

# **Entrepreneurship:** **Global Scope and Implications**

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# Why care about entrepreneurship?

## New work organizations:

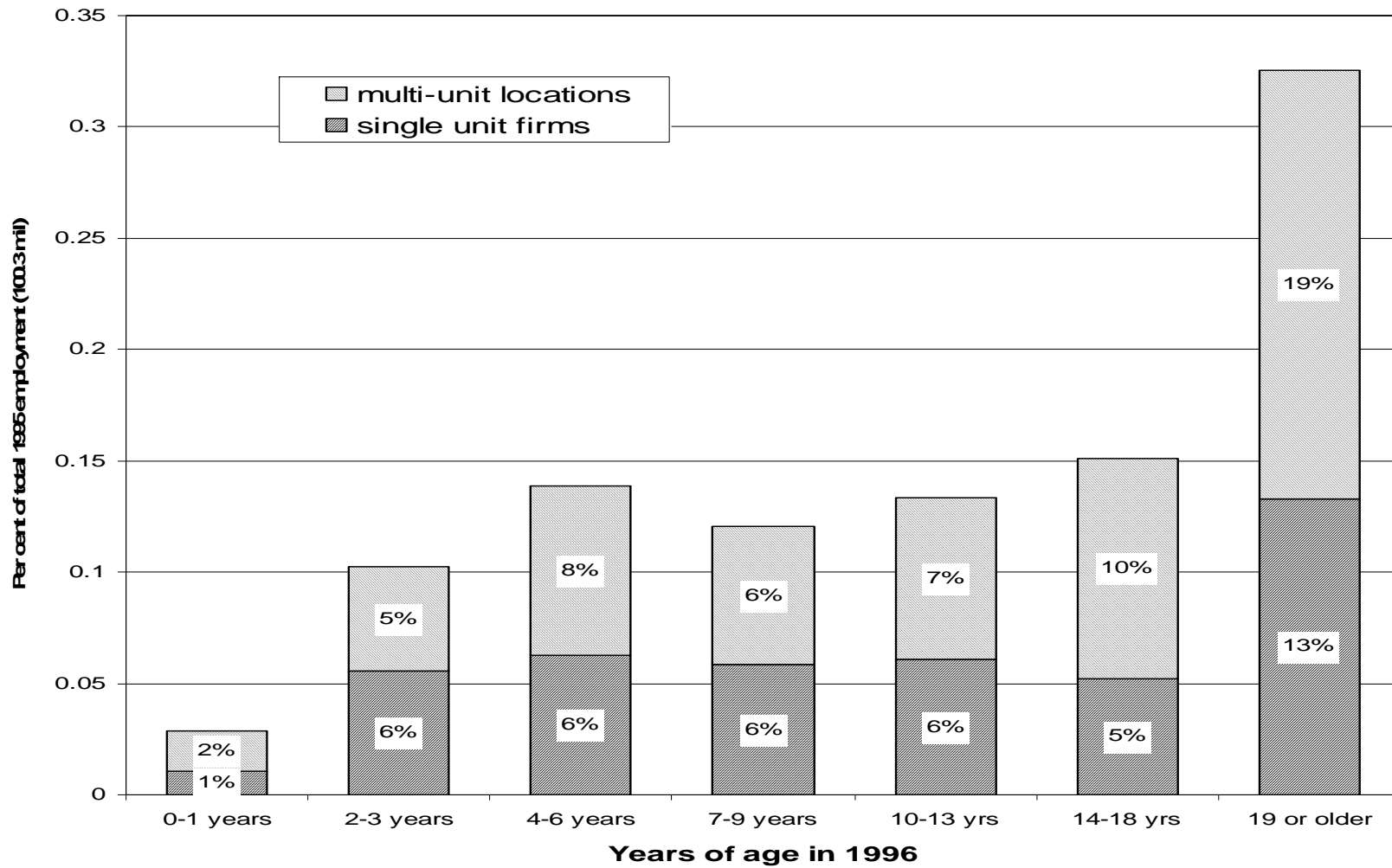
- Major sources of new job creation
- Major sources of productivity enhancements
- Major source of adaptation and change in the economy

## Major life course option for people.

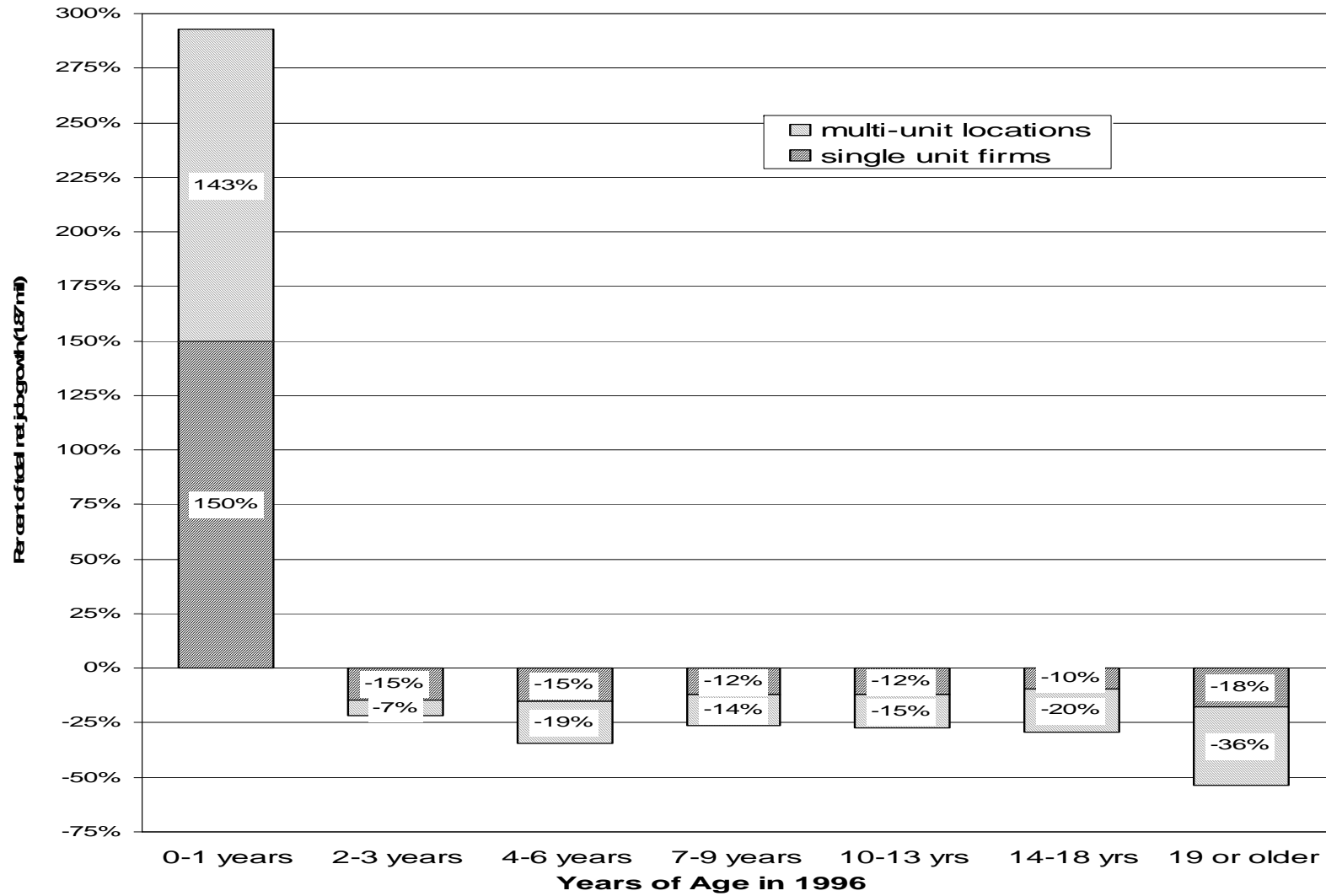
- Half of US adults have “firm startup effort” during work career
- One in twenty working adults in Germany
  - 2.7 million among those 18-64 years of age
- Major source of upward social mobility
- About 500 million participating worldwide

