The 2016 Global Entrepreneurship Monitor (GEM) survey represents the 18th consecutive year that GEM has tracked rates of entrepreneurship across multiple phases of entrepreneurial activity; assessed the characteristics, motivations and ambitions of entrepreneurs; and explored the attitudes societies have towards this activity. This report includes results based on 65 world economies completing the Adult Population Survey (APS) (between the ages of 18 and 64 years) and 66 economies completing the National Expert Survey (NES).[1] GEM countries in the 2016 survey cover 69.2% of the world's population and 84.9% of the world's GDP. Part 2 of the report features a page of results on each participating economy, with numbers and rankings on key GEM indicators from the APS as well as an assessment of ecosystem factors (based on the NES). Part 3 contains data tables of the GEM indicators, by economy and region. Part 4 contains a list of all teams and their sponsors.

Below are selected key findings from the report.

SOCIETAL VALUES ABOUT ENTREPRENEURSHIP

Across 62 economies around the world[2], more than two-thirds of the adult population believe that entrepreneurs are well-regarded and enjoy high status within their societies. These generally positive attitudes towards entrepreneurship are prevalent despite moderate average scores for media visibility. Around 60% of adults, in all three economic development groups, believe that entrepreneurs garner substantial media attention. On average, two-thirds of the adult population in the efficiency-driven economies consider starting a business a good career choice, compared to around 60% in the factor- and innovation-driven economies. Africa is the region reporting the most positive attitudes towards entrepreneurship, with three-quarters of working-age adults considering entrepreneurship a good career choice while 77% believe that entrepreneurs are admired in their societies. In contrast, Latin America and the Caribbean reports the lowest proportion of adults believing that entrepreneurs are highly regarded (63%) while Europe has the lowest belief in entrepreneurship as a good career (58%) and the lowest media publicity for this activity (55%).

SELF-PERCEPTIONS ABOUT ENTREPRENEURSHIP

On average, 42% of working-age adults see good opportunities for starting a business in their area, with very little difference between the three economic development levels with regard to opportunity perception. In the factor- and efficiency-driven economies a little more than half the adults believe that they have the required skills to start a business, while a third indicate that fear of failure would inhibit them from pursuing entrepreneurial opportunities. Overall, 22% of the people surveyed in the 65 economies expressed an intention to start a business in the next three years. Individuals in Africa display the highest levels of entrepreneurial intention (42%) while those in Latin America and the Caribbean report the highest capability perception (63%) and the second highest rate of entrepreneurial intention (32%).On the other hand, less than 40% of Europeans perceive opportunities in their area, and less than half believe they have the skills to pursue entrepreneurial opportunities.

PHASES/ TYPES OF ENTREPRENEURIAL ACTIVITY

Total Early-stage Entrepreneurial activity (TEA) rates tend to be highest in the factor-driven group of economies, decreasing with higher levels of economic development – the average TEA rate for the factor-driven economies in 2016 was almost double that for the innovation-driven economies (17% compared to 9%). At a regional level, TEA rates are highest in Latin America and the Caribbean and in Africa. In these two regions, just under a fifth of working-age adults are engaged in early-stage entrepreneurial activity. In line with its low entrepreneurial intention rates, Europe reports the lowest average regional TEA rate – half the rate for Africa and the LAC region.

Although established business ownership is highest in the factor-driven group of economies (understandably, given the larger base of people starting businesses in many of these economies), the difference in the average established business rate between the three economic development groups is relatively small. A comparison of the ratio of established businesses to start-ups yields interesting differences, however. In the factor- and efficiency-driven economies there are, on average, six established business owners for every ten early-stage entrepreneurs, while in the innovation-driven group of economies there are eight established business owners for every ten in the start-up phase. In Burkina Faso high established business ownership is accompanied by high TEA rates – close to two-thirds of working-age adults in this economy are starting up or running their own businesses.

Entrepreneurial Employee Activity (EEA) is negligible in both the factor- and efficiency driven economies; however, it accounts for a substantial portion of entrepreneurial activity in the innovation-driven group, reaching slightly more than half the average TEA level in this group. From a regional perspective, EEA is highest in North America and Europe (6.5% and 4% respectively) and lowest in Africa (1%).

Business discontinuation rates in the factor- and efficiency-driven economies

1 Survey data from Senegal are not included in the APS.

2 The questions in this section were optional and were not answered by Austria, Brazil and Lebanon.

Hachiko Square in the busy Shibuya shopping district of Tokyo, Japan

are on a par with one another (6% and 5% respectively), while discontinuance rates among the innovation-driven economies are, on average, about half that of the other two economic groups. A lack of business profitability is consistently cited as the major reason for business discontinuance, with a third of business exits due to this reason, on average, across all three development phases. More positive exit reasons such as sale, retirement, pre-planned exit or pursuit of another opportunity together account for just under a third of business exits, on average, in the innovation-driven group.

