



# 2018/2019 United States Report

**GLOBAL ENTREPRENEURSHIP MONITOR**

National Entrepreneurial Assessment for the United States of America



**BABSON**

Julian E. Lange, Candida G. Brush, Andrew C. Corbett, Donna J. Kelley, Phillip H. Kim, Mahdi Majbouri, and Siddharth Vedula





# Global Entrepreneurship Monitor

## 2018/2019 United States Report



Babson College  
Babson Park, MA

All rights of this publication are reserved and therefore this publication cannot be reproduced in its totality, or in part, recorded or transmitted by any information retrieval system in any way, by any means mechanical, photochemical, electronic, magnetic, electrooptical, digital, photocopying or otherwise, without the prior permission in writing by the authors.



# *Dedication*

**Professor Abdul Ali  
(1957- 2018)**



The GEM U.S. team dedicates this 2018/2019 report to our colleague and dear friend, Professor Abdul Ali, who passed away suddenly in December 2018. Abdul was a long-time member of the Babson College community, teaching and conducting research in both marketing and entrepreneurship.

For over ten years, he contributed to both the GEM U.S. team and to GEM global with his expertise in designing and conducting surveys, building and maintaining large datasets, and analyzing and drawing insights from GEM data. He served as Technical Director for the U.S. team, as a member of the Research and Innovation Advisory Committee, and as a valued contributor to numerous task forces for GEM global.

Abdul was passionately dedicated to his family, cared deeply for his students, and was loyal and caring to his friends and colleagues. He could switch from talking in detail about statistical results, to commenting on the latest football game, to entertaining us with his uplifting sense of humor. We will never forget how he lit up the room with his smile and engaged us in his contagious laughter.

Abdul, you will always live on in our memories and in our hearts.



# Table of Contents

---

<b>LIST OF FIGURES</b> .....	<b>7</b>
<b>ACKNOWLEDGEMENTS</b> .....	<b>9</b>
<b>NOTE FROM LEADER OF THE GEM U.S. TEAM</b> .....	<b>11</b>
<b>FOREWORD FROM THE GEM CO-FOUNDER</b> .....	<b>13</b>
<b>LIST OF GEM INDICATORS</b> .....	<b>14</b>
<b>KEY FINDINGS</b> .....	<b>17</b>
<b>CHAPTER 1 THE UNITED STATES ECONOMY IN 2018</b> .....	<b>23</b>
Economic Conditions in 2018 .....	23
Markets in 2018.....	25
Monetary and Fiscal Policy in 2018.....	26
Conclusion .....	27
<b>CHAPTER 2 ENTREPRENEURIAL ACTIVITY IN THE UNITED STATES: A GLOBAL AND LONGITUDINAL ANALYSIS</b> .....	<b>29</b>
Total Entrepreneurial Activity .....	29
Necessity-Driven Motives .....	29
Ethnic Characteristics of Entrepreneurs.....	30
Phases of Entrepreneurship .....	31
Entrepreneurship of All Kinds .....	32
<b>CHAPTER 3 IMPACT CHARACTERISTICS OF ENTREPRENEURSHIP IN THE UNITED STATES</b> .....	<b>35</b>
Industry Sector Participation.....	35
Technology and Innovation .....	36
Job Expectations.....	37
Internationalization .....	38
<b>CHAPTER 4 AGE AND ENTREPRENEURSHIP</b> .....	<b>41</b>
Activity by Age Group .....	41
Attitudes by Age Group.....	43
Women by Age Group .....	44

<b>CHAPTER 5</b>	<b>WOMEN’S ENTREPRENEURSHIP .....</b>	<b>47</b>
	Introduction .....	47
	Women’s Entrepreneurial Activity in the United States.....	47
	Entrepreneurial Attitudes.....	49
	Business Activity and Performance .....	53
	Conclusion .....	55
<b>CHAPTER 6</b>	<b>ENTREPRENEURIAL POTENTIAL AND SUPPORT .....</b>	<b>57</b>
	Introduction .....	57
	Entrepreneurial Self-Perceptions and Affiliations.....	57
	Societal Attitudes about Entrepreneurship.....	60
	Ease of Starting a Business.....	60
	The Entrepreneurship Ecosystem.....	61
<b>SPONSORS</b>	.....	<b>65</b>
<b>ABOUT THE AUTHORS</b>	.....	<b>66</b>
<b>CONTACTS</b>	.....	<b>69</b>

# List of Figures

---

<b>Figure 1.1</b>	Percentage Change in Real GDP from Previous Quarter, Seasonally Adjusted Annual Rates .....	23
<b>Figure 1.2</b>	University of Michigan Consumer Sentiment Index .....	24
<b>Figure 1.3</b>	National Unemployment Rate, Seasonally Adjusted, in Percent.....	24
<b>Figure 1.4</b>	Real Average Hourly Earnings of All Employees: Total Private, Dollars per Hour, Monthly, Seasonally Adjusted, in 2015 U.S. Dollars .....	25
<b>Figure 1.5</b>	Unemployment Rates by State, 2018 Annual Averages .....	26
<b>Figure 2.1</b>	Total Entrepreneurial Activity Rates among the Adult Population (18-64 year olds) in 49 Economies, GEM 2018.....	29
<b>Figure 2.2</b>	Total Entrepreneurial Activity (TEA) Rates in Necessity-Motivated TEA Rates among the U.S. Adult Population (18-64 year olds), GEM 2001-2018.....	30
<b>Figure 2.3</b>	Total Entrepreneurial Activity Rates Among the U.S. Adult Population (18-64 year olds) in 3 Ethnic Groups, GEM 2014-2018 .....	31
<b>Figure 2.4</b>	Entrepreneurial Intentions, Total Entrepreneurial Activity Rates, and Established Business Activity Rates in the U.S. Adult Population (18-64 year olds), GEM 2005-2018.....	32
<b>Figure 2.5</b>	Entrepreneurial Employee Rates in the U.S. Adult Population (18-64 year olds), GEM 2014-2018 .....	33
<b>Figure 3.1</b>	Industry Participation for TEA in the United States Compared with the Average of the 31 High-Income Economies, GEM 2018.....	35
<b>Figure 3.2</b>	Longitudinal Trends in the Use of New Technology and Technology Sector Participation among Entrepreneurs in the United States, GEM 2002-2018.....	36
<b>Figure 3.3</b>	Longitudinal Trends in Innovation Levels among Entrepreneurs in the United States, GEM 2002-2018 .....	37
<b>Figure 3.4</b>	Percent of Entrepreneurs Expecting to Employ Six or More in Five Years, GEM 2002-2018 .....	38
<b>Figure 3.5</b>	Percent of Entrepreneurs' Annual Sales from Customers Living Outside the United States, GEM 2015-2018.....	39
<b>Figure 4.1</b>	Age Distribution of Phases and Types of Entrepreneurial Activity in the U.S. Adult Population, GEM 2018.....	41
<b>Figure 4.2</b>	Age Distribution of Total Entrepreneurial Activity in the U.S. Adult Population Showing Opportunity and Necessity Motives, GEM 2018.....	42
<b>Figure 4.3</b>	Age Distribution of Entrepreneurial Attitudes and Affiliations in the U.S. Adult Population, GEM 2018.....	43

<b>Figure 4.4</b>	Total Entrepreneurial Activity Rates for Women and Men by Age Group in the U.S. Adult Population, GEM 2018.....	44
<b>Figure 5.1</b>	TEA Rates of Male and Female Entrepreneurs, GEM 2001-2018.....	48
<b>Figure 5.2</b>	TEA Rates by Gender and Age, GEM 2018 .....	49
<b>Figure 5.3</b>	Perceived Opportunities of Men and Women Entrepreneurs, GEM 2001-2018 .....	50
<b>Figure 5.4</b>	Perceived Capabilities of Men and Women Entrepreneurs, GEM 2001-2018.....	50
<b>Figure 5.5</b>	Fear of Failure for Men and Women Entrepreneurs, GEM 2001-2018.....	51
<b>Figure 5.6</b>	Entrepreneurial Intentions of Men and Women Entrepreneurs, GEM 2002-2018 .....	52
<b>Figure 5.7</b>	Composition of Businesses by Industry for Men and Women Entrepreneurs, GEM 2018 .....	53
<b>Figure 5.8</b>	TEA New Product Market Combinations for Male and Female Entrepreneurs, GEM 2002-2018 .....	54
<b>Figure 6.1</b>	Opportunity and Capability Perceptions in the U.S. Adult Population (18-64 year olds), GEM 2001-2018 .....	58
<b>Figure 6.2</b>	Fear of Failure among Those Seeing Opportunities in the U.S. Adult Population (18-64 year olds), GEM 2001-2018 .....	59
<b>Figure 6.3</b>	Percentage of the U.S. Adult Population (18-64 year olds) Who Personally Know an Entrepreneur, GEM 2001-2018.....	59
<b>Figure 6.4</b>	Percentage of the U.S. Adult Population and the Average of 30 High-Income Economies Who See Entrepreneurship as High Status, a Good Career Choice, and Receiving High Media Attention, GEM 2018 .....	60
<b>Figure 6.5</b>	Percentage of the Adult Population in 31 High-Income Economies Who Believe It Is Easy to Start a Business, GEM 2018 .....	61
<b>Figure 6.6</b>	Expert Ratings (on a Scale of 10) in the United States and the average of 30 High-Income Economies on 21 Entrepreneurship Framework Conditions, GEM 2018.....	62





## Acknowledgements

The work of the GEM U.S. Team spans many months and calls upon multiple skills. These skills range from strategic planning to research and data analysis to reporting research results in a readable and compelling publication and to organizing resources of time, money and energy across a large and varied group of people. The authors are indebted to each and every person who participated.

The authors are especially grateful to Doug Scibeck for his invaluable contributions as Project Manager of the GEM U.S. Team.

Special thanks are also due to Francis Carmona, Forrest Wright, Alicia Coduras, and Chris Aylett of Global GEM for their unfailing support and guidance; to Stephen Spinelli, Jr., President of Babson College, for his visionary leadership and inspiration; to Michael Chmura, Director of Public Relations, and his staff at Babson College for their insightful input and wise counsel; to Debi Kleiman, Executive Director of the Arthur M. Blank Center for Entrepreneurship for her expert strategic support; to Elizabeth Atwater, John Crawford, Alexandra Dunk, Antonette Ho, Brianna Radicioni, Lindsay Magoon, and Leila Lamoureux for their many kindnesses and their constant dedication to GEM; to the Elemental and Qualtrics teams for their expertise in preparing and conducting the GEM U.S. surveys; to Rick Sands, President and CEO of the Fenway Group and Graphic Designer Alison Paddock, Art Director Chris Dwyer, and Creative Director Bob Pasarella for their thoughtful and creative contributions to the design, layout, typesetting, and printing of this report; and last but certainly not least to Bill Bygrave and Michael Hay who so generously set us all on the GEM path.

This report would not be possible without the Consortium of GEM National Teams who participated in the 2018/2019 GEM Global Report: Angola, Argentina, Austria, Brazil, Bulgaria, Canada, Chile, China, Colombia, Croatia, Cyprus, Dominican Republic, Egypt, France, Germany, Greece, Guatemala, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Kazakhstan, Latvia, Lebanon, Luxembourg, Madagascar, Mexico, Morocco, Mozambique, Netherlands, Panama, Peru, Poland, Puerto Rico, Qatar, Republic of Korea, Russia, Saudi Arabia, Slovakia, Slovenia, Spain, Sudan, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom, United States of America, Uruguay.

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

Wellesley, Massachusetts  
November 15, 2019

Julian E. Lange  
Candida G. Brush  
Andrew C. Corbett  
Donna J. Kelley  
Phillip H. Kim  
Mahdi Majbouri  
Siddharth Vedula



**GEM Planning Meeting at Babson College, January 1999**

Photo courtesy of Bill Bygrave



## Note from Leader of the GEM U.S. Team

# Julian E. Lange

It is my great honor to welcome you to the pages of the 20th Anniversary Edition of the GEM United States Report.

We are extremely proud to be a national team of the Global Entrepreneurship Monitor (GEM). Over the past 20 years, GEM has conducted survey-based research on entrepreneurship from more than 100 countries from around the globe, utilizing more than 200,000 interviews a year, involving more than 500 specialists in entrepreneurship research and more than 300 academic and research institutions, with the support

of more than 200 funding institutions. It is no wonder that GEM has become the foremost resource of information on entrepreneurship in the world.

Our Report this year highlights our extraordinary GEM co-founders, Bill Bygrave of Babson College and Michael Hay of the London Business School. Bill's Foreword to the 2018/2019 GEM Global Report is reprinted in these pages. Bill and Michael acted on their vision and foresight to undertake the world-wide research which became the Global Entrepreneurship Monitor. In his Foreword, Bill re-tells the history of GEM, including the contribution of GEM's Founding Principal Investigator, Paul Reynolds, who was then at Babson College. With Bill's signature brilliance and humor, he reminds us that entrepreneurship comes in all shapes and sizes – in business, in academics, in government, and even in envisioning a worldwide research phenomenon known today as GEM.

In the pages that follow, you will read about the U.S. economy in 2018, which served as the backdrop for this year's survey. Then you will read about the latest findings from the 2018 GEM U.S. data, including industry sector participation in entrepreneurial activity, the effect of innovation, technology and internationalization, reports of longitudinal and cross-national characteristics of entrepreneurs, how women are involved in entrepreneurship, similarities and differences between women and men in entrepreneurial activity, the effect of age on entrepreneurship, and new this year, the gig and sharing and family business economy.

The methodology for GEM research from the very beginning was twofold and remains the same today. The Adult Population Survey collects data directly from entrepreneurs about their ambitions, motivations, activity and characteristics as well as societal attitudes towards entrepreneurship. The National Expert Survey interviews experts in many different areas affecting entrepreneurship and thus provides data concerning the entrepreneurial ecosystem of each of the countries involved.

Without the wisdom and generosity of spirit of Bill Bygrave of Babson College and Michael Hay of the London Business School, GEM would not have been born. Because of them and the people who have carried this work on, people around the globe have become the beneficiaries of a vast volume of knowledge about the entrepreneurship ecosystem world-wide. Join me now as we open the pages of this year's GEM United States Report and celebrate 20 years of results that truly matter - to entrepreneurs, academics, governments, and all people in our communities whose lives are fulfilled and enriched by the entrepreneurial activities around them.

Julian E. Lange, Ph.D.  
Governor Craig R. Benson '77, H'03 Professor of Entrepreneurship and Public Policy  
Babson College  
Leader of the GEM United States Team



**Panelists at the GEM 20th Anniversary Celebration at Babson College, October 2019**

Photo courtesy of Michael Chmura



## Foreword from GEM Co-Founder Bill Bygrave

Congratulations on the publication of the 20th annual GEM Global Report to everyone who is or has been affiliated with GEM. The Global Entrepreneurship Monitor, GEM, is a wonderful example of not-for-profit social entrepreneurship. It was founded by London Business School and Babson College in the summer of 1997 when I was working with Michael Hay at LBS. With prompting from George Bain, who was then the LBS Dean, Michael and I brainstormed what it would take to create an index for entrepreneurial competitiveness similar to The Global Competitiveness Index that was published annually by the World Economic Forum.

A few weeks later we sought the advice of Paul Reynolds at Babson College because he was expert at measuring entrepreneurial activity with adult population surveys. Paul agreed to lead a pilot study of entrepreneurial activity in a handful of nations. Household surveys are expensive and we had no funding specifically for the pilot study, so we bootstrapped it with funds gleaned from other budgets. By 1998, Paul had data comparing the entrepreneurial competitiveness of the five nations—Canada, Finland, Germany, the UK, and the USA—in the pilot study.

Our timing could not have been better. In 1997 Tony Blair was elected Prime Minister of the UK and was very keen to stimulate the nation's economic competitiveness, especially entrepreneurship. Michael had good contacts with the Blair administration and in 1998 received an invitation for himself, Paul, and me to make a presentation on the UK's entrepreneurial activity to a competitiveness committee that had been formed by Blair. Three Government ministers attended our presentation that was based primarily on the results of Paul's five-nation pilot study. It was very well received by the committee and gave us confidence to push ahead with our research.

Major challenges that we faced as we expanded our research were recruiting more nations and funding the study. Recruiting more nations was easier than we expected because of friendships that Michael, Paul, and I had. Each national team raised funding for its research, and Babson and LBS raised funding to cover the costs of leading and coordinating the research. The Kauffman Foundation generously provided both direct funding and in-kind support such as publishing GEM Global Reports, publicizing GEM, organizing press conferences when Global Reports were released, and designing the GEM logo. (The acronym, GEM, was an inspiration that came to Erkkko Autio when he was inspecting the diamond in his fiancée's engagement ring.)

Adult population surveys of 1,000 interviews, which were all we could afford at the time, were fine for capturing microentrepreneurs, but were not very useful for capturing high-growth entrepreneurs who planned to hire a significant number of employees because there were so few of them. But it was employment growth that policy makers were most interested in. One possible way of dealing with high-growth entrepreneurs was to increase substantially the sample size, but that was too expensive. Instead, to supplement the adult population survey, we came up with two methods for shedding light on high-growth entrepreneurship. The first was the key informant survey in which we questioned entrepreneurship experts about the state of entrepreneurship in their nation. And the second was analyzing each nation's venture capital because it funds high-growth businesses.

The initial GEM Global Study comprised researchers from all the G7 nations—Canada, France, Germany, Italy, Japan, UK, and USA—together with Denmark, Finland, and Israel. The first annual GEM Global Report was published in 1999. Since then, hundreds of researchers from more than 100 different countries have collaborated with GEM; they have published hundreds of GEM studies—Global, National, and Special reports—that have influenced entrepreneurship policy worldwide. A huge thank you on behalf of Michael and from me to everyone who has ever been associated with GEM since we conceived it in 1997. Your dedication has made GEM a tremendous success.

Bill Bygrave and Michael Hay (in absentia)  
Reprinted by permission

# List of GEM Indicators

---

As defined in the [Global Entrepreneurship Monitor 2018/2019 Global Report](#), pp. 138-139

**Nascent Entrepreneurship Rate** – Percentage of the 18-64 population who are currently nascent entrepreneurs, i.e., actively involved in setting up a business they will own or co-own; this business has not paid salaries, wages, or any other payments to the owners for more than three months.

**New Business Ownership Rate** – Percentage of the 18-64 population who are currently owner-manager of a new business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than three months, but not more than 42 months.

**Total [early-stage] Entrepreneurial Activity (TEA)** – Percentage of the 18-64 population who are either a nascent entrepreneur or owner-manager of a new business (as defined above).

**Necessity-Driven Entrepreneurial Activity** – Percentage of those involved in TEA who are involved in entrepreneurship because they had no better options for work.

**Improvement-Driven Opportunity Entrepreneurial Activity** – Percentage of those involved in TEA who (i) state they are driven by opportunity as opposed to having no better options for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income.

**Growth Expectation Entrepreneurial Activity** – Percentage of TEA who expect to employ a particular number of employees five years from now, minus the current number of employees.

**Innovative Entrepreneurial Activity** – Percentage of TEA who indicate that their product or service is new to some or all customers and is offered by few or no other competitors.

**International Oriented Entrepreneurial Activity** – Percentage of TEA who indicate that at least 25% of their sales are to customers who come from other countries.

**Entrepreneurial Employee Activity** – Percentage of the 18-64 population who, as employees, have been involved in entrepreneurial activities such as developing or launching new goods or services, or setting up a new business unit, a new establishment, or a subsidiary.

**Family (early-stage) Business Activity** – Percentage of the 18-64 population who are involved in TEA and (i) own and manage at least part of the business together with family members (strong indication), or (ii) who own the business themselves but manage the business together with family members (some indication).

**Gig Economy Participation** – Percentage of the 18-64 population who have received income from paid work obtained via a digital platform.



**Sharing Economy Participation** – Percentage of the 18-64 population who have received income from renting or leasing out some of their own goods or property, or from granting access to services they provide through a digital platform.

**Established Business Ownership Rate** – Percentage of the 18-64 population who are currently owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.

**Business Discontinuance** – Percentage of the 18-64 population who have discontinued a business in the past 12 months, either by selling, shutting down, or otherwise discontinuing an owner/management relationship with the business.

**High Status for Successful Entrepreneurship** – Percentage of the 18-64 population who agree with the statement that in their country, successful entrepreneurs receive high status.

**Entrepreneurship as Desirable Career Choice** – Percentage of the 18-64 population who agree with the statement that in their country, most people consider starting a business as a desirable career choice.

**Ease of Starting a Business** – Percentage of the 18-64 population who believe it is easy to start a business.

**Media Attention for Entrepreneurship** – Percentage of the 18-64 population who agree with the statement that in their country, they will often see stories in the public media about successful new businesses.

**Perceived Opportunities** – Percentage of the 18-64 population who see good opportunities to start a firm in the area where they live.

**Perceived Capabilities** – Percentage of the 18-64 population who believe they have the required skills and knowledge to start a business.

**Fear of Failure Rate** – Percentage of the 18-64 population with perceived opportunities who also indicate that fear of failure would prevent them from setting up a business.

**Knowing a Startup Entrepreneur** – Percentage of the 18-64 population who personally know someone who started a business in the past two years.

**Entrepreneurial Intentions** – Percentage of the 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years.



**OPEN**

**OPENING HOURS**

**MON-FRI**

**am-3pm**

**SAT-SUN**

**8am-4pm**

# Key Findings

---

## ACTIVITY

### *Entrepreneurship as a Viable Career Option*

The United States exhibits among the highest rates of early stage entrepreneurial activity in the developed world (15.6%). In addition, a great majority of entrepreneurs were motivated by opportunity in 2018. Given the low unemployment rate reported during this time, it is clear that American people have enough job options but entrepreneurship represents a viable career path for many. In fact, 63% of Americans believe entrepreneurship is a good career choice. At the same time, this report shows how necessity entrepreneurship became a more important motivation during the great recession of 2007-2009.

