

GLOBAL ENTREPRENEURSHIP MONITOR 2005
NATIONAL TEAM SUMMARIES





**GLOBAL ENTREPRENEURSHIP MONITOR
2005**

NATIONAL SUMMARIES

Editors: Mick Hancock & Marcia Cole

CONTENTS

Introduction

Glossary of common terms

NATIONAL SUMMARIES

Argentina

Australia

Austria

Brazil

Canada

Chile

China

Croatia

Finland

Germany

Greece

Hungary

Iceland

Ireland

Italy

Jamaica

Latvia

Mexico

New Zealand

Norway

Singapore

Slovenia

South Africa

Spain

Switzerland

Thailand

United Kingdom

United States of America

Venezuela

Introduction

The national summaries contained in this document are intended to provide readers with a very brief overview of the state of entrepreneurship in individual countries that have participated in GEM during 2005. For the most part, summaries provide information on three issues: the level of entrepreneurial activity, specific national features and key issues for entrepreneurship in each country.

The following summaries, prepared by the teams representing the countries concerned, provide only a snapshot of what is happening in entrepreneurship around the world. For more information about entrepreneurship in any of these countries, please visit the Global Entrepreneurship Monitor web-site at www.gemconsortium.org

Mick Hancock & Marcia Cole

Editors

Whilst this work is based on data collected by the GEM consortium, responsibility for analysis and interpretation of those data is the sole responsibility of the authors & editors.

Glossary of common terms:

The following are explanations of some terms which are commonly used throughout the GEM project:

Early-Stage Entrepreneurial Activity: The percentage of a country's adult population who alone, with others, or as an effort that is part of their normal work are currently trying to start a new business, including any type of self-employment and which they will have at least some ownership in, but which has not paid wages for a period of more than 3 months (**nascent entrepreneurs**) plus those who have started a new business that has been paying full-time salaries or wages, including their own, for between 3 and 42 months (**new firm entrepreneurs**).

Note: the Australian team refer to Early-Stage Entrepreneurial Activity as the PEP - 'Percentage of Early-Stage Participation'

Nascent Entrepreneur: An individual between 18 – 64 years of age who meets the following criteria:

1. Is alone or with others, currently trying to start a new business, including any type of self-employment; and
2. Is, alone or with others, trying to start a new business or a new venture with their employer - an effort that is part of their normal work.

In both cases the individual must have done something during the past 12 months to help start this new business, such as looking for equipment or a location, organising a start-up team, working on a business plan, beginning to save money, or any other activity that would help launch a business. Additionally, they must personally own all or part and the business should not have paid any full-time salaries or wages, including those of the individual concerned, for more than 3 months.

New Firm Entrepreneur: An individual between 18 – 64 years of age who meets the same criteria as those for the Nascent Entrepreneur, but whose firm has paid full-time salaries or wages, including those of the individual concerned, for more than 3 months, but not more than 42 months.

Established Business Entrepreneur: An individual between 18 – 64 years of age who works as the owner-manager of a firm that he/she started and which has paid full-time salaries or wages, including those of the individual concerned, for more than 42 months.

Entrepreneurial Framework Conditions (EFCs): GEM identifies nine framework conditions, believed to have a direct impact on entrepreneurial activity. Each framework condition therefore constitutes an influence on the conditions that lead to new business start-ups and growth.

The Entrepreneurial Framework Conditions (EFCs) are:

- **Financial Support:** the availability of financial resources, equity or debt, for new and growing firms (including grants and subsidies).

- **Government Policies:** the extent to which government policies reflected in taxes or regulations or the application of either, are either size-neutral or encourage new and growing firms.
- **Government Programmes:** the presence of direct programmes to assist new and growing firms at all levels of government (national and local)
- **Education and Training:** the extent to which training in creating or managing small, new or growing businesses is incorporated within the educational and training systems at all levels.
- **Research and Development Transfer:** the extent to which national research and development leads to new commercial opportunities, and whether or not these are available for new, small and growing firms.
- **Commercial and Professional Infrastructure:** the presence of commercial, accounting, and other legal services and institutions that allow or promote the emergence of new, small and growing firms.
- **Market openness/barriers to entry:** the extent to which commercial arrangements are prevented from undergoing constant change and re-deployment, thus preventing new and growing firms from competing and replacing existing suppliers, subcontractors and consultants.
- **Access to Physical Infrastructure:** ease of access to available physical resources – communication, land, space, transportation or utilities – at a price that does not discriminate against new, small or growing firms.
- **Cultural and Social Norms:** the extent to which existing cultural and social norms encourage, or do not discourage, individual actions that may lead to new ways of conducting business or economic activities, and in turn, lead to a greater dispersion in wealth and income.

Investigation of these EFCs through the medium of Key Informants/Experts enables an assessment to be made of key factors for the consideration of policy makers.

Key Informant/Expert: An interchangeable term used to identify people who are considered to be authoritative representatives of each of the nine entrepreneurial framework conditions in their country. The Key Informants/Experts provide data of both a qualitative and quantitative nature and are therefore an important source of policy related issues.



ARGENTINA

Level of Entrepreneurial Activity

- In Argentina, Early-Stage Entrepreneurial Activity stands at 9.49% in 2005, having fallen from 19.73% in 2003, 14.15% in 2002, and 12.8% in 2004.
- The reduction in necessity-driven entrepreneurship explains most of the decrease in early stage entrepreneurship and illustrates a more stable situation with better prospects for the future than was evident during the economic and social crisis that hit the country at the end of 2001; and which led to high levels of necessity-based entrepreneurship in the subsequent two years. The proportion of necessity-driven entrepreneurial activity measured 30% in 2005 (very close to the 28.9% recorded in 2004, but markedly down from more than 50% in 2002 and 40% in 2003).
- The necessity entrepreneurship index is still high (compared with 11.6% in the United States, 14.9% in Canada and 11.9% in Australia, countries with similar levels of early-stage entrepreneurship), *but is relatively low compared with other countries in Latin America* (47% in Brazil, and 38% in Venezuela).
- More than 70% of Argentine entrepreneurs are opportunity-based. People thinking of starting a new business are now doing so because they believe there will be better business opportunities.
- Men are 1.57 times more likely to be involved in entrepreneurship than women.
- Informal investment activity in Argentina is slowly recovering since the crisis. The participation rate, as an overall percentage of the population who invest and expect to make profits, is still very low, although there are signs of improvement.

Unique National Features

- In Argentina, 65% of the population consider entrepreneurship to be a desirable career choice and 68% respect and value successful entrepreneurs.
- Argentinean entrepreneurs have relatively high job growth expectations and perceive new product market opportunities, but they don't think they will be able to use new technologies. In general, they believe they do have the skills and knowledge required to start a business, and fear of failure is not preventing them from starting a new venture.
- Although Experts during 2005 express some more positive views, the data collected over the last six years still shows some worrying trends.
- Of the nine framework conditions identified by GEM to have a direct effect on entrepreneurial activity, there is a statistically significant negative trend in six of them in Argentina: Financial Support, Government Policies, Government Programmes, R&D Transfer, Education and Cultural and Social Norms.

Key Issues

- Having started to climb out of the crisis, there appears to be good opportunities to start new businesses in Argentina in the future and almost 10% of the adult population is motivated to do so. However, there is a still considerable doubt amongst Experts about the stability of the economic and social context, the efficiency of government policies and programmes to promote and support entrepreneurial activities, the access to capital markets and to appropriate technologies, the promotion of entrepreneurial culture in basic and higher education, and the removal of bureaucratic burdens for new ventures.



AUSTRALIA

Level of Entrepreneurial Activity

- Australia's Early-Stage Entrepreneurial Activity (which the Australian team refer to as the PEP - 'Percentage of Early-Stage Participation') Index has fallen to 10.9% (from 13.4% in 2004). This decline coincides with decreased business confidence, although Australia still remains among the top ten of GEM participating nations when compared on this measure.
- Reversing the trend of the last two years, female early-stage business participation has dropped markedly from 11% to 7.6%. This means that now for every ten men participating in early-stage business activities there are a little less than five women.
- Business angel activity has increased by 0.8% this year. This coincides with an improvement in the ratio of activity motivated by opportunity and by necessity, suggesting that the start-ups of 2005 may have more potential than those started in 2004.

Unique National Features

- The decline in Early-Stage Entrepreneurial Activity (which the Australian team refer to as the PEP - 'Percentage of Early-Stage Participation') is largely accounted for by a reduction in female participation. This suggests that the type of businesses being commenced by females may be more susceptible to changes in business confidence.
- In Australia, the relative level of full- and part-time participation of business owners reflects the GEM average for 2005. The nation's comfortable lifestyle is often said to be an inhibitor to the creation of high-growth businesses. One may expect that part-time business ownership would feature more strongly in Australia--this was not the case.
- On measures of innovation, Australia displays a high propensity toward competitor differentiation. On measures of newness to customer and adoption of new technologies, more than 70% of Australian business owners reported low scores in each area.

