

Global Entrepreneurship Monitor
GEM Australia 2006
Data Report on Growth



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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)¹.

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.

The full and correct academic citation for this paper is:

Klyver, Kim, Hindle, Kevin Lindsay, Noel 2007. Entrepreneurial Growth 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. 4. 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: Growth, exports, employment

Aim of this paper: To portray selected aspects of the growth orientation and propensities of private business owners in Australia within the limits prescribed by the data available in the 2006 GEM Australia national population survey.

¹ 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.

GROWTH

This data report concerns a fourth component necessary to build a picture of Australian's total entrepreneurial activity. It examines the growth intentions of business owners. Commitment to growth has been recognised as an important feature of a truly entrepreneurial venture. On the other hand, it has also been recognised that few ventures actually aim to become what David Birch characterised as an abnormal high-growth-potential venture (Autio 2005). In general, it is argued that all things being equal, the higher the growth orientation and growth performance of a business, the more entrepreneurial it is. It should be noted that growth *intentions* and *expectations* of proprietors (which are what GEM measures) may be poor predictors of *actual* growth performance of firms. However, it is fair to say that entrepreneurial business owners will tend to have higher growth intentions and expectations than other small businesses.

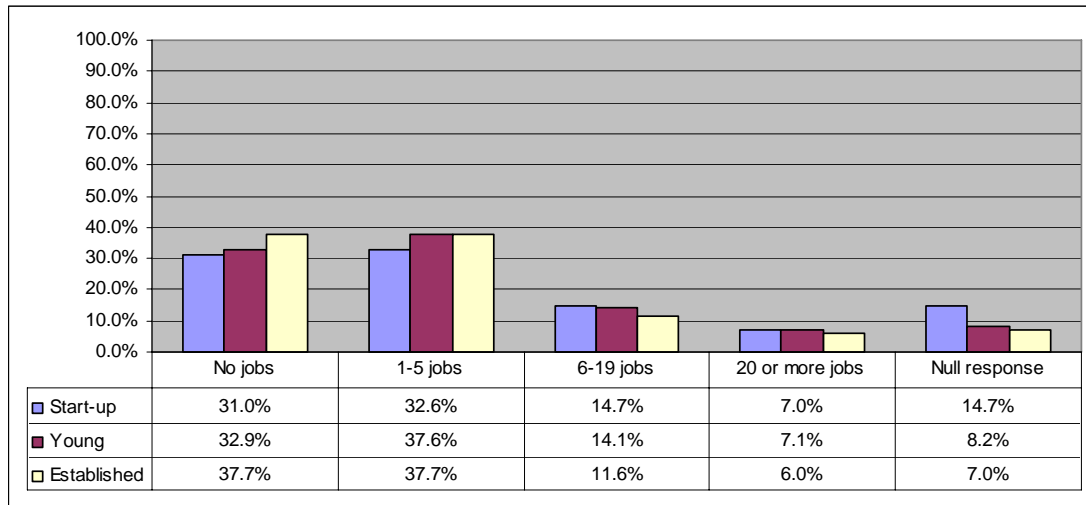
INTENTIONS AND EXPECTATIONS

Figure 1 illustrates the growth expectations and intentions in the next five years of business owners in the three stages of the business life cycle². Growth is measured by the expected increase in the number of employees over time. In the adult population survey, respondents were asked about their expectations and intentions with respect to the expected number of employees five years from the time of the interview. This was used as the measure for growth expectation.

Figure 1 reveals data for businesses, in various stages, who expected NO extra employees in five years time. The figures were: 31 percent of business owners in the start-up stage; 33 percent in the young business stage and 38 percent in the established business stage. The proportion of business owners in the young and established business stages who expect no employees is dramatically lower than last year. In 2005, 50 percent of business owners in the young business stage and 70 percent of business owners in the established business stage expected no employees in five years time. The proportion of potential business owners in the start-up stage who expect no employees in five years time is about the same (2005: 35 percent; 2006: 31 percent).

² A methodology note also needs to be considered with respect to the operationalisation of growth. The GEM Global Executive Team's 2005 Report on High-Expectation Entrepreneurship (Autio 2005) uses only one question as an indicator of growth expectations. It is the question that establishes how many employees the business owner would expect to have in five years. Notably and undesirably this question does not ask how many *more* employees will be engaged in future than are currently employed now: just how many there will be in five years' time.