What this all suggests is that entrepreneurship can fill employment gaps in the economy and enable people to pursue the career they desire. It is therefore imperative to equip people with the ability to pursue entrepreneurial opportunities and start businesses when they need or choose to do so. And given that only 45.5% of Americans think it is easy to start a business, there is a need to address and ensure that conditions and stakeholders in the environment can facilitate these efforts.

### *Inclusive Entrepreneurship*

Entrepreneurship can also provide career options for people of all ethnicities, ages, gender, and other characteristics. This report shows that African/African Americans start businesses at a higher rate than the White/Caucasian and Hispanic/Latino ethnicities. Entrepreneurial activity was found to be strong across the entire age spectrum of the 18-74 adult population. Furthermore, the year 2018 marked an all-time high for both men and women entrepreneurs, and notably the gender gap between men and women narrowed.

Entrepreneurship may present a viable alternative to employment, and the United States can benefit from the broad array of opportunities introduced by its diverse population. It is therefore critical to identify groups that may be underserved in the entrepreneurship ranks. This could extend to those who are veterans, disabled, ex-convicts, or migrants—those who may be stigmatized or otherwise limited with respect to employment options, and where entrepreneurship can enable them to be generators rather than consumers of income.

### *Entrepreneurial Dynamism*

Total early stage entrepreneurial activity (TEA) rates are much higher than established business (EB) rates in the United States, and discontinuance levels are somewhat higher than the average for developed economies. This finding could reveal a lack of sustainability, where many people start businesses, yet few have sustained them. At the same time, it could reflect characteristics of a dynamic entrepreneurial environment, where an abundance of caution otherwise provides fewer chances for success. In addition, the discontinuance rate, while higher than the average for developed economies, shows that some people may fail, but others choose to sell, pursue another opportunity, retire or go on to something else. Entrepreneurship may therefore represent one of many careers people will pursue during their lifetimes. It is therefore important to insure these transitions can take place with relative ease.



## KEY FINDINGS

---

### *Entrepreneurship of All Kinds*

While much attention directed toward entrepreneurship takes a narrow view, sometimes focusing on technology or venture-capital backed businesses, it is important to understand that entrepreneurial behavior can benefit multiple contexts. This report shows that one-third of entrepreneurs started their business with family, 11% of the adult population is active in the gig/sharing economy, and 8% of Americans are starting businesses for their employer. Prior GEM reports have highlighted social entrepreneurship. It is thus important to highlight and address all forms of entrepreneurship, which may have some common requirements, but also specific needs that, when addressed, can help them thrive.

### IMPACT

While some economies and governments champion specific industries due to an ability to exploit unique natural resources or by building upon some long-serving national advantage, the United States has put greater emphasis on knowledge-intensive industries and service-based sectors since the turn of the 21st century. In the past two decades as the world has developed a creativity economy that combines elements of the information and knowledge economy with today's creative individuals, TEA in the United States has moved toward service-based start-up activity that relies upon technology and creativity as the drivers of their business opportunities.

In what could be seen as a tipping point of change, for the first time within the United States TEA activities in the Finance, Real Estate, and Business Services sectors (27%) nudged above the rates in Wholesale/Retail (26%). Trends over the past years suggest that entrepreneurs in the United States are increasingly exploiting technological advances – away from traditional wholesale/retail toward entrepreneurial opportunities with potentially lower costs and greater upside in the knowledge and service spaces.

For decades technological opportunities have driven entrepreneurship, not just as an industry of choice, but also for early stage entrepreneurs to use as a competitive tool. Entrepreneurs leverage new technology to new offerings, to deliver their product or service, or both. The percentage of early stage entrepreneurial firms using the latest technology in their firms dipped a couple of points this past year but has remained consistent at around 10% for close to a decade.

GEM has identified few entrepreneurs in the technology sectors after the economic crisis beginning in 2008. In fact, in 2010 GEM data suggested that number had gone down to 0%. A decade later, however, activity levels have rebounded at 8.7% and are consistent with the rates of Information/Communication/Technology (ICT) business activity in the United States.

GEM data show rates for early stage entrepreneurs who bring a new product to market (TEANPM) varying between 34% and 37% in the years since 2011. These entrepreneurs in the United States report that they develop and deliver an innovative product or service as their base offering. Rates for established businesses which bring a new product to market as their base offering (EBNPM) for the same period vary from 13.1% to 18.3%.

U.S. entrepreneurs continue to be among the world's leaders in new technology and innovation offerings. The rate of EBNPM is consistently about half the rate of TEANPM, which means that early stage start-ups are engaged in developing and delivering an innovative product or service as their base offering at a rate which is at least double that of established businesses.

Among all entrepreneurs engaged in early stage entrepreneurial activity, 87% expect to create jobs for others driving overall economic growth. Just below 13% of entrepreneurs see themselves as single person entities with no creation of jobs for others. In 2018, 38% of all U.S. entrepreneurs expect to employ six or more people in the next five years which is consistent with a rate that has hovered around 40% for two decades. Furthermore, 17% of entrepreneurs expect to create 20 or more jobs in their firm over this same time frame.

The U.S. market is potentially so large that it is not surprising to find most U.S. entrepreneurs are not “born global” as they do not necessarily need to pursue sales outside of their own borders to break even. The year 2018 was indicative of this general situation: sales by entrepreneurs outside of their borders decreased from last year’s high when 17% of entrepreneurs expected to get 25% or more of their sales from outside the United States. In 2018, fewer than 13% expect to see that same level of international sales, and a full 35% of entrepreneurs in the United States do not expect any sales to be generated from international customers.

### AGE

When the statistics for Total Early Stage Entrepreneurial Activity (TEA) are combined with those of Entrepreneurial Employee Activity (EEA) and with those of Established Business Ownership (EB), the 35-44 age group remains the most active of all the studied age groups within the 18-74 age range at 39.2%. This age group was also the most active in 2017 at 36.4%. This figure reflects a jump in TEA in this age group from 16.4% in 2017 to 19.7% in 2018; a drop in EB in this age group from 9.7% in 2017 to 7.9% in 2018; and a jump in EEA from 10.3% in 2017 to 11.6% in 2018. Therefore, the biggest increases for this age group were in TEA and EEA, with a drop in EB.

Interestingly, the 35-44 age group, which is the most entrepreneurially active, is the same age group that in 2018 experienced one of the lowest discontinuance rates (4.3%). In 2017, the discontinuance rate for this age group was 5.9%, so there has been a decrease in discontinuance in this age group since 2017. Not only is this one of the lowest discontinuance rates in 2018, but also it reflects a drop in discontinuance in this age group compared with 2017.

Particularly apparent in the 2018 GEM results relating to Age is the finding that well over 50% of adults across the entire spectrum of age groups perceive opportunity.

Also apparent is the finding that the 18-24 age group perceives itself much less likely than other age groups to have the skills necessary to take advantage of opportunities.

The perception of skill level for the 65-74 age group is high at 54%. Adults in this age group also report a very low fear of failure at 19%, demonstrating a can-do attitude among adults in this age group. The relatively low 21% rate of knowing entrepreneurs in the 65-74 age group suggests that their peers may have moved out of entrepreneurship and they have not been able to make new connections with younger entrepreneurs. The lower TEA rate of 4.4% in this age group, as compared with TEA rates ranging from 10.4% to 19.7% in other age groups, may reflect the lack of knowing entrepreneurs and may also suggest a business environment currently less welcoming to older adults.

### GENDER

In the Europe and North American Region, the United States and Canada have the highest TEA rates for women entrepreneurs at 13.6% and 17% respectively.

Since 2015, there has been a steady rise in the TEA rate of both men’s and women’s entrepreneurship in the United States. In 2015, the rate of men’s TEA was 14.6% while for women it was 9.2%. The year 2018 marked an all-time high with TEA rates of 17.7% and 13.6% respectively. Notably, the gender gap between men and women narrowed to 4.1% in 2018. A similar pattern exists for nascent entrepreneurs where the gap narrowed from 3.4% to 2.9% and for new businesses as well, a gap of 2.1% to 1.2%. The only category reflecting less progress is established business where the percent of men in established businesses increased from 8.9% in 2017 to 10.4% in 2018 and declined from 6.6% to 5.4% for women.

Notable is the rise in the Entrepreneurial Employee Activity (EEA) rate for women which hit an all-time high of 6.1%, an increase of 2.4% over last year, compared to 9.9% for men, which was only a .8% increase.

## KEY FINDINGS

---

New data from GEM this year analyze the share of family ownership and management within start-ups and established businesses by gender. Research shows that nearly all businesses are started with family members funding, working in the business, owning the business or just supporting the new venture. Overall, the share of female ownership for both TEA and established businesses is significantly higher for women.

Specifically, women own 75.9% share of start-ups and 78.4% of established businesses compared to 45.9% and 62.1% respectively for men. When the share that is family managed by males and females is examined, it is found that start-ups share a similar pattern, where 89.5% of females have the share that is family managed (versus 75.1% of males), but the reverse is true for established businesses, where males have 85.3% share of family managed and females have 82.9%.

An analysis of TEA rate by gender and age shows that, among women, those in the 35-44 age group are most likely to be starting a business (18%). The start-up rate for women has consistently been at the highest rate for the past four years in this age group. Among men, those in the 35-44 age group are among the most likely to start businesses (22%). In addition, men in the 25-34 age group are also becoming entrepreneurs at the rate of 22%, compared to only 15% of women in the 25-34 age group, which represents the biggest gap (7%).

Generally compared to 2017, the 2018 data indicate an increase in business start-up rates for women in the younger age groups, 25-34 (+3%) and 18-24 (+6%). It is possible that the increase in educational courses, programs and training targeted to women entrepreneurs might be influencing this upward movement in start-up rates.

In 2018, the perception of opportunities reached a new high, with 74% of men perceiving opportunities and 66% of women.

The GEM data show 62% of men perceive they have the capabilities to start businesses, with 49% of women perceiving they have these capabilities. This reflects a continuing gap between men and women entrepreneurs (13%), although there is a slight decrease of 3% in this gap since 2017.

A new addition to the GEM U.S. survey is a set of questions about confidence in four categories: (1) dealing with difficult issues, (2) selling or pitching, (3) negotiating with customers or suppliers, and (4) developing the management team. In only one category - dealing with difficult issues - do women entrepreneurs report less confidence than their male counterparts. This category includes talking to employees who are not doing a good job, responding to customer complaints, or handling an unexpected increase or decrease in business. For the remaining three out of the four categories, women report their confidence in their skills is comparable to that reported by men.

Entrepreneurial intentions are a precursor to entrepreneurial actions. Women's intentions rose in 2018 while men's fell. GEM data for 2018 demonstrates that the gender gap in entrepreneurial intentions is narrowing as the difference between men's and women's intentions is only 1%, which is the smallest gap since 2002.

Knowing an entrepreneur can provide role models and inspire one to consider entrepreneurship. Historically, men have known more entrepreneurs, the average being 32%-36% for 2014-2017, but in 2018 the number rose to 43%. Women were less likely to know an entrepreneur, with the percentages being 27%-30% for the same period, but in 2018 the percentage rose to 34%.

Nearly 30% of businesses started by women are in wholesale and retail, with another nearly 20% in health, education, government and social services. The industries in which women are starting businesses are similar to past years with the highest percentage in wholesale and retail (28.4%), and all but 1% of women's businesses in this category are in fact retail businesses. This high participation in retail does mark an increase from last year by 7%, indicating that women are continuing to start businesses in the sectors which are already highly populated with women and tend to be most competitive with the lowest entry barriers.

A special topic in the 2018 GEM survey explored participation and activities in the "gig" economy by means of a series of questions regarding business activities using a digital platform (e.g., Task Rabbit, Airbnb, Uber). Generally, a small percentage of entrepreneurs are receiving income from paid work on a digital platform (8.4% for men and 7.4% for women). Women are more likely to use the digital platform as a source of supplementary income (65.6% for women versus 56.3% for men).



## ENTREPRENEURIAL POTENTIAL AND SUPPORT

### *Entrepreneurial Perceptions*

The United States stands out among the high-income economies in having people who both see entrepreneurial opportunities (70%) and perceive that they have the capabilities to pursue them (56%). The former has increased substantially since 2001, with more than twice as many people perceiving good business opportunities around them in 2018, compared to 2001. Capability perceptions, on the other hand, remained stable over this long time period. This suggests that there are people with the skills and confidence for starting business, but there may be conditions that lead to differing perceptions over time about the presence of viable opportunities. Further research could identify the factors that lead to shifts in these beliefs.

### *Entrepreneurial Affiliations*

For all the attention entrepreneurs receive in the United States, with 74% believing entrepreneurs receive frequent media attention, only 39% of working-age adults know an entrepreneur personally, slightly higher than the average for the 30 other high-income economies (37%). This is important because knowing entrepreneurs can provide role models, advisors, co-founders, investors and other means of motivating and supporting this activity. This may indicate the value of mentoring and other programs and events that can provide connections to entrepreneurs.

### *The Entrepreneurship Ecosystem*

The GEM National Expert Survey indicates that conditions for entrepreneurship in the United States are generally positive, especially with respect to access to finance and with respect to cultural and social norms. Low ratings on government policy and programs may indicate the less direct role played by the government in fostering entrepreneurship. Room for improvement can be seen in the low rating for R&D transfer for entrepreneurship.







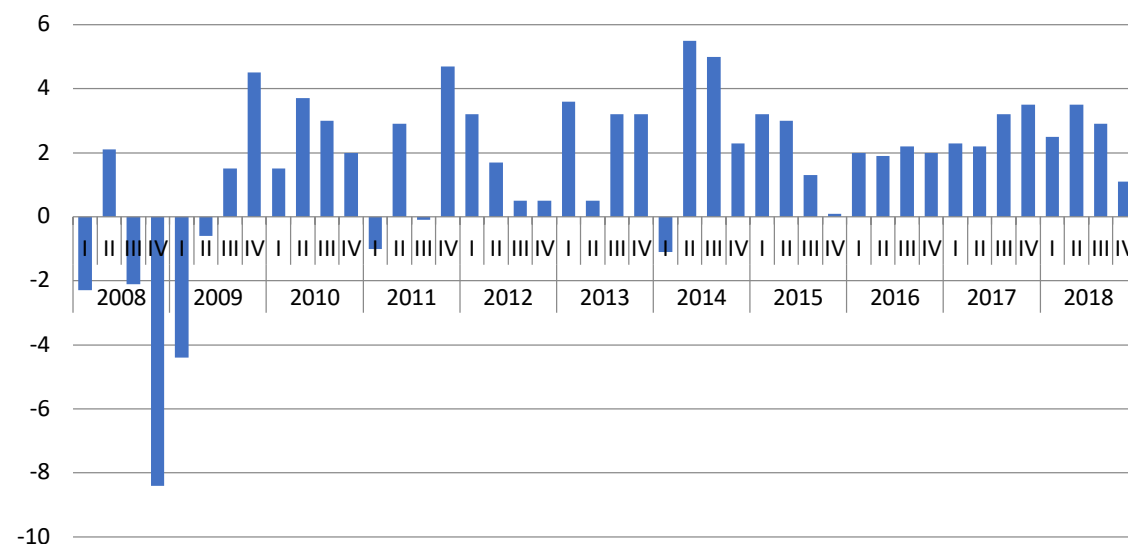
# Chapter 1

## The United States Economy in 2018

### ECONOMIC CONDITIONS IN 2018

Economic conditions are among the most important factors affecting entrepreneurial activity in an economy. The current status and future prospects of an economy as reflected in growth rates, unemployment, inflation and government policies can affect entrepreneurial incentives, perceived opportunities and eventually entrepreneurial aspirations. Therefore, it is instructive to start the GEM 2018/2019 United States Report with a brief discussion about the U.S. economy in 2018.

By some fundamental measures, 2018 was a strong year for the U.S. economy. The average growth rate of 3.1% over the four quarters of 2018 was a record high, exceeding all average growth rates since 2005. The seasonally adjusted annualized quarterly growth rate reached 3.5% and 2.9% in the second and third quarters respectively but declined to 1.1% in the last quarter (Figure 1.1). The growth was due in part to the 2017 Tax Cuts and Jobs Act (known as the TCJA), which took effect in 2018.<sup>1</sup> Corporate earnings were up by 24%, which was the best growth since 2010. Much of the growth in corporate earnings likely was attributable to the TCJA. Moreover, consumer spending was robust and consumer sentiment was at its highest level since 2004 (Figure 1.2). Meanwhile, the 2018 inflation rate remained (somewhat stubbornly) below 2.2%.<sup>2</sup>



**FIGURE 1.1**  
Percentage Change in Real GDP from Previous Quarter, Seasonally Adjusted Annual Rates

SOURCE OF DATA:  
U.S. Department of Commerce, Bureau of Economic Analysis. Accessed on November 14, 2019. [https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=3&isuri=1&nipa\\_table\\_list=1&categories=survey](https://apps.bea.gov/iTable/iTable.cfm?reqid=19&step=3&isuri=1&nipa_table_list=1&categories=survey)

<sup>1</sup> The Tax Cuts and Jobs Act: A Comparison for Businesses. Accessed November 14, 2019. <https://www.irs.gov/newsroom/tax-cuts-and-jobs-act-a-comparison-for-businesses>.

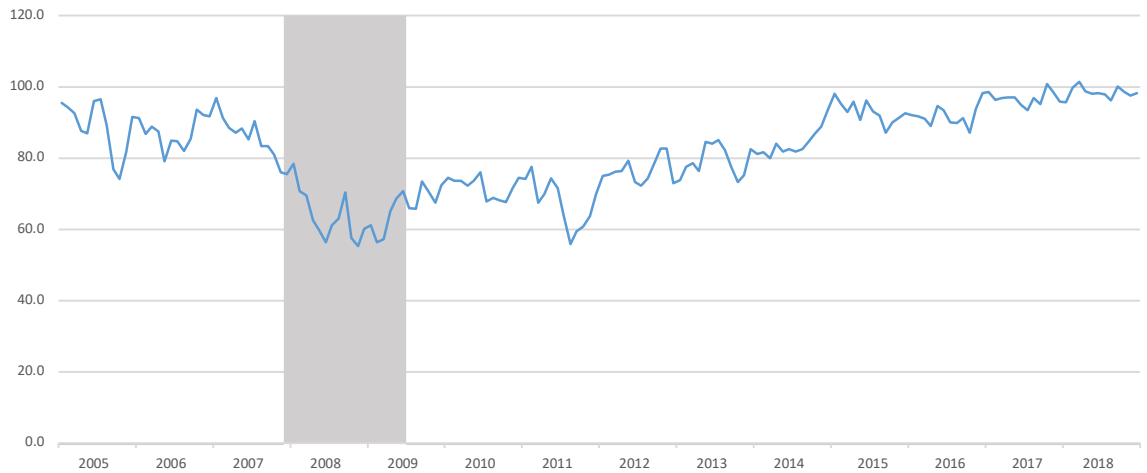
<sup>2</sup> Federal Reserve Bank of St. Louis FRED series. Accessed on May 18, 2019. <https://fred.stlouisfed.org/series/T10YIEM>.

## CHAPTER 1

As a result of these developments, the economy added almost 2.6 million jobs in 2018, as compared with 2.2 million in 2017 and 2.3 million in 2016. This means the U.S. economy created 200,000 jobs on average every month, while it had been expected to add only about 100,000 jobs per month to compensate for population growth and job losses. Therefore, the unemployment rate reached its lowest level since 2000, below 4% (Figure 1.3). In November, it reached 3.7%, a level which had not been experienced since 1969. Meanwhile, the employment rate in the 25-54 age group rose to its highest level since the great recession. Job gains were across industries: 583,000 in professional and business services, 513,000 in education and health services, 306,000 in leisure and hospitality, and 280,000 in construction. Interestingly, job gains in manufacturing totaled 284,000, the largest number of jobs added in this sector since 1997.

**FIGURE 1.2**  
University of Michigan  
Consumer Sentiment  
Index

SOURCE OF DATA:  
Federal Reserve Bank of  
St. Louis Economic Data  
(FRED). Accessed on  
August 27, 2019. [https://  
fred.stlouisfed.org/series/  
UMCSSENT](https://fred.stlouisfed.org/series/UMCSSENT)

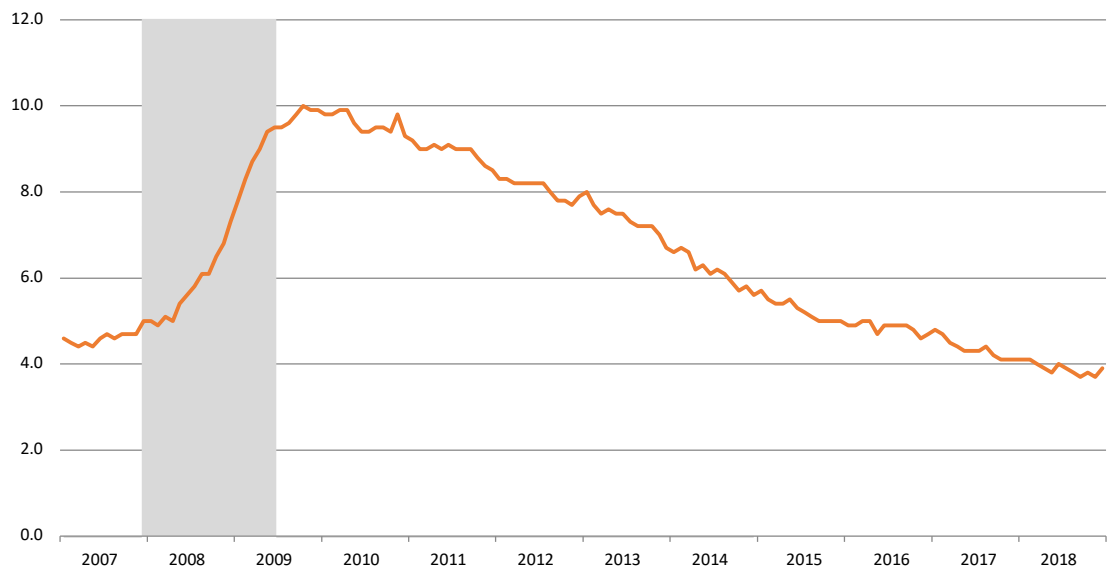


**Note:** The gray bar shows the recession period. Each tick mark on the horizontal axis shows the beginning of the year.

