

Westpac GEM Australia 2005: 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 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)¹.

Accordingly this data report is one of six that, together, comprise a portrait of entrepreneurial activity in Australia in the calendar year 2005. 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.

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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: Growth, Exports, Employment

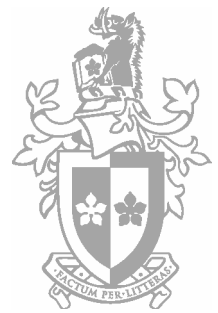
Aim of this paper: To portray and globally compare selected aspects of the growth orientation and propensities of private business owners in Australia within the limits prescribed by the data available in the 2005 GEM Australia national population survey and the 2005 GEM Global Executive Report.

GROWTH

The fourth component in building a picture of Australia's total entrepreneurial activity concerns the growth orientation and propensities of firms. Many definitions of and approaches to entrepreneurship (stretching back to David Birch's characterisation of abnormally high-growth-potential ventures as 'gazelles') stress the importance of commitment to high growth as a distinguishing feature of a truly entrepreneurial venture. All other things being equal, the higher the growth orientation and growth performance of a business, the more entrepreneurial it is.

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.





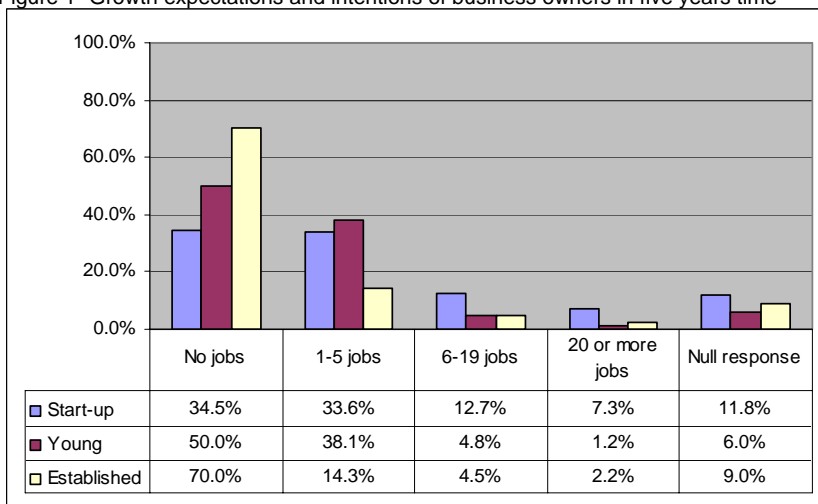
It should be noted of course that growth *intentions* and *expectations* of proprietors (which are what GEM measures) may be poor predictors of *actual* growth performance of firms. However, it is fair to say that highly entrepreneurial businesses will tend to have high growth intentions and expectations.

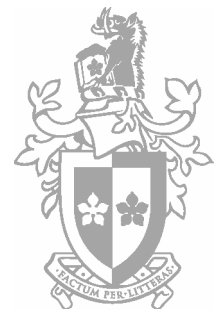
INTENTIONS AND EXPECTATIONS

The adult population survey asks each participating business owner about his or her expectations and intentions with respect to the growth in number of employees five years from the time of the interview. Figure 1 reveals that 70% of established business owners expect to create no jobs while 50% of young business owners also expect to create no jobs. Of all those who do expect or intend any employment growth whatsoever, the majority claim only between one to five employees in growth over the next five years. Start-up businesses, on the other hand, appear to be much more ambitious with respect to growth. More than half expect some form of employment growth.

The percentage of those who may be classified as highly entrepreneurial survey respondents (those who expect growth of more than 20 employees over the next five years) was relatively small in all three categories of business ownership in Australia in 2005. It can be seen that the number of start-up participants expecting high growth is more than three times that of the established business owners and six times that of young business owners. This is consistent with the findings from Westpac GEM Australia 2004 (Hindle and O'Connor 2005).