**Entrepreneurship is Good for any Country!**

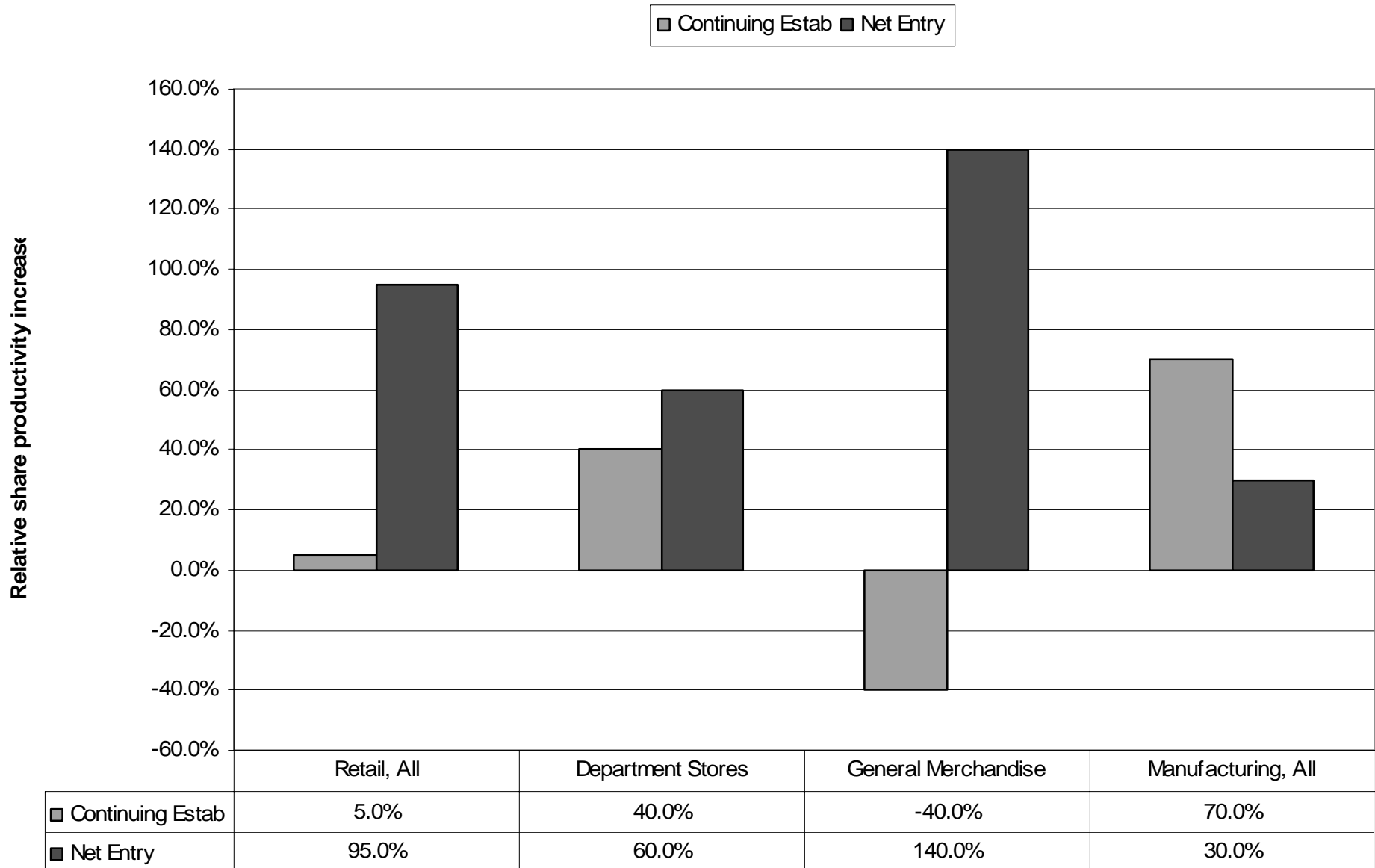
## Distributions of U.S. 1995 Employment by Age and Type of Establishment (Acs & Armington, 2000)



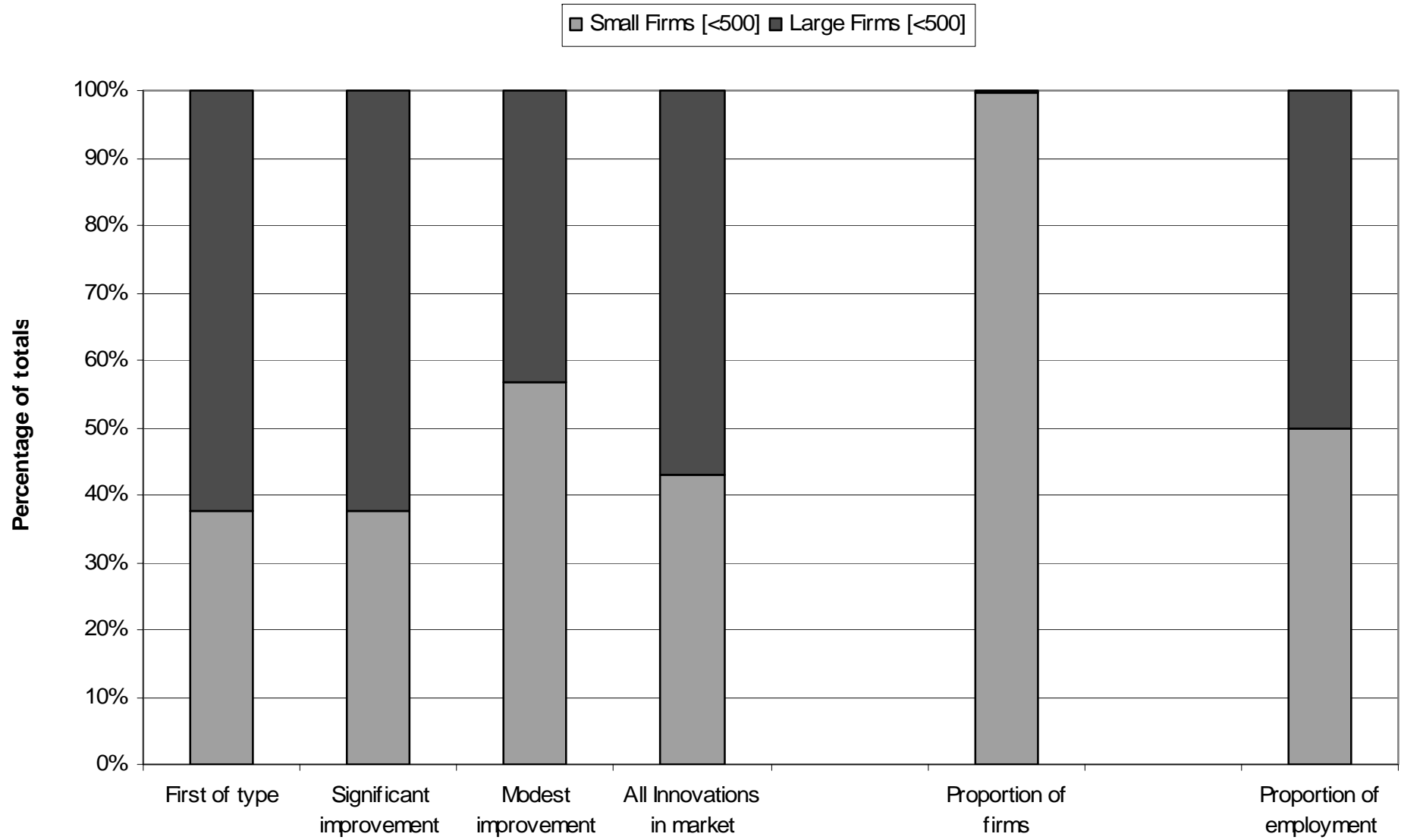
**1995-96 Net U.S. Job Growth by Age and Type of Establishment  
(Acs and Armington, 2000)**