Seasonally adjusted real average hourly earnings for all employees increased by about 30 cents in 2018. This rate, which remained stagnant after the recession for about five years, started rising in 2015 and had a substantial rise in 2018 (Figure 1.4).

**FIGURE 1.3**  
National  
Unemployment Rate,  
Seasonally Adjusted,  
in Percent

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)



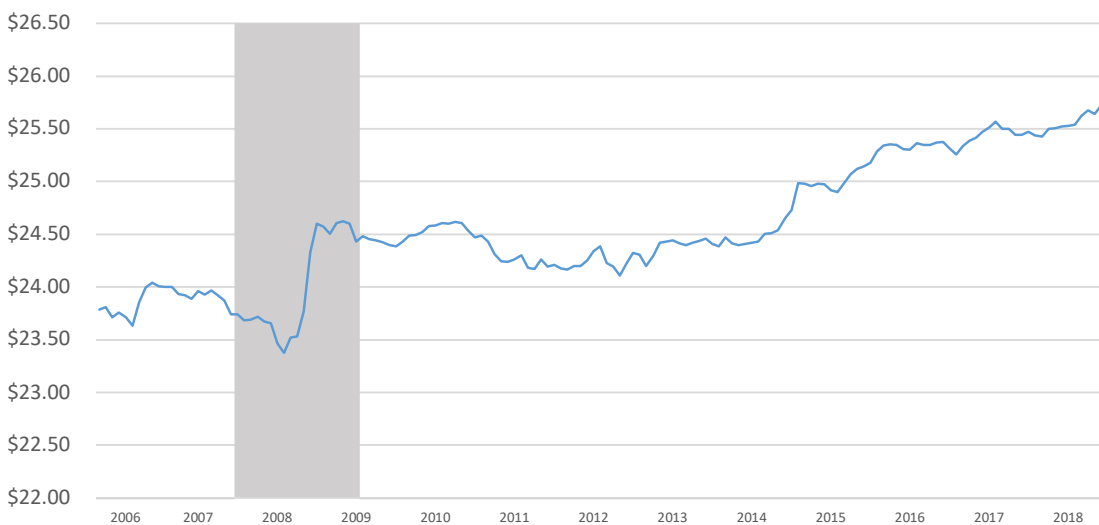
**Note:** The gray bar shows the recession period. Each tick mark on the horizontal axis shows the beginning of the year.

Although U.S. economic performance was splendid in 2018, the year was an economic roller-coaster for many investors and economic agents because it was a year of uncertainty about the future. There had been more than eight years of economic expansion, which historically had been a sign of a potential recession, so there were worries that a recession might be looming in the near future. In fact, if the economic expansion were to continue until mid-2019, this boom cycle would become the longest on record in recent U.S. history.

In addition, there were several political and global factors that increased anxiety among the economic agents. The U.S.–China trade relationship was strained because tariffs had been imposed by both sides. The United States increased tariffs on \$250 billion worth of goods from China, almost half of its import volume from that country. The anxiety over the breakup of the North American Free Trade Agreement (known as NAFTA) and the lack of a conclusion to Britain’s expected exit from the European Union (known as Brexit) were other serious sources of anxiety. While NAFTA was eventually re-negotiated, the prospect of a trade war due to a significant change in U.S. tariffs continued to irk the markets and the global economy even into 2019.

**MARKETS IN 2018**

As a result of these issues, volatility in the stock market (even intra-daily volatility) was the common theme throughout the year. The Standard and Poor’s 500 Index (known as the S&P 500) closed up or down 1% or more fifty-seven times throughout the year, as compared with only eight occasions in 2017. Markets rose in January due to tax cuts resulting from the TCJA, but global economic and political uncertainty led to a sharp decline in the markets in February. The U.S.–China relationship and the prospect of higher tariffs and trade wars affected the markets negatively, particularly in the last three months of the year. The uncertainty in some of the biggest economies of Europe, such as Italy, amid the unresolved Brexit controversy also had a negative impact on the markets. Major market indices ended the year lower than they had started. The S&P 500 closed at 2,506.85 as compared with 2,743.15 a year earlier. Similarly, the Dow Jones Industrial Average (DJIA, known as the Dow) ended the year at 23,433.16 as compared with the end of 2017 when the Dow was at 24,719.22. U.S. Treasury bills outperformed stocks and bonds. Returns on U.S. Treasury bills rose continuously during the year. The cryptocurrency known as Bitcoin lost more than 65% of its value over the year, falling from about \$10,266 to \$3,434. Nevertheless, corporate earnings rose by more than 20%, likely in large measure as a result of the tax cuts legislated by the TCJA. One hundred ninety companies went public in 2018, up 19% from the previous year. The amount raised by IPO’s in 2018 was \$47 billion, an increase of 32% over the prior year. Healthcare was the best performing sector in the economy.



**FIGURE 1.4**  
**Real Average Hourly Earnings of All Private Employees: Total Private, Dollars per Hour, Monthly, Seasonally Adjusted, in 2015 U.S. Dollars**

SOURCE OF DATA:  
 Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on August 27, 2019. <https://fred.stlouisfed.org/series/CES0500000003> (the nominal average hourly earnings) and <https://fred.stlouisfed.org/series/CPALTT01USM661S> (CPI; used to turn the nominal average hourly earnings into real average hourly earnings)

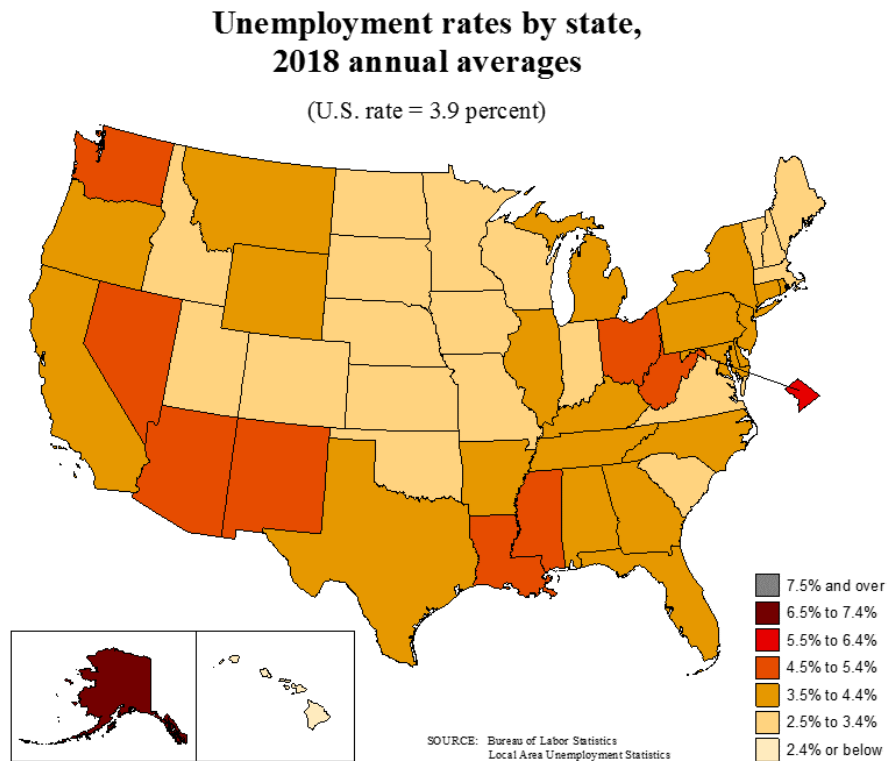
**Note:** The gray bar shows the recession period. Each tick mark on the horizontal axis shows the beginning of the year.

## CHAPTER 1

The housing market went from hot to cool. Mortgage rates rose early in the year to about 4.65% and then leveled off during spring and summer. They rose again in the autumn months and reached 5% in November. In response, home prices grew significantly more slowly than in past years. The market cooled down, as there was uncertainty about future prices and a potential recession.

**FIGURE 1.5**  
Unemployment Rates  
by State, 2018  
Annual Averages  
(U.S. rate = 3.9 %)

SOURCE OF DATA:  
U.S. Department of Labor,  
Bureau of Labor Statistics.  
Accessed on  
August 27, 2019. [http://  
www.bls.gov/lau/maps/  
aastrate.gif](http://www.bls.gov/lau/maps/aastrate.gif)



### MONETARY AND FISCAL POLICY IN 2018

Monetary policy in the United States is determined by the Federal Reserve, and fiscal policy is designed by Congress and the executive branch of the government. Since the great recession of 2007-2009, monetary and fiscal policies have been used to lift the economy out of recession and to support healthy economic conditions.

In 2018 as the labor market continued to strengthen and economic activity expanded at a strong rate, the Federal Reserve (known as the Fed) moved steadily forward on its path to normalizing interest rates. It raised its overnight rate continuously during 2018 from about 1.5% to 2.5%. The Fed's target inflation rate was 2%, and interestingly inflation remained consistently low, below 2.2%. Despite these factors, long-term interest rates did not rise during 2018 as the 10-year Treasury notes remained at about where they were in February.

After the great recession, when the federal funds rate was lowered to virtually zero, the Fed had to employ an unconventional monetary policy named Quantitative Easing (known as QE). By this policy, the Fed purchased a large amount of mortgage-backed securities and treasury bonds, thereby increasing the money supply every month. This policy was expected to encourage the banks to lend more, especially in the mortgage market. Such lending was expected to ease the financial markets and the credit crunch. By the end of 2014, the large-scale asset purchases of QE had increased the Fed's balance statement to \$4.45 trillion – more than five times its size at the end of 2006. The Fed started reversing QE in October 2017. In 2018, it continued this reversal policy as the economy was fully recovered and unemployment was at its record low since the great recession. By the end of the year, the Fed had reduced its balance sheet to about \$4 trillion.



The U.S. government deficit rose to \$779 billion in 2018 from \$666 billion in 2017, a \$113 billion increase. As expected, tax cuts as well as higher spending on Social Security, Medicare, and Medicaid and higher interest paid on government debt contributed to this deficit increase. The national debt rose by over \$1.5 trillion to almost \$22 trillion.<sup>3</sup>

### CONCLUSION

Overall, 2018 was an exceptionally good year for the United States based on measures such as the unemployment rate, which reached record lows. But it was also a year with high volatility and negative returns in markets. The pages that follow will illustrate how entrepreneurial activity fared in the United States against the backdrop of these disparate economic factors.



<sup>3</sup> Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on August 27, 2019. <https://fred.stlouisfed.org/series/GFDEBTN>





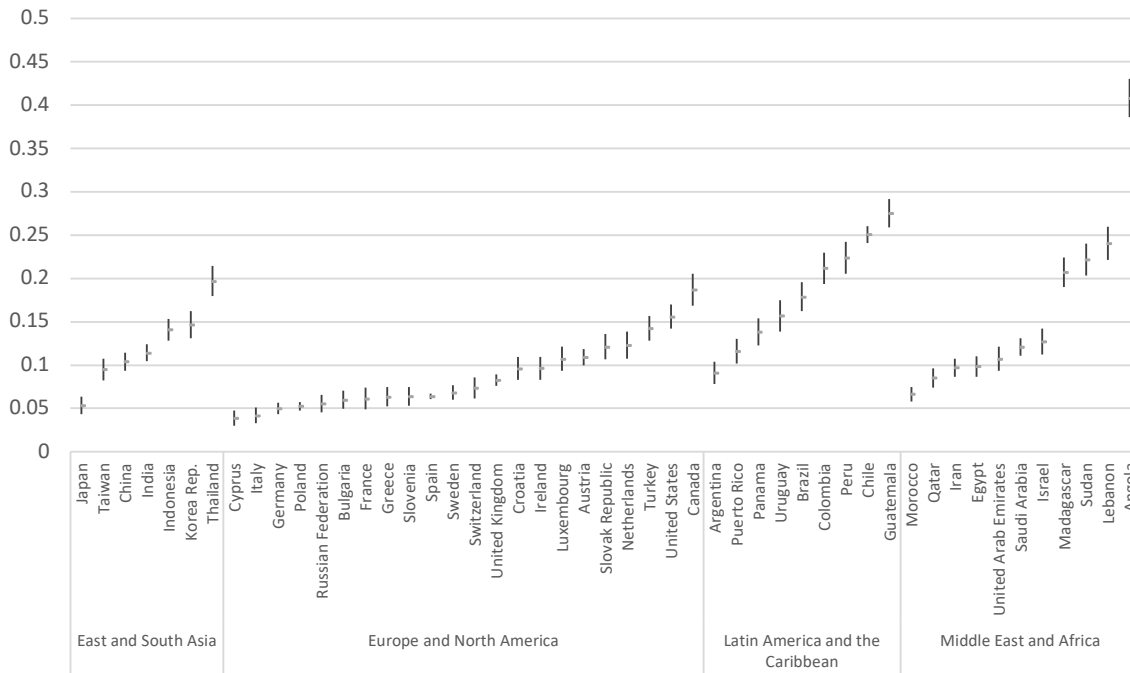


# Chapter 2

## Entrepreneurial Activity in the United States: A Global and Longitudinal Analysis

### TOTAL ENTREPRENEURIAL ACTIVITY

Among the 31 high-income economies participating in the GEM 2018 Adult Population Survey, the United States exhibits among the highest rates of total entrepreneurial activity (TEA) at 15.6%. Only Chile and Canada show higher rates, with Uruguay's rates on par with the United States. Figure 2.1 shows TEA rates across the entire GEM sample in 2018. As this Figure demonstrates, the United States has higher entrepreneurship rates than its European peers. Besides Chile and Canada, other economies with higher rates than the United States are those in earlier stages of economic development.



**FIGURE 2.1**  
Total Entrepreneurial Activity Rates Among the Adult Population (18-64 year olds) in 49 economies, GEM 2018

SOURCE OF DATA:  
GEM 2018

### NECESSITY-DRIVEN MOTIVES

There is often a misperception that entrepreneurs are primarily motivated by necessity in low-income economies. The reality is that, even in low-income countries, fewer than half of all entrepreneurs are motivated by necessity. In 2018, India and Egypt, both low-income countries, reported the highest levels at about 47%. This means that the majority of entrepreneurs are starting businesses not because they lack any better options for work. They may in fact be motivated by the range of opportunities available in regions where there are plenty of unmet needs and low competitive intensity.

That said, the developed economies typically show even lower proportions of necessity-motivated entrepreneurship. This is most apparent in the United States, where only 8.4% of entrepreneurs indicated necessity motives. Only Switzerland has a lower rate, and not by much (7.4%).

## CHAPTER 2

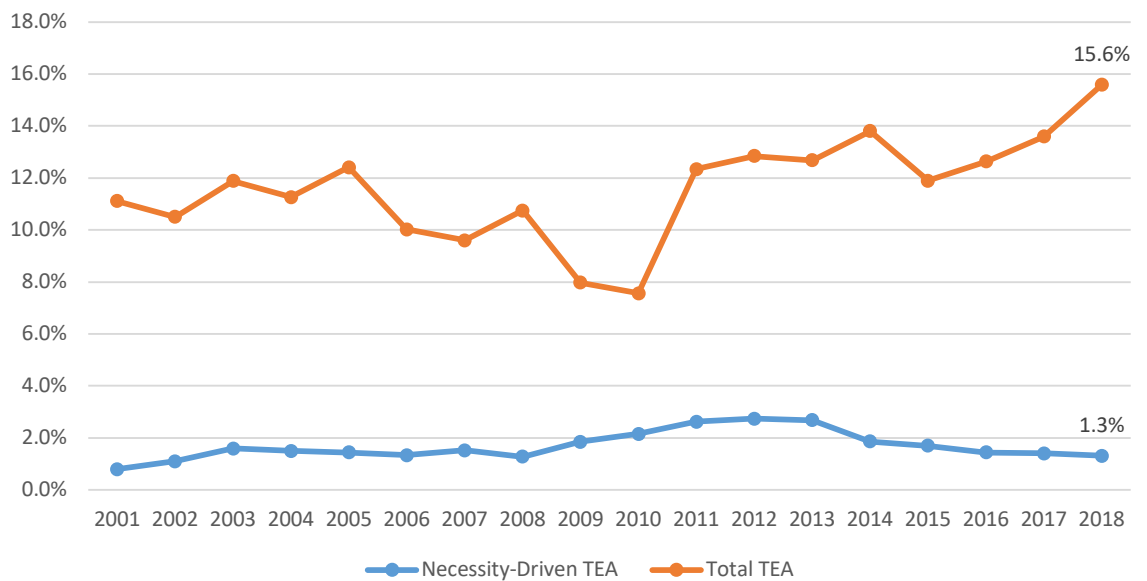
Figure 2.2 shows longitudinal trends in both overall TEA rates and necessity-motivated TEA in the United States. Illustrated in this Figure are several interesting trends. First, while necessity-motivated entrepreneurship is generally low, it trended upward starting in 2009, even as TEA rates precipitously declined during this post-recession period. This means that while there were fewer entrepreneurs than previously, there were at the same time more necessity-motivated entrepreneurs, accounting for 28% of the total as of 2010. This suggests that fewer people chose to pursue entrepreneurial opportunities in a down economy, perhaps because they elected to stay in their jobs if they had one, or because they recognized the difficulty of starting a business in a down economy, with lower discretionary spending by customers, lower availability of finance, and other constraints.

The second interesting trend revealed in this Figure is the continued increase in necessity-motivated entrepreneurship after 2009, even while total entrepreneurship rates rose, beginning in 2011. This suggests that opportunity-motivated entrepreneurs were showing a readiness to jump into starting businesses, perhaps now seeing promising opportunities and conditions, with some possibly having delayed this effort previously. At the same time, there were yet more entrepreneurs starting out of necessity. These people may have found few other income-generating prospects in the aftermath of the recession. This dual effect illustrates how entrepreneurship helps an economy emerge from a recession—revealing opportunities in some cases and a means for those with few options to generate income in others.

A third observation is illustrated in the decline in necessity-motivated entrepreneurship as entrepreneurship followed an upward trend in the most recent years, where entrepreneurship rates reached their highest level in 2018 and only 8% of these entrepreneurs started out of necessity. As unemployment rates declined to low levels, few people were pushed into starting businesses because it was the only good way to make a living, while others elected to pursue an entrepreneurial opportunity.

**FIGURE 2.2**  
Total Entrepreneurial  
Activity (TEA) Rates  
and Necessity-  
Motivated TEA Rates  
Among the U.S. Adult  
Population  
(18-64 year olds),  
GEM 2001-2018

SOURCE OF DATA:  
GEM 2018

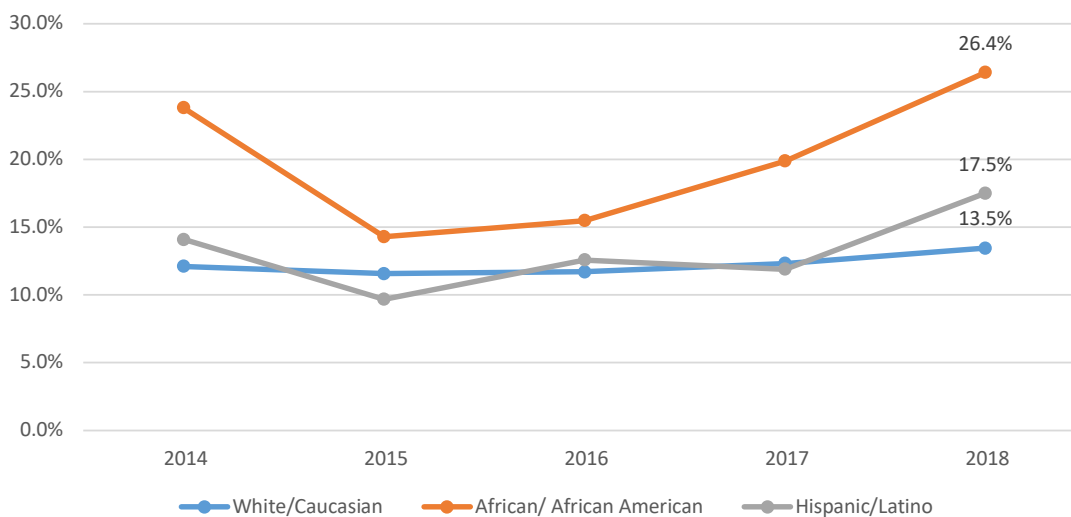


### ETHNIC CHARACTERISTICS OF ENTREPRENEURS

Covered in other chapters in this report are entrepreneurship patterns by age and gender. Given the ethnic diversity of the U.S. population, another key demographic characteristic of interest lies in the rates of entrepreneurship among different ethnicities. White/Caucasians make up 69% of all entrepreneurs, while those of African heritage compose 10% and Hispanic/Latino represent 8%. Other ethnicities are too few in number to measure reliably.

When viewed in terms of rates, Figure 2.3 shows that African/African Americans start businesses at a higher rate than the other two groups, exhibiting increasing levels over the past three years. In 2018, this ethnic group reports nearly twice the TEA rate as the White/Caucasian population.

The Hispanic/Latino group tracks more closely to the White/Caucasian group. Whether necessity and opportunity are drivers of entrepreneurship, it is clear that starting one's own business represents a viable career option, particularly for African/African Americans.