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

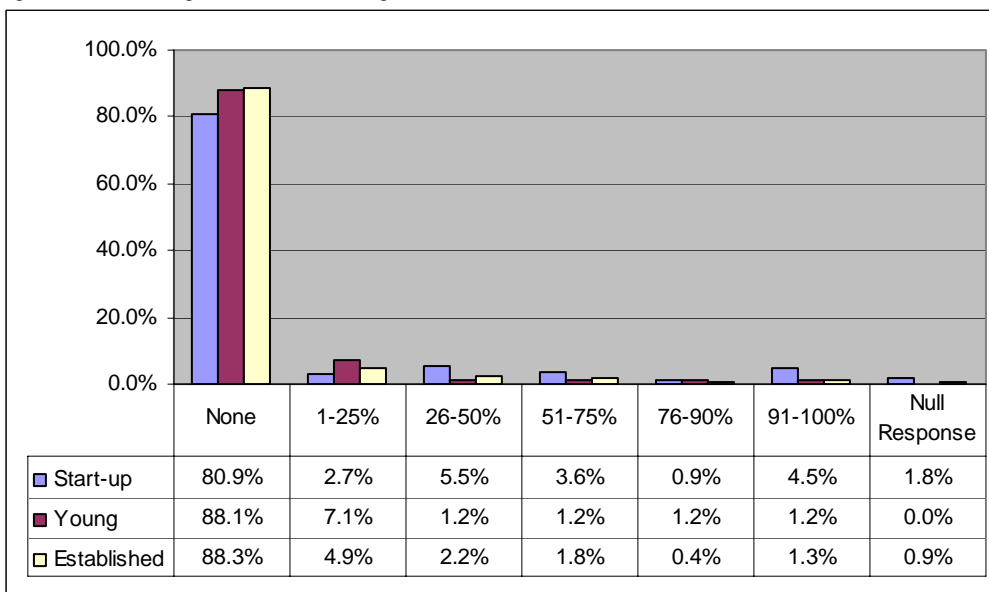




EXPORT ORIENTATION

A nation deserving to be characterised as displaying high levels of entrepreneurial behaviour would expect to see, among its emerging businesses, a strong focus on export sales. This is an especially reasonable expectation for a country such as Australia that possesses a relatively small domestic market. Unfortunately, the evidence is overwhelmingly that Australia's owner-operated businesses have a very low level of export orientation. On this measure, Figure 2 demonstrates that in all three stages of business owner participation, Australia's business owners have a low proportion of their sales coming from export markets. Start-ups claim to seek nearly 81% of sales from the domestic market while both young and established businesses expect that just over 88% of sales will come from the domestic market. The 2005 GEM data indicates that most Australian business owners are not exporting and in all categories of business ownership less than 10% maintain or intend to have up to 50% of their customers in foreign markets. 9% of start-up business owners expect to have more than 50% of their customers from other countries while less than 5% of both young and established business owners have more 50% of their customers in foreign markets.

Figure 2 – Percentage of customers living outside of Australia



To explore this aspect further 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 is the result. It can be seen that more than a third of non-exporters (35.3%) expect some level of employment growth in the next five years (the sum of the red shaded cells expressed as a percentage of the row total for 0% of customers outside of home market). However it is unclear whether these businesses are intending growth by commencing to export or not. On the other hand more than half (55.3%) of all those that have some percentage of customers outside of the home market expect some level of employment growth in the next five years (the sum of the orange shaded cells expressed as a percentage of the total of those with from 1-100% of their customers outside of the home market). Exporters, it seems, are more likely to have a propensity for growth.