Key Issues

- Much of government policy on entrepreneurship centres on generating innovation through science and technology. There is little evidence of success in policies where start-ups, young and established businesses readily seek out and adopt new technologies or create new products and services for customers and markets.
- Australia remains below the GEM average (on the reports of the experts) on measures of education in entrepreneurship and the start-up and growth of new firms in all education sectors from primary through to higher education.
- The sustained high levels of participation in entrepreneurship could be well supported by policy measures that not only encourage innovation in the business sector but also drive ambitions and intentions beyond thinking domestically or growing exports, and toward the creation of a business environment that thinks and acts as global players on a world stage.



AUSTRIA

Level of Entrepreneurial Activity

- Early-Stage Entrepreneurial Activity for 2005 is 5.28%, which is average compared to the other EU member states. This means that about 278,000 people are estimated to be involved in Early-Stage entrepreneurial activities. Austria is therefore at the same level as Germany and France, ranking amongst the lower third of all participating countries.
- The rate of new businesses has been increasing over the last years; however it is jeopardised by an equally high rate of failure of new firm entrepreneurs.
- The participation of women in entrepreneurship is average, at about 1/3 of the total rate.
- Only 14.3% of all entrepreneurs start their business due to necessity, which is below average, but higher than the Scandinavian countries. However entrepreneurial activities of women compared to men are about twice as often necessity-based.

Unique National Features

- There is a wide range of programmes available for the support of entrepreneurial activities; especially for innovative and technology-based start-ups.
- Risk financing is still a problem for non-technical ventures through second-stage seed financing in the range of €200.000 to €500.000 and for female entrepreneurs who have no credit rating track. However, governmental programmes are considered to be supportive. “Small is beautiful” seems to be the practiced maxim.
- Business angel activity in Austria is one of the lowest in the GEM countries. Only 1.79% of the adult population invested in businesses during the last 3 years, which is just half the rate of the average GEM level. This low number goes along with the perception of the experts who considered financial support along with education and training to be the most relevant framework conditions for improvement.

Key Issues

- To foster entrepreneurship, a change of cultural and social norms as well as all stages of the educational system is considered crucial. A high level of uncertainty avoidance and an enduring discrimination against bankruptcy impedes the readiness to get involved in new ventures. On the other hand, a growing rate of unemployment encourages self-employment as does a sound level of creativity, technical knowledge and relevant social skills on the part of the (younger) population.



BELGIUM

The level of Entrepreneurial activity

- In Belgium, Early-Stage Entrepreneurial Activity has slightly increased from 3.5% in 2004 to 3.93% in 2005.
- In 2005, Belgium ranks 15th out of the 16 EU countries that participated in GEM: only in Hungary is Early-Stage Entrepreneurial Activity lower than in Belgium. Early-Stage Entrepreneurial Activity in neighbouring countries has declined, but still remains above the level in Belgium, with the Netherlands recording a level of 4.36%, France 5.35% and Germany 5.39%.

Unique national features

- Despite a stable level of early-stage entrepreneurial activity, Belgian society has become more aware of entrepreneurship, with 37% (compared to 30% of the respondents last year) indicating that they personally know an entrepreneur who started a business in the past 2 years. Belgian respondents also seem to be quite confident that they have the capabilities to start up a company, with 45% believing they have the knowledge and skills to start a new business. However, (similar to 2004) about 32% of all respondents indicate that “fear of failure” prevents them from starting a business. These results are close to the European average.
- Although the level of early-stage entrepreneurial activity has slightly increased, the nature of the nascent and/or new firm entrepreneurs may have changed. The innovation index decreased from 1.4% in 2004 to 1% in 2005, the employment index decreased from 0.3 to 0.2% and internationalization decreased from 1.2 to 0.53%. Even though these may only be minor changes, they confirm a trend that has been observed in recent years: new business start-ups tend to be less innovative, less employment oriented and more oriented towards the domestic market. Given the small size of our open economy this may be problematic for the growth potential of early-stage companies.

Key issues

- Recently, the Belgian government has set up programmes in order to increase the awareness and appreciation towards entrepreneurship. Furthermore, entrepreneurship has received increased attention in the media. This may have increased citizens’ awareness of entrepreneurship and entrepreneurial capabilities. However, it does not seem to have affected Belgians “fear of failure” -- which is also present in other European countries. The stigmatisation of company failure therefore remains an issue for the Belgian and European governments, as does the development of initiatives, such as coaching and provision of small amounts of pre-seed money for testing the feasibility of business ideas.



BRAZIL

Level of Entrepreneurial Activity

- Although there has been a slight decline in Brazilian Early-Stage Entrepreneurial Activity in 2005 (11.3%), throughout the past five years there has been a stable trend of 13%. Brazil remains amongst the ten GEM countries with the highest entrepreneurship levels.
- As for the stage of business development, one can observe a certain movement towards consolidation in Brazil. In 2005, 47% of entrepreneurs were operating within established businesses (i.e. firms that have been in existence for more than 42 months), 38% are new firm entrepreneurs; and 15% are nascent entrepreneurs. In the very beginning of the GEM studies in Brazil, there was a prevalence of the latter class of businesses.
- By GEM measures 53% of entrepreneurs in Brazil are motivated by opportunity whilst 47% of the entrepreneurial ventures were born from the need to survive. Since numbers remained virtually the same in past years, one could infer that the motivation to start-up reflects the country's economic structure--high levels of unemployment and informal jobs combined to a deficient welfare system.

Unique National Features

- Brazilian businesses are marked by low levels of innovation, regardless of their stage: a feature that has been confirmed throughout the GEM cycles. About 80% of the firms offer products or services already known by customers; approximately two-thirds of them operate in markets with many competitors and more than 75% apply technologies that have been available longer than five years.
- Entrepreneurship in Brazil takes place in traditional sectors, less intensively in technology and knowledge. A little more than 50% of Early-Stage entrepreneurship are within the beauty (services and retail), clothing and food (manufacturing and retail) sectors. Amongst established firms, these sectors account for 40% of the businesses.
- Many opportunity entrepreneurs (47%) started their business with the purpose of increasing their personal incomes, whereas the quest for autonomy and freedom in their professional lives motivated 36%. Amongst these entrepreneurs, the specific idea for a business came before the desire to start a business.
- The informal investment rate in Brazil is one of the lowest in GEM: 0.6% (2001 – 2005). However, micro-investments are made. According to data gathered from 2001 to 2005, 80% of informal investors invested less than US\$ 4,200 (70% of informal investments being made by entrepreneurs' relatives).
- Over the past five years 85% of Brazilian entrepreneurs did not consider exports to be a viable option for their businesses.

Key issues

- According to Brazilian Experts, the major factors constraining entrepreneurial activity are governmental policies, education, and financial support. When working formally, firms have been faced with an increasing burden of taxes and regulations. Primary and secondary education levels are unsatisfactory and do not encourage entrepreneurial behaviour. Furthermore, the cost of credit is high and there are burdensome contractual requirements restricting access to capital, particularly to new ventures.
- Favourable entrepreneurial factors are related to population and market characteristics. The size of the population, combined with a huge set of unfulfilled demands, creates a large number of business opportunities (most of them not perceived), which are met by people motivated to venturing. Indeed, the Brazilian mindset is quite favourable towards entrepreneurship. About 42% know someone who started a business in the past two years, approximately the same percentage of individuals who said that in the next six months there will be good opportunities for starting a business in the area where they live.
- Most Brazilians are self-confident: 50% affirmed having the knowledge, skill and experience required to start a new business. Additionally, 60% said that “fear of failure” would not prevent them from starting a business.
- More than 75% consider that starting a new business is a desirable career choice and believe that those successful at starting a new business have a high level of status and respect. Almost the same percentage, 70%, often sees stories in the public media about successful new businesses.
- Nonetheless, these factors hide asymmetries amongst social strata regarding the entrepreneurial mindset. More educated and better-paid men between 25 - 34 years of age are the most entrepreneurial. This suggests the need for programmes tailored for specific groups in which the entrepreneurial mindset is not so developed, e.g. women, the poor and older people.

CANADA



Level of Entrepreneurial Activity

- For the second consecutive year, Early-Stage Entrepreneurial Activity in Canada has increased; this year from 8.9% to 9.3%. This means that 1,912,000 adults from 18-64 years of age were actively creating a business or managing one for a period of up to 42 months.
- This increase in entrepreneurship in Canada was modest compared to that observed in the USA where the early-stage entrepreneurship increased from 11% to 12.4%, which represents a 13% year-on-year increase.
- The increase in early-stage entrepreneurial activity is explained primarily by the number of nascent entrepreneurs, not by the number of new firm entrepreneurs. The nascent rate improved from 6.0% in 2004 to 6.6% in 2005, and the new firm entrepreneurship rate was stable at 3.6%.
- It is noteworthy that the increase in business start-ups was not associated with a decrease in business closures, which bodes well for the underlying economic vitality. In both 2004 and 2005, only 2% of respondents indicated that they had closed their enterprise.
- Entrepreneurial initiatives are being supported by a significant increase in financial resources from informal investors: the proportion of informal investors increased from 2.7% to 4.2% in 2005, a year-on-year increase of 55%.