**FIGURE 2.3**  
Total Entrepreneurial Activity Rates Among the U.S. Adult Population (18-64 year olds) in three ethnic groups, GEM 2014-2018

SOURCE OF DATA:  
GEM 2018

## PHASES OF ENTREPRENEURSHIP

While the focus of entrepreneurship is often on independent businesses just starting up, it is important to recognize that entrepreneurship is a process representing multiple phases. An entrepreneurial society needs a supply of people who show a willingness to start businesses in the future, as well as those who are running mature businesses that can continue to generate value for stakeholders like employees, customers and investors.

Figure 2.4 shows entrepreneurial intentions, TEA rates, and established business activity rates from 2005 through 2018. Intentions exhibit characteristics of a leading indicator around the recession, where rates dropped in 2008, ahead of the decline in TEA, and then intentions started their increase in 2010, while TEA dropped further. Established business activity also increased in 2010, a likely lagged effect of prior high TEA rates up to 2008. But declines in mature business ownership were evident three years after TEA dropped markedly in 2009, and this decline continued for two more years.

Despite the declines observed around the recession, all three indicators show a general upward trend over time. In 2018, the U.S. TEA rate reached its highest level in GEM's 20-year history. Gains in established business ownership were more gradual in 2018, remaining below several upward spikes exhibited in some prior years. Intentions experienced an upward surge in 2017, but in 2018 returned to the stable level exhibited in the five year period, 2011 through 2016.

The relationship between the indicators shows that intentions hover generally around the same level as TEA in the United States. In many other economies, there are persistently more people with intentions to start than actually starting, suggesting constraints in taking action. For example, in 2018 there were six times as many people intending to start compared to actually starting in Morocco and Egypt (Bosma and Kelley, 2019).<sup>4</sup> While this may be due to a recent increase in intentions that have not yet translated into action, results from the prior two years also show a higher proportion of intentions to TEA in these countries. In the United States, on the other hand, the longitudinal pattern revealed in Figure 2.4 shows that the base of potential entrepreneurs is consistent with actual start-up efforts.

<sup>4</sup> Bosma, Niels, and Kelley, Donna, (2019). Global Entrepreneurship Monitor (GEM) 2018/2019 Annual Global Report. London: Global Entrepreneurship Research Association.

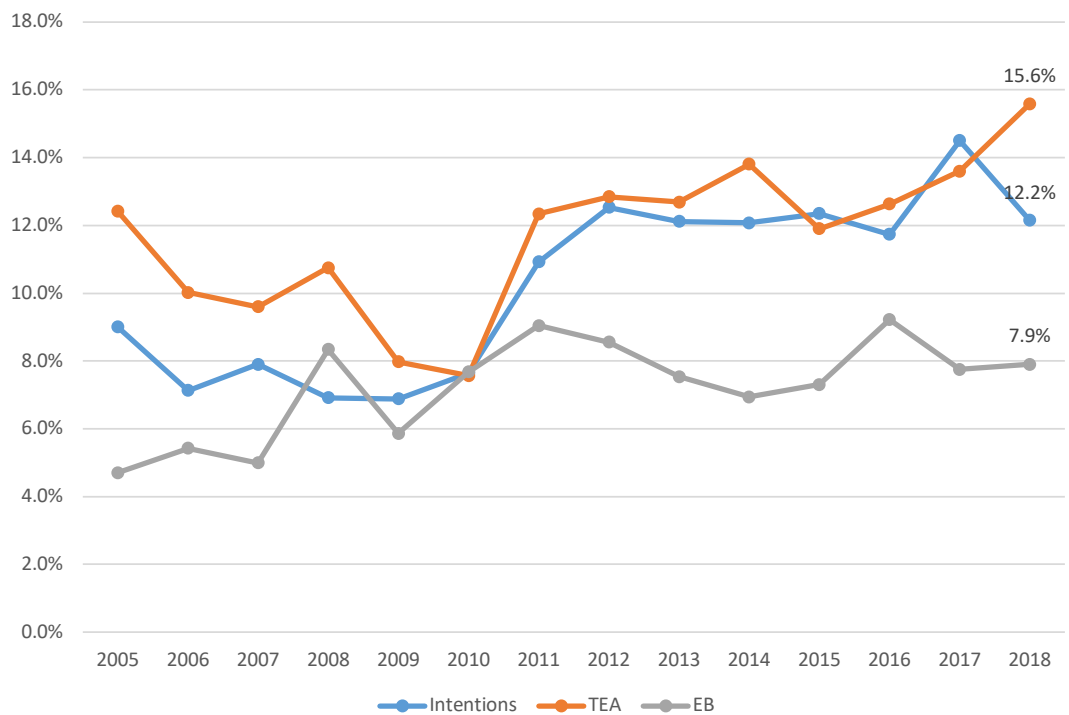
## CHAPTER 2

Figure 2.4 also illustrates that, in most years, TEA rates are much higher than established business rates, sometimes showing more than twice as many entrepreneurs as those running mature businesses. This could reveal a lack of sustainability, where many people start businesses, yet few have sustained them. A look at discontinuance, in fact, shows a slightly higher figure for the United States than the overall average for the high-income economies: 4.7% of U.S. adults stated they discontinued a business in the past year, versus an overall average of 3.8% for the other 30 high-income economies.

However, given the high TEA rate in the United States, this is not unusual; a dynamic entrepreneurial environment needs to accept that some efforts will fail. Overcautiousness otherwise provides fewer chances for success. Additionally, 64% of these discontinuances in the United States were not due to failure (unprofitability or inability to secure financing). Instead, these people sold their businesses, pursued another opportunity, retired or otherwise chose to exit. This demonstrates that entrepreneurship is not always a long-term activity; it may in fact represent one of many entrepreneurial or occupational pursuits in the course of a career.

**FIGURE 2.4**  
Entrepreneurial Intentions, Total Entrepreneurial Activity Rates, and Established Business Activity Rates in the U.S. Adult Population (18-64 year olds), GEM 2005-2018

SOURCE OF DATA:  
GEM 2018



### ENTREPRENEURSHIP OF ALL KINDS

The concept of *entrepreneurship of all kinds* recognizes that entrepreneurship can occur in various contexts. In 2018, GEM included questions on both family business and the gig/sharing economy, acknowledging the importance of these two forms of entrepreneurship. Additionally, for several years, GEM has assessed entrepreneurial activities launched within an organization, where individuals generate new businesses for their employers.

#### *Family Business*

Family-business ownership includes entrepreneurs and established business owners who own and/or manage their businesses jointly with family owners. Among the 30 high-income economies that included questions on family business in the GEM 2018 survey, only Cyprus reported more than half of its entrepreneurs stating their TEA businesses will be owned and/or managed with family members. In contrast, all but six economies showed over half of established business owners as having family ownership and/or management.



In the United States, 34% of entrepreneurs stated their businesses will be family owned and/or managed, on par with the average for the 30 high-income economies. The rate for established businesses is a little higher than the overall average for the high-income economies: 65% in the United States versus 59% overall. These results illustrate the role of family, particularly as businesses reach maturity, whether the entrepreneurs involved family members from the start or brought their relatives in later on.

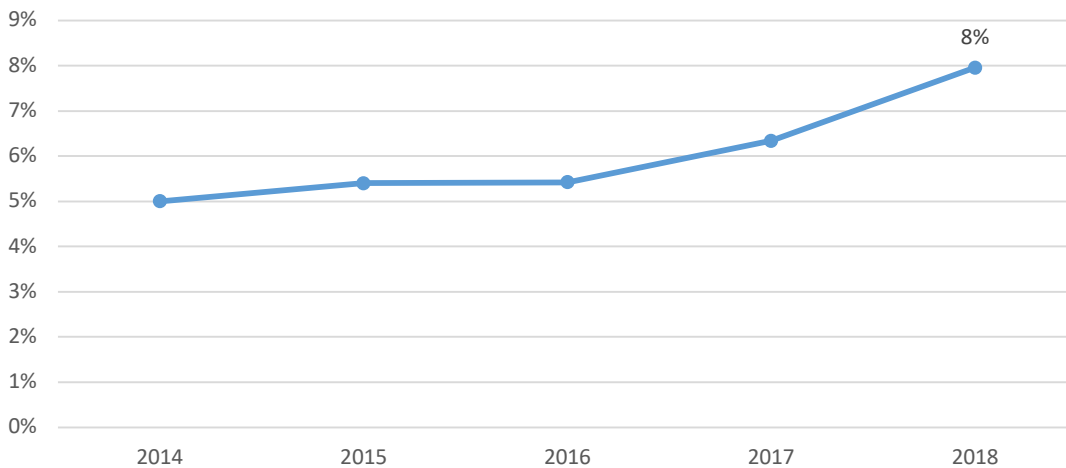
*Gig and Sharing Economy*

Technology makes possible a great deal of business activity, even if the businesses themselves are not technology businesses. The internet enables people to ride share, rent rooms, perform odd jobs, sell crafts and engage in many other income-generating opportunities. Participants in the gig and sharing economy include those who take on part-time or temporary service jobs or those who make available (share) their own goods and services, generally through online platforms. In the United States, nearly 11% of the adult population is active in the gig and/or sharing economy. Of the 27 economies which added questions on this topic in 2018, Ireland and Chile reported a similar rate, while Israel had a slightly higher rate of 12%. Only in the Republic of Korea was there a substantially greater level at 21.5%.

*Entrepreneurial Employee Activity*

The United States, along with Canada, Ireland and the Netherlands, reports the highest level of employee entrepreneurship among the developed economies at around 8% of the adult population. This, coupled with high TEA rates, means that Americans are heavily involved in entrepreneurship in both the start-up and organizational domains. As Figure 2.5 illustrates, entrepreneurial employee activity (EEA) has steadily increased over four years, from 2014 to 2018, showing a 60% increase during this period. This compares to a 13% increase in TEA during the same time frame.

Some people may prefer launching businesses on their own while others will exercise their entrepreneurial ambitions as employees for the companies for which they work. Although this latter form receives far less visibility and attention, it is nonetheless vital to the sustainability of mature businesses as they experience shifts in their industries and markets over time. Overall, the various types of entrepreneurship - TEA, established businesses, family business, gig/sharing activity and employee entrepreneurship - reveal the many ways Americans can be entrepreneurial, creating jobs for themselves and others, bringing new ideas into their societies, and contributing to the growth and stability of their economies.



**FIGURE 2.5**  
**Entrepreneurial**  
**Employee Rates**  
**in the U.S.**  
**Adult Population**  
**(18-64 year olds),**  
**GEM 2014-2018**

SOURCE OF DATA:  
 GEM 2018

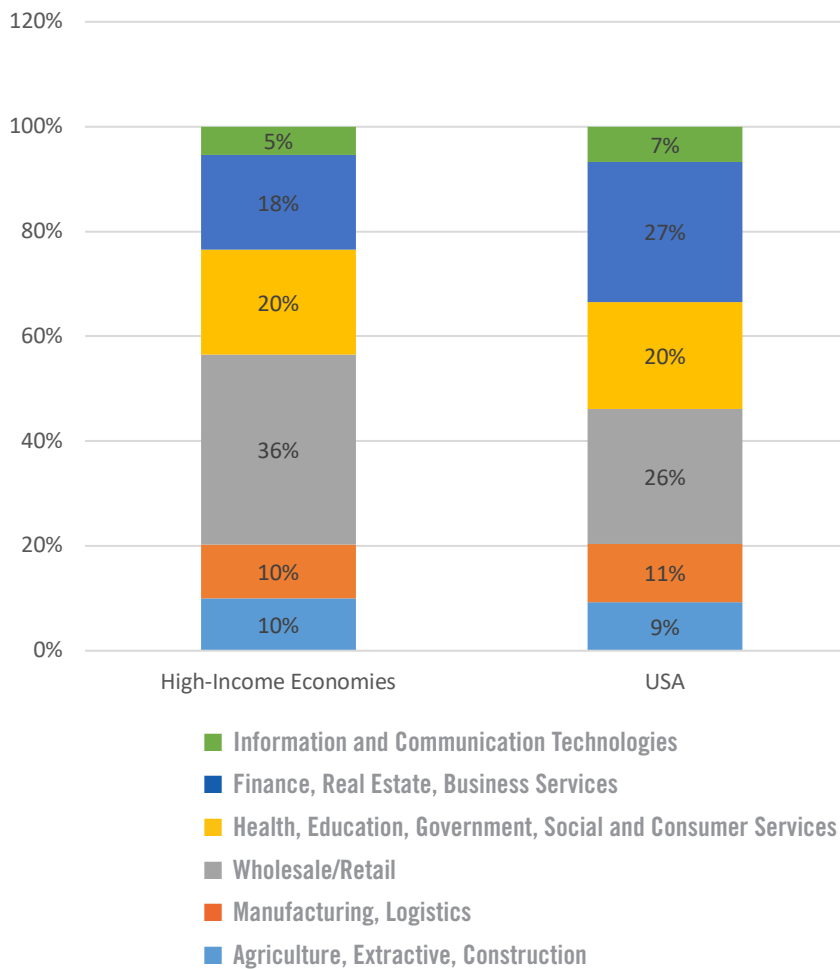


# Chapter 3

## Impact Characteristics of Entrepreneurship in the United States

### INDUSTRY SECTOR PARTICIPATION

One way to get a sense of how entrepreneurs determine where opportunities may lie in the future is to examine their Total Entrepreneurial Activity (TEA) across different industry sectors within their economy. While some economies and governments champion specific industries due to an ability to exploit unique natural resources or to build upon some long-serving national advantage, other economies take a broad approach pursuing entrepreneurship across numerous sectors. The United States, together with other highly developed economies, has put greater emphasis on knowledge-intensive industries and service-based sectors since the turn of the 21st century. In the past two decades as the world has developed a creativity economy that combines elements of the information and knowledge economy with today's creative individuals, TEA in the United States has moved toward service-based start-up activity that relies upon technology and creativity as the drivers of business opportunities.



**FIGURE 3.1**  
Industry Participation for TEA in the United States Compared with the Average of the 31 High-Income Economies, GEM 2018

SOURCE OF DATA:  
GEM 2018



## CHAPTER 3

Figure 3.1 provides a contrast of industry and sector participation for TEA in the United States with the average of the high-income economies. In most cases, the rates of TEA across the industries are similar as each of the economies are competing at the same level and examining many of the same types of opportunities. In what could be seen as a tipping point of change, for the first time TEA activities in the Finance, Real Estate, and Business Services sectors (27%) within the United States nudged above the rates in Wholesale/Retail (26%). As this Figure also shows, activity in these service industries is significantly higher than the average of the high-income economies. Trends over the past years suggest that entrepreneurs in the United States are increasingly exploiting technological advances – away from traditional wholesale/retail toward entrepreneurial opportunities with potentially lower costs and greater upside in the knowledge and service spaces.

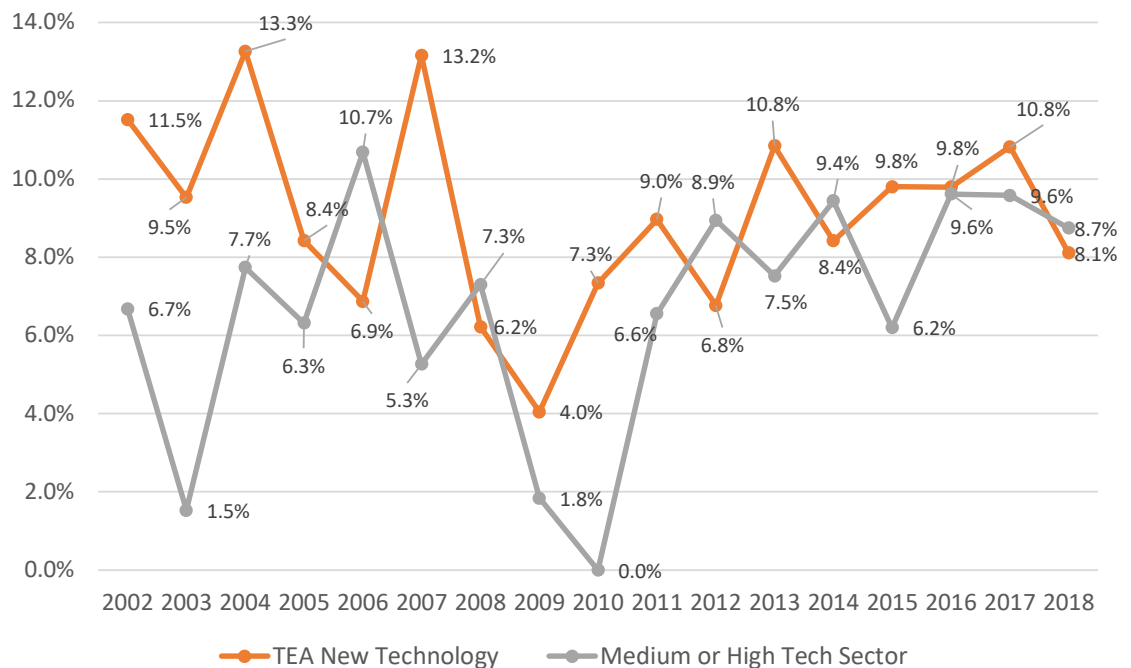
Entrepreneurs in most developed and high-income economies appear to be moving toward knowledge and technology opportunities. U.S. entrepreneurs outpace the average in almost all of these sectors. Collapsing the top three segments of Figure 3.1 (Information and Communication Technologies; Finance, Real Estate, and Business Services; and Health, Education, Government, Social and Consumer Services) shows that these top three segments of TEA activity account for 54% of all opportunities in the United States and just 43% in the peer group of other similar economies. Additionally, compared to this peer group average, United States TEA activity is 50% greater in the Finance, Real Estate, and Business services segment.

### TECHNOLOGY AND INNOVATION

For decades technological opportunities have driven entrepreneurship, not just as an industry of choice, but also for early stage entrepreneurs to use as a competitive tool. Entrepreneurs leverage new technology for new offerings, to deliver their product or service, or both. As Figure 3.2 shows, the percentage of early stage entrepreneurial firms using the latest technology in their firms dipped a couple of points this past year but has remained consistent at around 10% for close to a decade.

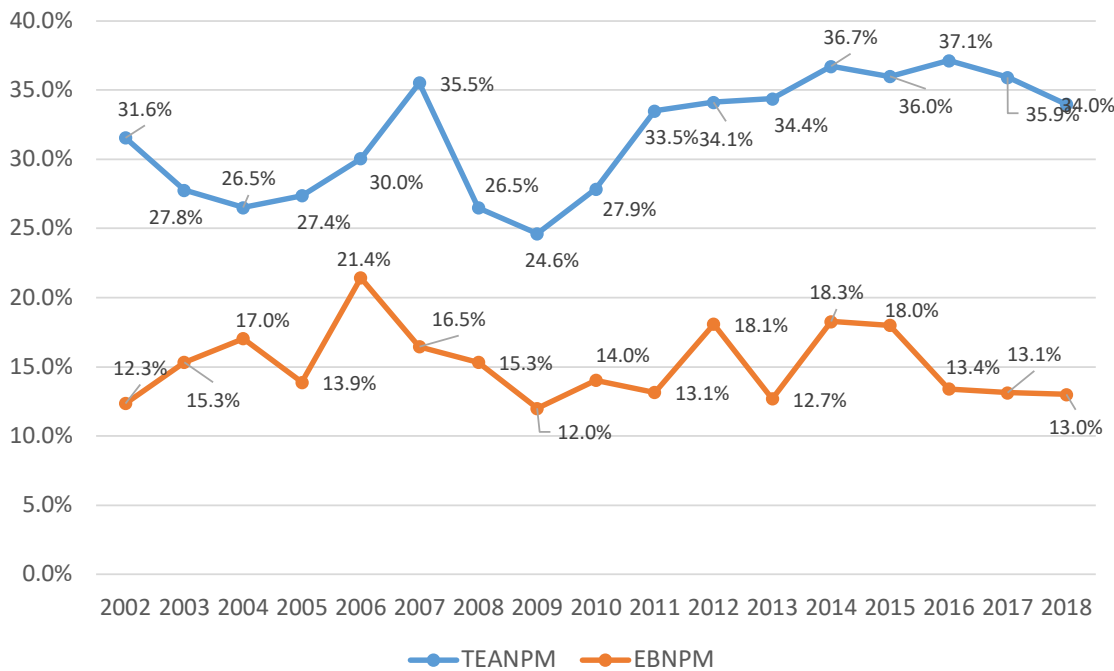
**FIGURE 3.2**  
Longitudinal Trends  
in the Use of New  
Technology and  
Technology Sector  
Participation among  
Entrepreneurs in the  
United States,  
GEM 2002-2018

SOURCE OF DATA:  
GEM 2018



Taking away the severe dips likely due to the economic crisis at the end of the last decade, similar patterns emerge for the percentage of TEA firms that compete using technology as a primary driver of their business. GEM identified few entrepreneurs in the medium or high tech sector after the economic crisis beginning in 2008. In fact, in 2010 GEM data suggested that number had gone down to 0% (Figure 3.2). A decade later, however, activity levels have rebounded at 8.7% and are consistent with the rates of Information/Communication/Technology (ICT) business activity in the United States.

U.S. entrepreneurs continue to be among the world’s leaders in new technology and innovation offerings. As Figure 3.3 shows, GEM data support this assertion and show rates for early stage entrepreneurs who bring a new product to market (TEANPM) varying between 34% and 37% in the years since 2011. These entrepreneurs in the United States report that they develop and deliver an innovative product or service as their base offering. Rates for established businesses which bring a new product or service to market as their base offering (EBNPM) for the same time period vary from 13.1% to 18.3%. The rate of EBNPM is consistently about half the rate of TEANPM, which means that early stage start-ups are engaged in developing and delivering an innovative product or service as their base offering at a rate which is at least double that of established businesses.



