

Global Entrepreneurship Monitor
GEM Australia 2006:
Vale GEM Australia?



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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. In addition, there are works analysing the data, and works offering commentary. This special report is a work of commentary. It is best read in conjunction with the six data reports and the range of other documents and materials, which comprise the multi-faceted GEM Australia report suite for the data-collection year 2006. All are available from the website www.gemaustralia.com.au.

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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. In 2006, 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](#) <www.gemaustralia.com.au>

Key Words: GEM, OECD, funding, entrepreneurship, policy, federal system

Aim of this paper: To highlight the fact that Australia's participation in the *Global Entrepreneurship Monitor* (GEM) project has ended. GEM is an international research project whose importance is receiving increasing acknowledgement from governments and policy makers throughout the rest of the world at the very time it has run out of funding support in an Australia where perhaps the rhetoric of commitment to innovation and entrepreneurship is greater than the reality.

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.

ARE AUSTRALIAN GOVERNMENTS REALLY INDIFFERENT TO THE NEED FOR A RESEARCH BASIS FOR ENTREPRENEURSHIP POLICY?

This paper is written in sadness. Australia has been part of the *Global Entrepreneurship Monitor* (GEM) project since the year 2000. For six of those seven years, Australia's participation was funded by two, public-spirited, large corporations: *Sensis*, a division of Telstra from 2000 to 2002 and *Westpac Banking Corporation* from 2003 to 2005. Australia's GEM researchers begin by expressing our heartfelt thanks to both of these generous and altruistic sponsors for their support of the project to a stage where its utility to multiple audiences has proven its worth. Sponsored funding ended in 2005. In the absence of any institutional sponsorship, the Australian GEM research team, in 2006, 'cobbled together' resources sufficient to run the program. In the absence of future support, 2006 will turn out to be the final year of operation of the GEM project in Australia. Australia has not participated in the 2007 project and is leaving the project in 2008, ironically, at a time when GEM is truly catching the imagination of policy makers in an ever-increasing number of countries world-wide. There will, on current estimate, be over 50 participating nations in the 2008 GEM cycle. The GEM Australia researchers have tried, throughout 2006 and 2007, to interest various representatives and agencies of government in Australia in making a small commitment that could have big policy benefits. We have failed in our quest. There are no funds. So, GEM Australia ends with the release of the data, analysis and commentary reports based on the national population survey of 2006.

Throughout seven years of committed involvement, the Australian GEM research team has:

- contributed significantly to the improvement of the project methodologically;
- gained and disseminated essential knowledge about the nature of entrepreneurship in Australia in direct comparison with countries and regions throughout the world;
- forged a network of relationships with scholars of global repute and practitioners of global significance;
- established a longitudinal database that is valuable to researchers, policy makers and practitioners.

The chain is now broken.

Throughout the world, most other national GEM teams are funded by government agencies. Especially in Europe and North America, the project is among the most important sources used by national governments and their policy-making agencies, to provide an evidence base for entrepreneurship policy. The GEM executive team, based in London, are in direct communication with relevant representatives of the OECD about developing the methodology and data management regimes of GEM to a stage and standard where GEM statistics may become an integral component of the database used by OECD analysts for a great many of their insightful, multinational reports. Already, the OECD intends to incorporate GEM

measures into many reports it generates concerning issues of economic development, innovation and entrepreneurship. Sadly it would seem that as the nexus between the GEM global executive team and OECD statisticians grows ever stronger, Australian data will be absent. Why must this be? Why is it so hard to get a well-coordinated group of relevant authorities and/or agencies within the many levels of government in Australia to commit a relatively small amount of money each to a project that promises so many benefits to all?