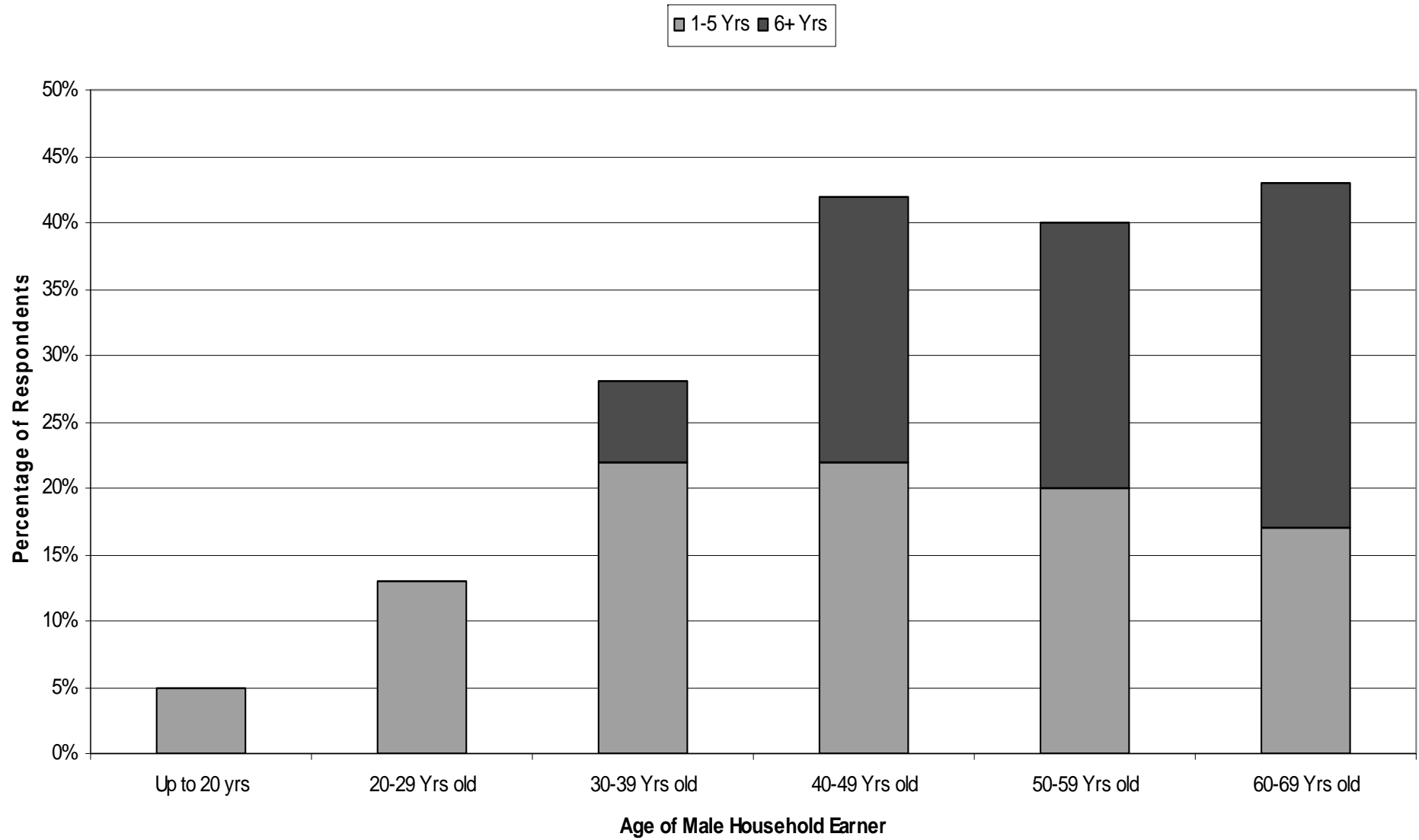
### Sources of Sector Productivity Gains (10 year period)



# Innovation in the Market by Firm Size: US 1982



### Prevalence and Duration of Self-Employment: US Men



# What is national entrepreneurship?

## People Creating New Firms

- Start-up phase, before firm operational
- Young firm, up to 3.5 yrs old
- Some innovative and growth oriented, most are not