**FIGURE 3.3**  
Longitudinal Trends in Innovation Levels among Entrepreneurs in the United States, GEM 2002-2018

SOURCE OF DATA:  
GEM 2018

### JOB EXPECTATIONS

How an entrepreneur views his or her ability to create new jobs is an important measuring stick of entrepreneurship and important for policy makers and others to understand for a couple of reasons. First, early stage entrepreneurs with higher expectations for job creation are signaling confidence that they are developing a high-potential opportunity that will require significant human resources. Second, they trust that they can recruit, hire, and develop employees to help them successfully grow their business. Overall, job creation expectations are important metrics because start-ups that create scores of jobs are the businesses that significantly grow economies.

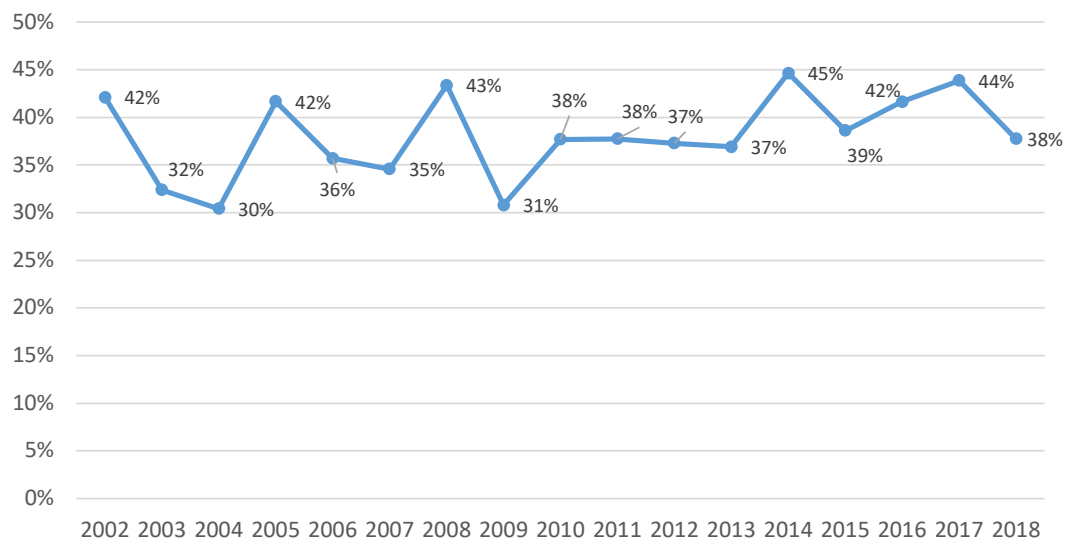
There are two methods by which job expectations are reported in this chapter. The first method, illustrated by Figure 3.4, reports the total number of jobs measured at a given moment in the life of an entrepreneurial venture. This total number of jobs includes both existing jobs and jobs newly created during this period.

Unfortunately, new businesses around the globe do not create substantial employment. However, U.S. entrepreneurs do not follow this norm. As shown in Figure 3.4, 38% of all U.S. entrepreneurs in 2018 expected to employ six or more people in the next five years, which is consistent with a rate that has hovered around 40% for two decades. GEM data also indicate that just below 13% of U.S. entrepreneurs saw themselves as single person entities with no employment of others in the next five years. The remaining 87% expected to employ others in the next five years, driving overall economic growth. Furthermore, 17% of entrepreneurs expected to employ 20 or more people in their firms over this same time frame.

The second method of noting job expectations is to report the total number of new jobs that have been created as of a given time in the life of an entrepreneurial venture. The GEM Global Report indicates that the share of U.S. entrepreneurs who did not expect to create any new jobs in the next five years was 28.3%. The share of U.S. entrepreneurs expecting to create one to five new jobs in the next five years was 40.0%. The share of U.S. entrepreneurs expecting to create six or more new jobs was 31.8%. Entrepreneurs in the United States tend to be confident in their abilities to impact the economy via job creation.

**FIGURE 3.4**  
Percent of  
Entrepreneurs  
Expecting to  
Employ Six or More  
in Five Years,  
GEM 2002-2018

SOURCE OF DATA:  
GEM 2018



### INTERNATIONALIZATION

Both the size and dynamism of markets within the United States consistently offer early stage entrepreneurs and established business owners pathways to exploit new opportunities within their own borders. Generally, this keeps U.S. entrepreneurs' rates of international sales relatively low. With such a large and willing U.S. market, it is not surprising to find that most U.S. entrepreneurs are not "born global" as they do not necessarily need to pursue sales outside of their own borders to break even. The year 2018 was indicative of this general situation: sales by entrepreneurs outside of their borders decreased from last year's high when 17% of entrepreneurs expected to get 25% or more of their sales from outside the United States. In 2018, fewer than 13% expected to see that same level of international sales, and almost 35% of entrepreneurs in the United States did not expect any sales to be generated from international customers.



	More than 75%	25 to 75%	Under 25%	None	Total
2015	2.4%	9.2%	72.5%	15.8%	100.0%
2016	2.3%	8.1%	74.8%	14.9%	100.0%
2017	6.3%	10.5%	69.7%	13.6%	100.0%
2018	4.8%	7.9%	52.7%	34.6%	100.0%

**FIGURE 3.5**  
**Percent of**  
**Entrepreneurs’**  
**Annual Sales**  
**from Customers**  
**Living Outside**  
**the United States,**  
**GEM 2015-2018**

SOURCE OF DATA:  
 GEM 2018









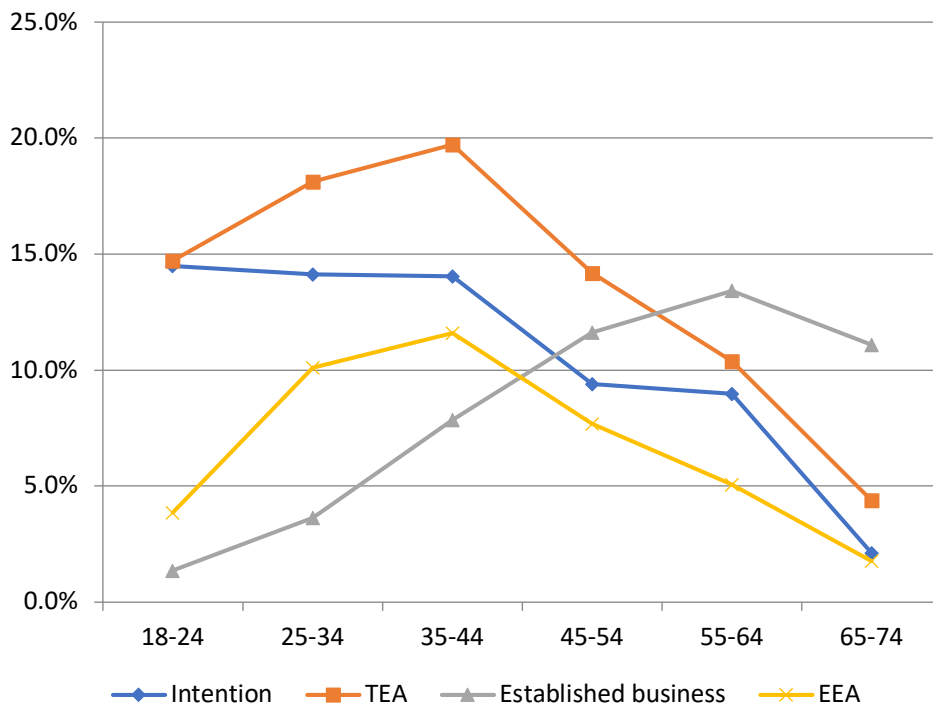
# Chapter 4

## Age and Entrepreneurship

### ACTIVITY BY AGE GROUP

Results of the GEM U.S. Adult Population Survey indicate that in 2018 a considerable number of people age 18–74 were thinking of starting a new business, growing an established entrepreneurial venture, or engaging in entrepreneurial employee activity. Notably, this report uses data from the 18–64 age group when comparing the United States with other countries around the world. However, in this chapter where reference is made to U.S. data alone, GEM definitions have been expanded to include the 65–74 age group. Across the entire 18–74 age spectrum in the United States, entrepreneurial intentions and activity were strong (Figure 4.1), although the rate of entrepreneurial intentions, activity, confidence, and concerns varied among age groups.

GEM defines the term entrepreneurial intentions as the percentage of the non-entrepreneurial population between ages 18 and 74 (excluding individuals involved in entrepreneurial activity) who are latent entrepreneurs and who intend to start a business within three years. In 2018, entrepreneurial intentions were lower than in 2017 among all age groups, except those 55–64 whose intention rate increased from 7.4% in 2017 to 9.0% in 2018. The Total Early Stage Entrepreneurial Activity rate (TEA), which measures the percentage of adults 18–74 who are in the process of starting a business, or who already started a business (a nascent entrepreneur or owner-manager of a new business) less than 42 months old, increased overall in all age groups.



**FIGURE 4.1**  
Age Distribution of Phases and Types of Entrepreneurial Activity in the U.S. Adult Population, GEM 2018

SOURCE OF DATA:  
GEM 2018

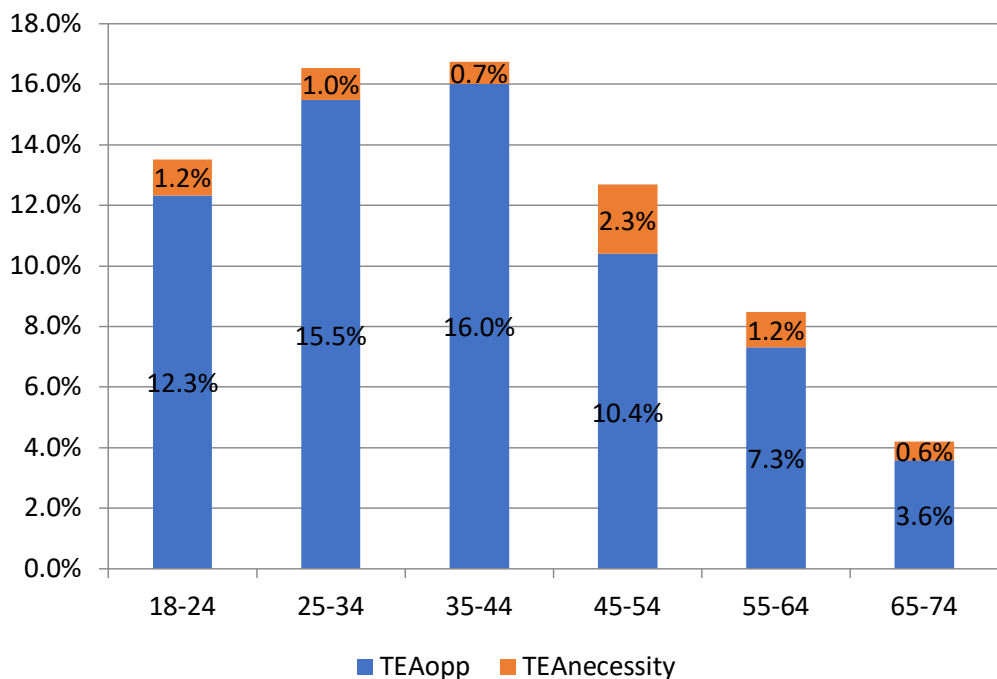
EEA is the Entrepreneurial Employee Activity rate, the percentage of the adult population aged 18-74 who as employees have been involved in entrepreneurial activities. This can take a variety of different forms, such as developing or launching new goods or services or setting up a new business unit, a new establishment or subsidiary. EEA rates in the United States in 2018 were lower than the TEA rates across all age groups, with the highest among those aged 35-44. However, when both TEA and EEA statistics are combined, a more complete view of ongoing entrepreneurial activity becomes clear for all age segments. The most active segment is 35-44 in which almost 32% are involved in some form of entrepreneurship. The Established Business Ownership Rate is the percentage of the adult population 18-74 who currently own or manage an established business that has paid salaries, wages or any other payments to the owners for more than 42 months. When the rate of established business is considered, the 35-44 group remains most active at 39.2%. (Chapter 2 provides further insights into Established Business Ownership in the United States.)

Interestingly, the 35-44 age group, which is the most entrepreneurially active, is the same age group that experienced one of the lowest discontinuation rates (4.3%). According to Global GEM, most entrepreneurs outside the United States discontinue businesses primarily because of unprofitability. In the United States, however, GEM data indicate that most U.S. entrepreneurs exit for other reasons, including personal reasons (24.0%), the pursuit of another opportunity (11.0%), and bureaucracy (8.2%). Notably, Global GEM bases its results on surveys of the population between ages 18 and 64.

Figure 4.2 shows opportunity-driven and necessity-driven entrepreneurship by age group in the U.S. Adult Population. Across all age groups, more entrepreneurs start because they see an opportunity to form a new venture. In 2018, the highest level of necessity-driven entrepreneurship at 2.3% occurred in the 45-54 age group. The next highest necessity-driven entrepreneurship rate of 1.2% is found in the 18-24 age group and 55-64 age group. Necessity-driven entrepreneurship among these two groups combined may be caused by age bias narrowing options for work as employees, lack of credentials or experience, or by a lack of up-to-date skills particularly because of expanding technology expertise needed across industries. Notably, the 55-64 age group is often burdened with financial and family responsibilities, supporting children and parents or both. They may have other financial obligations, such as car payments, mortgage, education and other loans. Although such burdens may be seen as reasons to prefer steady employment, this age group may find that financial and other rewards of entrepreneurial ventures surpass what they can expect to gain from remaining on the job as employees.

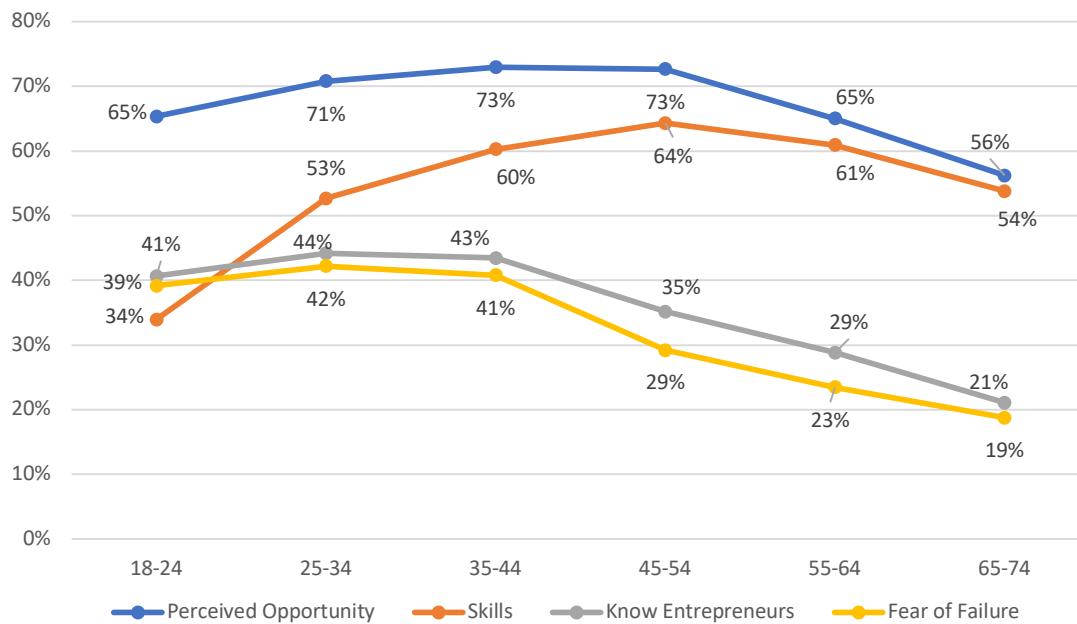
**FIGURE 4.2**  
Age Distribution of  
Total Entrepreneurial  
Activity in the U.S.  
Adult Population  
Showing Opportunity  
and Necessity  
Motives, GEM 2018

SOURCE OF DATA:  
GEM 2018



ATTITUDES BY AGE GROUP

Figure 4.3 shows self-perceptions across age groups of the U.S. adult population. The categories in the illustration are: (1) perceived opportunities, (2) perception of having the necessary skills to start a business, (3) knowing entrepreneurs, and (4) attitudes toward fear of failure among those seeing opportunities. Particularly apparent is the finding that well over 50% of adults across the entire spectrum of age groups perceive opportunity. Also evident is the finding that the 18–24 age group perceives itself much less likely than other age groups to have the skills necessary to take advantage of opportunities, a reasonable perception given their lack of experience and training. The perception of skill level peaks among the 45-54 age group at 64%, declining from there to 54% in the 65-74 age group. Notably, 54% is a substantial indicator of skills confidence and suggests that the low TEA rate among the 65-74 age group may be due less to a lack of skills and more to a business environment that is currently less welcoming to older adults.



**FIGURE 4.3**  
Age Distribution of Entrepreneurial Attitudes and Affiliations in the U.S. Adult Population, GEM 2018

SOURCE OF DATA:  
GEM 2018

The third category in Figure 4.3, knowing an entrepreneur, has a positive influence on one’s own entrepreneurial ambitions by offering examples, role models, advisors and collaborators to inspire and support. Higher scores occur among ages 18-44, in the range of 41%-44%. These age groups also report the highest entrepreneurship activity levels. A lifetime of work and personal relationships may leave the oldest adults with a rolodex full of contacts including entrepreneurs and professionals who work with them. On the other hand, the 65-74 age group reports a relatively low 21% rate of knowing entrepreneurs. This may support the theory suggested previously that the business environment may be less hospitable to older adults, thereby separating them from entrepreneurs at a time when they see opportunity and feel they have the skills to succeed. Alternatively, the results may suggest that the 65-74 age group needs to try to participate more in business activities and networks that could help them with future professional activities.

The last category in Figure 4.3, attitudes toward fear of failure among those seeing opportunities, shows the fear of failure rate vacillating in a relatively high range of 29%-42% among the 18-54 age group and declining thereafter. The 55-64 age group reported a 23% fear of failure rate. The oldest segment 65-74 reported a very low fear of failure rate at 19%. Why do older adults exhibit the most confidence? The fact that they are experienced and have overcome prior challenges may have left them with a resulting “can-do” attitude. Perhaps some older adults perceive they have less to lose. Others may have a financial cushion to absorb risk and consequently may be less fearful of failing financially.



## CHAPTER 4

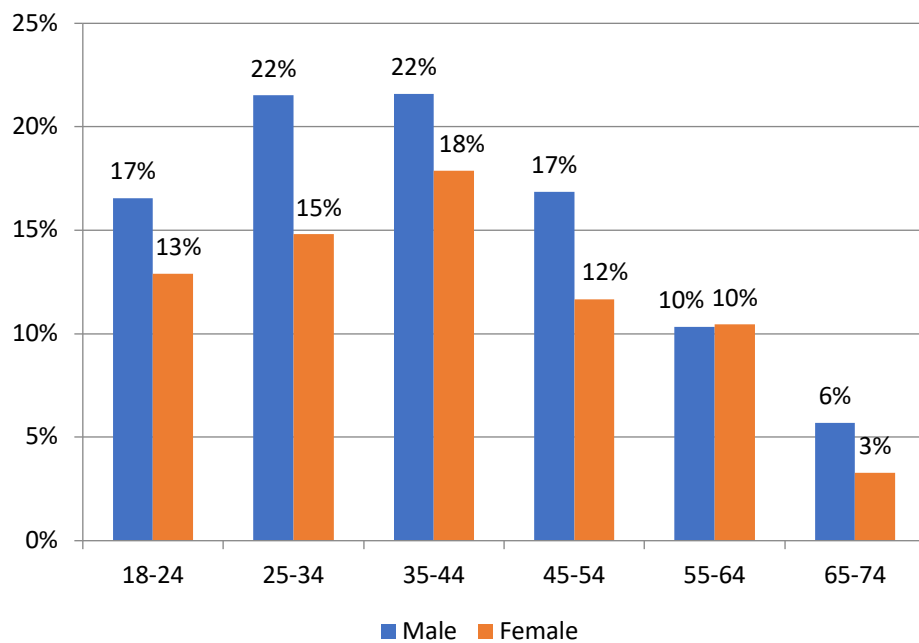
While younger people may have many years ahead to make up losses from business failures, they may also feel less sure of their ability to do so. Additionally, they may have acquired debt obligations and high current expenses or have accumulated insufficient earnings, all of which could leave them fearful of any potential losses.

### WOMEN BY AGE GROUP

While the data show more men than women engaged in early stage entrepreneurial activity, comparison of 2018 TEA rates between men and women reveals surprising results. As shown in Figure 4.4, in every age category the TEA rate for men was higher than for women, except for the 55-64 age group, where the TEA rate for both men and women was 10%. The youngest age groups maintained a substantial gender gap, the biggest being 7% in the 25-34 age group.

**FIGURE 4.4**  
Total Entrepreneurial  
Activity Rates for  
Women and Men  
by Age Group in  
the U.S. Adult  
Population,  
GEM 2018

SOURCE OF DATA:  
GEM 2018



Probable explanations for lower entrepreneurial activity rates among younger women as compared to younger men may include lower participation rates in the workforce during peak childbearing years, greater difficulty raising funds for start-ups, less societal support, and fewer networking opportunities for entrepreneurial careers. Probable explanations for a lower gap in the 55-64 age group may include fewer child-rearing responsibilities, and more time to form networks and undertake activities necessary for successful start-ups, such as gathering teams and raising funds. (Please see Chapter 5 for more information about Women's Entrepreneurship.)







