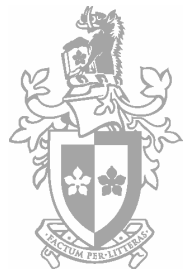


Westpac GEM Australia 2005: Data Report on Motivation



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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.

The full and correct academic citation for this paper is:

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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](#).

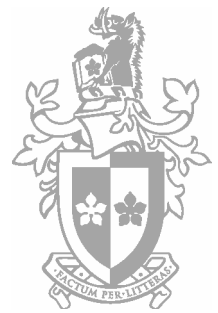
Key Words: Motivation, Opportunity, Necessity, Independence

Aim of this paper: To explore the factors motivating various aspects of Australian business ownership and entrepreneurship within the limits prescribed by the data available in the 2005 GEM Australia national population survey.

MOTIVATION RATES

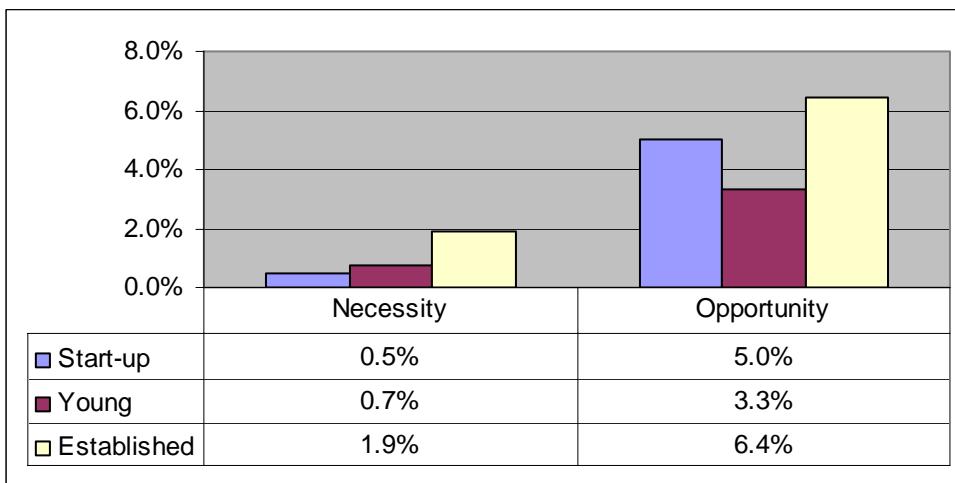
Historically GEM Australia has always provided a comparison of necessity and opportunity motivated business ownership. 'Necessity' describes those who opt for business ownership due to a need for income and the lack of alternative sources of work. Business owners motivated by opportunity on the other hand are those who do not have to start a business due to lack of alternate employment opportunities. They start the business because they perceive a business opportunity that they believe can be exploited to their economic advantage.

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.



Australia, as evidenced in past GEM reports, has always retained a high proportion of opportunity motivated business owners and 2005 was no different. Figure 1 shows the split between the claims of necessity or opportunity motivations by participants in each stage of business ownership and it can be seen that Start-up business owners are more likely - by a factor of 10 - to report opportunity motivation rather than necessity whereas the older the business becomes the less, proportionally, does opportunity motivation prevail. For established business owners opportunity motivation is cited only 3.4 times more often than necessity.

Figure 1 – Comparisons of Necessity and Opportunity Motivations



An analysis in the GEM Australia 2004 report showed marked differences in attitude between Start-up and later stage business owners across a wide variety of measures. For instance Start-up participants were more frequently optimistic about the strength of the opportunity on indicators of innovation – that is newness of technology and product and difference to competitors – than either Young and Established business owners (Hindle & O'Connor 2005). This widespread sanguinity about so many aspects of the intended business may tend to explain why Start-up business owners perceive their new venture more often as an opportunity.

Figure 2 reveals the trends since 2001 on the opportunity and necessity measures for the early-stage participants, (people engaged in Start-up and Young businesses) including the ratios of opportunity to necessity occurring in each year. In the 2004 Australian GEM report we raised concerns about a declining ratio where the figure for the year dipped below that of 2002. This situation was reversed in 2005. 2005 now contains the highest ratio of opportunity to necessity entrepreneurship of all six years of GEM Australia research and places Australia among the top ten nations in international comparisons of this measure².