## How to measure

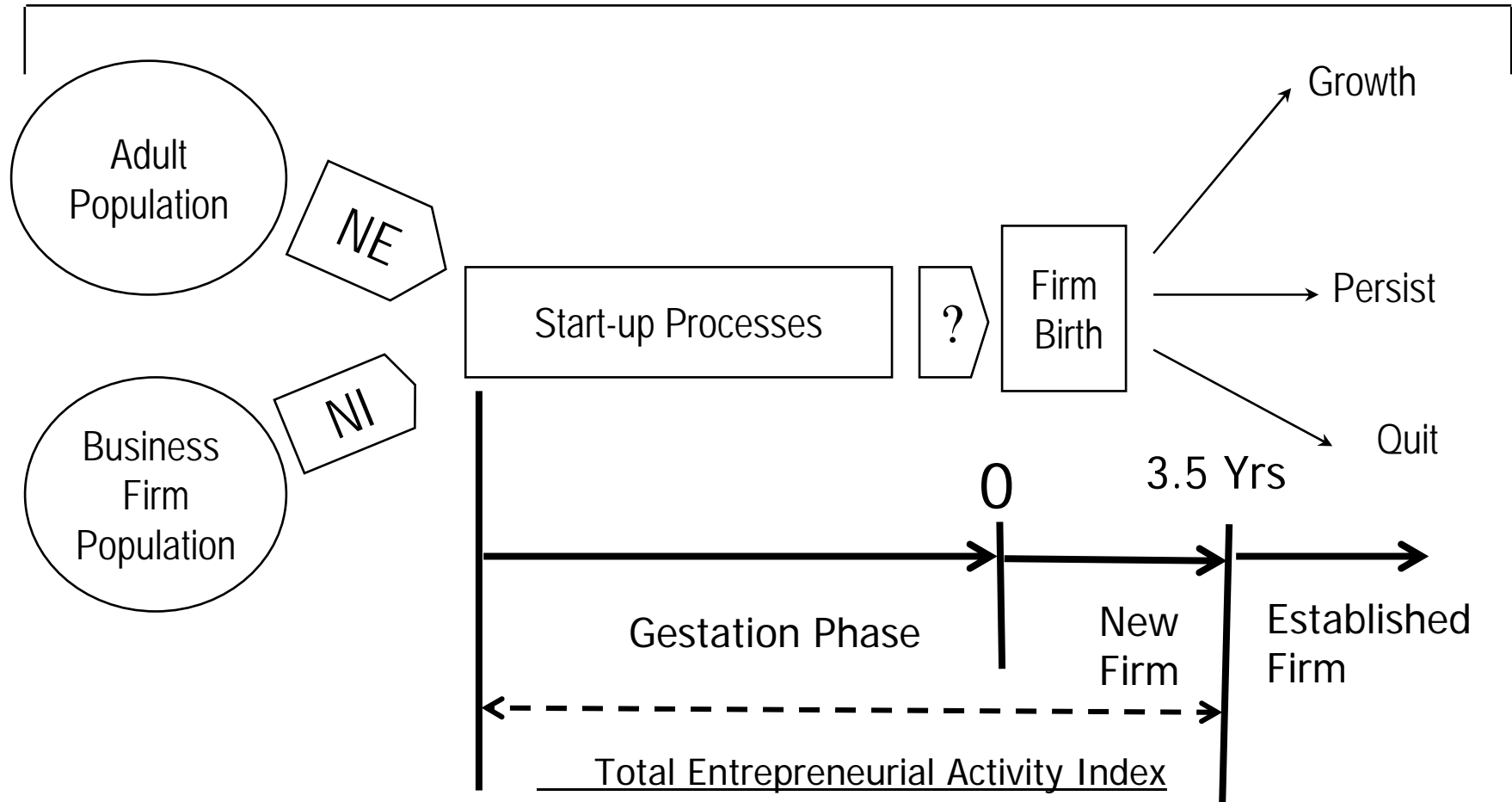
- Surveys of representative samples of the adult population
- Identify prevalence of those active in new firm creation

## Borrowed from the Panel Study of Entrepreneurial Dynamics

- Research Program developed by the Entrepreneurial Research Consortium [<http://www.psed.isr.umich.edu/>]
- Focuses on tracking success of nascent entrepreneurs

# The Entrepreneurial Process

## Social, Political, Economic, Sector Context

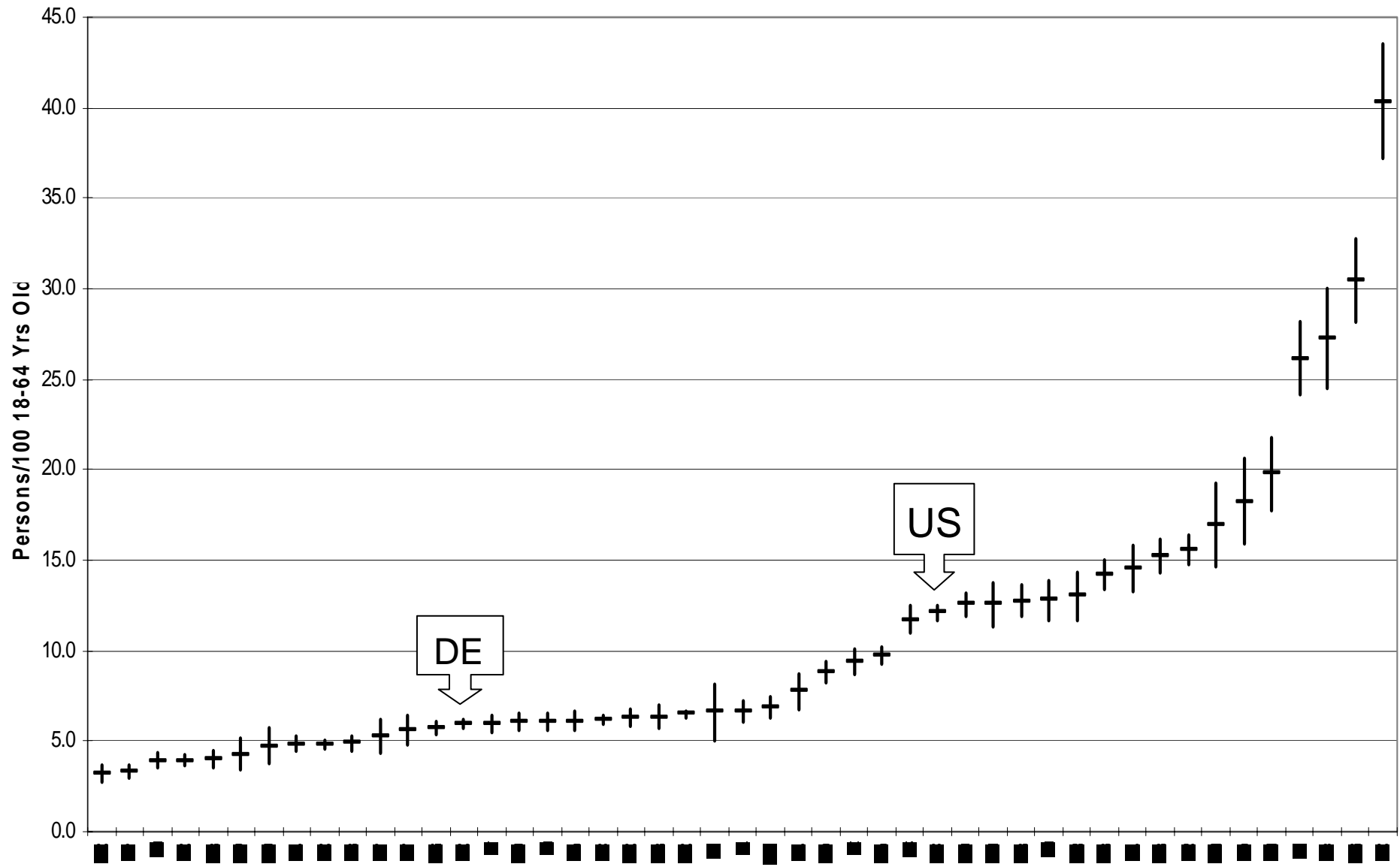


NE = Nascent Entrepreneur; NI = Nascent Intrapreneur

# Total Entrepreneurial Activity [TEA] Index

- Based on survey of adults in the population
- Locate those entrepreneurially active
- Count those in start up process
  - Active, will own, no salary/wage payments for over 3 months
- Count those owning/managing a new firm
  - Active, do own, salary/wage payments 3-42 months
- Add them together for TEA index
  - Count once if person doing both, as 6% are
- High correlations with other measures of activity
  - Men, women, high growth, high technology, etc.