The money that needed to continue the GEM Australia project is approximately A\$150,000 annually. This amount includes three key components:

- fees to the GEM central executive, statistical and project management team in London;
- fees to the GERA (the consortium of GEM participatory nations, see below);
- the cost of a comprehensive national population survey (the heart of GEM research) with sufficient sample size to permit direct comparisons, with identical confidence intervals, of entrepreneurship participation rates between the states and territories.
- a nominal sum paid to the universities whose researchers must be freed, at least in part, from other duties in order to perform tasks associated with GEM Australia research

Australia has one federal government, six state governments, and two territory governments. Supposing that each entity paid an equal share, the amount each entity would have to commit is less than \$17,000 a year. For this small outlay, each state and territory (and of course the commonwealth) would receive a suite of eight reports germane to their territory. Each would receive:

- an overall summary of the findings from the national population survey (but focused on their particular area);
- an individual data report in each of the six key areas of entrepreneurial activity (participation, motivation, growth-orientation, innovation, finance and entrepreneurial capacity);
- an analysis of the meaning and implications of the data for policy-makers;
- all of the above analyses conducted in a manner that permits direct comparison of between the entrepreneurial performances of all participating nations and regions throughout the world.

In short, at a cost of \$17,000, each of the eight governments in the Australian federal system would receive its own GEM report (GEM Australia, GEM New South Wales, GEM Victoria etc) containing a crucial evidence base on the nature of entrepreneurship in its own domain permitting cross comparison of the entity's entrepreneurial status and performance with all the other states and regions of Australia, every other participating GEM country in the world and many specific regions, provinces, and states within those countries.

Governments would get these eight reports at such a low cost because three universities – Swinburne University of Technology, The University of Adelaide and the University of Western Australia are willing to contribute to the project

by providing the time of high-calibre entrepreneurship scholars needed to produce the reports. But the universities, quite rightly, feel that in Australia, as in every other OECD country, it should be a *government* commitment that pays for the fundamental task of data collection.

The frustrating irony is that Australian government agencies are actually very interested in GEM data and the policy insights it provides. The problem is that no one state is willing to pay more than its 'fair share'. There ought to be a possibility of gathering a meaningful collection of well-motivated public servants from the commonwealth, the states and the territories to make a mutual commitment. Of course, politics and government are complex domains. Given the Australian federal system, it takes time and expertise to finesse and broker *any* multi-party corporate agreement between state and federal government agencies for *any* purpose. Attempts at intra-governmental co-operation fail more times than they succeed. A particular complicating issue for anyone trying to build a coalition of mutually interested public servants is that government agencies often experience a high turnover of personnel. So, a well-progressed, face-to-face relationship with one representative of a given agency, in say Victoria, may have to be completely re-negotiated with a new person if a personnel change occurs before an arrangement is concluded. Meanwhile an administrative review in say, South Australia, has seen portfolio responsibility for a given activity shift from one agency to another. And so on. It is simply a fact that academic researchers seeking funding for a project in the national interest are not likely to have either the negotiation skills or the time available to steer a multi-government agreement to a satisfactory conclusion. They are researchers not lobbyists. A circuit breaker is needed in the form of a champion or champions for the GEM Australia project within one or more government agencies.

The amount of money needed to sponsor GEM is small; the benefits to Australia are large. The effort needed to overcome the communications barriers and inherent inertia of a federal system renowned for its history of non-cooperation is vast. The private sector has 'done its bit'. Frankly, there is very little competitive recognition value in sponsoring GEM as against buying a television commercial or getting one's corporate logo on a football guernsey. In any case, the unit of analysis in GEM is the nation and, below that, its states and regions. The overt mission of GEM is to provide a database and insights for better policy-making in an area – entrepreneurship - whose role is to produce tomorrow's jobs for today's children. Doesn't this sound like the sort of thing that is more the province of governments than the private sector? There is one category of private sector sponsor which could benefit enormously from exclusive sponsorship of GEM. A savvy media company, realising the inherent value of the data and the number of interesting studies, stories and special reports that could be generated from it, may well be prepared to underwrite the data collection exercise knowing that it could generate a wide variety of revenue streams from judicious deployment of GEM based knowledge and insight.