Unique National Features

- The increase in entrepreneurial activity is explained primarily by the initiatives of immigrants. Comparing 2004 to 2005, early-stage entrepreneurial activity increased from 10.1% to 13.5% for immigrant Canadians, whilst the trend was stable for all Canadians, that is, from 8.7% to 8.4%.
- Gender differences were evident. The entrepreneurial activity of women decreased slightly from 6.4% to 5.5%, whilst it increased for men from 10.1% to 13.1%.
- It is estimated that 1,400,000 Canadians were actively creating a social enterprise.
- The western regions of the country were twice as entrepreneurial as the eastern regions. The entrepreneurial rate was 11% in the western provinces, but only 10% in Ontario, 9% in Quebec, and 4% in the Maritime Provinces.

Key Issues

- Wealth and entrepreneurship are distributed inequitably across Canadian provinces. Consequently, more efforts and support are needed in the regions that are less entrepreneurial in order to enhance the entrepreneurial context.

CHILE



Level of Entrepreneurial Activity

- Chile's Early-Stage Entrepreneurial Activity in 2005 put the country in 7th place in the GEM world, with 11.2% of the adult population (aged between 18-64 years) involved in entrepreneurial activities. This represents a drop from 15.7% recorded in the 2002/2003 period. (Chile did not participate in GEM 2004)
- The main reason for this decrease was the reduction in the level of necessity entrepreneurship from 6.7% in 2002/2003 to 2.9%. Experts consider this phenomenon to be related to the expansion experienced by Chilean economy in the last three years. On the other hand, the opportunity entrepreneurship rate has remained stable at about 8%.
- The female entrepreneurship rate in Chile is 8.2% and the male rate is 14.2%. However, there is an important increase in nascent female entrepreneurial activity, which constituted 66% of total nascent entrepreneurial activity.

Unique National Features

- Entrepreneurial activity in Chile is strongly based on consumer-oriented endeavours (56%) followed by transformative industries (23%) of nascent firms.
- The main characteristic of the Chilean entrepreneur's profile corresponds to a young male (24 - 44 years), with higher education (post-secondary or university studies) who has previous work experience.
- More than half of the people involved in entrepreneurial activities (55%) are also employed full-time. They are motivated by a desire for more independence and an increased income.

Key Issues

- The general attitude of Chilean society towards entrepreneurial activity seems to underestimate the creative aspect of entrepreneurship. Today, a gradual reversal of this attitude is the prime goal of government policy. This effort, called the "Pro-Development Agenda", is focused especially on schools, universities and entrepreneur associations.
- The government budget to promote entrepreneurial activities was increased from \$3 dollar per capita in 2005 to \$15 per capita for 2006.



CHINA

Level of Entrepreneurial Activity

With Early-Stage Entrepreneurial Activity measuring 13.7%, China is one of the more entrepreneurially active countries in the world.

Approximately 45% of Chinese entrepreneurship results from necessity (a basic need to survive) rather than from the desire to take advantage of business opportunities. This situation is similar to other GEM nations with relatively low income levels and low levels of social security.

Unique National Features

Four of the nine GEM framework conditions that are most supportive of entrepreneurship in China are: physical infrastructure; open and rapidly changing markets that create plenty of venturing opportunities; social acceptance of entrepreneurs and entrepreneurship; and equal opportunities for women and men.

The framework condition which strains China's entrepreneurial viability the most, is the (lack of) availability of financial support in debt financing, equity financing and the IPO market. At the same time, China's total amount of informal investment in new ventures (as a percentage of GDP) is 5.2% compared with an average for all GEM nations of only 1.35%.

Another weakness relates to government policies regarding procurement from new ventures and the length of time required to get approval for new ventures.

Although Government programs are designed to support entrepreneurial firms, e.g., through Science Parks, incubators and grants, they tend to lack organizational support, such as the provision of agents helping new ventures to get support.

Entrepreneurship education at pre-university level is neglected.

China's commercial environment is not as good as its physical infrastructure. Although markets develop and change quickly, thus creating opportunities for new businesses, the Chinese population generally lacks the experience and knowledge required to take advantage of these opportunities to start new businesses

Key Issues

Both central and local government believe that entrepreneurship is a key driver for economic and social progress and numerous policies to promote active entrepreneurial activities have been put in place.

GEM research in China suggests that the country should focus its entrepreneurship policies in the following areas:

- provision of financial support in venture capital, private equity and channels to capital markets;
- inclusion of entrepreneurship in the education system. Government advocacy for pre-university, university and social educational institutes to develop entrepreneurial courses in order to cultivate more 'would-be' and successful entrepreneurs.



CROATIA

Level of Entrepreneurial Activity

- In Croatia, Early-Stage Entrepreneurial Activity measures 6.1 %. This is the highest level since Croatia's inclusion in the GEM project in 2002, and moves Croatia from the bottom quintile to the middle range for GEM countries that participated in GEM 2005.
- This upward change indicates a significant increase in the level of entrepreneurial activity in Croatia during 2005 compared to earlier years (3.6 % in 2002, 2.6 % in 2003 and 3.7 % in 2004). This change is brought about by an increase in necessity-based entrepreneurial activity, indicating the seriousness of the economic situation in Croatia.

Unique National Features

- In 2005, most entrepreneurial activity in Croatia was undertaken out of necessity. The Opportunity/Necessity ratio has fallen from 2.6 in 2002 to 0.94 in 2005.
- More necessity-based entrepreneurs are found in the older population, while more opportunity-based entrepreneurs are found among the younger population. In the age group between 35 - 44 years, entrepreneurial activity based on opportunities and necessities is balanced.
- Men increasingly dominate the entrepreneurial scene in Croatia. The ratio of men to women is 3.8 to 1, a substantial increase from the 2.95 to 1 recorded in 2002.
- In Croatia, entrepreneurs are better educated than the general population; most of them have attained university level education. Early-stage entrepreneurial activity among those with appropriate skills for starting a business is much higher than among those without such skills (16% vs. 1.2%).
- A very high number of entrepreneurs (82%) believe that Croatians prefer a society in which everyone has the same, or similar, standard of living. While only half of the entrepreneurs believe that entrepreneurs are accorded high status in the society, two-thirds think that starting a new business is a desirable career choice.
- Two-thirds of nascent and new firms are focusing only on the Croatian domestic market despite its small size. This attitude is accompanied with a high percentage of businesses selling products which are not new to anyone.

Key Issues

- Experts continue to emphasize a lack of appropriate formal education (especially at secondary level), very low efficiency in transferring R&D into commercial use, lack of alternative sources for financing the SME sector (equity funding, informal financing), a regulatory system burdened with many administrative obstacles, and inconsistency of government policies as key concerns affecting entrepreneurship in Croatia.
- Importantly, Croatian cultural and social norms and values do not support an entrepreneurial culture.

FINLAND



Level of Entrepreneurial Activity

- Entrepreneurial activity in Finland has been fairly stable since the global decline in 2002. In 2005, Early-Stage Entrepreneurial Activity measures 5.0% indicating an increase of 0.6% over the previous year. In relation to the other Nordic countries Finland is positioned in the middle with a slightly higher early-stage entrepreneurship level than Denmark and Sweden.
- Even though Early-Stage Entrepreneurial Activity is rather low in Finland, the established businesses survive the first critical years better than in most other countries resulting, therefore, in a relatively high level of overall business owners.
- Female entrepreneurial activity has increased in Finland for the last five years narrowing the female/male ratio to 0.8. This places Finland amongst the top six GEM nations in female/male ratio in 2005, whereas in the year 2000 Finland was last.
- The level of necessity-based entrepreneurial activity has increased in Finland since 2004, but remains remarkably low at only 0.6% of the population. The ratio of opportunity to necessity entrepreneurship is six to one.

Unique National Features

- Nearly half of Finnish Early-Stage Entrepreneurial Activity is part-time i.e. individuals are engaged in starting a business as an extra source of income (or as a main source of income, but with less than 38 hours a week). Globally, the share of part-time activity is higher only in Sweden, Belgium and Mexico. Another feature is that about half of the nascent and new firms prefer multiple-ownership. These may be ways of reducing entrepreneurial risk.
- Finland scores very low in terms of high-potential entrepreneurial activity. Only two out of one hundred entrepreneurially active individuals expect to employ at least 20 employees within next five years. With this figure Finland falls behind all Nordic and all GEM European countries except for Greece.

Key Issues

- Despite the low level of entrepreneurial activity, Finland is amongst the most optimistic of GEM nations, seeing favourable business opportunities, and scoring highly when it comes to personally knowing newly started entrepreneurs. Furthermore, the media offers plenty of examples of entrepreneurial success stories and “fear of failure” is not perceived as a major barrier to entrepreneurship. Moreover, new businesses are respected in the society: Finland is the most positive of all GEM countries by this measure.