² Refer to the Global Executive report for more detail on international comparisons.



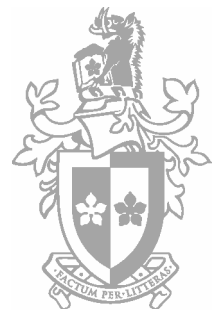
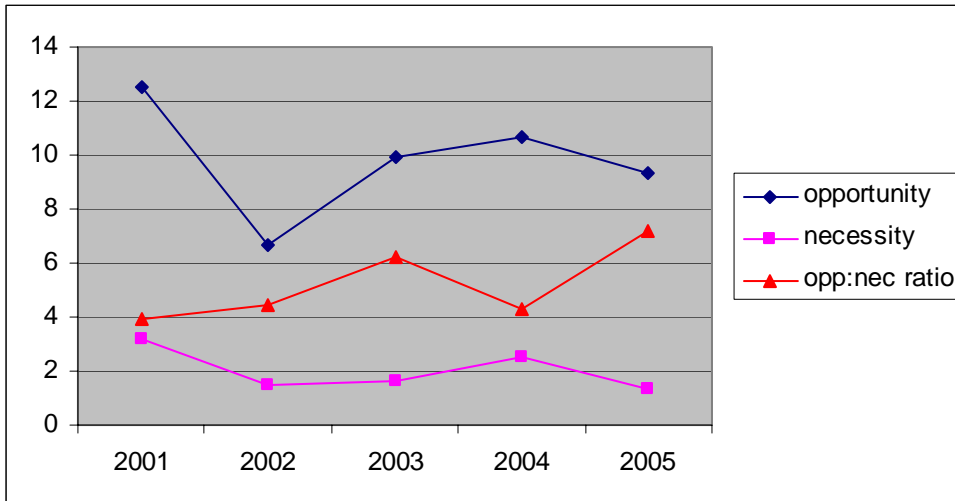


Figure 2 – Longitudinal Trends in Opportunity and Necessity Motivations



So, with respect to the motivation to engage in self-employment, the substantial majority of Australian business owners are motivated by the perception of opportunity. To explore this situation a little deeper in the 2005 national population survey, two further questions were introduced. They were posed to those who were unambiguous about an opportunity motivation. The first question asked the respondents which of three motives they felt was more important for their personal motivation to start a business. Was it: greater independence; an increase in personal income; or maintenance of their income. The second new question asked which of two drivers had primacy (i.e. was 'more important' or 'came first') as a motivation to engage in business ownership. Was it: the business idea (i.e. the particular nature of the venture) or the desire to start a business (irrespective of the particular nature of the venture). This question contained an option to nominate both motives as of equal importance. These questions help to clarify the type of opportunity motivation that is expressed by Australian business owners; is it an intrinsic desire or perception of favourable external conditions? Unfortunately in the analysis of these questions it was found that the numbers of respondents with an unambiguous response were insufficient to obtain statistically significant comparisons. However, a suggestive implication can be drawn from the percentage of responses in the different categories that can be further explored in future years.

Figure 3 reveals the responses to the 'first motivation' clarifying question. Most business owners suggested that seeking independence was their main motivation. Caution is indicated in interpreting this result as it may be that, given the choices between nominating independence and making reference to income, that at least a proportion of respondents might have been reluctant to cite a motivation to increase income because they may have felt that this carried negative connotations. However, it seems reasonably safe to conclude that independence is a more important motive than income for starting and operating one's own business in Australia in 2005.