However, apart from a media organization, the logic of the project indicates government as the most appropriate funding source for the fundamental task

of data collection: the annual GEM Australia national population survey. Every policy, including entrepreneurship policy, has to be guided by knowledge and information. Policy making in the absence of metrics, evidence and reality checks is almost certainly bound to be ineffective. Credible entrepreneurship policy – basically the design of support programs for the potential high-growth businesses that will be the engines of future jobs and future wealth in a competitive world – must have an evidence base that is capable of benchmarking Australia with the rest of the world. GEM, though far from being a perfect project, does this very cost-effectively. So the next question is; can Australia afford *not* to participate in the GEM project?

FOCUS ON ENTREPRENEURSHIP POLICY IS GROWING GLOBALLY

Due to a growing body of research on entrepreneurship and its influence on economic development, interest in entrepreneurship policy has escalated during the past five years (Lundstrom and Stevenson, 2005). Although it is admitted by researchers that the relationship between entrepreneurship and economic development is complex, a strong belief that governments are able to enhance economic development by influencing conditions for entrepreneurship still exists. Hart (2003) expresses his optimistic view on entrepreneurship policy in the following way:

Public policy and governance can shape virtually all the contextual determinants of the demand for entrepreneurship and, over a longer time, the supply of entrepreneurs as well. (Hart 2003: 8).

He continues and writes that public policy:

... means the intentional use of the powers of government to effect a societal outcome, like a change in the number of entrepreneurial ventures (Hart 2003: 8).

Entrepreneurship policy is something that can be effective on different levels, including federal-level initiatives and more regional and local initiatives. It can also vary in terms of strategic horizon. Some initiatives are more long term than others. Recent literature suggests different ways of categorising different initiatives as well as the ways they are intended to influence entrepreneurship (e.g. Dreisler, Blenker and Nielsen, 2003; Smallbone and Welter, 2001; Lundstrom and Stevenson, 2005). All-together, the general understanding is that, depending on the nature of entrepreneurship, different short term and long term initiatives can be designed and implemented. Thus, efficient entrepreneurship policy depends on the current situation in the region and where this region intends to go. Lundstrom and Stevenson (2005) argue that making entrepreneurial policy is contextually influenced. Thus, design and implementation of entrepreneurship policy needs to consider the general economic and social conditions and the nature of entrepreneurship activities within a country in order to be successful. Dreisler et al. (2003) put it this way:

The choice of strategy depends on whether the target groups: have a positive or a negative attitude towards what is socially desired, and are engaged or not engaged in socially desired action. (Dreisler et al. 2003: 383).

Thus, entrepreneurship policy has, in many countries become of crucial importance as a recognised and targeted means of enhancing national economic development. However, in order to design and create effective entrepreneurship policy, policy makers need two principal tools: they need evidence in the form of reliable, well-designed research and they need a well-designed framework to help them through the complexities of the multi-faceted, multi-disciplinary field of entrepreneurship. These tools, of course, can only be effectively used in the context of empathetic consideration of the specific national or regional conditions that apply in particular areas. Effective policy can only be developed in correspondence with these conditions. It is therefore essential, first, that policy makers have access to reliable and valid data on the nature of entrepreneurship in their countries. In the absence of a well-structured research base and a well-designed policy framework, policy directions might be completely wrong and targeted at the wrong people.

The issue of a well-designed policy framework is addressed in another paper (Yencken, O'Connor and Hindle 2006). This paper focuses on the critical fact that a research basis is essential for effective national policy in the vital field of entrepreneurship, the area that will provide tomorrow's jobs and security for today's children.