# Chapter 5

## Women's Entrepreneurship

### INTRODUCTION

Women's entrepreneurship is no longer a novelty but an essential component of economic and social growth and sustainability across all economies. Successful women entrepreneurs like Tory Burch, a leading fashion designer, and Arianna Huffington, a top publisher and columnist, are well known for launching and growing successful businesses.<sup>5</sup> They are part of the more than 12.3 million women-owned firms in the United States comprising 39% of all privately held firms, employing more than 9 million people, and generating US \$1.8 trillion in sales as of 2018.<sup>6</sup>

Globally, women's entrepreneurial activity is up 10%, closing the gender gap by 5% since 2014, while in 2016, 163 million women were starting businesses across 74 economies worldwide, and 111 million were running established businesses.<sup>7</sup> Despite the significant progress of women entrepreneurs, men are still more likely to be engaged in starting businesses: for every 10 men starting a business, there are 7 women. In fact, only 6 of the 49 economies participating in the 2018/2019 Global GEM survey showed equal TEA rates between men and women. The economies are Indonesia, Thailand, Panama, Qatar, Madagascar and Angola.<sup>8</sup> The countries with the highest TEA rates for women were Angola (40%) and Guatemala (almost 25%), while the lowest rates were in Italy and Cyprus, both under 3%. The biggest gaps between men and women in start-ups in the Europe and North America region were found in Slovenia, Greece, Sweden, Switzerland, United Kingdom and Turkey. In each of these countries, the TEA rate of women was half the rate of men. By comparison, in the Europe and North America region the United States and Canada have the highest TEA rates for women entrepreneurs, at 13.6% and 17% respectively.

Venture creation is the foundation of all economies. New ventures create innovations helping societies to advance. They contribute to economic growth and provide support for families to sustain over time. While the prevailing narrative is that women and men entrepreneurs are equal in every way, that they have the same opportunities, attitudes and approaches, the reality is that there are differences, some of which matter.<sup>9</sup> A better understanding of where there might be differences between men and women entrepreneurs in the start-up process, and whether the differences matter can yield insights for education, policy and practice. This chapter includes an overview of women's participation, attitudes, business characteristics and performance contributions in entrepreneurship in the United States.

### WOMEN'S ENTREPRENEURIAL ACTIVITY IN THE UNITED STATES

Since 2015, there has been a steady rise in the TEA rate of both men's and women's entrepreneurship in the United States. In 2015, the rate of men's entrepreneurship was 14.6% while for women it was 9.2%. The year 2018 marked an all-time high with TEA rates of 17.7% and 13.6% respectively (Figure 5.1). Notably, the gender gap between men and women narrowed to 4% in 2018. The data on race and ethnicity show that the start-up rates are highest among African/African Americans, 32% and 22% for men and women, followed by Hispanic/Latinos, 20% and 14% respectively. White/Caucasians comprised 15% of all men and 12% of women starting a business. While we do not have trend data to compare, this does reflect the diversity of entrepreneurs starting businesses in the United States.

<sup>5</sup> <https://www.toryburch.com/>; <http://www.ariannahuffington.com/>

<sup>6</sup> <https://about.americanexpress.com/press-release/research-insights/number-women-owned-businesses-increased-nearly-3000-1972-according>

<sup>7</sup> Kelley, D., Baumer, B., Brush, C., Greene, P., Mahdi, M., Majbouri, M., Cole, M., Dean, M., Heavelow, R. 2017. *Global Entrepreneurship Monitor: Women's Entrepreneurship 2016/2017 Report*. Wellesley, MA: Babson College

<sup>8</sup> Bosma, N. & Kelley, D. 2018/2019. *Global Entrepreneurship Monitor: Global Report*. Global Entrepreneurship Research Association. ISBN: 978-1-9160178-0-1

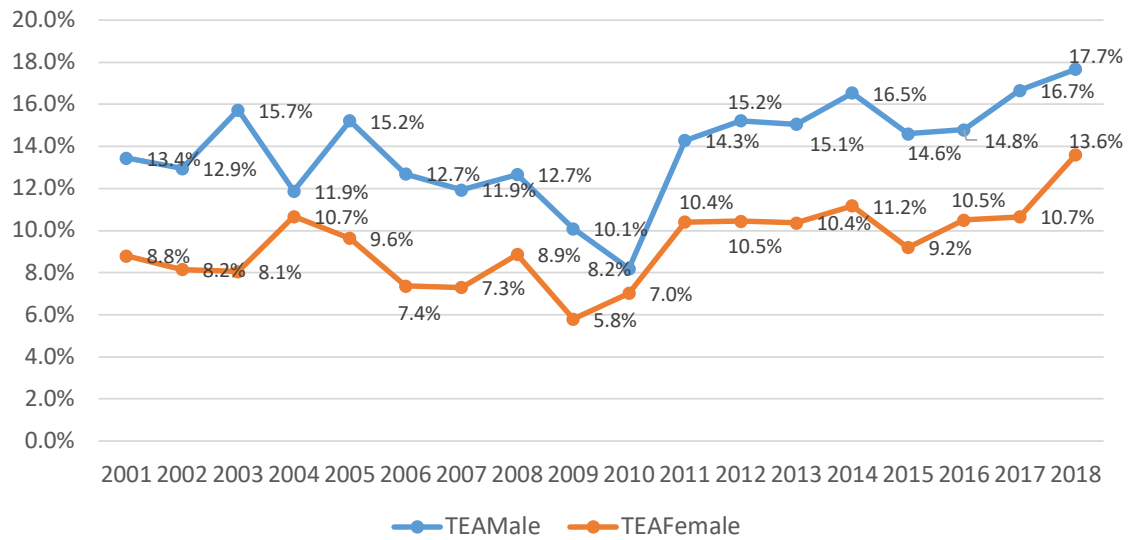
<sup>9</sup> Brush, C. & Greene, P. 2019. Do women engage differently in entrepreneurship? In Cooney, T. (Ed.), *Handbook on Minority Entrepreneurship*, London, UK: Palgrave MacMillan Publishing (forthcoming)



## CHAPTER 5

**FIGURE 5.1**  
TEA Rates of  
Male and Female  
Entrepreneurs,  
GEM 2001-2018

SOURCE OF DATA:  
GEM 2018



A closer look at entrepreneurial activity by stage (early stage, nascent, new businesses and established) shows a similar pattern in terms of closing the gender gap with some progress especially in early and nascent businesses. Specifically, in 2015 the TEA for early stage women entrepreneurs was 9.2%, compared with 14.6% for men, but by 2018 women had narrowed the gap to 4.1%, at 13.6% for women versus 17.7% for men. A similar pattern exists for nascent entrepreneurs where the gap narrowed from 3.4% to 2.9% and for new businesses as well, a gap of 2.1% to 1.2%. The only category reflecting less progress is established businesses where the percent of men in established businesses increased from 8.9% in 2017 to 10.4% in 2018 and declined from 6.6% to 5.4% for women. Also notable is the rise in the EEA rate for women which hit an all-time high of 6.1% (2.4% over last year) compared with 9.9% for men (only a .8% increase).

New data from GEM this year analyze the share of family ownership and management within start-ups and established businesses by gender. Research shows that nearly all businesses are started with family members funding, working in the business, owning the business or just supporting the new venture.<sup>10</sup> Overall, the share of female ownership for both TEA and established businesses is significantly higher for women. Specifically, women own 75.9% share of start-ups and 78.4% of established businesses compared to 45.9% and 62.1% respectively for men. When the share that is family managed by males and females is examined, it is found that start-ups share a similar pattern, where 89.5% of females have the share that is family managed (versus 75.1% of males), but the reverse is true for established businesses, where males have 85.3% share of family managed and females have 82.9%. The higher participation of women in family businesses at early stages is consistent with research that shows in large established family firms, men are primary owners and managers, with only about 37% of family firms having women's ownership and 24% having women presidents or CEOs.<sup>11</sup>

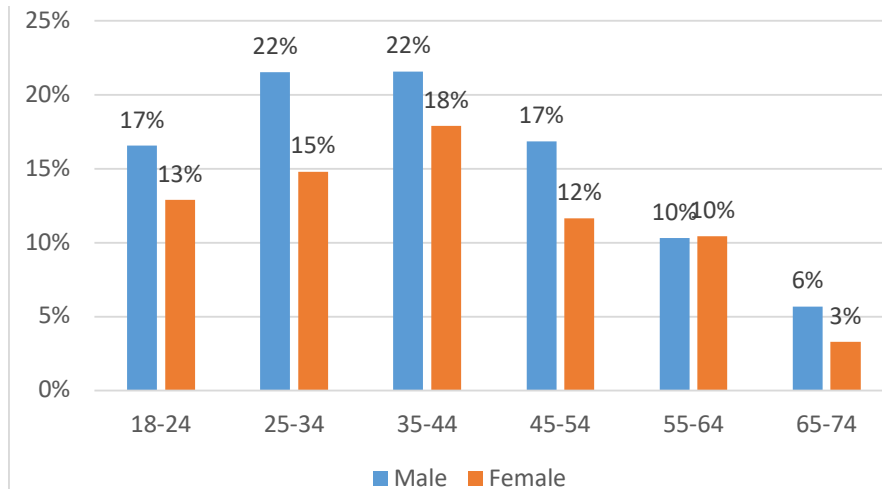
An analysis of TEA rates by gender and age shows that, among women, those in the 35-44 age group are most likely to be starting a business (18%). The start-up rate for women in this age group has consistently been at the highest rate for the past 4 years. Among men, those in the 35-44 age group are among the most likely to start businesses (22%). In addition, men in the 25-34 age group are also becoming entrepreneurs at the rate of 22%, compared with only 15% of women in the 25-34 age group, which represents the biggest gap (Figure 5.2). This is not surprising in that this is the time when women are most likely to have a family.

In other age groups, we see that men in the 45-54 age group are also more likely to start a business than women (17% versus 12%), and this gap has increased by 2% over 2017. In the 55-64 age group, the numbers are virtually equal which represents a significant change from 2017 where for men 12% were starting businesses versus 3% of women, although this year was inconsistent with previous years where the start-up rates were nearly equal.

<sup>10</sup> Gartner, W.B., Shaver, K., Carter, N., & Reynolds, P.D. 2004. *The Handbook of Entrepreneurial Dynamics: The Process of Business Creation*. Thousand Oaks, Calif.: Sage Publishing

<sup>11</sup> <https://www.familybusinesscenter.com/resources/family-business-facts/>; <https://fortune.com/2015/06/18/family-business-women-leaders/>





**FIGURE 5.2**  
TEA Rates by  
Gender and Age,  
GEM 2018

SOURCE OF DATA:  
GEM 2018

Generally compared to 2017, a rise in business start-up rates for women in 2018 is observed in the younger age groups, 25-34 (+3%) and 18-24 (+6%). It is possible that the increase in educational courses, programs and training targeted to women entrepreneurs might be influencing this initial trend. For instance, there are a rising number of online and college courses that specifically target women entrepreneurs, and there are dedicated programs and support through online incubators and accelerators.<sup>12</sup> On the other hand, there is also evidence that women view their opportunities in the corporate sector as limited and decide to opt into entrepreneurship to create something of their own and to have flexible scheduling.<sup>13</sup>

Another important consideration for understanding start-up rates is motivation. GEM captures the extent to which entrepreneurs start businesses out of necessity, because they have no other options for employment, or because they perceive an opportunity. In the United States overall, the motivation is predominantly opportunity-based rather than necessity-based for starting new ventures. The percentage of women motivated by opportunities rose from 7.1% in 2015 to 10.3% in 2018, a greater increase than for men which rose from 12.5% to 14.6% during the same period. A relatively small proportion of both men and women are necessity motivated, less than 2%. The increase in perceived opportunities and TEA rates for both men and women is likely related to the strong U.S. economy, which when measured by GDP is the strongest it has been since 2015, growing at 2.9% on a year-over-year basis.<sup>14</sup>

In summary, the 2018 GEM survey shows women entrepreneurs at a peak start-up rate (13.6%) and the gender gap narrowing to 4%. Women in the 35-44 age group are the most active in start-up activity, and women entrepreneurs are primarily motivated by opportunity. Women also own a significant share and manage start-up family businesses. Generally, the pattern of increases in women's participation across all categories is very promising. The next section explores the attitudes which inspire start-up activity.

## ENTREPRENEURIAL ATTITUDES

While business start-up is generally rooted in human capital resources including education and experience, at the same time attitudes, beliefs and perceptions are significant influences determining why some people start a new business and others do not.<sup>15</sup> It is well documented that intentions to start a business are influenced by perceived capabilities and skills, which are associated with self-confidence.<sup>16</sup> GEM measures several attitudes, including the perception of opportunities, perceived capabilities to start a business, fear of failure and intentions. This year the survey also captured confidence in skills as an additional measure of capabilities.

<sup>12</sup> <https://www.entrepreneur.com/women/courses>; <https://www.startupfunding.co/blog/31-top-accelerators-and-incubators-for-women>

<sup>13</sup> <https://www.forbes.com/sites/work-in-progress/2012/06/08/entrepreneurship-is-the-new-womens-movement/#6dcc5ac3b4c5>

<sup>14</sup> <https://www.cbsnews.com/news/gdp-2018-economic-growth-2-9-percent-last-years-economy-was-the-fastest-since-2015/>

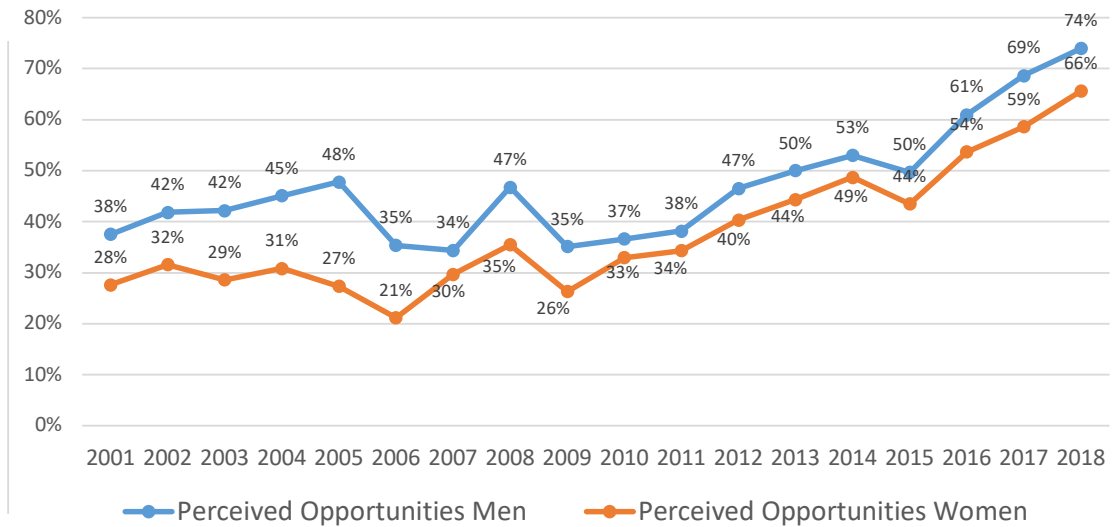
<sup>15</sup> Becker, G.S. 1964. *Human Capital: A Theoretical and Empirical Analysis*. Chicago: University of Chicago Press. Brush, C.G., Greene, P.G. & Hart, M.M. 2001. From initial idea to unique advantage: The entrepreneurial challenge of constructing a resource base. *Academy of Management Executive*.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

<sup>16</sup> Krueger, N., Reilly, M. & Carsrud, A. 2000. Competing models of entrepreneurial intentions. *Journal of Business Venturing*. 22:1. 97-118

## CHAPTER 5

**FIGURE 5.3**  
Perceived Opportunities of Men and Women Entrepreneurs, GEM 2001-2018

SOURCE OF DATA:  
GEM 2018



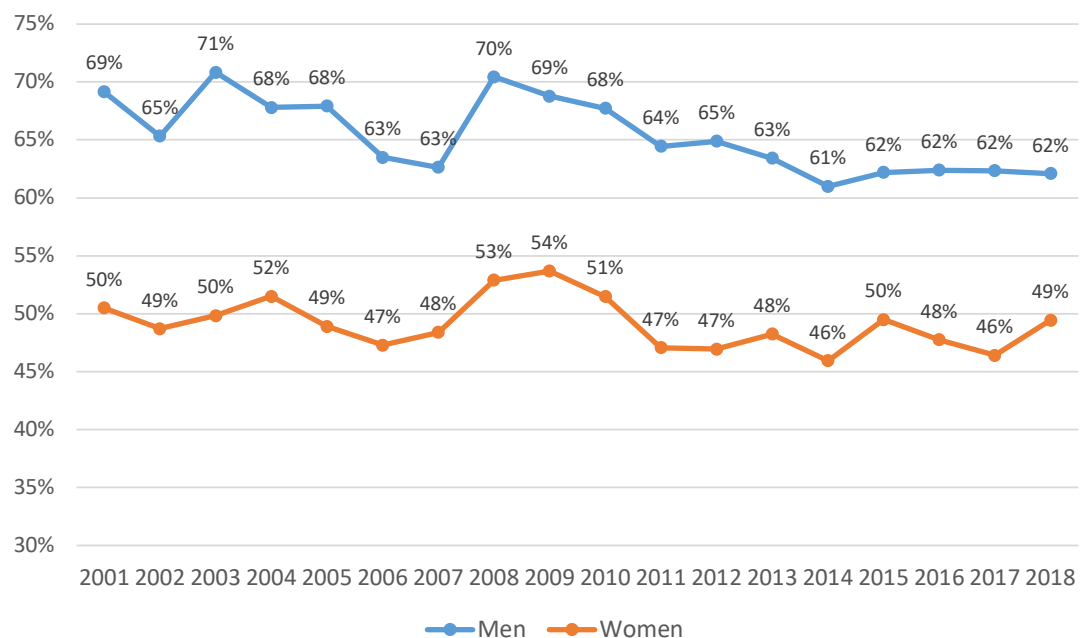
In 2018, the perception of opportunities reached a new high, with 74% of men perceiving opportunities and 66% of women (Figure 5.3).

These are increases of 5% and 7% respectively from the previous year. This year also marks a narrowing of the gender gap to 8% from last year, which is a decrease, but not the smallest gap in recent years, which was 4% in 2014. If the trends since 2015 are considered, a 22% increase for women and a 24% increase for men in perceived opportunities are observed. Further, the trajectory upward is consistent with the opportunity motivation for starting a business noted in the past section.

In addition to perceiving an opportunity, entrepreneurs must also believe that they have the capabilities to start a business. The analysis shows 62% of men perceive they have the capabilities to start businesses, which has been steady for the past 4 years, with 49% of women perceiving they have these capabilities (Figure 5.4). This reflects a continuing gap between men and women entrepreneurs (13%), although there is a slight decrease of 3% since 2017.

**FIGURE 5.4**  
Perceived Capabilities of Men and Women Entrepreneurs, GEM 2001-2018

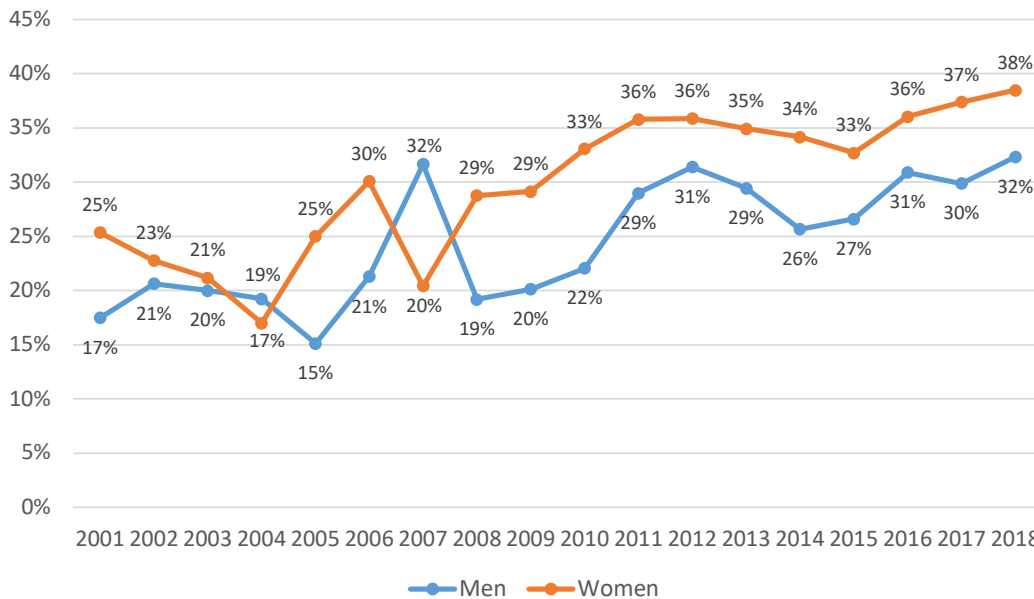
SOURCE OF DATA:  
GEM 2018



Considering the overall trends, and even though there were increases in perceived opportunities in TEA, women still believe they are less capable. While this survey cannot determine the exact reasons for this deficit, it is likely that the stereotype of the successful entrepreneur continues to be a masculine, innovative risk taker, who fits the heroic image of a Mark Zuckerberg or Bill Gates. As a result, women may believe they are less capable because they are different from the male norm.<sup>17</sup>

A new addition to the GEM U.S. survey is the inclusion of confidence in dealing with difficult issues, selling or pitching, negotiating with customers or suppliers, and developing the management team. Given the gap in perceived capabilities, we might expect that confidence in these skills would be significantly different for men and women entrepreneurs in both new businesses and established, but in fact the confidence levels for most of these are similar if not equivalent. Confidence in developing teams was virtually the same for men and women at both nascent and established businesses with men and women expressing the same level of confidence (excellent and very good) at 72% and 58% respectively. For negotiations, once again, men and women were nearly equivalent at both nascent (65% and 64%) and established (59% and 58%). Confidence in selling and pitching was once again nearly the same at the nascent level, 69% for men and 67% for women. In established businesses, women were slightly more confident, 65% versus 62%. In the category of confidence in dealing with difficult issues at work (which includes talking to employees who are not doing a good job or responding to customer complaints) men rated somewhat higher than women in both the nascent stage (84% to 71%) and established (81% to 72%). Hence for three out of the four categories, women express similar confidence in skills, with only the single category, dealing with difficult situations in business, reflecting a deficit for women entrepreneurs.