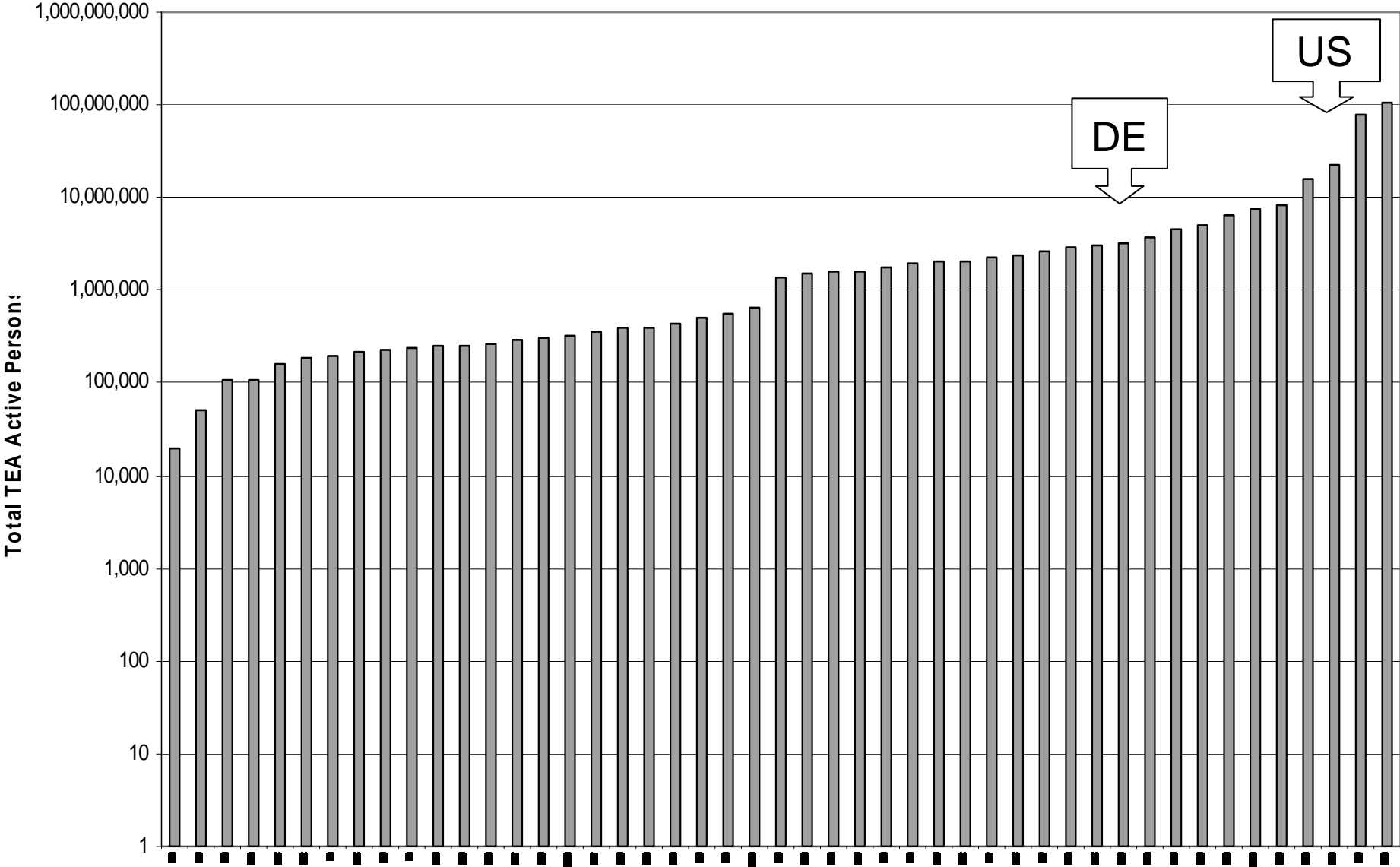
# Total Entrepreneurial Activity: 2000-2005



# National Consequences

- Scope of Activity
- Contributions to the Job Pool
- Entrepreneurship and National Economic Growth

Total Entrepreneurially Active in 2003: 47 Countries



# Opportunity vs. Necessity

## Are you involved

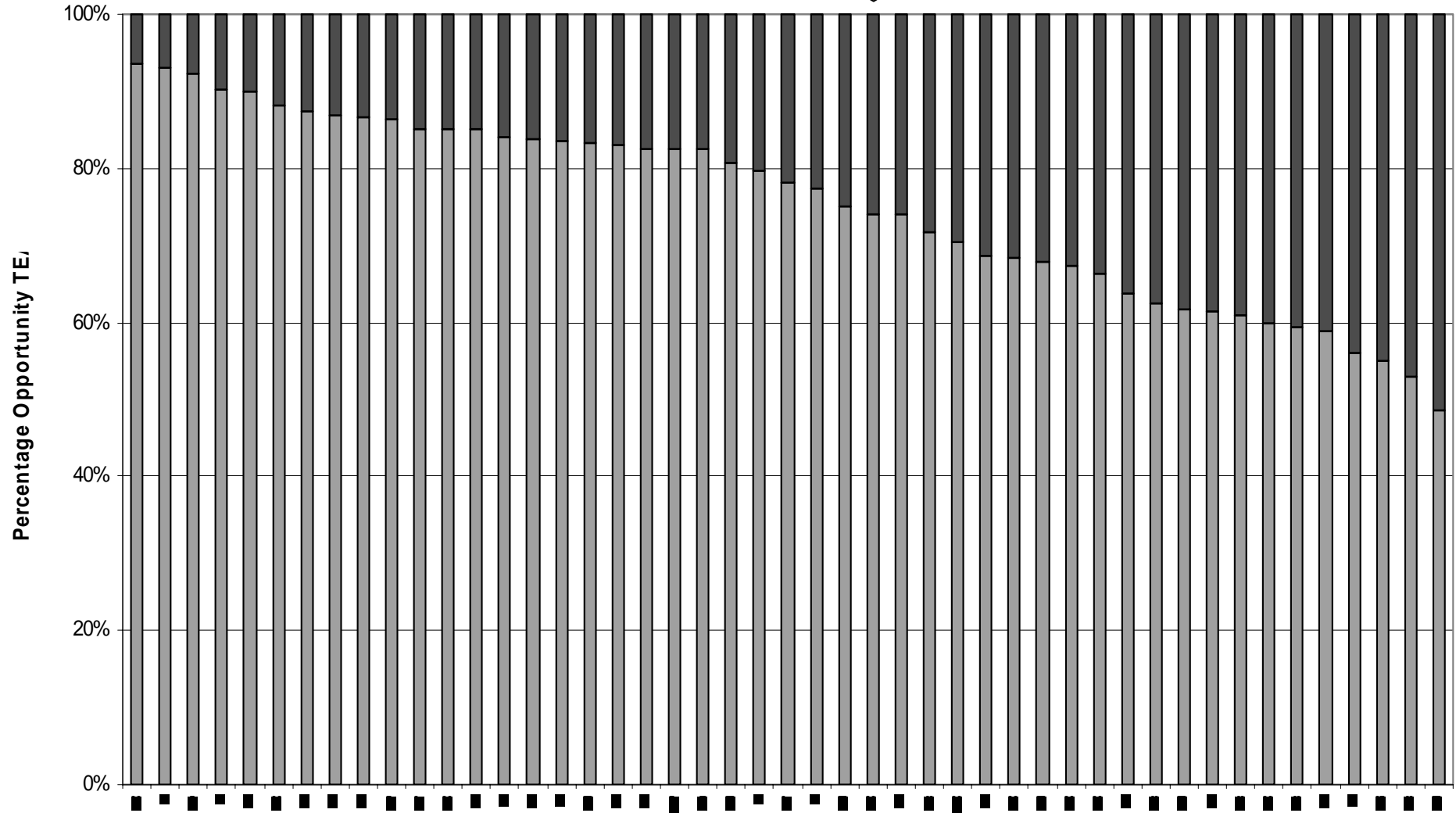
- To take advantage of a business opportunity or
- Because you have no better choices for work?