- The low level of entrepreneurial activity in Finland might be related to personal motivation and the perceived capacity for starting a business. Only in three countries (out of the 35 participating in 2005) did individuals consider a new business to be a less desirable career choice than they do in Finland. Finland also ranks low in personal assessment of entrepreneurial capacity: only about one-third perceives that they possess the knowledge, skills and experience required to start a new business.
- Based on GEM results it seems that more emphasis could be put on Finnish entrepreneurship policy to increase the desirability of entrepreneurship and enterprise growth.

GERMANY



Level of Entrepreneurial Activity

- Germany's Early-Stage Entrepreneurial Activity measures 5.39% in 2005 (up from 5.07% last year). This places Germany far behind comparable industrialised countries such as the United States, Australia or Norway, but ahead of other Western European countries like Finland, France, and Belgium.
- Early-Stage Entrepreneurial Activity for 2005 is the first to have shown an increase in Germany since the crash of the new economy (around 2000). This is more due to an increase of the number of new businesses than to an increase in the rate of nascent entrepreneurs (in fact, nascent rates decreased by 0.27 percentage points).
- Similar to previous years, the absolute and relative share of necessity-based activity increased again. The necessity entrepreneurship rate is 1.55% (1.01% in 2004) and, except for France, no other industrialised country shows a higher value. The Opportunity/Necessity ratio is 2.4:1, again the second worst after France.
- Part-time entrepreneurship was expected to be a relevant phenomenon in Germany. However, as GEM data show, amongst new businesses, part-time entrepreneurship is extremely low both in absolute and relative terms: Only 0.05% belongs to this group, whilst the share of full-time entrepreneurship amongst new firms is 19 times higher.

Unique National Features

- As in previous years, the German population show a rather weak performance in two important variables indicating entrepreneurial attitudes. The proportion of respondents perceiving good start-up opportunities is still very low (17.5%) and "fear of failure" is still rather common amongst the Germans. However, in 2005 Germany is not in the very last position concerning both variables (as it was in some of the previous years).

Key Issues

- The relative and absolute importance of necessity entrepreneurship is still a crucial issue in Germany. National unemployment is very high and increasing. The Federal government has developed various programmes to reduce the unemployment rate, including "Me Inc." (bridge funding) that supports start-ups by unemployed people. While this is a valuable (however limited) support measure for many unemployed, the economic outcome and the survival rates of such start-ups will be rather low.



GREECE

Level of Entrepreneurial Activity

- Early-Stage Entrepreneurial Activity has increased significantly in 2005: about 6.5% of the population aged 18 - 64 were currently starting a new business venture. This represents a significant increase from last year's level of 5.77%, but was slightly below the country's high of 6.8% in 2003.
- All the components of Early-Stage Entrepreneurial Activity have increased since 2004; however the main driver for this performance was nascent entrepreneurial activity. About 8% of the population is currently involved in an independent start-up (5.6% in 2004).

Unique National Features

- This increase in Early-Stage Entrepreneurial Activity comes despite worsening of the perceived business opportunities. Only 19% believe that there will be some good opportunities in the country in the next 6 months against 32% in 2004.
- Entrepreneurial activity in Greece continues to be overwhelmingly focused on consumer-oriented endeavours. Almost 70% of the new ventures (57% in 2004) are related with this area of activity, with the vast majority comprising retail/hotels/restaurants.
- Female entrepreneurship shows a significant increase, faster than the increase in Early-Stage entrepreneurship: About 3.4% of the female population aged 18-64 is in the process of starting or had recently started a new business venture (2.9% in 2004)

Key Issues

- The 2005 study of entrepreneurship in Greece brings to the fore the same strategic issue that was revealed in both the 2004 and 2003 National Reports: the dilemma of whether the prime target of policy should be the quantitative expansion of entrepreneurial activity or the enhancement of its quality.

HUNGARY



Level of Entrepreneurial Activity

- When Hungary joined GEM in 2001, Early-Stage Entrepreneurial Activity measured 11.48%. By 2005 this rate has declined precipitously to just 1.9%; the lowest of all GEM countries.
- Male entrepreneurial activity (1.39%) is lower than female entrepreneurial activity (2.39%). This is the only country in the world where women outnumber men as entrepreneurs.
- Hungarians are very pessimistic about future entrepreneurial start-ups: only 2.3% of the population thinks about launching a business in the next three years, compared with the 14.5% GEM average. Similarly, only 10.38% of the Hungarian population perceive there to be good business opportunities in their local community, again low compared to the 38% GEM average.
- The share of necessity entrepreneurship is 58%, a slight decline from 2004 and, more importantly, the new businesses have limited market expansion plans.

Unique National Features

- Hungary's 2004 accession to the European Union has had mixed effects on the nation's economy. Increased Foreign Direct Investment (FDI) inflows, strong stock market performance and the stabilisation of the currency are amongst the positive outcomes, whilst the high government budget deficit and the low competitiveness of the small business sector have negatively influenced Hungary's economic performance.
- According to the Hungarian Experts, key barriers to entrepreneurial activity are restrictive government policy, high levels of bureaucracy, continuously changing regulations, and inadequate physical infrastructure.
- Hungarian culture is not supportive of the entrepreneurial career path: less than one third of the population believe that starting a business is a good career choice or will provide high status, compared with the 60% GEM world average.

Key Issues

- Experts, current business owners and entrepreneurs would like to see changes in the government's small business and entrepreneurship policy, particularly in terms of lower start-up costs, stabilised regulation and decreased taxes and tax-type contributions.
- Since 2000, one of the most positive changes has been the improved access to bank loans for small businesses. Over the past few years, the Hungarian government has also undertaken a series of new programmes, which have improved small business lending, however, the lack of adequate capital including informal investment still prevails.

- Entrepreneurs require business and managerial skills to launch and grow successful firms. In this regard, Hungary is, again, the last amongst the participating countries: only 14% of the Hungarian population believes that they possess appropriate start-up skills and knowledge. While management and entrepreneurship education at the university level seems to reach the world average, there is a lack of attention to entrepreneurial skills in Hungarian elementary, secondary, and adult education.



ICELAND

Level of Entrepreneurial Activity

- Entrepreneurial activity in Iceland has been amongst the highest in Europe for the last four years. Currently, Early-Stage Entrepreneurial Activity stands at 10.7%, which is significantly lower than in 2004 when participation peaked at 13.6%.
- Prevalence of informal investors in Iceland is amongst the highest in the world. In the last three years, 6.5% of the population have invested in new businesses. The amount invested per investor is nevertheless amongst the lowest in the world.

Unique National Features

- The high level of entrepreneurial activity, both in terms of the creation of new firms and informal investments, is unique compared to the other Nordic countries and Europe. The contrast between Iceland and the other Nordic countries is interesting considering the fact that Iceland is a high-income country sharing many of the Nordic cultural values and running an extensive welfare system.
- In Iceland, there are positive attitudes toward entrepreneurship. Entrepreneurship is considered a desirable career choice for over half of the population. Successful entrepreneurship is reported in the media and valued, even if the majority of Icelanders prefer that everybody have a similar standard of living
- While government-sponsored organisations and initiatives exist for entrepreneurs, there is a lack of explicit government policy concerning entrepreneurship.
- Icelandic entrepreneurs tend to be optimistic about growth opportunities available to their firms. In 2005, about 15% of the entrepreneurs expected high growth in the next five years. About 13% expect more than 75% of revenues to come from exports.

Key Issues

- Access to innovation finance is seriously lacking in Iceland. Seed and early-stage venture capital is almost non-existent at the moment and the venture capital industry is young and inexperienced. This issue might, however, be slowly improving as Experts are less negative in 2005 about access to finance.
- Entrepreneurial education is lacking, especially at the primary and secondary school level. Some initiatives are being started, but they are experimental and fragmented.
- While Icelanders seem to be energetic and ambitious when it comes to establishing new businesses they are likely to lack the experience and financial backing to make the most of their opportunities.

IRELAND



Level of Entrepreneurial Activity

- In Ireland, Early-Stage Entrepreneurial Activity is 9.8%. This means that almost one in ten of the adult population were actively planning to set up a new business (5.7%) or had actually done so in the 42 months (4.2%) prior to the survey. This places Ireland in the fore amongst the EU countries that participated in the GEM research in 2005.
- This outcome indicates an increase in the level of entrepreneurial activity in Ireland during 2005 compared to 2004's rate of 7.7% and is brought about by an increase in the number of both *nascent* and *new firm entrepreneurs*. This is the first increase of this nature that GEM has detected in Early-Stage entrepreneurial activity in Ireland since 2001.
- There is an increase in the number indicating their intention to set up a new businesses in the next three years (12.6% compared to 11% in 2004);
- One in two of the adult population perceived that there were good opportunities to start a new business in the next six months (50% compared to 43% in 2004, and 33% in 2003)
- The number of those actively planning to start a new business also increased (5.7% compared with 4.4% in 2004).
- In 2004, GEM Ireland detected the first significant increase in the number of women Early-Stage entrepreneurs (5.0% compared to 3.7% in 2003). This improvement was sustained in 2005 (5.5%). Nevertheless, the gender gap amongst Early-Stage entrepreneurs widened once again as the percentage of men involved in Early-Stage entrepreneurial activity improved considerably on the previous year (14.2% compared to 10.4%). In Ireland, men are two and a half times as likely to be engaged in entrepreneurial activity as women.