MOTIVATION FOR EARLY-STAGE ENTREPRENEURIAL ACTIVITY

On average, three-quarters of respondents in the 2016 survey stated they chose to pursue an opportunity as a basis for their entrepreneurial motivations. Two-thirds of entrepreneurs in the factor-driven economies were opportunity-motivated rather than starting out of necessity, because they had no better options for work. In efficiency-driven economies the figure was 71% while the innovation-driven economies show the highest proportion of opportunity-motivated entrepreneurs, at 79%.

Among entrepreneurs with opportunity-driven motives, a portion of these seek to improve their situation, either through increased independence or through increased income (versus maintaining their income). GEM calls these individuals improvement-driven opportunity (IDO) entrepreneurs. To assess the relative prevalence of improvement-driven opportunity entrepreneurs versus those motivated by necessity, GEM has created the Motivational Index. This index reveals that in 2016 there were 1.2 times as many IDO entrepreneurs as necessity-driven ones, on average, in the factor-driven economies. The efficiency-driven economies showed a higher proportion at 2.3 times. A large difference can be seen in the innovation-driven economies, where there are on average almost four times as many IDOs as necessity-driven entrepreneurs. In two European economies, Sweden and Finland, there are 10 or more times as many IDO entrepreneurs as those motivated by necessity.

JOB CREATION PROJECTIONS

The three phases of economic development are similar in terms of the proportion of entrepreneurs who do not anticipate creating any jobs in the next five years. The efficiency-driven economies have, on average, slightly more non-employer entrepreneurs (46%) while the factor- and innovation-driven economies are on a par at 44%. In terms of medium-to-high growth entrepreneurs (i.e. those projecting to employ six or more people in the next five years) the differences are more distinct. A quarter of entrepreneurs in the innovation-driven economies exhibit these higher-growth aspirations, compared to a fifth in the factor- and efficiency-driven economies. Africa has on

average the smallest proportion of non-employer entrepreneurs (35%). Two of the three economies with fewer than 15% of entrepreneurs expecting to generate no jobs in the next five years are in this region, namely Burkina Faso and South Africa (the third is Colombia). North America contains the highest proportion of medium-to-high growth entrepreneurs (25%), closely followed by Asia and Oceania (23%), while Latin America and the Caribbean has the lowest proportion (17%).

INNOVATION

Entrepreneurs in innovation-driven economies are considerably more innovative, with a third regarding their products as new to the market and within their respective industries. At a regional level, innovation intensity is lowest in Africa (20%) and highest in North America (39%). Several economies show an encouraging trend of high TEA rates coupled with robust levels of innovation. Belize is a leader in this respect, ranked 3rd overall in the GEM sample for both these indicators.

GENDER AND AGE DISTRIBUTION OF EARLY-STAGE ENTREPRENEURIAL ACTIVITY

The factor-driven economies have the highest average female TEA rates, as well as the highest rate relative to men. In this development group, eight women were engaged in early-stage entrepreneurship for every ten male entrepreneurs in 2016. In the innovation-driven group, on the other hand, only six women, on average, were engaged in early-stage entrepreneurship for every ten male entrepreneurs. From a regional perspective, Latin America and the Caribbean shows the best gender parity, with eight women engaged in early-stage entrepreneurship for every ten male entrepreneurs. Europe reports the lowest female involvement in early-stage entrepreneurial activity (6%) as well as the lowest gender parity – women in this region are only half as likely to be engaged in TEA as their male counterparts.

In the factor-driven economies, men and women are almost equally likely to start businesses out of necessity (with around a third of entrepreneurs of both genders engaged in TEA because they had no better options for work). Women are more likely to start businesses out of necessity, compared to men, in three regions (Latin America and the Caribbean, Africa and Europe); however, in North America and Asia and Oceania there is no difference in motivation between male and female entrepreneurs.

In four economies, women report equal or higher entrepreneurship rates than men – Indonesia, Mexico, Brazil and Malaysia. In the two Asian economies, more than 80% of women entrepreneurs are opportunity-motivated, reporting higher levels of opportunity motives than their male counterparts. The gender difference is particularly marked in Malaysia, with men twice as likely to be driven by necessity, compared to women.