**Willing volunteers or draftees?**

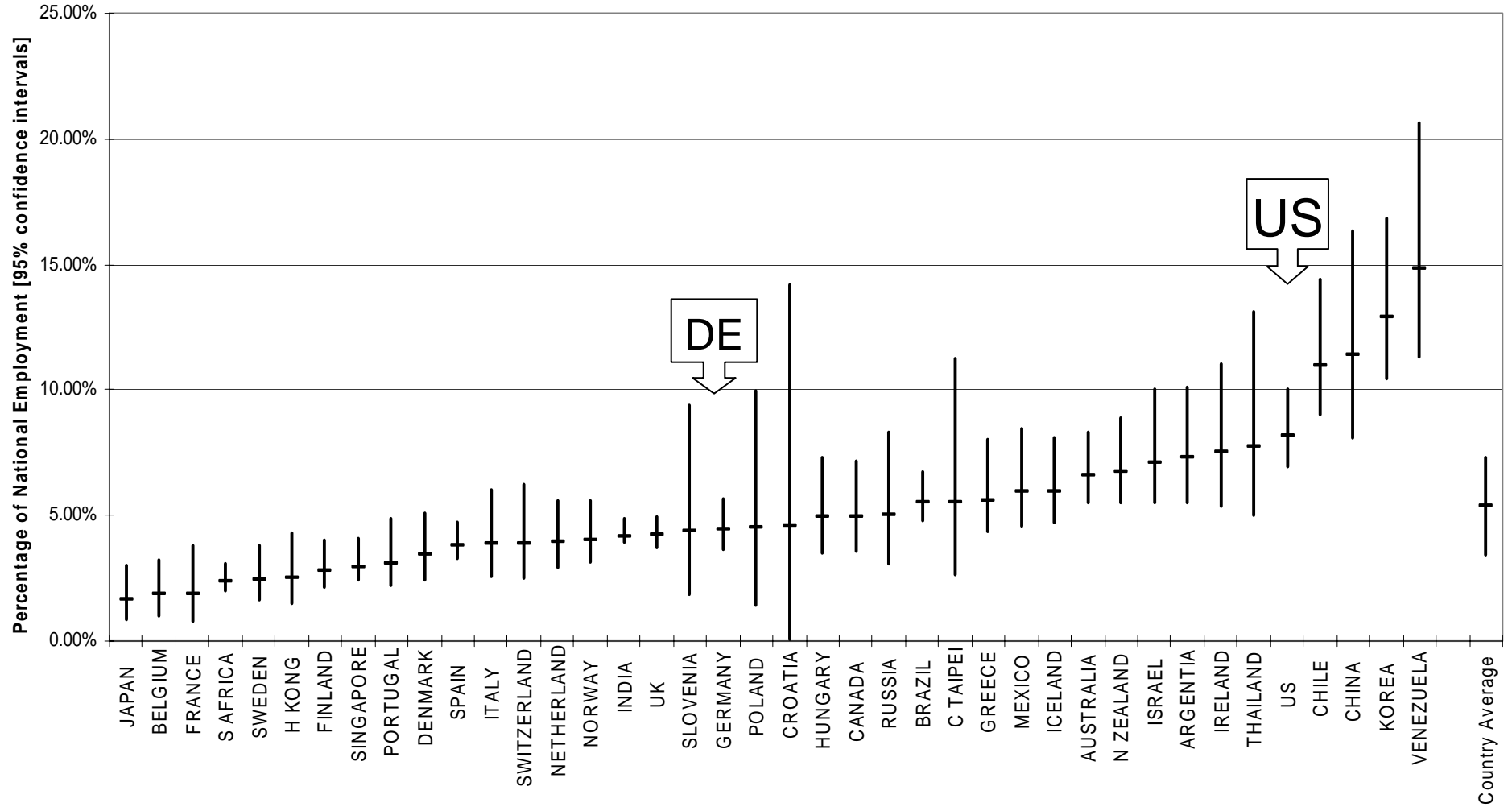
Relative Motivations: 47 Countries 2001-2005