Unique National Features

- There is a strong supporting cultural context in Ireland. Virtually every Expert and entrepreneur consulted highlighted the prevailing cultural and social norms as contributing to an environment supportive of entrepreneurship. In addition, more than two thirds of adults (69%) consider that starting a business represents a good career choice, whilst seventy nine percent (79%) of adults consider that there is a high degree of status associated with successful entrepreneurial endeavour.
- In Ireland, 83% of adults believe there is positive media coverage of entrepreneurship. This is confirmed by the Experts and entrepreneurs consulted within Ireland who yet again highlighted the media as being more positive in its support than did any other national group of Experts consulted.

- The small size of the home market means that companies wishing to grow are forced to export at an earlier stage of their development than would be the case in a country with a larger home market.
- There is a gender divide in terms of the aspirations of the entrepreneurs with male entrepreneurs being more growth and export orientated.

Key Issues

- Experts continue to highlight issues surrounding access and availability of finance as being a deficiency, which restricts the development of a fully developed entrepreneurial economy. For example, informal investment activity in Ireland continues to be very low (2.45%) relative to the level of entrepreneurial activity in the country.
- Given the improving level of Early-Stage Entrepreneurial Activity, the key concern is to maximise the number of new businesses that are capable of achieving significant growth. Many of these will have to export from an early stage of their development given the small size of the home market.

ITALY



Level of Entrepreneurial Activity

- Early-Stage Entrepreneurial Activity in Italy has been gradually increasing over the past three years, reaching a level of 4.9% in 2005 (up from 3.2% in 2003). In other words, one adult out of 20 started a new business in 2005 or was involved in managing a new business. This level is below the average for EU member states (only Denmark, the Netherlands, Belgium and Hungary had lower levels of early-stage entrepreneurship), although the gap has been reduced.

Unique National Features

- As in previous years, men were more likely than women to be involved in early-stage entrepreneurship. Men accounted for 65% of all entrepreneurs. However, there has been an increase in the number of female entrepreneurs, who accounted for 35% in 2005 (up from 26% in 2004).
- Most early-stage entrepreneurs were aged 25 - 34 years of age. This category accounted for 55% of the total number of entrepreneurs. The second largest category was amongst 35 - 44 year olds.
- Most early-stage entrepreneurs in Italy are motivated by opportunity rather than by necessity, as is the case in other EU countries. The main motivation to start a new business is to increase income, followed by a desire for independence.

Key Issues

- Interviews with Experts suggest that there is a reasonably strong entrepreneurial predisposition and this seems to be confirmed by the fact that only 24% of respondents said that fear of failure would prevent them from creating a new business. This is lower than almost all other EU countries, including those that have the highest levels of Early-Stage entrepreneurship, such as the UK (where 35.8% said that fear of failure would prevent them) and Ireland (37.9%).
- However, Italy scores below other EU countries on other measures. Only around a third of respondents knows an entrepreneur (29.6%) and believes they have the skills and experience to start a new business (32.2%). Furthermore, not many people believe there will be good opportunities to start a new business in the short term (13.9%).
- Despite a steady increase over the last three years, Early-Stage entrepreneurship levels in Italy are still lower than in other EU and OECD countries and there needs to be greater focus on creating an entrepreneurial culture and investing in the professional skills of new entrepreneurs in order to help them establish and grow their businesses. Policies should focus on R&D investment, access to financial resources and creating more favourable underlying conditions for new business start-ups, starting with lower taxes and a more flexible labour market.



JAMAICA

Level of Entrepreneurial Activity

- Jamaica's 2005 Early-Stage Entrepreneurial Activity is 17.1%. This compares favourably with countries such as New Zealand, considered to be one of the most entrepreneurial countries in the developed world.
- Nascent entrepreneurs account for 61.4% compared to new firm entrepreneurs at 38.6%.
- Jamaicans are typically creative as revealed in their motivation for entrepreneurial activity. Their motivations for starting a business are more often because of opportunity (56.2%), than for any other reason, such as necessity (36.5%), or other motives (7.3%).

Unique National Features

- Jamaicans strongly believe that they have the knowledge and skills to own and operate their own businesses. Motivation to pursue "self-employment" could be deterred by lack of funding and the benefits (such as health insurance and pension) they derive from being employed.
- Male entrepreneurial activity outweighs female entrepreneurial activity (55.1%: 44.9%) although the ratio of males to females in post-secondary education is reversed (70% females: 30% males). This presents an opportunity for post-secondary institutions to increase their offerings of entrepreneurship education to influence more females to become entrepreneurs.
- Traditional college-aged students (24 years and under) are not as involved in entrepreneurial activities although many (52%) in the population thought starting a new business was a good career choice.

Key Issues

- Jamaica's average rate of business starts-up is low compared with developed countries. Although 32.4% stated "fear of failure" as a possible reason, other issues such as government tax regulations, inflation and increasing oil prices may be mitigating reasons for this situation.
- Entrepreneurs experience or anticipate high levels of competition for their products and services. This might indicate the need for new technologies and exploring market potentials outside of the country.
- Based on the levels (24.6%) of firms using new technologies, improved alliances are required that will allow transfer of technologies from training sectors to the industrial sector.
- Our experts believe that the recent increase in General Consumption Tax (GCT) makes it less viable for small firms to operate.
- Government and other investment agencies may need to provide some incentives to encourage entrepreneurial activity to bridge the unemployment gap in the country.

LATVIA



Level of entrepreneurial activity

- Early-Stage Entrepreneurial Activity in Latvia measures 6.65%; close to the median for all GEM countries (6.16%), but much lower than countries with a developed market economy such as the United States (12.4%), or Ireland (9.8%). On the other hand, if one is comparing with other post-communist economies in the sample, the level of entrepreneurship is higher. Hungary has 1.9% and Slovenia has 4.3%.
- The prevalence rate for nascent entrepreneurs is 4.17%. This proportion is somewhat higher than in most developed countries.
- In Latvia, 80% of early-stage entrepreneurship is motivated by opportunity, which is somewhat above average (the mean is about 76%). However, the incidence of opportunity-based entrepreneurship is smaller for nascent entrepreneurs (70%).

Unique National Features

- Interestingly, Latvia is characterised by high levels of cultural support for entrepreneurship, a surprising finding for a post-communist economy.
- Latvia has twice the number of entrepreneurs in extractive sectors (almost 10%, as compared with a 5% mean for all). This largely comes at the expense of consumer services.

MEXICO



Level of Entrepreneurial Activity

- At 5.9%, Mexico's Early-Stage Entrepreneurial Activity decreased considerably from its 12.4% showing when Mexico last participated in GEM in 2002. Some of the reasons might be the economic and social disturbances of the last years, such as the economic downturn of the U.S.A's economy and the changes in the political environment in Mexico.

Unique National Features

- Positive attitudes toward starting a business are still present in most of the population. In fact, on this issue, Mexico's population measures above the GEM average.
- Although macroeconomic indicators show that Mexico is on a good economic track, firms still face strong financial problems at the microeconomic level. Declines in economic activity and in exports are reflected in the level of firms that were shut down the year before the survey was conducted—and which amounts to almost three times the GEM average.
- A Mexican cultural attitude to run a business alone and not trust partners is seen in typical business owners. This is below the average for other GEM countries.
- Men dominate in opportunity-based firms while women do so in necessity-based firms. This is consistent with the high number of small family businesses run by women, both in rural and urban areas of Mexico.
- The dynamics of the Mexican economy are reflected in sector participation, which is mainly “services.” Most governmental and NGO support and assistance is going to support businesses in the “urban services sector.”
- The average educational level of new entrepreneurs is secondary level; with a consequently low level of knowledge about market demand and about specific services, or products.
- The rate of part-time entrepreneurs is higher than in other countries. New Mexican entrepreneurs divide their time with other activities until they feel and know that the venture is worth full-time work.