The influence of age on entrepreneurial activity tends to be very similar throughout GEM, with the highest prevalence of entrepreneurial activity among the 25 – 34 and 35 – 44 year olds across all three development phases. Compared to the other two development phases, the factor-driven economies show relatively high participation among the 18 – 24 year old (almost double the rate for the innovation-driven economies). A similar pattern is seen in the oldest age group (55 – 64 years of age), with the factor-driven economies again reporting an average participation rate double that of the innovation-driven group. At the regional level, Africa as well as Latin America and the Caribbean show the highest levels of youth entrepreneurial activity (16%), with North America also showing rates above 10% in this age group. Latin America and the Caribbean have the highest proportion of older entrepreneurs (among both the 45 – 54 and 55 – 64 year olds).

INDUSTRY SECTOR PARTICIPATION

Around half of the entrepreneurs in factor- and efficiency-driven economies operate in the wholesale/ retail sector compared to a third of entrepreneurs in innovation-driven economies. In contrast, 46% of entrepreneurs in the innovation-driven economies are in information and communications, financial, professional and other services – twice as many as in the other two development groups. From a regional perspective, Latin America and the Caribbean reports the highest level of wholesale/ retail activity among early-stage entrepreneurs (58%) while more than half of the entrepreneurs in Africa as well as Asia and Oceania also operate in this sector. In Europe and North America just over a quarter of entrepreneurs operate in the wholesale/ retail sector, with considerably higher representation in the technology, finance and professional services sectors (46% and 54% respectively). Africa (13%) and Europe (8%) have the most entrepreneurs in the agricultural sector, compared to less than 5% in the other three regions.

THE ENTREPRENEURSHIP ECOSYSTEM

GEM teams assess the quality of their entrepreneurship ecosystem through the National Expert Survey (NES). Globally, physical infrastructure was rated the most positive condition of the entrepreneurship ecosystem, with average ratings above 6 across all three development phases. The weakest condition, with average values below 4, was school-level entrepreneurship education. The entrepreneurship

ecosystem is strongest overall in the innovation-driven economies, while both the factor- and efficiency-driven groups report several unfavourable conditions (with average ratings lower than 4). In factor-driven economies R&D transfer, entrepreneurial finance and internal market burdens/ entry regulations are highlighted as areas constraining entrepreneurship; in efficiency-driven economies R&D transfer also features, as well as government policy, and taxes and bureaucracy. Ratings for government programs for entrepreneurship show wide variation between economic development levels – both factor- and efficiency-driven economies give this condition of the entrepreneurship ecosystem low ratings of 4.1 and 4.0 respectively, while the innovation-driven average is 4.8. On the other hand, ratings for post-school entrepreneurship education and internal market dynamics are very similar across the phases of economic development. Among the individual economies, a few stand out for high ratings across the majority of components of entrepreneurship ecosystem. As in 2015, Switzerland again reports among the ten highest values in the sample for 11 of the 12 conditions assessed. The Netherlands has ten such highly-rated conditions, Finland and the United Arab Emirates have seven each and France has six.

Ayothaya Floating Market in Thailand

CONCLUSION

This GEM Global Report highlights the diverse profile of entrepreneurship around the world, revealing areas that can be addressed through policy and practice. Based on the findings of the report, it is possible to make a number of broad, globally relevant recommendations. The recommendations recognize that a variety of stakeholders play a critical role in facilitating the creation of enabling entrepreneurial ecosystems – including policy makers, the private sector, educators and researchers. The recommendations for national policy makers focus on regulatory reforms to make it easier for new businesses to register and operate, as well as ways that the public sector can provide effective support structures and mentorship to aspirant as well as current entrepreneurs. Quadruple Helix stakeholders at national level (academia, business sector, government, civil society) play an essential role, and recommendations for this sector highlight the ways in which educational institutions can equip individuals with the skill sets to make use of entrepreneurial opportunities, as well as the importance of efficient IT infrastructures in reducing the cost of business, increasing market reach, improving access to information and allowing for innovation. The recommendations also focus on key areas identified as constraining entrepreneurial activity in a number of economies, including access to finance and cultural norms, as well as ways to promote entrepreneurship among women and the youth.

However, effective implementation depends on acknowledging and taking into account the particular context of specific economies (including the development profile, national culture, and political and social dynamic). In addition, entrepreneurship ecosystems vary greatly across development levels as well as geographic regions. A key goal of the GEM survey and annual reports is to provide academics, educators, policy makers and practitioners with relevant and up-to-date information about the multi-dimensional nature of entrepreneurship worldwide, which will enable them to put into place precise, practical and targeted recommendations. In this way, GEM contributes to advance knowledge about entrepreneurship and to guide decisions that can facilitate the building of more supportive ecosystems in which entrepreneurs and entrepreneurship can flourish. Evidence-based policy decisions which help to create a nourishing entrepreneurial environment will be of benefit to entrepreneurs in all phases of their businesses, be it young start-ups, established or repeat entrepreneurs.