Global Entrepreneurship Monitor
GEM Australia 2006
Data Report on Entrepreneurial Capacity

Australian Graduate School of Entrepreneurship, Swinburne University of Technology
Entrepreneurship, Commercialisation, and Innovation Centre, The University of Adelaide

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:
Hindle, Kevin, Hancock, Gary and Klyver, Kim 2007. Entrepreneurial capacity 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. 6. 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: Entrepreneurial capacity, age, gender, regions, skills, education

Aim of this paper: To examine the nature and distribution of the capacity for Australians to behave entrepreneurially in 2006 within the limits prescribed by the data available in the 2006 GEM Australia national population.

[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.

ENTREPRENEURIAL CAPACITY

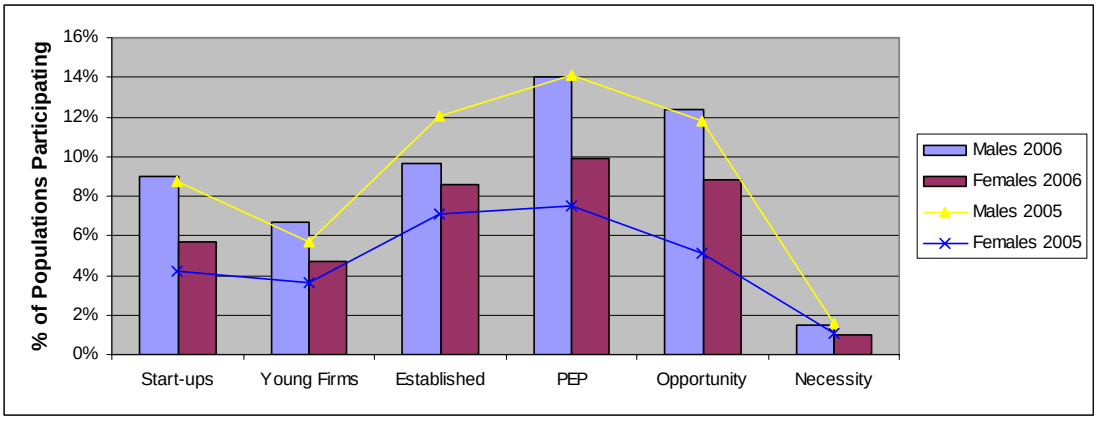
Broadly speaking, entrepreneurial capacity refers to the ability of people to be successful in a new, entrepreneurial venture. Capacity for entrepreneurship, therefore, can be discussed in terms of characteristics such as experience, knowledge, and skills that individuals contribute to a new venture's resources. The GEM Australia national population survey data allow for broad insights into Australia's entrepreneurial capacity.

DEMOGRAPHICS

Gender

The broad pattern of participation regarding gender is represented in Figure 1. It demonstrates the difference between male and female participation in 2006 compared with 2005. There is a significant increase in female participation from 2005 to 2006. This increase follows a decrease in female participation that was observed in 2005 compared with 2004 (as reported in the Data Report on Entrepreneurial Capacity 2005: Hindle and O'Connor 2006). The male participation rates continue to be consistent with past years' figures. There continues to be a significant difference between male and female participation rates. However, the proportion of females participating in business ownership compared to proportion of males is among the highest in the world.

Figure 1 – Australian Business Ownership Participation: Males/Females



Age

The age of people engaged in early-stage participation (the combination of those in start-up and young firms) is represented in Figure 2. It displays the break down of respondents within five age categories for males and females. The data for 2006 indicate that there are a lower percentage of males in the categories of less than 24 years old, and 25 to 34 years old engaged in early stage ventures. However, there is an increase for males in the 35 to 44 year old category. Female rates follow a similar trend to 2005. 2006 shows a marked similarity – inverted U curve – in trends for males and females with the highest activity among people between 35 and 44 years old.