NETHERLANDS



Level of entrepreneurial activity

- Early-Stage Entrepreneurial Activity in the Netherlands is 4.4%; below the GEM 2005 average for all participating countries.
- In the Netherlands, 88% of those involved in entrepreneurial activity are motivated by the pursuit of opportunity.
- Business closures increased slightly in 2005 (1.5% compared to 1.2% in 2004), but this rate is still low compared to the overall GEM 2005 average and the average for participating OECD and EU countries.
- The prevalence of informal investors has increased (from 1.3% in 2004 to 2.0% in 2005), but remains among the lowest within GEM.
- Early-Stage entrepreneurs in the Netherlands are mainly found in the west of the country (the country's most urbanized & densely populated region). Here, "business services" are the most popular sector for nascent & new firm entrepreneurs.
- Early-stage entrepreneurs are to be found mainly in the age bracket 25 - 44 years. Compared with other high-income countries in GEM, the Netherlands has a markedly higher share of Early-stage entrepreneurs in the age group of 35 - 44 years.
- Early-stage entrepreneurial activity in the Netherlands is undertaken by highly educated people and it is also this group that most commonly say they are making use of new technologies.
- About 60% of Early-stage entrepreneurs are occupied with the business on a full-time basis.

Unique national features

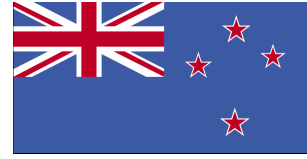
- During the last decade, Dutch economic policy focused on increasing competition and lowering barriers to entrepreneurship. This has resulted in an improved business environment, and attitudes toward entrepreneurship have become more positive. A growing entrepreneurial mindset is further stimulated by government policy aims for the near future (see below).

- The Netherlands has a relatively generous system of social security and a high level of 'employment protection' for employees. Moreover, social security for entrepreneurs is lower than that of wage employed individuals.

Key issues

- Dutch enterprise policy aims at increasing the number of entrepreneurs and also at improving the quality of entrepreneurship.
- In recent years there has been increased policy focus on innovation and enterprises with high growth potential. New initiatives have emerged that aim to stimulate innovation and high growth in small firms. For example a program has been developed (Technopartner program) that aims at stimulating technological start-ups and master classes are specifically designed for firms that aim to grow.
- The government is devoted to removing administrative costs for small enterprises: a key issue in causing the relatively low level of entrepreneurship.
- The government is dedicated to stimulating entrepreneurs to become active on the international market and has developed a specific action plan. In 2005 about one in five of those involved in early-stage entrepreneurial activity in the Netherlands has a share of exports in sales of 25% or higher.
- The government aims to promote entrepreneurship in semi-public sectors such as health care to create more effective and customer driven provision of services.
- Finally, the Netherlands also aims to stimulate entrepreneurship by increasing focus on entrepreneurship in educational programs in the coming years.

NEW ZEALAND / AOTEAROA



New Zealand's 2005 report was sponsored entirely by the Ministry of Maori Development. Maori are the indigenous Polynesian inhabitants of Aotearoa ("Land of the Long White Cloud"). GEM Aotearoa New Zealand is the largest-ever survey of entrepreneurial activity amongst an indigenous community in the world.

Levels of entrepreneurial activity

- In terms of Early-Stage Entrepreneurial Activity, Aotearoa at 17.7% and New Zealand at 17.6% were surpassed only by Thailand and Venezuela but they significantly exceeded the United States and United Kingdom. About 25.0% of Maori versus 13.1% of Pākehā (non-Maori New Zealanders) say they expect to launch a start-up in the next three years.
- Maori entrepreneurs do experience some difficulties e.g. 6.5% of Maori own and operate established businesses compared to 10.8% in the general population. Furthermore, only 37% of Maori entrepreneurs survive 42 months compared to 62% in the general population.
- Maori entrepreneurs between 35 - 44 years old have some of the highest TEA rates ever recorded in the GEM survey. About one in three between 35 - 44 years of age is an entrepreneur.

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Unique National Features

- About 83% of Maori entrepreneurs are opportunity entrepreneurs, a value comparable to Canada, Austria, and the United States. Maori have a higher rate of necessity entrepreneurship than the general population; however it is inaccurate to say that most Maori are necessity entrepreneurs.
- For New Zealanders, both Maori and non-Maori, wealth creation is not as important as is independence. Maori have twice as many independence-driven entrepreneurs as wealth-driven entrepreneurs. The typical entrepreneur is an opportunity-based lifestyle entrepreneur, opting for work-life balance rather than wealth creation.
- New Zealand entrepreneurs, both Maori and non-Maori, have twice the global rate of "we face no direct competition" and are top-rank in business optimism.
- Maori are definitely not technology-shy. In terms of technology innovation, 18% of Maori entrepreneurs claim to be using the very latest technology compared to 10% of the New Zealand general population of entrepreneurs.
- Maori also have much higher growth expectations. As many as 12.3% of Maori entrepreneurs believe they will create 20 jobs in five years compared to 8.1% of the general population.

- Maori women have the world's third-highest opportunity entrepreneurship rate and only a moderate rate of necessity entrepreneurship. Maori males have much higher rates of necessity entrepreneurship, about five times the rate of the general male population.
- Maori have the highest informal investment rate in the OECD and double the rate of informal investment of other GEM nations.
- More Maori (71.3%) than other New Zealanders (60.5%) say that starting a business is a good career choice.

Key issues

Since 2001 New Zealand has been consistently ranked as one of the world's most entrepreneurial countries. Now, the 2005 study shows that the indigenous Polynesian population (the New Zealand Maori), are every bit as entrepreneurial as European New Zealanders.

In recent times the New Zealand government and chambers of commerce have largely ignored entrepreneurship policy, choosing instead to focus on small business policy and innovation funding.

While the number of commercial ideas has increased, the supply of high-growth entrepreneurs has not.

New Zealand is largely a country of lifestyle entrepreneurs with low horizons and ambitions. They would rather exploit existing equilibrium opportunities and optimise supply and demand in established markets rather than exploit innovative venture opportunities and create new markets at home and abroad.



NORWAY

Total Entrepreneurial Activity

- Norway had a high level of Early-Stage Entrepreneurial Activity under the Bondevik government (2001-2005). The latest figure of 9.3% is a significant increase from the 2004 amount of 7.0%. This makes Norway one of the most entrepreneurial countries in Europe.

Unique National Features

- There is almost no necessity entrepreneurship in Norway. Norwegians start businesses to exploit opportunities not for lack of better job alternatives.
- The rate of Early-Stage entrepreneurship amongst women remains low compared to the other countries that participate in GEM.
- Access to financial capital is a problem for Norwegian new business start-ups.

Key issues

- Policy recommendations for Norway include: Improve access to capital in the Early-Stages of the business start-up. Establish micro-credit state-run banks. Introduce tax incentives easing the start-up process. The office responsible for such efforts should be located near the entrepreneurs.
- Develop a “package” for entrepreneurs, including official approved advisors (law, marketing, developing the business idea, business plan, patent, etc.) that would provide the entrepreneur with knowledge about the start-up process and what is needed for success.
- Offer courses about business start-up and small business management at all level of education, and in all Masters’ degree programmes dealing with technology. Opportunity recognition and creativity should be addressed. Develop a stronger tie between research and education and the private sector.
- Establish technology transfer offices at all universities. Develop knowledge in the private sector about how to receive and implement research. More focus on firms with high-growth potential. Develop and support new “going to the moon” projects. In a Norwegian context this could be gas plants without CO₂ emission, or fish farming of new species.
- Strengthen the department controlling competition. Set up a state-run fund or an insurance arrangement that can support small and medium sized firms when their copyrights and patents are threatened by larger firms.
- Improve the infrastructure by building new roads, railways and improved access to telecommunication. Develop a better climate for entrepreneurship amongst the public and amongst state institutions. Set up a security net for entrepreneurs. Offer benefits that give entrepreneurs improved possibilities to take care of their family whilst starting a business.



SINGAPORE

Level of Entrepreneurial Activity

- Singapore's Early-Stage Entrepreneurial Activity has increased from a low of 4.2% in 2000 to 7.2% in 2005. Singapore's rate is now above the mean for OECD member states (6.8%) and is also an increase from 5.7% in 2004.
- While men are still more likely to be involved in entrepreneurial activities than women, the gender gap has begun to narrow. The rate of female involvement has risen from 3.4% in 2004 to 5.1% in 2005 (a 50% increase), whilst male overall involvement has from 8.2% in 2004 to 9.6% in 2005 (a 17% increase). Consistent with previous years, opportunity entrepreneurship accounts for the majority of entrepreneurial activities in 2005 (83.8%). However, the rate of necessity entrepreneurship has doubled from 0.6% of the general population in 2004 to 1.2% in 2005.
- Singapore ranks high globally in terms of start-ups with high-growth potential. With about 1 in 5 new start-ups expecting to create high levels of employment, Singapore is amongst the top nations for high-growth potential entrepreneurial activities.

Unique National Features

- The prevalence of informal investors has been on an upward trend since 2003, with a rate of 3.5% in 2005 as compared to 2.7% in 2004. In the last two years, Singapore's business angel prevalence rate has been above the GEM global average. Given the positive economic outlook and growth in the country's R&D sectors, it likely that informal investments will continue to rise to provide financing support for the development of new start-ups. The key challenge for policy makers is to enhance the level of professionalism and expertise of the business angel community so that they are better equipped to invest in high-risk and high-growth ventures.