US

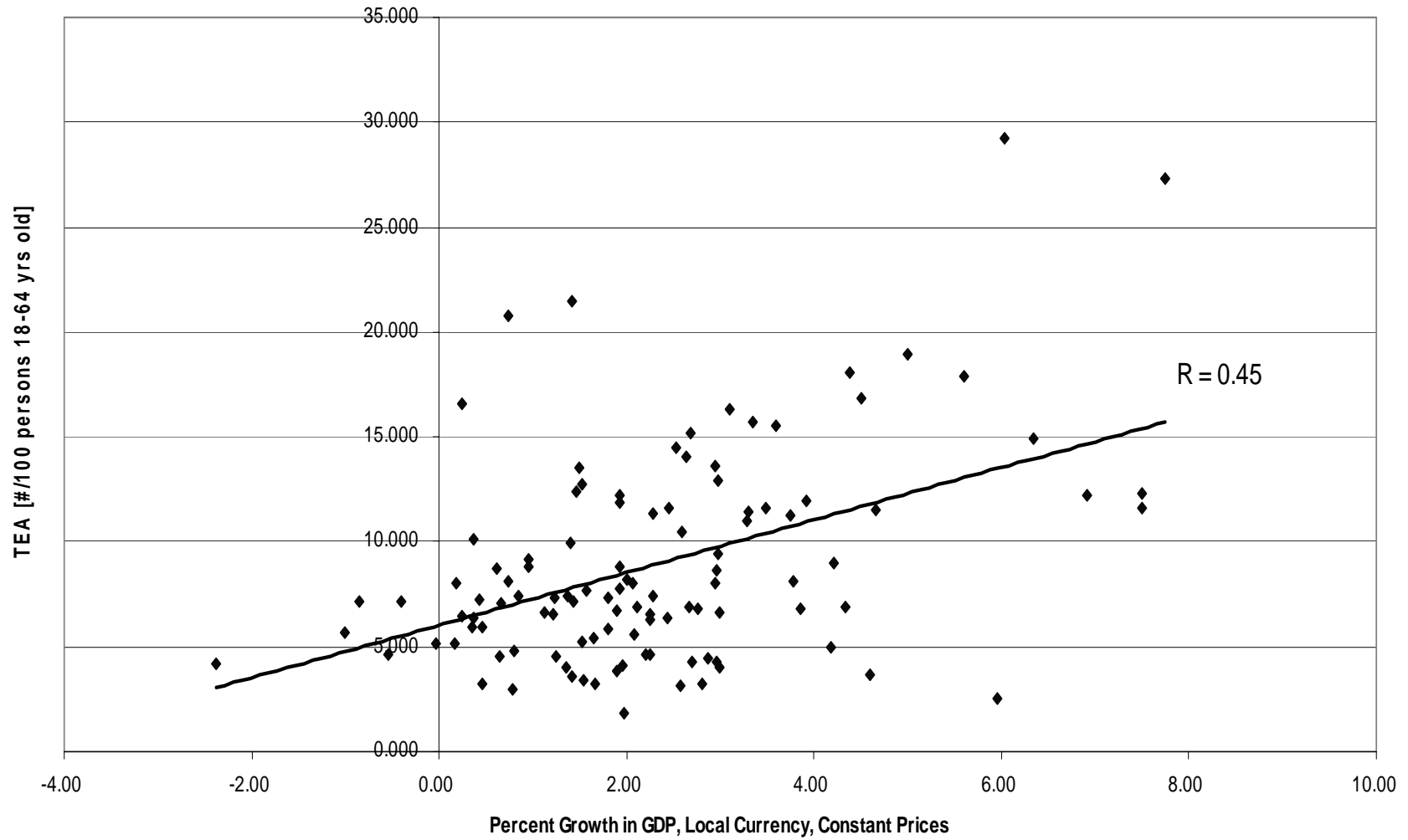
Opportunity TEA ■ N DE A



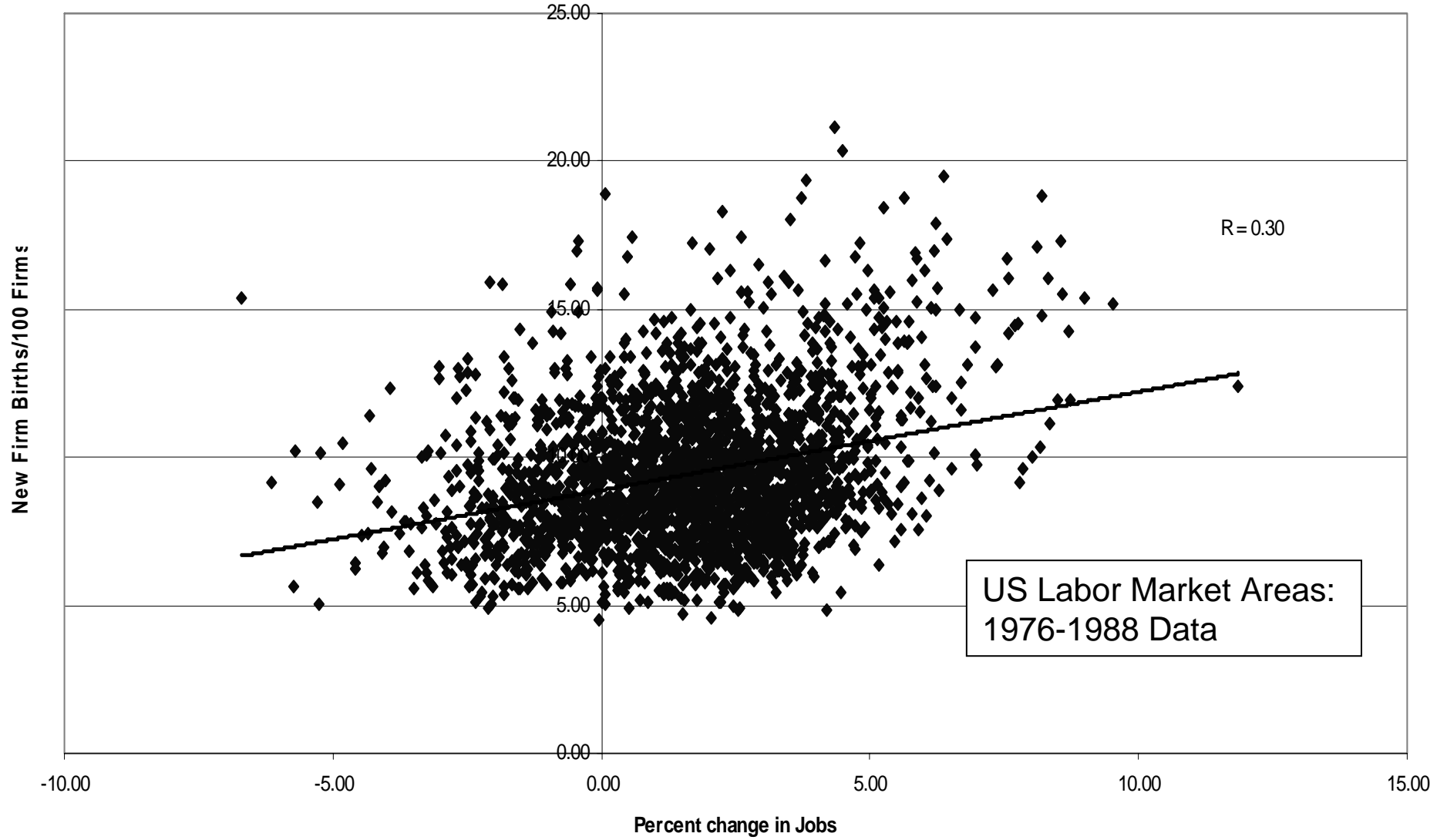
### Annual Contribution of New Firms to Current Job Pool: 2002



TEA Rates and National Economic Growth: 1 Year Lag [Pooled data]