Figure 2 – Gender early-stage participation rates within 5 age ranges

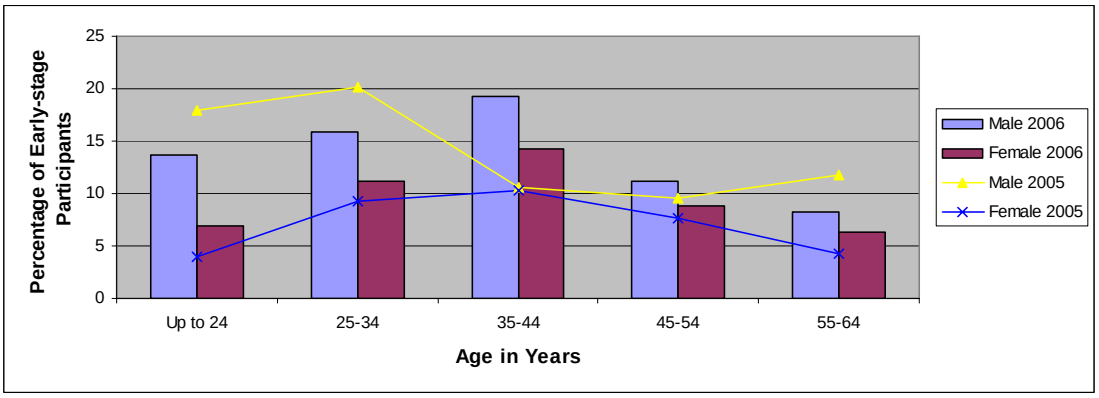
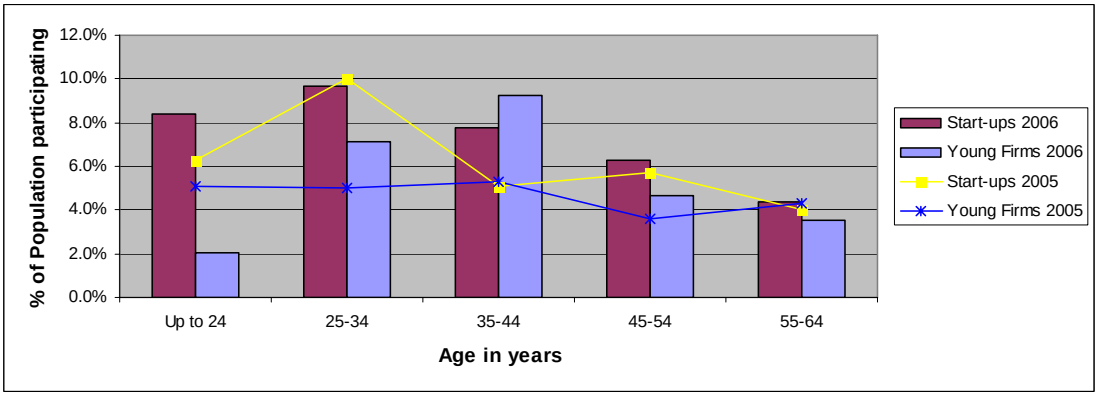


Figure 3 illustrates the percentage of people within the five age groups engaged in early stage as compared with young firms. The 2006 figures show an increase of participation in young firms in the lower age brackets. The ages engaged in start-ups remain relatively consistent. Statistical significance of figure 2 and figure 3 is difficult to ascertain due to the small sample sizes in some categories.

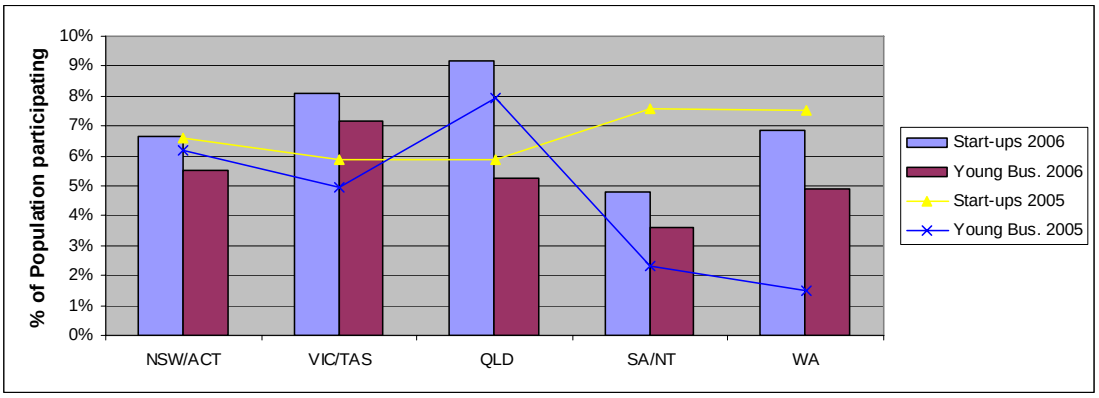
Figure 3 – Start-up and young firm participation rates within age ranges



Region

Differences in regional, state, and territory activity are important in providing an understanding of how or whether local environments impact entrepreneurial activity. The smaller states and territories are combined to provide some illustrative comparability but the sample sizes are too small to draw conclusions to any statistical significance. However, the results provide valuable indications of the differences between regions in Australia. See figure 4.