Not only do perceived opportunities and confidence in capabilities play a role in explaining the start-up differences between men and women entrepreneurs, but also the perceived fear of failure is important. Entrepreneurial start-up is inherently uncertain and characterized by different risks: economic, psychic, social, family and career. Further, a high percentage of businesses discontinue with about 30% discontinuing within the first 2 years, and 50% within the first 5 years.<sup>18</sup> For this survey, we see that the fear of failure rates have increased between 2017 and 2018 from 37% to 38% for women and 30% to 32% for men (Figure 5.5). The gender gap has remained somewhat stable (between 5%-7%) for the past few years, but overall, women continue to have a higher fear of failure than men and there is a rising pattern. In some ways, this is not surprising, as this trend is parallel to other high-income economies where the fear of failure rate is correlated with the level of economic development. More specifically, for high-income economies where basic social and economic needs are taken care of, the fear of failure may be higher than for middle-income and low-income economies because they have more to lose.



**FIGURE 5.5**  
Fear of Failure for Men and Women Entrepreneurs, GEM 2001-2018

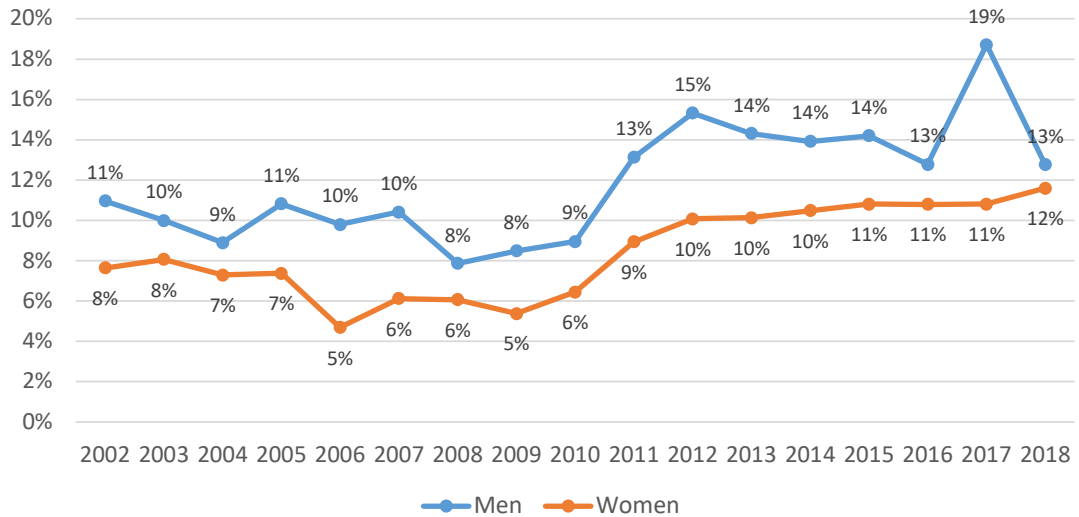
SOURCE OF DATA:  
GEM 2018

<sup>17</sup> Bird, B. & Brush, C. 2002. A gendered perspective on organizational creation. *Entrepreneurship Theory and Practice*. 26:1. 41-65; Ridgeway, C. & Correll, S. 2004. Unpacking the gender system: A theoretical perspective on gender beliefs and social relations. *Gender & Society*. 18:4. 510-531  
<sup>18</sup> <https://smallbiztrends.com/2019/03/startup-statistics-small-business.html>

Entrepreneurial intentions are defined as intentionally planned behavior associated with starting a new business. Intentions are a precursor to entrepreneurial action but not all intentions result in a new business start-up.<sup>19</sup> The data for 2018 reflect a consistent pattern for women, but a large decrease for men from 2017 (Figure 5.6). Overall, the recent data suggest that the gender gap in intentions is narrowing as the deficit is only 1% which is the smallest gap since 2002.

**FIGURE 5.6**  
**Entrepreneurial**  
**Intentions of**  
**Men and Women**  
**Entrepreneurs,**  
**GEM 2002-2018**

SOURCE OF DATA:  
 GEM 2018



A final consideration is the extent to which an individual knows an entrepreneur or is affiliated with entrepreneurs, since this can inspire one to consider entrepreneurship and provide role models. Historically, men have known more people who are entrepreneurs, the percentages being between 32%-36% from 2014-2017, but in 2018, the percentage rose to 43%. For women, once again, they are less likely to know an entrepreneur, with the percentages being between 27%-30% for the same period, but the percentage did rise to 34% in 2018.

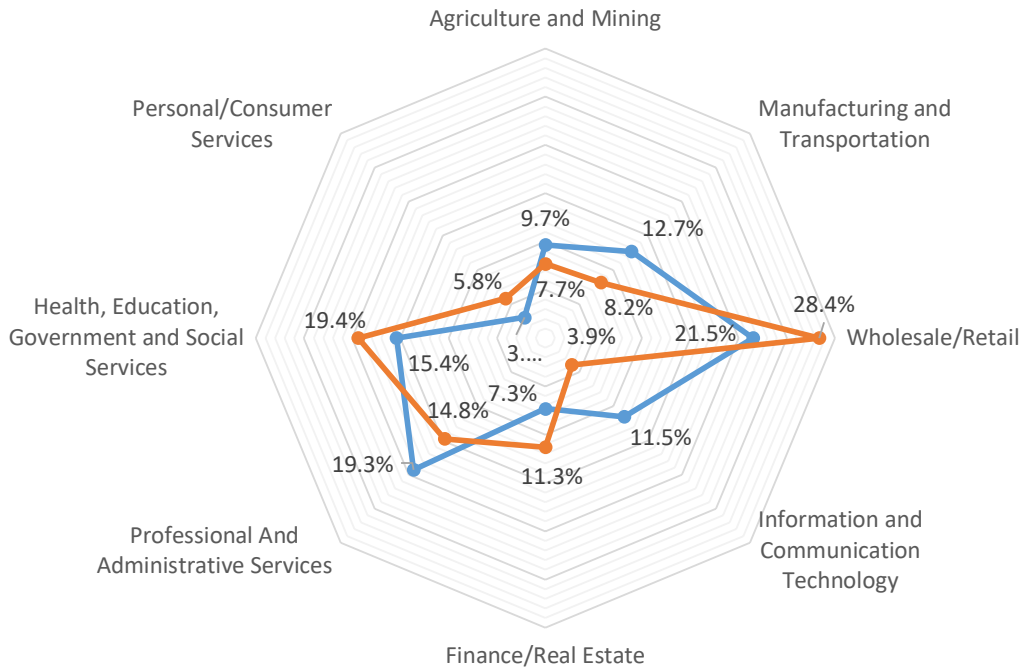
In sum, an analysis of attitudes sheds some light on the increased start-up rate of women relative to men. The rise in opportunity perception by 7 points to 66%, along with a slight increase in knowing an entrepreneur (4%) and in belief in capabilities (3%) taken together seem to be related to the increase in TEA. Fear of failure and intentions rose slightly but not significantly. Notably, the pattern of increases in TEA and knowing an entrepreneur also rose for men, while fear of failure increased marginally, belief in capabilities remained steady and intentions returned to the 2016 rate. It is notable that there is parity in the confidence level of business skills in three out of four categories - team building, pitching and negotiating - with only handling difficult situations an area where women are less confident. A review of attitudes reveals that there is a narrowing of the gender gap for the most part on most attitudes. This narrowing likely explains the rise in TEA for women entrepreneurs.

<sup>19</sup> Krueger, et al. 2000



**BUSINESS ACTIVITY AND PERFORMANCE**

Business activity and performance was measured in several ways: industry of participation, extent to which businesses are exporting, discontinuance and innovation. Consistent with the composition of businesses in the United States by industry, nascent and new firms are primarily in business services and consumer goods (Figure 5.7).



**FIGURE 5.7**  
Composition of Businesses by Industry for Men and Women Entrepreneurs, GEM 2018

SOURCE OF DATA:  
GEM 2018

The industries where women are starting businesses are similar to past years, with the highest percentage in wholesale and retail (28.4%), which is also the highest category for men’s participation (21.5%). A more detailed analysis shows that all but 1% of the businesses in this category are in fact retail businesses. This high participation rate in retail does mark an increase from last year by 7%, indicating that women are continuing to start businesses in the sectors which are already highly populated with women and tend to be most competitive with the lowest entry barriers. Women also have a strong presence in health, education, government and social services (19.4%) and the finance and real estate sector (11.3%) both of which are identical to last year. The only nominal changes in participation are in agriculture, which rose by 1.1% and manufacturing, which decreased by 1.5%.

Men entrepreneurs are also most likely to be in the wholesale/retail sector (21.5%), and have some presence in health, education, government and social services (15.4%). But men are much more likely to be engaged in professional and administrative services, manufacturing and information technology. Perhaps the largest gap between men and women entrepreneurs is in the information and communication technology sector, 11.5% compared to 3.9%. This could be a concern, in that most high technology businesses tend to be faster growing, and more innovative.

A special topic this year explored the participation and activities in the “gig” economy, which asked a series of questions regarding business activities using a digital platform. Generally, a small percentage of entrepreneurs are receiving income from paid work on a digital platform (8.4% for men and 7.4% for women). But, a higher percentage of women completed the transaction online than men (51% versus 46.3%) although men were more likely to have both online and on-site transactions.

## CHAPTER 5

This finding is likely due to the higher percentage of women in retail and suggests that they may be using a digital platform as an e-commerce site as well. Another interesting difference is that women are more likely to use the digital platform as a source of supplementary income (65.6% versus 56.3% for men), whereas 22.8% of men indicated they use the platform to run their businesses while only 18.3% of women noted the same.

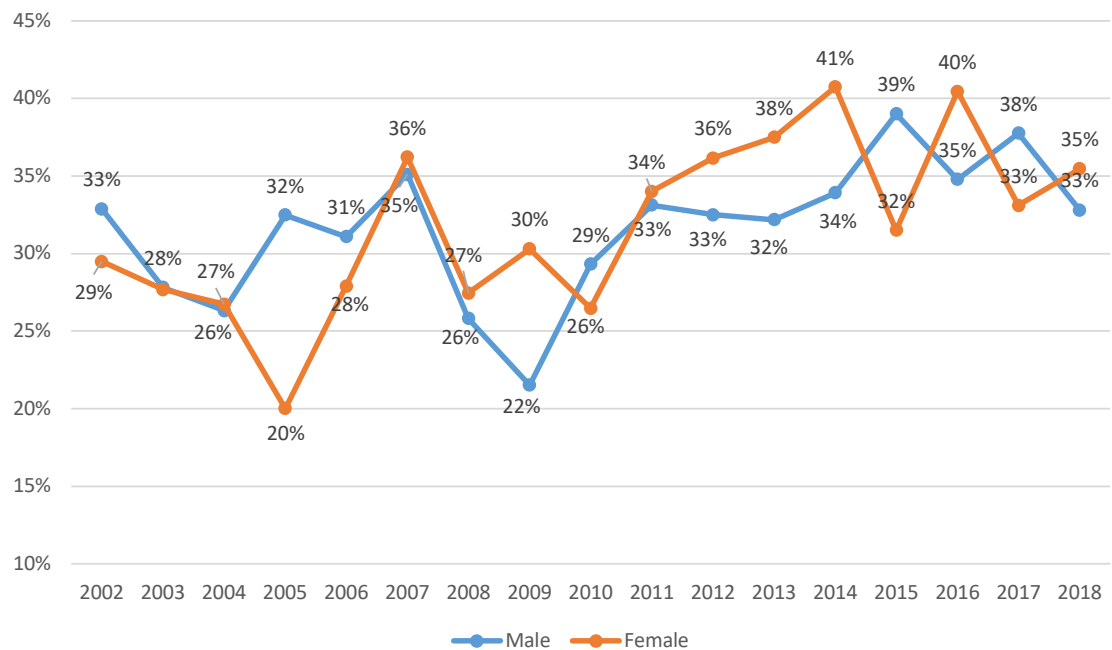
Regarding the business activities of start-ups in 2018, there is a decrease overall in the percentage of businesses having more than 25% of their annual sales coming from customers living outside the United States. The decline is greater for men at nearly 7% and only .2% for women. However, more women entrepreneurs are exporting (13.9%) than men (11.7%). It is likely that recent trade policies implemented by the U.S. government have had a small impact on these businesses.

The discontinuance rate of both men-led and women-led businesses is steady, with a slightly greater number of women closing their businesses than men, 4.7% versus 4.8%. This represents an increase of 1.4% from last year for women while for men the closure rate has remained approximately the same with an increase of only .1%. This is the first time since 2014 that the discontinuance of women's businesses has exceeded 4%.

Finally, GEM considered innovation rates of businesses, measured by their introduction of a new product/market combination. Once again, the innovativeness of women's businesses was higher than for men (35% versus 33%) which is almost an exact shift from 2017 (Figure 5.8). Nevertheless, there is no clear pattern as to how women and men report their innovation as this chart shows several shifts over time, but the average seems to be somewhere around 35%.

**FIGURE 5.8**  
TEA New Product  
Market Combinations  
for Male and Female  
Entrepreneurs,  
GEM 2002-2018

SOURCE OF DATA:  
GEM 2018



## CONCLUSION

In summary, TEA rates for both men and women entrepreneurs rose significantly with a slight narrowing of the gender gap. The gender gap is the lowest for new businesses and highest for established businesses. There was a shift in age group with more younger women (18-24 and 25-34) starting businesses than in previous years. The analysis of opportunity perceptions shows a significant increase and all-time high in women's perceptions of opportunities (like men's perceptions) with a slight rise in perceived capabilities. Nevertheless, the gender gap in women's and men's perceptions of their capabilities to start a business remains fairly constant with a 13% deficit. Fear of failure remained somewhat constant for women with a slight increase, and they still have a greater fear of failure than their male counterparts. Women's intentions to start businesses rose while men's fell, which results in the smallest gender gap thus far (1%). The assessment of women's confidence in business skills showed that men and women are quite similar in their beliefs about team building, pitching and negotiation, but men believe they are better at handling tough problems.

Nearly 30% of businesses started by women are in wholesale and retail, with another nearly 20% in health, education, government and social services. Women consider their businesses to be more innovative than men's businesses. Women are more likely to sell products/services outside the United States but equally likely to discontinue. Overall, it appears that some of the gender gap between men and women entrepreneurs is narrowing. In part, the reasons appear to be expanded opportunity perception on the part of women, greater confidence in their capabilities and increased intentions to start a business.









# Chapter 6

## Entrepreneurial Potential and Support

### INTRODUCTION

Entrepreneurship in a society relies on a foundation of potential entrepreneurs, those who see opportunities around them and have the capabilities and willingness to pursue them. These entrepreneurs, in turn, are heavily reliant on key stakeholders in their environment, those who are willing to engage with their efforts. These may include, for example, co-founders, employees, investors, advisors, customers and suppliers.

Additionally, entrepreneurship is more likely to thrive in societies that encourage this activity, where conditions pose few barriers and enable entrepreneurs to take steps necessary to launch their businesses. However, every economy has its own unique ecosystem containing both enablers and constraints, through which entrepreneurship must navigate.

This chapter reviews self-perceptions and attitudes about entrepreneurship, and conditions influencing this activity in the United States. These indicators represent factors and conditions that may explain an economy's particular entrepreneurial profile. Additionally, they can inform those who want to make decisions and take actions to encourage and support this activity.

### ENTREPRENEURIAL SELF-PERCEPTIONS AND AFFILIATIONS

#### *Opportunity and Capability Perceptions*

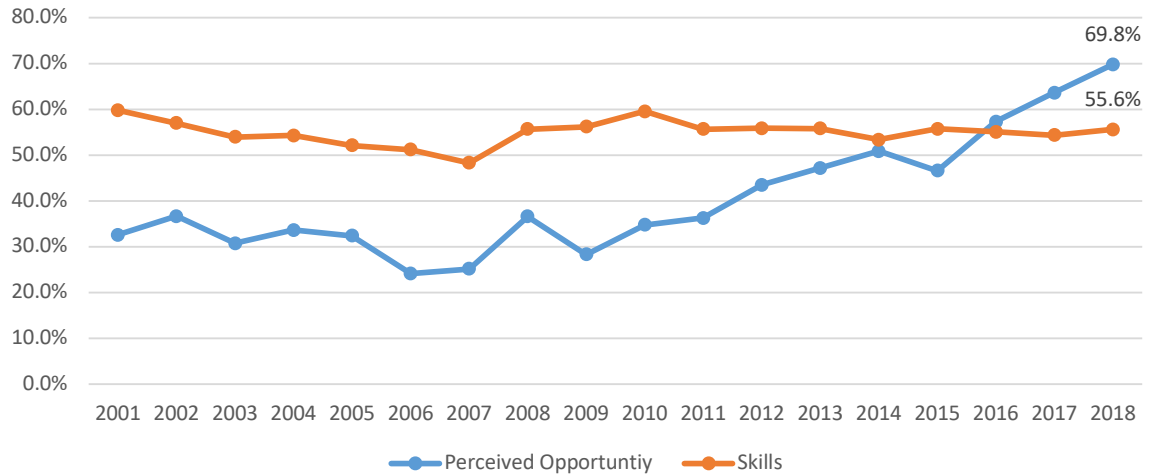
The United States stands out among the high-income economies in having people who both see entrepreneurial opportunities and perceive that they have the capabilities to pursue them. Seventy percent of Americans believe there are many opportunities around them for starting businesses, a level only topped by Sweden and Saudi Arabia. In addition, 56% of Americans believe they have the skills to start a business, equal to that of Canada, and exceeded only by Saudi Arabia, Chile and Uruguay.

As Figure 6.1 demonstrates, the high level of opportunity perceptions was achieved through steady growth in most of the past decade, after a period of generally no growth or declines in this indicator. In 2018, over twice as many people believe there were good opportunities for starting a business than had held this belief in 2001. Capabilities perceptions, on the other hand, has shown remarkable stability, as illustrated in Figure 6.1. This suggests that, despite what people think about what is going on around them, they maintain the same level of confidence about their entrepreneurial abilities.

## CHAPTER 6

**FIGURE 6.1**  
**Opportunity**  
**and Capability**  
**Perceptions**  
**in the U.S.**  
**Adult Population**  
**(18-64 year olds),**  
**GEM 2001-2018**

SOURCE OF DATA:  
 GEM 2018

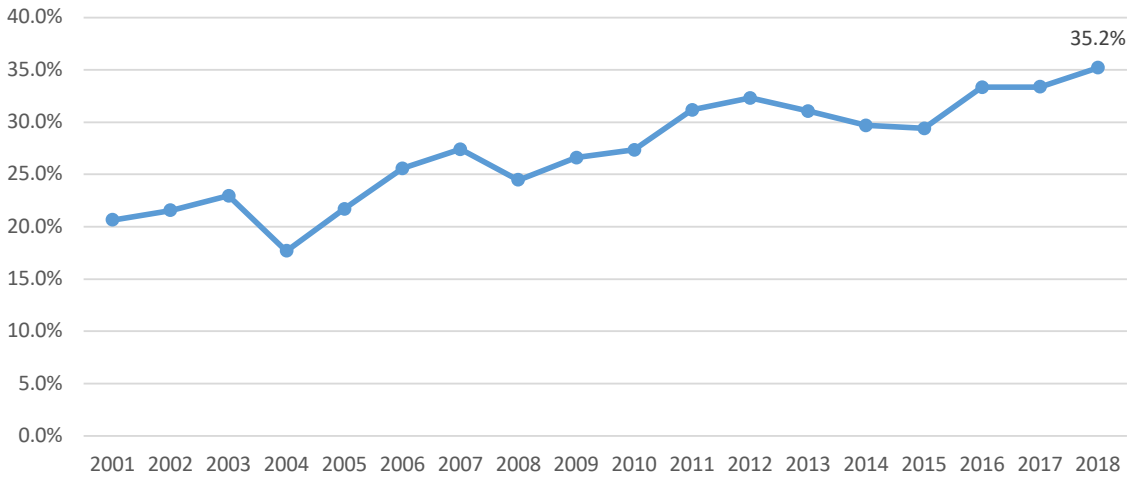


### *Fear of Failure*

Fear of failure tells a different story. As Figure 6.2 shows, this indicator has gradually increased since 2001. The first upward trend (2005-2007) preceded the recession, suggesting that fear of failure might be a leading indicator. The second upward trend (2009-2012) followed the recession and could be attributed to lingering cautiousness and still-unfavorable conditions in the environment. Then fear of failure began to decline in 2013, continuing through 2015, indicating some optimism about Americans' risk propensity. But alas, an upward trend started again in 2016 and has continued through 2018, reaching a new high.

What is most curious about this result, though, is that TEA rose in the past three years. If fear of failure is high, it would seem that at least some people would be deterred from starting businesses. One explanation for this anomaly may lie in the increase in opportunity perceptions. Fear of failure is measured among those seeing opportunities. With more people seeing opportunities, there may be more in that mix who would not themselves start a business. They may instead see opportunities generally, but on a less personal level - in other words, opportunities for someone to pursue but not necessarily themselves. The fact that intentions declined in 2018 may support this hypothesis.

An additional explanation may be evident in the low unemployment rate in the United States. Many job options create opportunity costs. In order for people to pursue entrepreneurship, they may have to forego other employment opportunities. However, the high fear of failure may be a cause for some concern, particularly given the 70% increase observed over the past 20 years. Among the often risk averse high-income countries, fear of failure in the United States is only just below average (35% in the United States vs. 37% on average for the other 30 high-income economies). Germany and the Netherlands have a rate similar to that of the United States, while twelve economies exhibit lower levels.