GEM HISTORY

History of GEM Internationally

GEM is a research project designed to inform and develop entrepreneurship policy worldwide. For all its faults – and no large-scale research project is without many faults - GEM is, globally, the most reliable benchmarking tool in regard to entrepreneurship policy. The project was founded in 1997, as a joint initiative of Babson College and London Business School. A pilot project took place in 1998, and in 1999 the first GEM Global Executive Report was launched as an overview and summary of the results contained in the detailed reports of each participating GEM country. The original ten GEM countries were Canada, Denmark, Finland, France, Germany, Israel, Italy, Japan, UK and USA. Australia joined in 2000, when the number of involved countries jumped to 21. In the 2006 GEM data-collection round (sadly the last in which Australia is likely to participate) there were 42 participating countries. Australia has not participated in the 2007 round. The number of countries likely to be participating in the 2008 round of research is currently estimated to be over 50. As a measure of the global significance of the items GEM deals with in its data set, consider that in 2003, 90 percent of the world's GDP and 60 percent of the world's population were represented by the GEM-participating countries. GEM is overtly and specifically a dataset where the nation and its subsets (states, regions, provinces etc) are the principal units of analysis and the project's major focus is the generation and analysis of data that can be used to create better national, state and regional policy.

In 2005, GEM's national teams re-organised and jointly established the *Global Entrepreneurship Research Association* (GERA). It is a consortium of independently financed national teams coordinated through a central group (the GEM Global Executive Team) currently based at London Business School. It is each participating teams' own responsibility to find funding for

their national GEM research and contribute proportionately to the global coordinated effort. Not surprisingly, the majority of funding for GEM in most countries comes from government agencies. In Australia, support for GEM research, until it dried up (2005 was the last sponsored year of GEM Australia), has come from the private sector.

History of GEM Australia

Australia, through a team headed by Professor Kevin Hindle of Swinburne University of Technology, has been a participant since 2000. In 2006, the University of Adelaide represented by Professor Noel Lindsay and Mr Gary Hancock joined the GEM Australian team. The University of Western Australia, through Professor Geoff Soutar and Associate Professor Tim Mazzarol, is keen to add its research power to the team of GEM analysts. Hence GEM can be a truly national research initiative, well supported (in terms of research talent and time by at least three universities) if only the data collection costs can first be secured.

GEM Australia has been an important participant in the Global Entrepreneurship Monitor project (McKinlay 2006). It has contributed with two significant project innovations. The first innovation was Hindle's (2006) methodological improvement that has resulted in an enhanced analytical framework. An academic article based on this innovation (Hindle 2006) was published in an influential journal.

The other innovation has been a new presentation strategy involving an interactive website. Instead of writing a big 'blockbuster' report every year, the Australian team has, since 2006, provided an *interactive website* (<http://www.gemaustralia.com.au>), which contains many smaller, linked reports so that people can 'home in' quickly on their specific information needs. The website slogan is 'Your portal to understanding Australian Entrepreneurship in a global context'. It is structured around the National Entrepreneurial Activity Matrix developed by Hindle (2006). The site is an information centre for three key audiences: entrepreneurship researchers, policy makers and business owners.

As discussed, GEM Australia received corporate sponsorship for six years and then 'lived off the smell of an oily rag' for the 2006 round. During 2006, the team tried to raise government sponsorship (such as prevails in other OECD countries) for the following three years. Agencies of a few state governments have recognized the value of GEM and have shown interest. However, words have never been transformed into action or dollars. So, 2006 may well be the last year Australia participated in the world's largest and most important entrepreneurship project.

THE WAY GEM IS DEPLOYED INTERNATIONALLY

Government sponsorship

Government sponsorship of national GEM teams is more the rule than the exception. Especially in Europe and North America, governments recognize the crucial importance of GEM and are fully or partly sponsoring the various

national and regional GEM projects within their territories. GEM data is regularly used in policy formation and government business in these nations and regions.

The cooperation between governments and national teams varies. In some countries the cooperation and partnership is very strong. In Denmark, for instance, a range of government institutions act in cooperation with the national research GEM team (based at the University of Southern Denmark). Each year a special subject, in the national interest, is chosen for further and more extensive investigation. Results from these investigations are presented and discussed among policy makers, academics and entrepreneurs at a yearly conference, devised for the purpose and covered in detail by the general and business press. Other countries feature superbly-detailed, government-sponsored regional studies. They have been carried out with great success. Most notably are the annual and now institutionalised regional entrepreneurship studies based on GEM data carried out in Germany, UK, Denmark, and Spain. German results indicate that entrepreneurship is a predominantly 'regional phenomenon'. Regional factors affect early stage participation rates as well as growth orientation, innovative propensity, motivation to start and develop a business, and the entrepreneurial capacity of the people engaged.