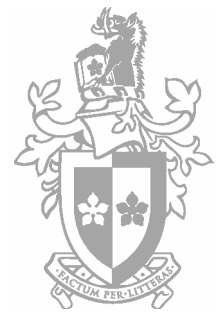
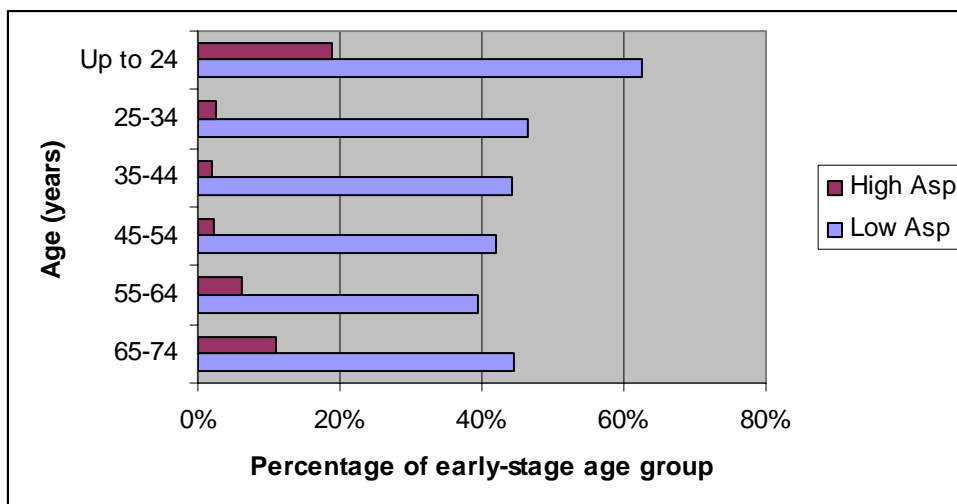


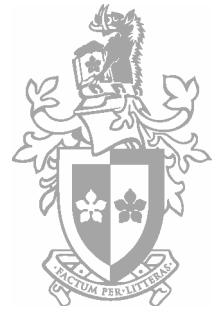
Table 1 – Cross-tabulation of growth expectations and customers outside of home market

		Growth Intention / Expectation				
		NO JOBS	1-5 JOBS	6-19 JOBS	20-UP JOBS	DK/R/NR/MISS
Percentage of customers outside of home market (%)	0%	51.7%	21.5%	5.1%	1.7%	7.8%
	1-25%	2.7%	1.0%	0.5%	0.2%	0.5%
	26-50%	0.7%	0.7%	0.2%	0.7%	0.5%
	51-75%	0.5%	0.5%	1.0%	0.2%	0.0%
	76-90%	0.5%	0.2%	0.0%	0.0%	0.0%
	91-100%	0.7%	0.7%	0.0%	0.2%	0.5%
	NR	0.7%	0.0%	0.0%	0.2%	0.0%

The 2005 Global GEM Executive team contains an analysis of early-stage business participants who also possess high growth aspirations. This report claims that those with the highest growth aspirations (20 jobs and over in 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 2005 (note early-stage participants are those either found in the start-up and young business categories combined excluding double counting of those in both). It can be seen that low aspirations are completely dominant with our 2005 sample of owner operators. More particularly, the highest concentrations of high aspiration business owners (those who may deserve the classification of ‘entrepreneur’ as distinct from merely ‘business owner’) are found in two age categories: those 55 years and over and those under 25 years old. In representing this data it must be noted that those reporting ‘no-growth’ aspirations were excluded from the low-aspiration numbers and only those with aspirations of between 1 and 19 employee growth were included. If no-growth business owners were to be added into the low-aspirations group, the category would further dwarf those with high-aspirations.

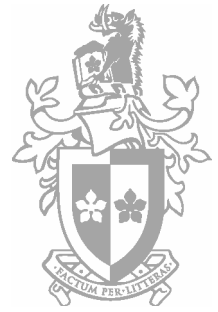
Figure 3 – Comparing high-aspiration and low-aspiration early-stage participation





A methodology note also needs to be considered with respect to this finding. The GEM Global Executive Team's 2005 Report on High-Expectation Entrepreneurship 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. For the Australian GEM team's calculation, we considered that the growth in the number of employees should take into consideration the number of employees currently in the business and be calculated by subtracting the current number of employees from the expected number in five years. This we feel more accurately portrays growth. This decision is justified as a review of the data shows a high proportion of responses indicating the same number for both the current and future state - strongly suggestive of no growth.





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RELATED RESEARCH ARTICLES

- Hindle K.G. and Rushworth S.M. (2002) [Entrepreneurship: a Policy Primer](#). Commissioned by the Queensland Innovation Council, Department of Innovation and the Information Economy.

RELATED ISSUE PAPERS

- O'Connor AJ. (2006) 'Comparing the innovative propensity of Australian private business owners with other GEM high-income nations *Australian Graduate School of Entrepreneurship Research Report Series*, Vol. 3, No. 11. Melbourne: Swinburne University of Technology.

