

Global Entrepreneurship Monitor  
GEM Australia 2006  
Data Report on Participation



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The GEM Australia project is based on annual research – principally the annual GEM Australia national adult population survey – that presents its results using a matrix approach developed in: Hindle, Kevin 2006. A Measurement Framework for International Entrepreneurship Policy Research: from Impossible Index to Malleable Matrix. *International Journal of Entrepreneurship and Small Business*, Vol. 3, No. 2, 139-182. This approach breaks *total entrepreneurial activity* into six components (*participation, motivation, innovation, growth, finance* and *entrepreneurial capacity*). Each component is discussed in its own Data Report with respect to three stages of owner-operated business: *start-ups* (businesses actively starting and no more than three months old); *young firms* (from four to 42 months old) and *established firms* (owner operated businesses greater than 42 months old)<sup>1</sup>.

Accordingly this data report is one of six that, together, comprise a portrait of entrepreneurial activity in Australia in the calendar year 2006. It is best read in conjunction with the other five data reports and the wide range of other documents and materials, which comprise the multi-faceted GEM project, available at [www.gemaustralia.com.au](http://www.gemaustralia.com.au).

The full and correct academic citation for this paper is:

Klyver, Kim, Hancock, Gary and Hindle, Kevin 2007. Entrepreneurial Participation in Australia in 2006: A Summary of Salient Data from the 2006 GEM Australia National Adult Population Survey. *Australian Graduate School of Entrepreneurship Research Report Series*, Vol. 4, No. 1. Melbourne: Swinburne University of Technology. ISSN 1448-7128

At an international level, the [GEM Global Executive Report](#) provides the global context for the Australian research by presenting key findings of differences found in comparing the entrepreneurial activity of nations taking part in the GEM project. This year, 42 nations were represented. A full description of the [GEM Global Research Methodology](#) can be found in the [How GEM Works](#) section of the [GEM Australia website](#).

**Key Words:** Business ownership, business stages, participation, international comparison

**Aim of this paper:** To portray the business ownership participation rates in Australia (within the limits prescribed by the data available in the 2006 GEM Australia national adult population survey) and make some comparisons with the other contributing nations for 2006.

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<sup>1</sup> Readers should be aware that the Global Executive team and other countries use different terms to describe these business stages in their respective reports. Please refer to [GEM Global Research Methodology](#) section for a description of these differences.

## **PARTICIPATION RATES**

It must be strongly stressed that the participation rate is only one of the six components that represents a country's entrepreneurial activity. This report is quantitative and provides no qualitative measure of participation. In order to gain an understanding of a country's entrepreneurial activity, both the quantitative and qualitative nature of entrepreneurial activity should be taken into account.

For example, some countries experience high levels of participation rates but the qualitative indicators such as ambition to grow and degree of innovativeness (dealt with in 'sister' reports) might be low. In contrast, other countries might experience low participation rates but the growth expectation and innovativeness could be high. Accordingly, the combination of quantitative and qualitative measures provides a more sophisticated picture of a nation's entrepreneurial activity. There is great danger in quoting mere participation rates out of context.

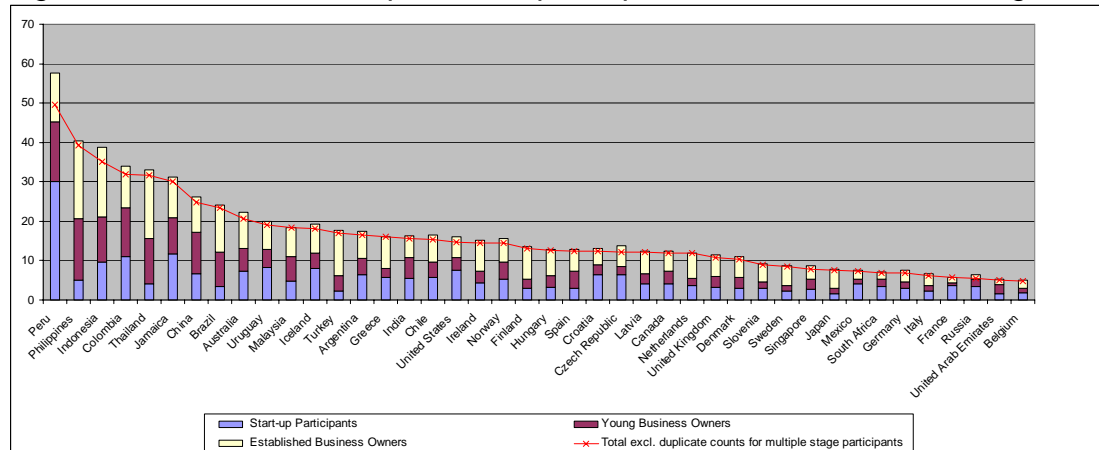
GEM broadly defines entrepreneurship as the act of conceiving, creating, and developing a new business (Reynolds et al. 2005). The national adult population survey captures an estimate of the proportion of the working population engaged in one of three stages of the business life cycle; start-up stage, young firm stage and established stage. These categories are operationalised by the length of time the business has been paying a salary.