Figure 1: Growth expectations and intentions of business owners in five years time

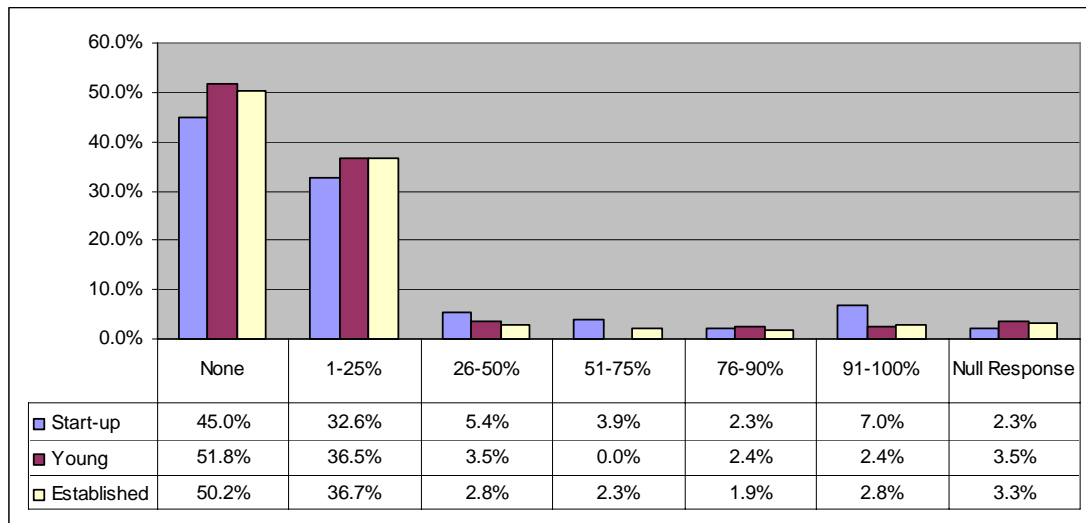


GEM classifies business owners who expect an increase of more than 20 employees in five years time as high-growth businesses. The proportion of potential business owners in the start-up stage who can be classified as a high-growth business is 7 percent, only slightly less than in 2005. However, the proportions of business owners in the young business stage and in the established business stage are much higher than in 2005. In 2005, only 1 percent of the business owners in the young business stage expected more than 20 employees in five years time compared to 7 percent this year. 2 percent of established businesses expected more than 20 employees in five years time compared to 6 percent this year. Thus, although the growth intentions of potential business owners in the start-up stage has not changed, business owners in the later stages seem to have become much more growth oriented.

EXPORT ORIENTATION

One way of achieving growth is through export. This is especially the case for Australia with only a relatively small domestic market. Figure two shows the percentages of Australian business owners' customers who live outside Australia.

Figure 2: Percentage of customers living outside Australia



As in the case of growth expectations and intentions, export orientation in 2006 has increased from 2005.

In 2005, business owners in the start-up stage, young business stage, and established business stage who have no customers outside Australia or expected no customers outside Australia were respectively 81 percent, 88 percent and 88 percent. This year only about 50 percent in each of the business stages expect no exports or have no expectation to export. The huge increase in export orientation is caused by an increase in business owners who expect to have, or already have, up to 25 percent of their customers outside Australia. Thus, Australia has experienced an increase in export orientation. Exporters, however, still only report income from exports as a small percentage of their total turnover. Further, it could be argued, considering the relatively small Australian domestic market that many more business owners should be export oriented for Australia to be perceived as an entrepreneurial nation.

Overall, it seems that business owners in the start-up stage are more export oriented than business owners in later stages. The same was found in the 2005 data. Whether or not it is an indication of a trend that Australian business owners are becoming more export oriented is hard to tell. Taking into consideration that last year's similar results have not had any impact on this year's export orientation among business owners in the young business stage, the increase could well be due to unrealistic start-up ambitions.

GROWTH ORIENTATION AND EXPORT ORIENTATION

To explore the relationship between growth orientation and export orientation a cross-tabulation was performed. We compared the percentage of business owners who were (or, in the case of start-up businesses, were intending to be) exporting with the percentage of business operators who could be classified as possessing substantial growth expectations. Table 1 reports the results.

