>PAGE 60 A business owner who is now able to open his doors with the beginning of a new phase of the COVID-19 pandemic.</p>	

NOTE: All entrepreneurs featured throughout this report are graduates of Babson College.

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- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors leading to appropriate levels of entrepreneurship
- To suggest policies that may enhance the national level of entrepreneurial activity

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