Key Issues

- Experts rated cultural attitudes towards entrepreneurship slightly higher in 2005 than in previous years. This appears to reflect the success of efforts to leverage on education and training to foster entrepreneurial mindsets. Policy makers have made significant changes to the education curriculum at the primary, secondary and tertiary levels to encourage the young generation to be less risk averse and more enterprising. However, it will take time for these policy changes to make a significant impact on society's attitudes towards entrepreneurship. As revealed in the 2005 survey, the prestige of entrepreneurship in Singapore is rated slightly below the GEM global average.
- The effectiveness of R&D transfer is the third-lowest rated entrepreneurship framework condition in Singapore. This concern is addressed by several recent policy

initiatives that emphasise R&D as a national priority. The government recently announced an increase in total public sector R&D budget from just under S\$5 billion for FY2001-2005 to almost S\$12 billion for FY2006 –2010, including S\$5 billion committed to the new National Research Foundation. A high-level Research, Innovation and Enterprise Council (RIEC) will also be set-up to foster innovation for growth and job creation. These developments provide promising opportunities for high-tech start-ups and knowledge-based ventures. It will be important to ensure that these resources are channelled effectively to eligible recipients in order to boost their technological and internationalisation capabilities.



SLOVENIA

Level of entrepreneurial activity

- Early-Stage Entrepreneurial Activity, which had fallen to 2.6% in 2004, has increased significantly to 4.36%. Nonetheless, Slovenia is still ranked in the bottom quintile of GEM countries. The improvement in the prevalence rate was entirely caused by increased share of opportunity entrepreneurs of 3.8%; and has reached the highest level since 2002 when Slovenia joined the GEM.
- Most entrepreneurial activity in Slovenia is motivated by opportunity. Opportunity/Necessity ratio has grown from 5:1 in 2004 to 7.8:1 in 2005. The conversion rate from nascent to new firms has also improved.

Unique national features

- Men predominate in entrepreneurial activities. The ratio of men to women is 2:1, except amongst necessity entrepreneurs where there are more women than men. Entrepreneurs are on average better educated than the general population. Most entrepreneurs have achieved secondary or higher education.
- Slovenian entrepreneurs demonstrate very high self-confidence. In fact, 96% of established entrepreneurs and 90% of nascent entrepreneurs believe they have the necessary entrepreneurial skills and knowledge. Their growth ambitions are also very high; 18.6% of new and 14.7% of established entrepreneurs expect to employ 20 or more people in next five years.
- Four-fifths of nascent and new firms are using older technologies. The highest level of new technology is to be found with established firms; 14% of them are using technology available for less than 1 year.
- More than two-thirds of all entrepreneurs believe that most people prefer that everyone have a similar standard of living. Although more than two-thirds believe that entrepreneurs have a high level of status and respect, only half of the entrepreneurs think that starting a new business is a desirable career choice

Key issues

- Amongst entrepreneurial frameworks, special attention should be paid to government policies and programmes. Experts considered burdening government bureaucracy and taxes as the most negative of the framework conditions.
- Slovenia has not yet achieved a national consensus on the importance of entrepreneurship and its role in economic growth. There is a lot to be done in the area of education and awareness building. GEM Slovenia has contributed to this debate and many of its recommendations are being considered.
- Key issues include enhancing the capacity for entrepreneurship, altering cultural and social norms and making entrepreneurship a desirable career choice. The macroeconomic policy and institutional reforms, together with eliminating administrative burdens and simplifying tax system should contribute to enlarging participation in entrepreneurial activities.



SOUTH AFRICA

Level of Entrepreneurial Activity

- Early-Stage Entrepreneurial Activity in South Africa is 5.1%. This is lower than last year's rate of 5.4% and has contributed to South Africa's lower ranking. This puts South Africa lowest of all the developing countries that participated in GEM 2005.
- Opportunity entrepreneurship stands at 3% and necessity entrepreneurship at 2%. The rate of start-ups is 3.6% and of new firms is 1.7%.
- Whilst the South African economy is characterised by higher male (5.88%) than female (4.49%) entrepreneurial activity, South Africa is one of a handful of countries where this difference is statistically insignificant.

Unique National Features

- South Africa's relatively high per capita income masks one of the most economically unequal countries in the world. It is characterised by a dual economy: a formal economy that has a highly sophisticated financial, banking, legal and physical infrastructure, which is comparable with that of high income countries; and an informal economy, that is characterised by low skill levels, poor access to physical and other infrastructure, finance and markets.
- The country is still experiencing the effects of a legacy of unequal access to education and legislative suppression of entrepreneurship amongst the black population. The majority of blacks aged 22 - 44 year (most entrepreneurial age group according to GEM survey results) do not have the skill to start a business and, significantly, they do not *believe* they have the requisite skills.
- Experts interviewed in 2005 are unanimous that black economic empowerment is essential, but that the way the policy is being implemented, has negative consequences for small business.

Key Issues

- South Africa continues to have a relatively low start-up success rate. Government's efforts (a) to reduce the regulatory burden on small business (b) to use competition legislation to protect SME market share and (c) to understand factors that facilitate the success of start-ups is therefore encouraging.
- Given the highly differentiated nature of small business in South Africa, the current focus of resources on the informal sector (necessity businesses) at the expense of more differentiated, sector-specific support that targets firms with the potential to create employment, is a concern.
- Experts interviewed in 2005 argue that implementation of policy by incompetent agencies is undermining the effectiveness of current support provided to business. Effective implementation is a key area requiring attention.
- The long-term solution to increasing South Africa's entrepreneurial rate is inextricably linked to improving access to quality education (including entrepreneurship education) for all sectors of the population.



SPAIN

Level of Entrepreneurial Activity

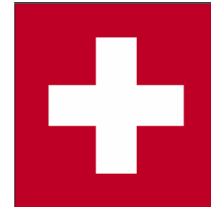
- Spain's Early-Stage Entrepreneurial Activity is 5.65%. This level shows a certain recovery with respect to 2004, especially in regions such as Madrid and Catalonia. This level is just above the mean for EU member states, and very similar to Germany, Austria and France.
- A national report was completed as well as 10 individual reports of ten Spanish regions (Andalusia, Basque Country, Castilla León, Canary Islands, Catalonia, Extremadura, Madrid, Galicia, Navarra and Valencia). The most enterprising regions are Extremadura, Madrid and Catalonia. These regions show an Early-Stage entrepreneurship index 2% above the Spanish average. The least active is Castilla León, 1% under the Spanish average.
- Men are still nearly twice as likely to be involved in entrepreneurship as women, but the actual rate of female involvement increased over 2004. In 2005 there are 1.75 men for each female entrepreneur, whilst last year there were 2.56.
- Informal investment activity in Spain involves 2.46% of the adult population and remains at the same level as 2004. This fact indicates that business angels continue to wait for a better social, economic and political climate in general.

Unique National Features

- The proportion of the adult population involved in Early-Stage business is 2.3% as nascent entrepreneurs, 3.4% as new firm entrepreneurs.
- Intrapreneurial activity continues very slowly in Spain, and addressing this situation is one of the political objectives the coming years.
- In Spain, 66.6% of entrepreneurial initiatives do not expect any market expansion, 30.7% expect a little, 2.2% some, and only 0.5% expects great market expansion.
- People start a business more out of opportunity (4.6% of adult population) than out of necessity (0.8% of adult population). Independence is the main motive for being an entrepreneur in Spain.
- Although growth and diversification continues to be worrisome in Spain, 2005 data show some positive changes in the number of employees. Both nascent and new firms have a mean of more than 3 employees and expectations of 4.5 employees in five years.

Key issues

- GEM Spain this year explored entrepreneurial activity amongst immigrants. Results show that immigrants have twice the Early-Stage Entrepreneurial Activity of Spaniards in the general population.
- Motivation for closing firms was also explored. Main reasons are: too much competition (33% of the cases), lack of financing (21% of the cases), not enough customers (16%), retired (11,4%), change of job (7.5%), bad planning (7.5%), and product obsolescence (4%).



SWITZERLAND

Level of Entrepreneurial Activity

- Switzerland's Early-Stage Entrepreneurial Activity measures 6.1%, which corresponds to the mean of all GEM countries and to the top third level of entrepreneurial activity in Europe.
- Most people in Switzerland start their business because they see a good opportunity for starting a business. Only 14% of all early-stage entrepreneurs start a business because they have no better choice for work.
- Compared to the last GEM survey in 2003, the early-stage entrepreneurship rate is more than 1% lower and nascent entrepreneurs constitute just 2.7% of the adult population. This rate is in the middle of all European countries.
- There are substantial differences in entrepreneurship rates amongst Swiss regions.