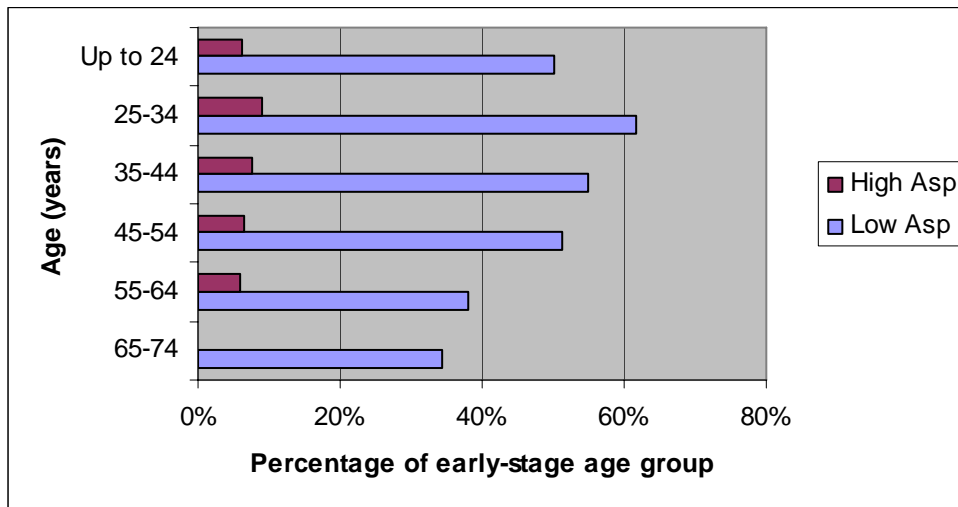
Table 1: Cross tabulation of growth expectation and customers outside of domestic market

	NO JOBS	1- 5 JOBS	6-19 JOBS	20-UP JOBS	DK/R/NR/MISS
Customers outside Australia					
0%	17.3%	17.3%	5.6%	2.6%	5.6%
1-25%	11.4%	11.2%	5.8%	3.0%	4.1%
26-50%	1.5%	1.3%	0.4%	0.0%	0.2%
51-75%	1.3%	0.9%	0.4%	0.2%	0.0%
76-90%	0.2%	1.1%	0.2%	0.0%	0.4%
91-100%	1.1%	1.5%	0.9%	0.4%	0.2%
NR	0.9%	2.2%	0.2%	0.0%	0.4%

It can be seen that 60 percent of non-exporters expect some level of employment in the next five years (the sum of the red shaded cells expressed as a percentage of the row total for zero percent of customers outside of home market). However, it is unknown whether the 'growth' is achieved through future export or by expanding sales on domestic markets. However, 64 percent of business owners who are exporting (or intend to export in the start-up stage) expect some level of employment (the sum of the orange shaded cells expressed as a percentage of the total of those with from 1-100 percent of their customers outside of the home market). Although growth can be achieved by selling on the domestic market, it appears that exporters are more likely to have a propensity for growth.

The 2005 Global GEM Executive Report contained an analysis of early-stage business participants who also possess high growth aspirations. This report claimed that those with the highest growth aspirations (20+ jobs over the next five years) are generally in the 44 year-old-and-under age bracket (Autio 2005). Figure 3, below, shows a similar chart based upon the Australian data for 2006 (note early-stage participants are those either found in the start-up and young business categories combined excluding double counting of those in both).

Figure 3: Comparing high-aspiration and low-aspiration early stage participation



Last year's results showed that, in Australia, high-aspiration early stage business owners were most common in the age groups above 55 years old and younger than 25 years old. The 2006 results are different. High-aspiration early-stage business owners are marginally more common in the age range of 25 to 44 years old. In representing this data it must be noted that those reporting 'no-employment' aspirations were excluded from the low-aspiration numbers and only those with aspirations of between 1 and 19 employee growth were included. If no-employment business owners were to be added into the low-aspirations group, the category would further dwarf those with high-aspirations.

REFERENCES

Autio E. (2005) Global Entrepreneurship Monitor: 2005 Report on High-Expectation Entrepreneurship, available at www.gemconsortium.org