Figure 4 – Early-stage participation rates: regional splits



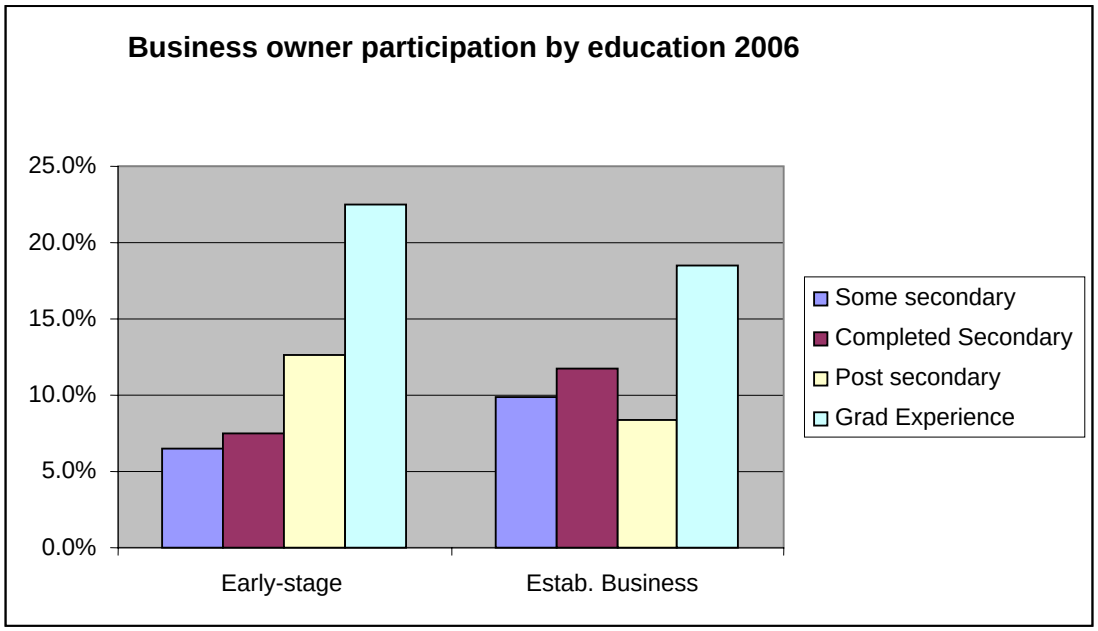
NSW/ACT show relatively stable activity in both start-ups and young firms. VIC/TAS and QLD both show marginal increases in activity. SA/NT shows a large decrease in activity for start-ups and minor increase for young firms, while WA shows a very large increase in young firms with consistent start-up activity.

SKILLS AND KNOWLEDGE

Education

People who are participating in early stage business ownership are more likely to have graduate experience than those who participate in established business ownership. When compared with 2005 figures, figure 5 illustrates that the trend appears to be confirmed.

Figure 5: Business owner participation by education level in Australia

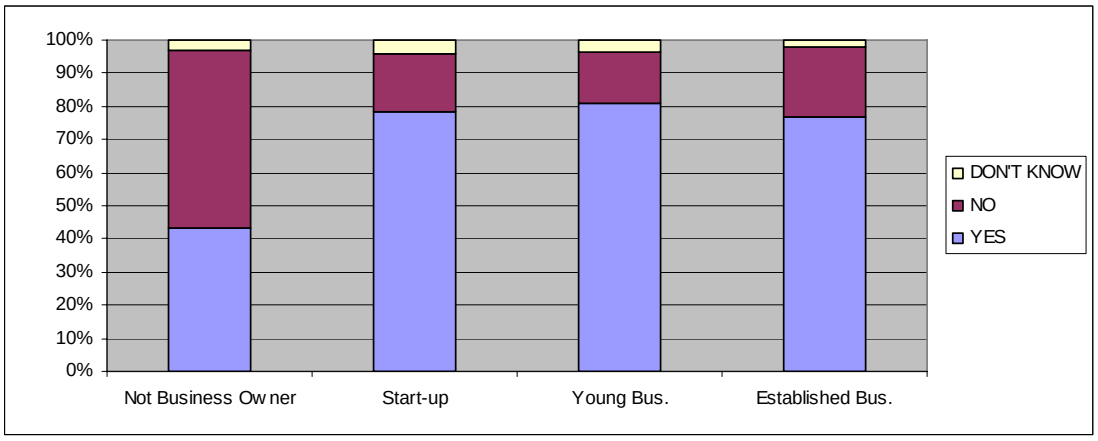


Skills

Figure 6 illustrates the percentage of people who responded that they believe they have the skills and knowledge to start a business. There is little difference between the 2006 results and previous years. There continues to

be cause for serious concern about the lack of confidence among the Australian population regarding their own assessment of their ability to start a business. It is interesting to note that even among respondents who are participating in start-up, young, or established businesses, the responses indicate that 20 percent or more are not confident they have the skills they need.

Figure 6 – Australian distribution of belief in skills to create a business



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Hindle, Kevin and O'Connor, Allan 2006. Entrepreneurial Capacity in Australia in 2005: A Summary of Salient Data from the 2005 GEM Australia National Adult Population Survey. Australian Graduate School of Entrepreneurship Research Report Series, Vol. 3, No. 6. Melbourne: Swinburne University of Technology