Unique National Features

- Of the adult population, 4.1% are informal investors—a high proportion even compared to the United States.
- The Expert survey shows that the supply of loans could be improved. The level of taxes and the physical infrastructure get very good marks.

Key Issues

- Switzerland is a wealthy country. However, low GDP-growth and the low level of competition will ensure that entrepreneurship will remain on the political agenda in the coming years.
- Unemployment is, in international comparison, very low. The opportunity costs for starting and running a business venture are therefore quite high.

THAILAND



Level of Entrepreneurial Activity

- In Thailand, the findings in 2005 confirm that entrepreneurial activity engages a large proportion of the adult population. Early-Stage Entrepreneurial Activity in 2005 stands at 20.7%, an increase from 18.9% in 2002. When surveyed, 86% of adults between 18 - 64 years of age say they would be willing to start new businesses.
- Most entrepreneurial activity in Thailand is opportunity-based: 13.9% of the adult population is engaged in this form, while only 4.9% are motivated by necessity.
- GEM has found that 69% of entrepreneurial activity in Thailand takes the form of small business ventures: generally in the consumer services sector. Examples of such business ventures are small restaurants or street stalls, small-sized spas, 'mom-and-pop' stores, and the provision of personal services such as laundry and household help. By their nature, such ventures focus solely on a localized market. Invariably, consumers of these services are also likely to be from the locality where the business is situated.

Unique National Features

- A high participation rate of Thai people as entrepreneurs is supported by recent government policies and measures, such as the One Tambon, One Product (OTOP) initiative. The high levels of participation at a national level can be partly explained by some Thai social and cultural norms. Worthy of particular mention is the positive attitude of Thai people in seeing entrepreneurship as a valid choice for individuals who wish to engage in commerce. In many cases family and kinfolk provide supportive networks.
- Nevertheless, a number of factors hinder the development of entrepreneurial activity. These include the paucity of available start-up capital for nascent entrepreneurs. This especially hinders budding entrepreneurs who lack the family connections that could provide a ready-made network of helpful contacts. Some social and cultural norms are not wholly conducive to a healthy climate of entrepreneurship at the individual and personal level. These include the reluctance of some younger entrepreneurs to take commercial risks and learn from business experience, including failure. At a more general level, some areas of education and training are less than effective in teaching fundamentals of commerce and entrepreneurship.

Key Issues

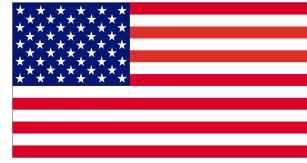
- The key finding in 2005 shows that a large majority of Thai adults say they are active entrepreneurs. However, for the most part, their ventures are small (in scale and scope) and mainly in the services sector of the national economic milieu. Such activity brings benefits (in the form of jobs and income) but these benefits are likely to remain within a relatively small community such as the entrepreneurs themselves and their immediate family. However, at present and from the perspective of the national economy, many entrepreneurial ventures seem to be *ad hoc* and somewhat random. Their efforts are commendable but fall short of expanding the benefits to the nation at large.
- While the data in 2005 suggests 86% of adults are willing to start new businesses, only 42% of these people say they are confident in their skills and capability in starting a new business. This finding implies that a key issue for entrepreneurship development in Thailand is to enhance the capacity and readiness of Thai adults to participate in entrepreneurial activity. Here it will be important to be aware of the distinction between entrepreneurs who intend to help themselves and their families towards a better life, and high-expectation entrepreneurs who see their current commercial activity as the first step toward creating a thriving business which potentially could create jobs.
- Another key finding in 2005 indicates that the government's initiatives to promote and develop entrepreneurship focus on entrepreneurship in its post-start-up phases. This is when the entrepreneur has already surmounted early obstacles to success – including the overwhelming likelihood of failure. Many intending entrepreneurs fail to reach even this early stage. Moreover, activity to promote and support entrepreneurial activity may be less than efficient through a lack of concerted effort and coordination across the various government sectors responsible for providing support for entrepreneurship.

UNITED KINGDOM



Level of Entrepreneurial Activity

- Early-Stage Entrepreneurial Activity remained roughly the same (as 2004) in 2005 at 6.2%. This is the third-highest rate of the G7 economies behind the United States (12.44%) and Canada (9.33%). The gap between the United Kingdom and the United States widened in 2005.
- Male early-stage entrepreneurship has decreased slightly from 8.5% to 8.1% of the U.K. population. The female rate has remained the same at 3.9%.
- Necessity entrepreneurship in the United Kingdom has fallen from 1.4% to just 0.7% between 2001 and 2005. Opportunity entrepreneurship has increased marginally over the same period from 5.1% to 5.2%.
- The United Kingdom is the only country in the G7 to see a 50% drop in necessity entrepreneurship combined with a slight increase in opportunity entrepreneurship. In other countries, although necessity entrepreneurship has gone down, so too has opportunity entrepreneurship.
- Entrepreneurship across all U.K. regions has increased overall since 2002. However in the past year there were marked reductions in entrepreneurial activity in the East Midlands and the North East. Entrepreneurial activity remained the same or reduced slightly in Northern Ireland, the South East, the South West and Wales. It increased in the East of England, London, the North West, Scotland and Yorkshire and Humberside.
- Attitudes towards entrepreneurship are generally positive, with a big increase in the numbers of people seeing good business opportunities. However, “fear of failure” has increased slightly from 32% to 34% of the whole population.
- Ethnic minority groups are, as in previous years, substantially more entrepreneurial than their white “home country” counterparts. Rates amongst Indians and Pakistanis are twice as high as they are in White communities. The Black African community has triple the rate. Black African women are more entrepreneurial than Black African men, and nearly six times more entrepreneurial than white women.
- Rates of those expecting to start a business in the next three years double, irrespective of gender or educational level, if some form of enterprise training, government training or work experience is obtained. Entrepreneurial activity amongst people with a graduate or post-graduate qualification is significantly higher than for those without a university education.



UNITED STATES OF AMERICA

Level of entrepreneurial activity

- Early-Stage Entrepreneurial Activity continues to grow in the United States. The prevalence rate is 12.4% for 2005 compared to 11.3% in 2004. This is the second highest rate for the United States since GEM began 1999. Although the increase is modest, it confirms a positive trend in early-stage entrepreneurship in the United States, and is the highest rate of activity amongst the G7 countries.
- Established business ownership decreased in 2005 to a prevalence rate of 4.7%. The difference between the 2005 and 2004 rate of 5.4% is not statistically significant. The decrease reveals that more people dropped out of business ownership than entered. The reduction in established business ownership can be attributed to numerous factors, such as the low early-stage entrepreneurship levels in 2001/2002, business closings, change of ownership and mergers. The established business ownership rate in the United States is the fourth-highest of the G7 countries.
- The gender gap is widening again in 2005. Prevalence for men is 15.2% and for women it is 9.7%. The rate amongst women shows a minor decline from 10.6% to 9.7% whilst the prevalence for men rose from 12% in 2004 to 15.2% in 2005. Compared to other G7 countries, United States rates are 6.5% higher for men and 5.3% higher for women, and growing significantly more amongst men.

Key Issues

- The number of informal investors in the United States comprised 4% of the adult population in 2005—down from 4.3% the previous year. The average prevalence rate of informal investors in the G7 is now 2.1%. Hence, the rate in the United States is still more than twice the rate of the G7.
- GEM USA found that 32.3% of nascent entrepreneurs expect to start businesses in the near future. This is 1.3% lower than in 2004, but not a significant reduction. On the positive side, the long-term expectations of starting a new business are 16.3%. This is significantly higher than the rate of 13.6% in 2004.

VENEZUELA



Level of entrepreneurial activity

- Venezuela has one of the highest Early-Stage Entrepreneurial Activity ratings in the world. From 27.3% in 2003, it currently stands at 25%, of which 15.6% is opportunity-based (62.2% of all entrepreneurs) and 9.4% of which is necessity-based (38.8% of all entrepreneurs).
- Even though entrepreneurial activity decreased slightly, the proportion of opportunity-motivated entrepreneurs rose in comparison with the necessity-motivated entrepreneurs, putting Venezuela at the top of the GEM ranking.
- Early-stage entrepreneurship is slightly higher for men, with an indicator of 26.1%, whereas the entrepreneurial women represent 23.9% of the adult population.

Unique National Features

- In terms of regional distribution, the regions with most entrepreneurial initiative are Central West, with 44.8%; Guayana, with 41.4%, and Central Zone with 31.8
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- In terms of the type of business preferred by Venezuelan entrepreneurs, the favourites sectors are food retailing, restaurants, commerce (textile and housing), telecommunications and Internet access. These four activities account for nearly 50% of new businesses.

Key issues

- Most positively evaluated by the Experts were the cost of communications access, knowledge and skills for starting a new business, and infrastructure. Most negatively evaluated were getting permits and licenses and the availability of financing through initial public offering (IPOs).



For more information about the Global Entrepreneurship Monitor project, please visit the Global Entrepreneurship Monitor web-site at www.gemconsortium.org