A unique policy making tool

GEM is the premier international benchmarking tool that deals with entrepreneurship. GEM data and analysis is of vital importance to national and state governments as a useful tool for developing and evaluating entrepreneurship initiatives occurring in the community and fostered by government.

In Europe, GERA (the organization co-ordinating the GEM project world-wide) is in discussion with the OECD to make collection of GEM data a permanent feature of the national data collection regimes of every European country. The OECD is working on creating a 'bundle' of entrepreneurship indicators. Their intention is to work with other sources of data on entrepreneurship as well as GEM in a move towards a day when pro-active measurement of the emerging economy (the entrepreneurial sector) will become as important as reactive measurement of the established economy (the current national accounts system). Thus, GEM's vital importance to policy makers is increasing rapidly.

GEM is a unique international study of entrepreneurs and their entrepreneurial activity that is regarded by many policy makers as an essential part of building an evidence base for policy. Based on a household survey of the adult population in its participating countries, it provides an indication of the entrepreneurial propensity of a country in comparison to other nations, both similar and dissimilar. The surveys and associated analyses performed by the various national teams provide in-depth analysis of the capacity of people within specific geographies to be entrepreneurial. GEM research covers their motivations, their attitudes and perceptions, the types of businesses they run and the way in which they are financed. As such, the GEM national population survey and associated research is a key to understanding the

entrepreneurial drivers behind national productivity growth, international competitiveness and community regeneration and economic development.

No country, that takes entrepreneurship seriously, should be willing to do without the data and insight provided by the project. Though far from a perfect project and subject to constant improvement, GEM is simply the most reliable and cost-effective entrepreneurship benchmarking tool currently available for the measurement of entrepreneurial activity. It is widely regarded internationally as a tool essential to the creation of an evidence base for policy-making.

WHITHER AUSTRALIA?

In 2007, Australia is not participating in GEM. No funding was obtained although the Australian team has been and still is in correspondence with a few state government agencies. Time has run out for Australian participation this year. However, Australia still has a chance to participate again in 2008 if funding can be obtained.

The authors hope that this short appeal may be read by somebody somewhere who has the institutional capacity to bring together a consortium of federal, state and territory personnel who can then be induced to act collectively, in their own self-interest to spend a small amount each to secure a large benefit for themselves and the people they serve. This year's GEM Australia data set – the last? – shows that 20.6% of working age Australians are engaged in some form of early-stage participation in creating or developing an owner-managed business. Is it unreasonable to expect their governments to have enough interest in them, as a vital constituency, to fund participation in a study designed to provide the evidence base for the policies designed to help them?

In Australia, as in every other OECD country and over 40 countries beside, GEM has been used to help develop entrepreneurship policy at both national and state level. GEM is not the only source of information to inform entrepreneurship policy, but it is currently the only established project that is capable of providing reasonably reliable and methodologically consistent international benchmarking. It is a big tool for a small price. The authors of this paper want to believe that it simply beggars belief that Australian governments, who have constructively used GEM data for seven years when it was provided by private sector altruism, will now abandon the investment made by those pioneer sponsors who committed so much to establishing Australia's participation in a project that is so palpably in the national interest.

We *want* to believe that it is not all over. But we are researchers, and the evidence is against us. Unless GEM secures a powerful champion from *within* government ranks somewhere in our complex federal system, Australia will fall behind the many countries in the world who are actively seeking to build their national entrepreneurship and innovation policies on an evidential basis that permits critical comparison with the rest of the world. On the other hand,

there are a lot of minerals left to dig up and sell. So perhaps we just don't care.

Vale GEM Australia?

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