## **THE THREE STAGE PERSPECTIVE**

Figure 1 gives a useful overall picture of participation rates in the countries conducting GEM surveys in 2006.

Australia continues to experience high levels of business ownership participation in all three business stages. Australia ranks ninth on overall business ownership participation compared to the other 42 participating GEM countries in the 2006 GEM survey (refer figure 1). 20.6 percent of the working population in Australia are engaged in at least one of the three stages. Australia's participation rate is the highest among the developed countries participating in GEM but below some of the less developed countries. For purposes of comparison with comparable OECD nations, the USA and UK have significant lower overall participation rates of 14.7 percent and 10.0 percent respectively. 12 countries out of the 42 experience a participation rate below 10 percent.

Figure 1: International comparison of participation rates for all three stages



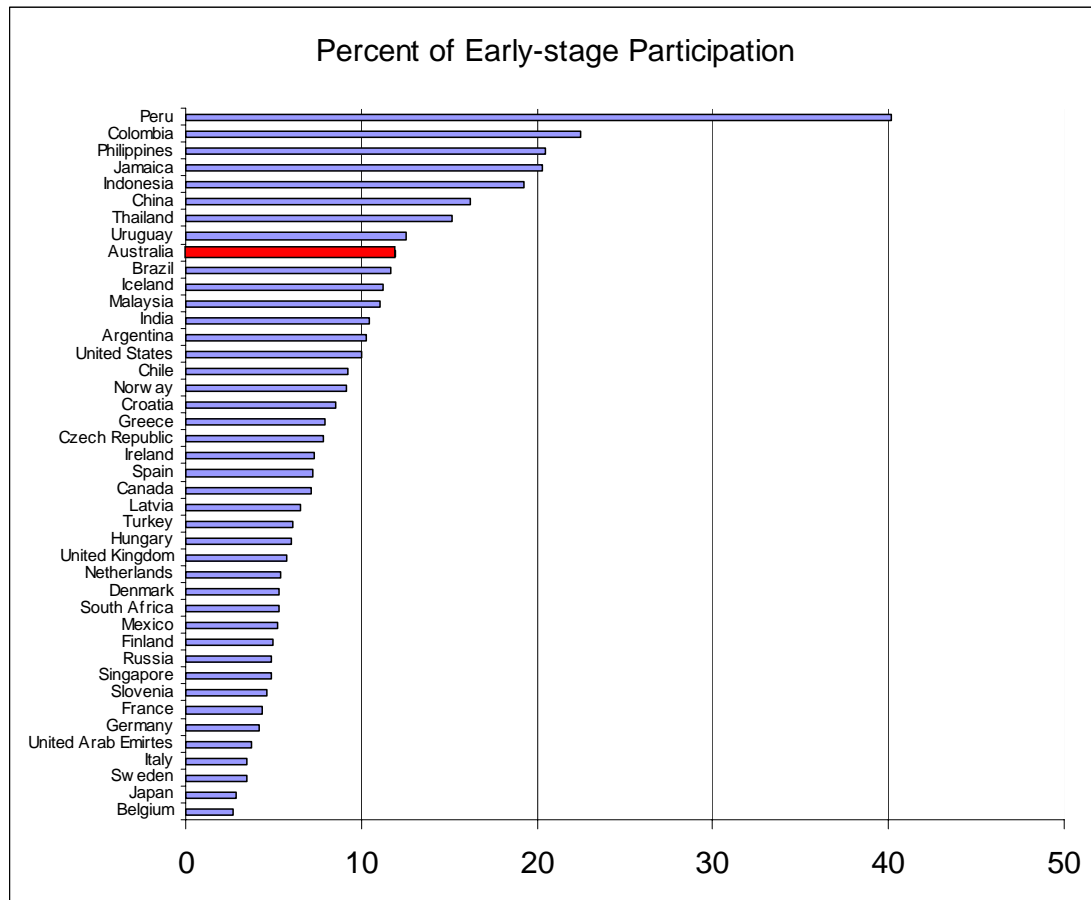
The 2005 GEM Participation study, raised the issue of parallel entrepreneurship. Parallel entrepreneurship occurs when a person is engaged in more than one stage of business ownership simultaneously. The red line in table 1 shows the total participation rates when people engaged in more than one stage are only counted once. The results from 2005 indicated that USA might have a higher proportion of parallel entrepreneurship than any other country. However, this year's results show no large differences in the proportion of parallel entrepreneurship between many nations (except for Peru and Indonesia - possibly an effect of their very high participation rates).

