

# Westpac GEM Australia 2005: National Entrepreneurial Activity Summary



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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 which 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>.

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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. This year, 35 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:** National Entrepreneurial Activity Summary, Participation, Motivation, Innovation, Growth, Finance, Entrepreneurial Capacity, Australian Data Profile

**Aim of this paper:** To portray a summary of National Entrepreneurial Activity in Australia within the limits prescribed by the data available in the 2005 GEM Australia national adult population survey.

## INTRODUCTION

Table 1 provides a summary of the key observations reported through the data report series. It also presents a qualitative assessment, an indicative trend and comments relevant to each area of national entrepreneurial activity investigated. This summary reports the data obtained within the limits prescribed by the data available in the 2005 GEM Australia national adult population survey.

The subsequent section also provides a profile of the data collected in 2005 that contributed to the data report findings.

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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.



Table 1 – Summary of key observations and trends

	Relative Rating		Key Comments
	This Year (2005)	Trend (2000-2005)	
<b>Participation</b>			
Overall	High	Stable	In 2005, declines in early-stage participation were off-set by small gains in established business participation.
Start-up	High	Flattening	The Australian trend shows start-up participation rates strongly influenced by any decline in business confidence and environmental conditions.
Young	High	Declining	Similarly, young firm participation rates are strongly influenced by any decline in business confidence.
Established	High	Increasing	The proportion of low growth, a low innovation business is increasing. Truly entrepreneurial ventures are becoming rarer.
PEP Index (Start-up & young firms)	High	Declining	This composite measure is strongly influenced by changes in business confidence and has not recovered to pre-2002 levels.
<b>Motivation</b>	High	Recovering	Motivation has always been largely opportunity driven. The proportion of opportunity to necessity motivation this year is the highest level recorded.
<b>Innovation</b>	Low	Unchanged	The Australian rate of technology innovation trails that of comparable countries and suggests a follower mentality in the private sector.
<b>Growth Orientation</b>	Low	Unchanged	Growth ambitions are at best modest with early-stage business owners in the age brackets of 18-24 and over 55 years representing the majority with growth intentions.
<b>Financing</b>			
High Aspiration Business	Low	Declining	Funding sources are scarce for high potential businesses that fall between the low financing limits of informal investors and the high requirements of the 'classic' venture capital market. The informal (angel) market is shrinking and becoming more nepotistic.
Low Aspiration Business	Medium	Declining	Angel investor contributions provide the majority of funding for businesses with low capital requirements. The average angel investment has declined while the average amount of start-up capital sought has increased.
<b>Entrepreneurial Capacity</b>	Low	Declining	A large drop in female participation rates as well as the participation of those in the 35-44 years age group signals decline. Australia also has a lower proportion of university educated business owners than pertains among many developing countries.





## THE AUSTRALIAN DATA PROFILE

### THE ADULT POPULATION SURVEY

The National Adult Population Survey for the GEM Australia project is the primary source of data used to monitor entrepreneurial activity in the nation. In Australia we adopt a matrix model to portray the complex notion of 'entrepreneurial activity' and address the particular aspects of the data collected through the GEM survey instrument. Readers can find more information on the matrix approach at the GEM Australia website ([www.gemaustralia.com.au](http://www.gemaustralia.com.au)). In this section, we present a profile of the data collected in 2005.

The minimum specified data collection is from a stratified random sample of 2000 respondents drawn from the national population. The sample is randomly selected from the national White Pages telephone directory and is subsequently weighted to reflect the national demographic and gender distribution within the GEM definition of 'working age': adults between the ages of 18 and 64 years. It should be noted that states and territories have been combined in defining the various geographic regions of Australia as follows. The Australian Capital Territory is included in the NSW state region; Tasmania is included in the Victorian state region and the Northern Territory is included in the South Australian state region. For a full outline of the methodology visit the [GEM Research Methodology](#) page at the GEM Australia website.

A summary of the sample for the year covered by this report, calendar 2005, is shown in Table 2 below. The unweighted sample size is 2,465 and it should be noted that this sample differs to previous years with an over representation of one state. The sample in 2005 has been drawn with the capacity to undertake a separate comparative study of Victoria with the rest of the Australian nation. In order to facilitate the standard national monitor the raw number responses are weighted as described previously. This reduces this year's weighted sample size to 2002, primarily by adjusting for gender bias, excluding respondents above or below working age and adjusting for the over-sample. The weighted sample is used to form percentages of the total population participating in various types of entrepreneurial activity, while the unweighted sample is used in any statistical analysis techniques in order to maintain integrity among the findings.

Table 2 – Summary of the 2005 Data

	Unweighted	Weighted
<b>Total</b>	<b>2465</b>	<b>2002</b>
Male	925	1006
Female	1540	996
Start-up and Young Firms Opportunity-motivated	164	186
Start-up and Young Firms Necessity-motivated	24	26
Start-up Participants	110	130
Young firm Participants	89	93
Established Firm Participants	234	192
Business Angel Participants	75	69





### The depth interviews of national experts

In 2005 no depth interviews with experts/key informants were conducted.

### The survey of expert opinion

Nearly 200 experts have been interviewed since 2000 and up to 2004. In 2005, 36 responses were received from those that have registered and maintained interest in being involved with the annual survey. The response rate was 23%. Table 3 below profiles the distribution of expertise of the respondents.

Table 3 – Expert survey respondent profile

Respondent expertise description		Frequency	Percent
Valid	Entrepreneur	13	36.1
	Investor, financier, banker	3	8.3
	Policy-maker	2	5.6
	Business and support service provider	15	41.7
	Total	33	91.7
Missing	Data missing	3	8.3
<b>Total</b>		<b>36</b>	<b>100.0</b>

### Secondary sources

The GEM coordination team provides a database of standard secondary data (for example rates of GDP growth) from sources such as the International Monetary Fund, the World Bank, the Organisation for Economic Co-operation and Development (OECD) and the World Economic Forum. This ensures that all teams are using the same sources for important economic indicators and other national information (such as population, labour force etc) and optimises use of GEM human resources.

Additional Australian sources are also used to supplement the GEM data such as Australian Bureau of Statistics material, and surveys such as the Small Business Index conducted by Sensis<sup>®</sup> and the venture capital survey furnished by the Australian Private Equity and Venture Capital Association Limited.

Relevant reports from other sources, both national and international are used whenever they can add insight to the GEM findings.