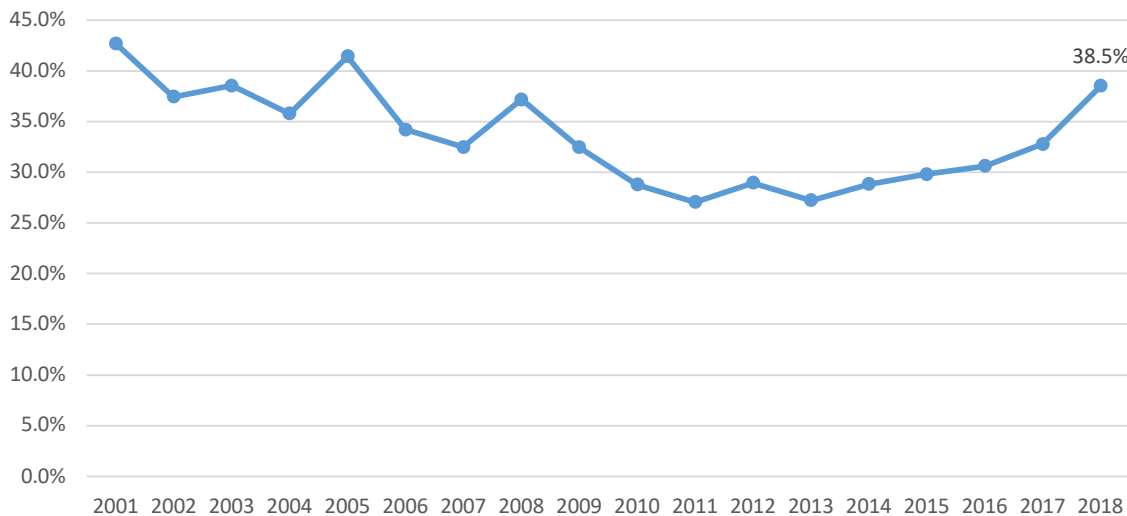
**FIGURE 6.2**  
**Fear of Failure**  
**Among Those**  
**Seeing Opportunities**  
**in the U.S.**  
**Adult Population**  
**(18-64 year olds),**  
**GEM 2001-2018**

SOURCE OF DATA:  
 GEM 2018

*Entrepreneurial Affiliations*

For all the attention entrepreneurship receives in the United States, it might be surprising to learn that most people do not personally know an entrepreneur. This is important because knowing entrepreneurs can provide role models, advisors, co-founders, investors and other means of motivating and supporting this activity. In the United States, 39% of working-age adults know an entrepreneur, slightly higher than the average for the 30 other high-income economies (37%), with Sweden reporting a similar level and ten other economies showing higher rates.

As Figure 6.3 shows, though, this indicator has been on the rise in recent years, somewhat consistent with the increase in TEA rates. As the number of entrepreneurs grows, so does the likelihood people will know one. This illustrates the self-reinforcing nature of this activity.



**FIGURE 6.3**  
**Percentage of**  
**the U.S. Adult**  
**Population (18-**  
**64 year olds) Who**  
**Personally Know**  
**an Entrepreneur,**  
**GEM 2001-2018**

SOURCE OF DATA:  
 GEM 2018

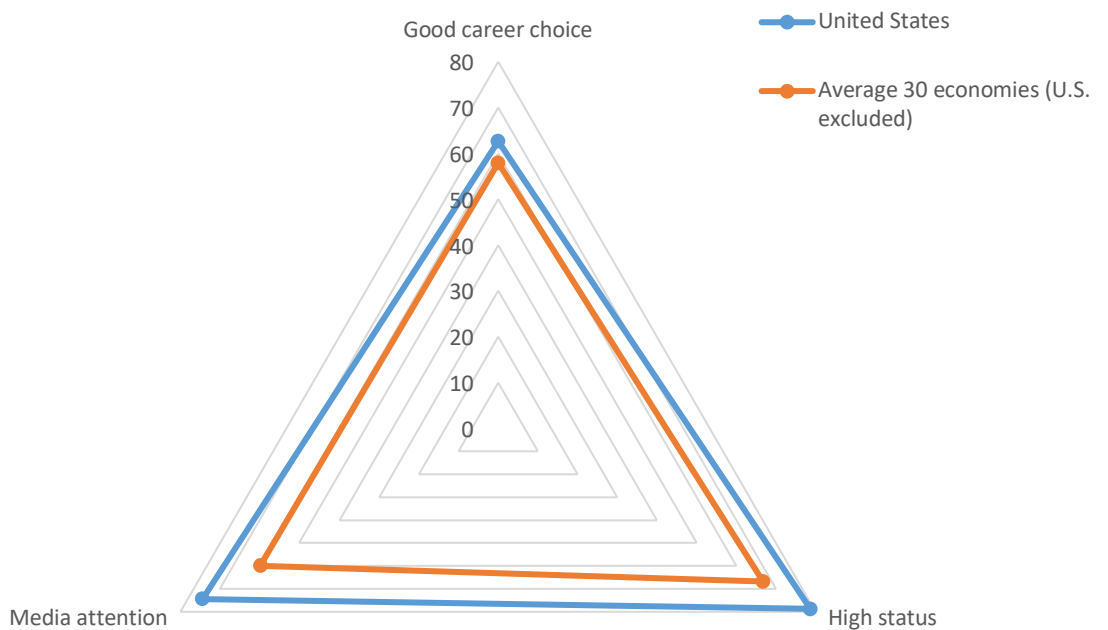
**SOCIETAL ATTITUDES ABOUT ENTREPRENEURSHIP**

Entrepreneurship is highly regarded in U.S. society. As Figure 6.4 demonstrates, Americans are more likely than the average high-income economy to believe that entrepreneurs receive high media attention (74% vs. 60%). On this indicator, only four high-income economies report higher levels (Puerto Rico, Slovenia, Taiwan and Canada). The United States also stands out with regard to the status conferred on successful entrepreneurs (79% vs. 67%), topped by only two countries: Israel and Ireland.

A somewhat lower percentage think that entrepreneurship is a good career choice, although this is still higher than the average for the 30 other high-income economies (63% vs. 58%). It may be the case that many Americans weigh entrepreneurship against the good job options available. Overall, however, these three indicators show that entrepreneurship is well-supported by U.S. society.

**FIGURE 6.4**  
**Percentage of the U.S. Adult Population and the Average of 30 High-Income Economies Who See Entrepreneurship as High Status, a Good Career Choice, and Receiving High Media Attention, GEM 2018**

SOURCE OF DATA:  
 GEM 2018

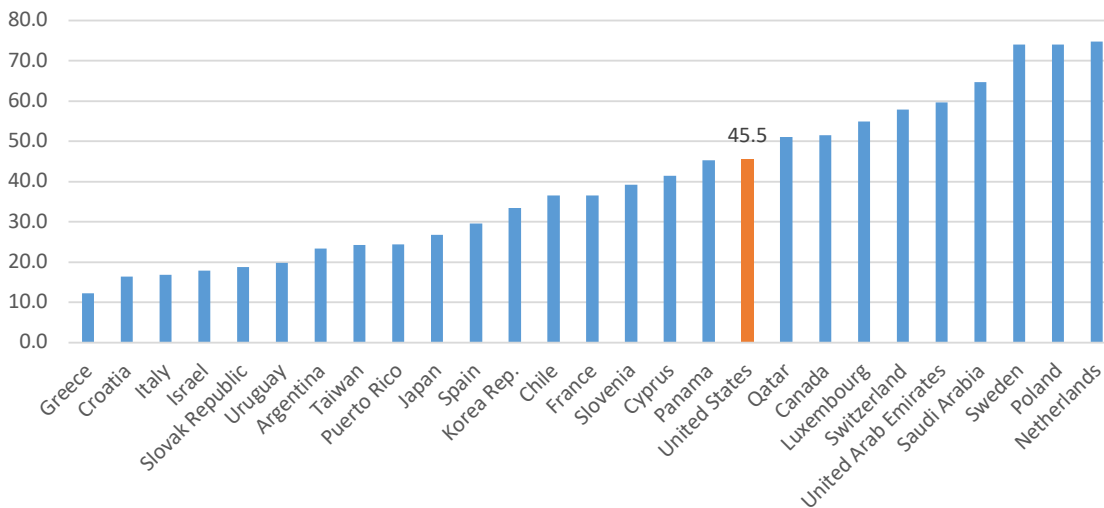


**EASE OF STARTING A BUSINESS**

Despite generally positive self-perceptions and high regard for entrepreneurs, fewer than half of Americans think it is easy to start a business (45.5%). As Figure 6.5 shows, over half the adult population in nine other high-income economies believe it is easy to start a business. As the next section shows, however, the National Expert Survey of 36 experts reveals generally positive conditions for entrepreneurship in the United States.

This disconnect between the general adult population and experts may mean that people are weighing different factors or the same factors differently than the experts. It may also be the case that the businesses one has in mind are those often considered difficult to start, such as the technology-intensive businesses often represented in the media. On the whole, though, this result is more in line with the moderate fear of failure shown in Figure 6.2. While Americans see opportunities, have entrepreneurial capabilities and believe there is high praise for entrepreneurship, there are still some perceived constraints to starting a business in this society.





**FIGURE 6.5**  
**Percentage of the**  
**Adult Population in 31**  
**High-Income Economies**  
**Who Believe It Is Easy**  
**to Start a Business,**  
**GEM 2018**

SOURCE OF DATA:  
 GEM 2018

## THE ENTREPRENEURSHIP ECOSYSTEM

Relative to the other 30 high-income economies, experts in the United States express strong conditions for entrepreneurship (Figure 6.6). Among the twelve conditions assessed among experts in entrepreneurship, finance, education, government and other areas, the United States rates lower than the average of the 30 economies only on government policy and programs. This is indicative of the modest role the U.S. government plays in America's thriving entrepreneurial culture.

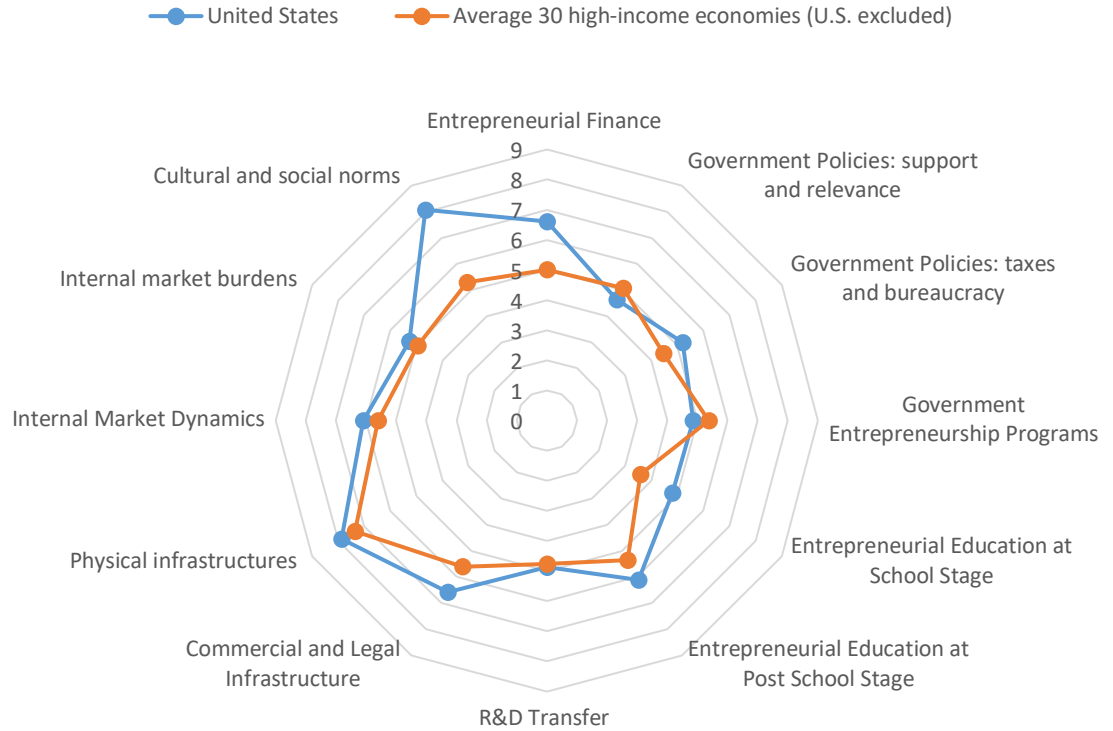
Perhaps surprising is the low rating for R&D transfer, which is also rated low on average among the 30 other economies. It may be the case that large companies benefit more from an economy's R&D than startups do. On the other hand, both infrastructure measures are highly rated, as these conditions generally garner high ratings in developed economies.

The United States stands out in particular for its high levels of cultural and social norms embracing entrepreneurship, and for the quality and availability of entrepreneurial finance. For both of these conditions, the United States has higher ratings than any of the other high-income economies and, for that matter, higher than any of the 49 economies in the 2018 GEM sample. One may therefore point to these factors in explaining why the United States is considered such an entrepreneurial economy.

## CHAPTER 6

**FIGURE 6.6**  
Expert Ratings (on a Scale of 10) in the United States and the Average of 30 High-Income Economies on 21 Entrepreneurship Framework Conditions, GEM 2018

SOURCE OF DATA:  
GEM 2018



	Entrepreneurial Finance	Government Policies: Support and Relevance	Government Policies: Taxes and Bureaucracy	Government Entrepreneurship Programs	Entrepreneurship Education at School Stage	Entrepreneurship Education at Post School Stage
United States	6.61	4.63	5.2	4.86	4.81	6.1
Average 30 high-income economies (U.S. excluded)	5.00	5.09	4.47	5.38	3.59	5.36
	R&D Transfer	Commercial and Legal Infrastructure	Physical Infrastructures	Internal Market Dynamics	Internal Market Burdens	Cultural and Social Norms
United States	4.87	6.58	7.87	6.1	5.27	8.08
Average 30 high-income economies (U.S. excluded)	4.76	5.61	7.35	5.60	4.95	5.29





JEWELRY  
Kathmandu

GIFTS

Golden  
den  
Restaurants

Golden  
den  
Restaurants

**Kathmandu**  
Jewelry  
Exotic Gifts  
Tribal Masks  
Incense & Oils  
Ethnic Textiles  
ON THE AVENUE  
352 NORTH PARK AVE.  
WINTER PARK, FL 32789  
407-647-7071  
WWW.TRIBALASIA.COM

SCOTT LAURENT  
COLLECTION  
Gallery  
• Fine Art & Glass • Jewelry  
• Home Decor • Gifts  
• Open 7 Days A Week







# Sponsors

---

## BABSON COLLEGE



**Babson College** is a founding institution and lead sponsor of the Global Entrepreneurship Monitor (GEM). Located in Wellesley, Massachusetts, U.S.A., Babson is recognized internationally as an educator, convener, and thought leader of Entrepreneurship of All Kinds®. U.S. News & World Report has ranked Babson #1 in entrepreneurship education for 22 years in a row. Babson grants B.S. degrees through its innovative undergraduate program and offers M.B.A. and M.S. degrees through its F.W. Olin Graduate School of Business. The School of Executive Education offers executive development programs to experienced managers world-wide. Students study at the main Wellesley campus and at Babson's locations in Boston, San Francisco, Miami, and Dubai. They are taught by tenured or tenure-track faculty, all with entrepreneurship experience, faculty from other divisions around the college, and highly accomplished business leaders who serve as adjunct faculty. Babson's highly regarded network of alumni is globally diverse, hailing from 115 countries and all 50 U.S. states.



## GERA AND GEM

**The Global Entrepreneurship Research Association (GERA)** is, for formal constitutional and regulatory purposes, the umbrella organization that hosts the GEM project. GERA is an association formed of Babson College, London Business School and representatives of the Association of GEM national teams.

The GEM program is a major initiative aimed at describing and analyzing entrepreneurial processes within a wide range of countries. The program has three main objectives:

- 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

New developments—and all global, national and special topic reports—may be found at [www.gemconsortium.org](http://www.gemconsortium.org).



# About The Authors

---



**JULIAN E. LANGE, PH.D.**, Leader of the GEM U.S. Team, is Governor Craig R. Benson Professor of Entrepreneurship and Public Policy at Babson College. An accomplished entrepreneur, he was CEO of Software Arts, creator of VisiCalc® – the first electronic spreadsheet – and has been a consultant and advisor to business and government for over 25 years. He served as Advisor on Entrepreneurship to Governor Craig Benson of New Hampshire and Chair of the Governor’s Task Force on Entrepreneurship. He was the first Dean’s Visiting Professor of Entrepreneurship at Princeton University’s School of Engineering and Applied Science and previously served as assistant professor at Harvard Business School. Dr. Lange has been Chair of the USASBE Public Policy SIG and has served as guest editor and published articles in leading journals. His research focuses on high growth entrepreneurship, venture capital, angel investing, and public policy. His commentary on entrepreneurship has appeared on NPR, in TV interviews, and in the American and international press, including *The Wall Street Journal*, *The New York Times*, *Money*, and *USA Today*. Dr. Lange graduated Phi Beta Kappa, Magna Cum Laude from Princeton University, holds an M.B.A. from Harvard Business School, and A.M. and Ph.D. in Economics from Harvard University.



**CANDIDA G. BRUSH, PH.D.**, is Vice Provost of Global Entrepreneurial Leadership at Babson College. She has authored more than 160 publications in entrepreneurship, including 12 books, and is one of the most highly cited researchers in the field. She is a founder of the Diana International Research project, has co-authored reports for OECD and the Goldman Sachs Foundation, and has presented her work at the World Economic Forum in Davos and the U.S. Department of Commerce. She holds a doctorate from Boston University and an honorary Ph.D. from Jonkoping University. She is a Senior Editor for *Entrepreneurship Theory and Practice* and serves on four other editorial review boards.



**ANDREW C. CORBETT, PH.D.**, is The Paul T. Babson Professor of Entrepreneurial Studies and Chair of the Entrepreneurship Division at Babson College. He is also a Visiting Adjunct Professor of Entrepreneurship at Nord University in Bodø, Norway. Professor Corbett is an editor for the *Journal of Business Venturing* and former general editor of the *Journal of Management Studies*, and he currently serves on the editorial board of other entrepreneurship journals. His research on entrepreneurship has been published in leading outlets around the globe, including the *Harvard Business Review*, *Journal of Business Venturing*, *Strategic Entrepreneurship Journal*, *Journal of Management Studies*, and *Entrepreneurship: Theory & Practice*.



**DONNA J. KELLEY, PH.D.**, is Professor of Entrepreneurship at Babson College, and holds the Frederic C. Hamilton Chair of Free Enterprise. At Babson, she has taught courses in new ventures, managing growth, corporate entrepreneurship and entrepreneurship in China. A frequent presenter on the topic of global entrepreneurship, Professor Kelley has spoken at the United Nations, the U.S. State Department, the World Bank, the U.S. Census Bureau, and for many other executive, policy and academic audiences around the world. She is a board member of the Global Entrepreneurship Monitor (GEM), and a member of the GEM U.S. team. She has co-authored 23 GEM reports on global entrepreneurship, women’s entrepreneurship, entrepreneurship education and training, high impact entrepreneurship, and entrepreneurship in the U.S., Korea, Saudi Arabia, and Africa.



**PHILLIP H. KIM, PH.D.**, is the Lewis Family Distinguished Professor of Social Innovation at Babson College. His research has been published in leading entrepreneurship, management, and sociology journals such as *Journal of Business Venturing*, *Academy of Management Journal*, *Harvard Business Review*, and the *Administrative Science Quarterly*. His views on entrepreneurship and innovation have appeared in *The Wall Street Journal*, *The New York Times*, *Financial Times*, *Forbes*, and other leading media outlets.



**MAHDI MAJBOURI, PH.D.**, is Associate Professor of Economics at Babson College. He received his Ph.D. from the University of Southern California in 2010, after which he started his career at Babson College. He has a B.S. in Mechanical Engineering and an M.B.A. from Sharif University of Technology. He is also a Research Fellow at the Institute for Labor Economics (IZA) in Bonn, Germany and a Research Fellow at the Economic Research Forum in Cairo, Egypt. Economics of entrepreneurship and labor economics in developing countries are his main areas of research. His past work covers topics in finance, real estate economics, and microeconomic theory. His work has been published in *Feminist Economics*, *Applied Economics*, *Energy Policy*, *The Journal of Real Estate Finance and Economics*, and *The Quarterly Review of Economics and Finance*. He is also faculty director for the Master of Science in Business Analytics at Babson College, and Treasurer for the Middle East Economic Association.



**SIDDHARTH (SID) VEDULA, PH.D.**, is an Assistant Professor in the Entrepreneurship division at Babson College. He holds a Ph.D. in Management and Entrepreneurship from the University of Colorado at Boulder, Master's degree in Biomedical Engineering from McGill University, and Bachelor's degree in Physiology from the University of Toronto. Professor Vedula comes from a multicultural background, having spent his formative years in India and the United Arab Emirates and his adult years in Canada and the United States. His research focuses on spatial issues in both entrepreneurship and strategic management. He has studied community level differences in entrepreneurial dynamics and ecosystems, the impacts of regional economic and social institutions on the strategic behaviors of tech startups, and the geographic diversification strategies of venture capital firms. He has published his research in leading academic outlets such as *Experimental Brain Research*, *Urology*, *Strategic Entrepreneurship Journal*, *Small Business Economics*, *Journal of Management Studies*, *Strategy Science*, and *Academy of Management Journal*.







# Contacts

---

For more information on the *Global Entrepreneurship Monitor 2018/2019 United States Report*, please contact:

Julian E. Lange    [langej@babson.edu](mailto:langej@babson.edu)

Donna J. Kelley    [dkelley@babson.edu](mailto:dkelley@babson.edu)

Doug Scibeck    [dscibeck@babson.edu](mailto:dscibeck@babson.edu)

GEM global reports, national team reports, public data sets, events information, and related materials are available on the GEM website: [www.gemconsortium.org](http://www.gemconsortium.org).

Researchers from economies not currently represented in the GEM Consortium may inquire about joining and request information by emailing GEM Operations Manager Chris Aylett at [CAylett@gemconsortium.org](mailto:CAylett@gemconsortium.org).