## THE EARLY-STAGE FOCUS

The Global GEM study has traditionally given special attention to a combined index of early-stage participation. This index combines the percentage of the working population participating in start-up and young business involvement (removing any double counting of people simultaneously involved in both). The Australian GEM team refers to this measure as the Percentage of Early-stage Participation (PEP) index<sup>2</sup>. This index is a useful indicator of potential growth in new business activity and subsequent economic activity. Figure 2 is an international comparison using the PEP index.

<sup>2</sup> Most GEM national teams unfortunately refer to this measure as the TEEA Index (standing for 'Total Early-Stage Entrepreneurial Activity'). Since the measure is not a total of anything and since 'participation' is only one component of 'activity', it is to be hoped that the global project eventually adopts the superior Australian nomenclature. For a detailed critique of GEM methodology and nomenclature see Hindle, Kevin 2006. A Measurement Framework for International Entrepreneurship Policy Research: from Impossible Index to Malleable Matrix. *International Journal of Entrepreneurship and Small Business*, Vol. 3, No. 2, 139-182. This paper is available on the [GEM Australia website](#).

Figure 2: International comparison of Percentage of Early-stage Participation (PEP)

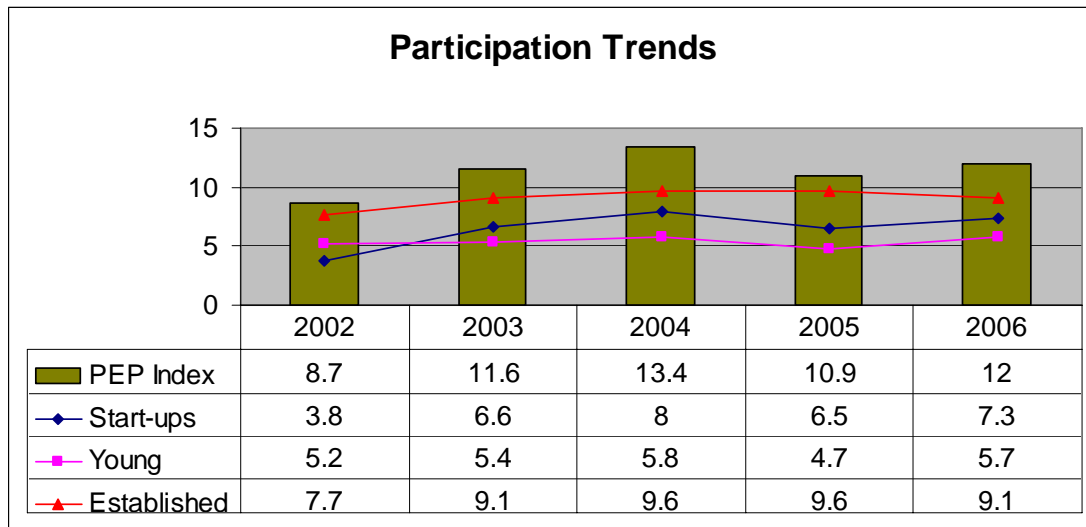


In 2006, Australia ranked ninth among the GEM participating countries with 12 percent of Australians engaged in early stage activities. Consistent with the total business ownership measure, Australia ranked highest amongst the developed countries on the PEP index.

## THE LONGITUDINAL STORY

Figure 3 illustrates the historical results of; the proportion of early-stage participation (PEP), start-up participation, young business ownership participation, and established business ownership participation.

Figure 3: Australian longitudinal business ownership participation



The proportion of the working population engaged in early-stage business ownership participation increased from 2002 to 2004 and decreased from 2004 to 2005. The data report for 2005, suggested that the declining trend from 2004 to 2005 probably was caused by decreasing business confidence (Hindle & O'Connor 2006). However, this year's increase does not seem to be highly correlated with the level of overall business confidence (Sensis 2006). The PEP increase has occurred despite a small decrease in general business confidence.

Interestingly, the decrease in start-up business ownership participation from 2004 to 2005 was not reflected in a subsequent decline in young business ownership participation in 2006. The 2005 data also suggested that young business activity is as vulnerable to declining business confidence as start-ups. This year's data do not support that proposition. Young business activity is not, therefore, only a result of the previous year's start-up activities. It must be influenced by other factors.

## REFERENCES

Hindle, K and O'Connor, A. 2006. Entrepreneurial Participation in Australia in 2005: A summary of salient data from 2005 GEM Australia National Adult population survey. *Australia Graduate School of Entrepreneurship Research Report Series*, Vol 3, No. 1. Melbourne: Swinburne University of Technology. [www.gemaustralia.com.au](http://www.gemaustralia.com.au)

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