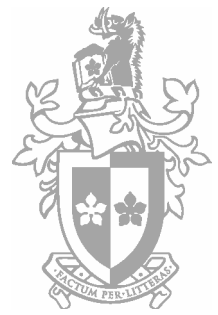
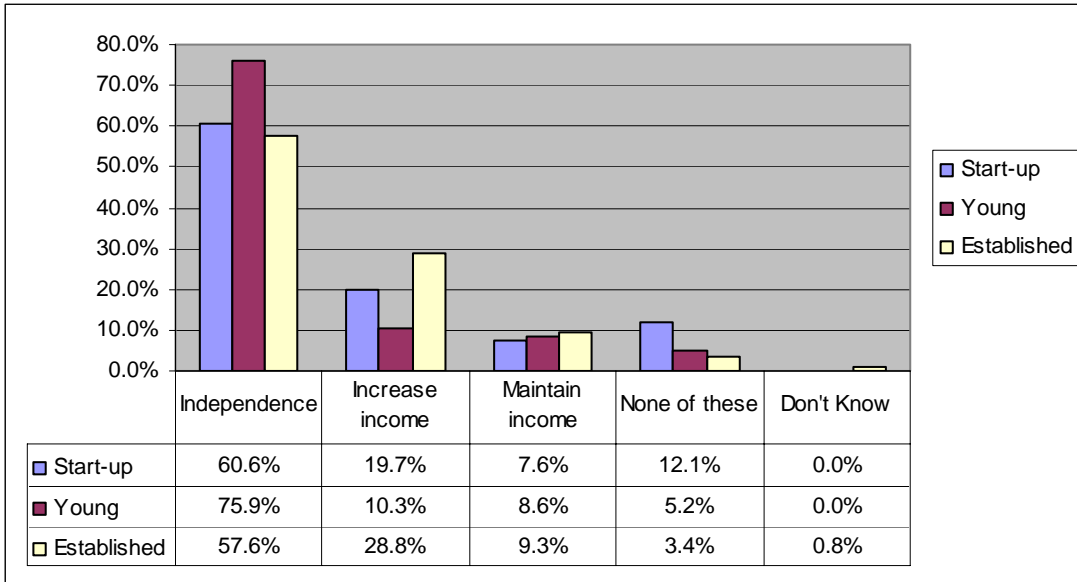
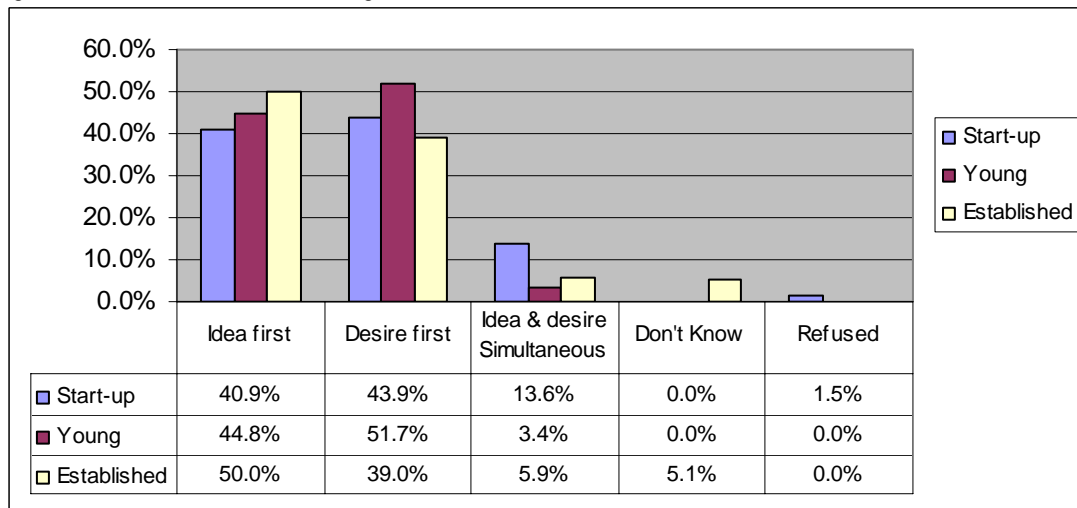


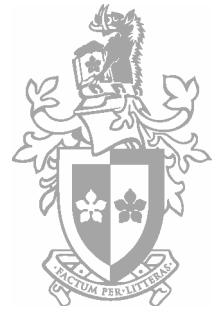
Figure 3 – Type of Motivations in Stages of Business



The responses to the subsequent motivation clarifying question are given in Figure 4 and it shows that there is little difference in the numbers of respondents who suggest whether the *specific* business idea or a *general* desire to be in business for oneself came first. Here it might be concluded that these two items act co-dependently and it may be that identifying an idea might lead to the desire to start a business and similarly holding a desire may lead to discovering an idea.

Figure 4 – Source of Motivations in Stages of Business





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