### New Firms Births and Job Changes: Two year lag



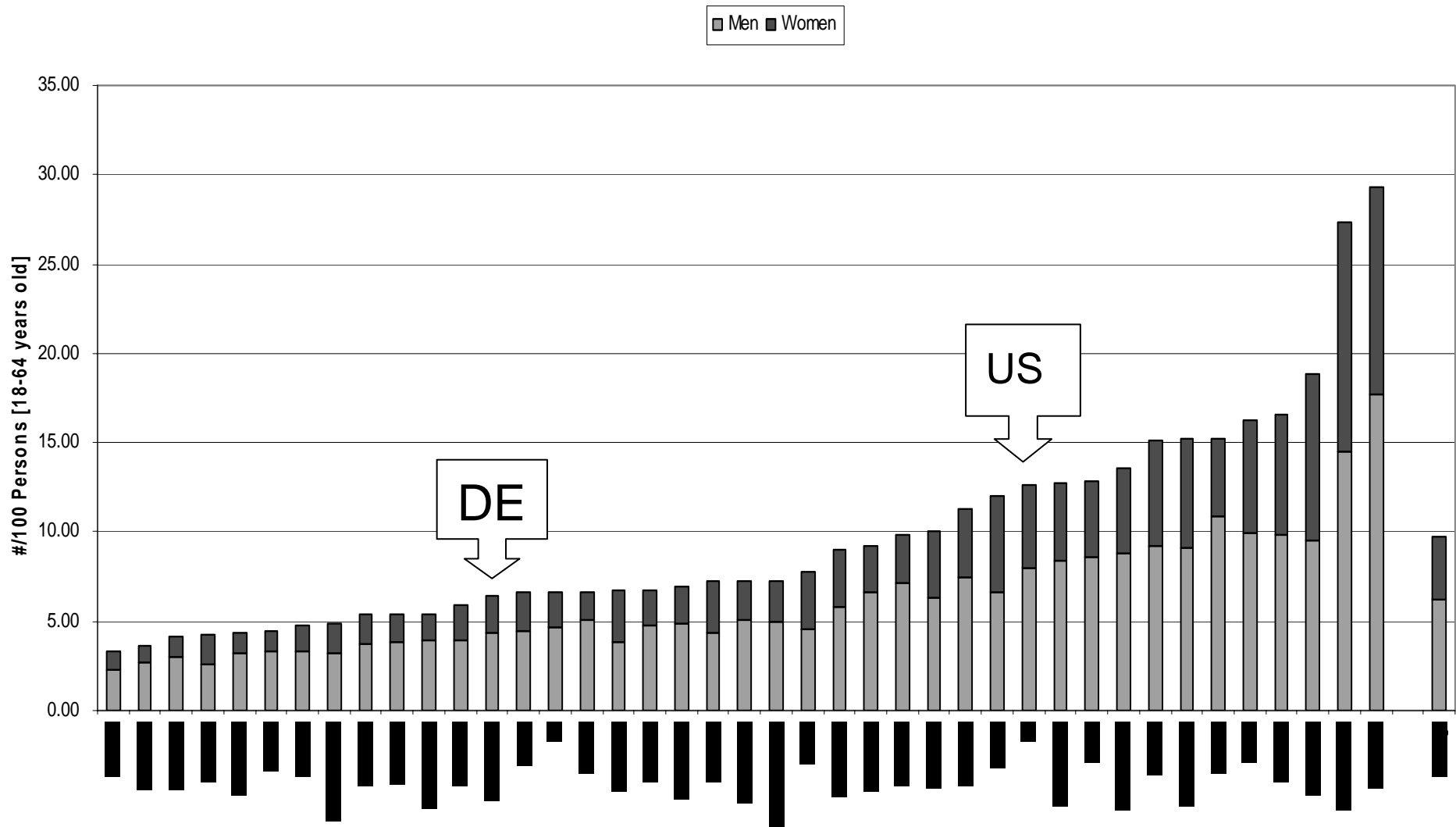
# Conclude

More entrepreneurship is better than  
less entrepreneurship!

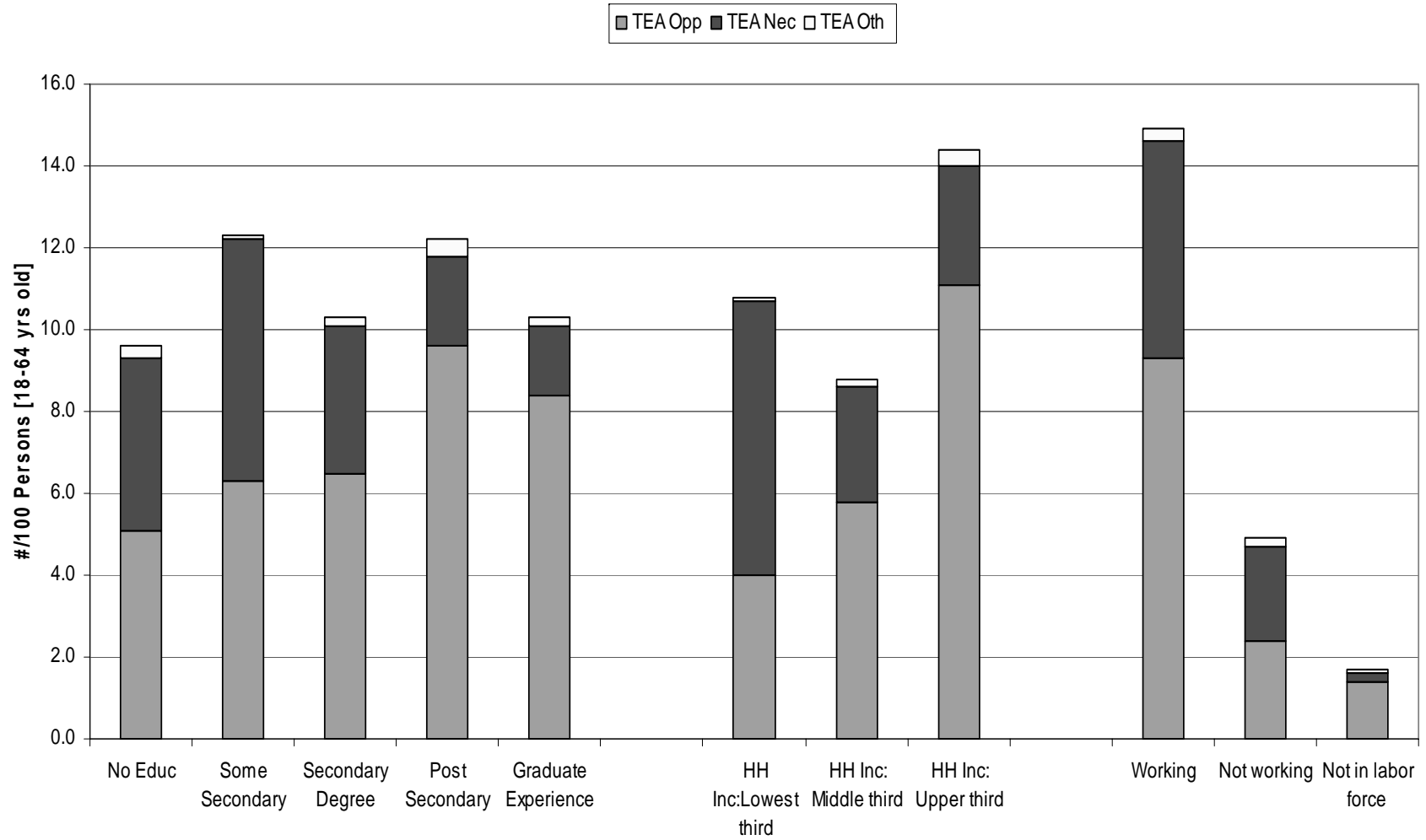
# How to get more!

- Not much impact from
  - Less “barriers to entry”
  - More venture capital
  - Political speeches
- Some impact from
  - Background and experience
  - Confidence in capacity
  - Personal context
  - Cultural support

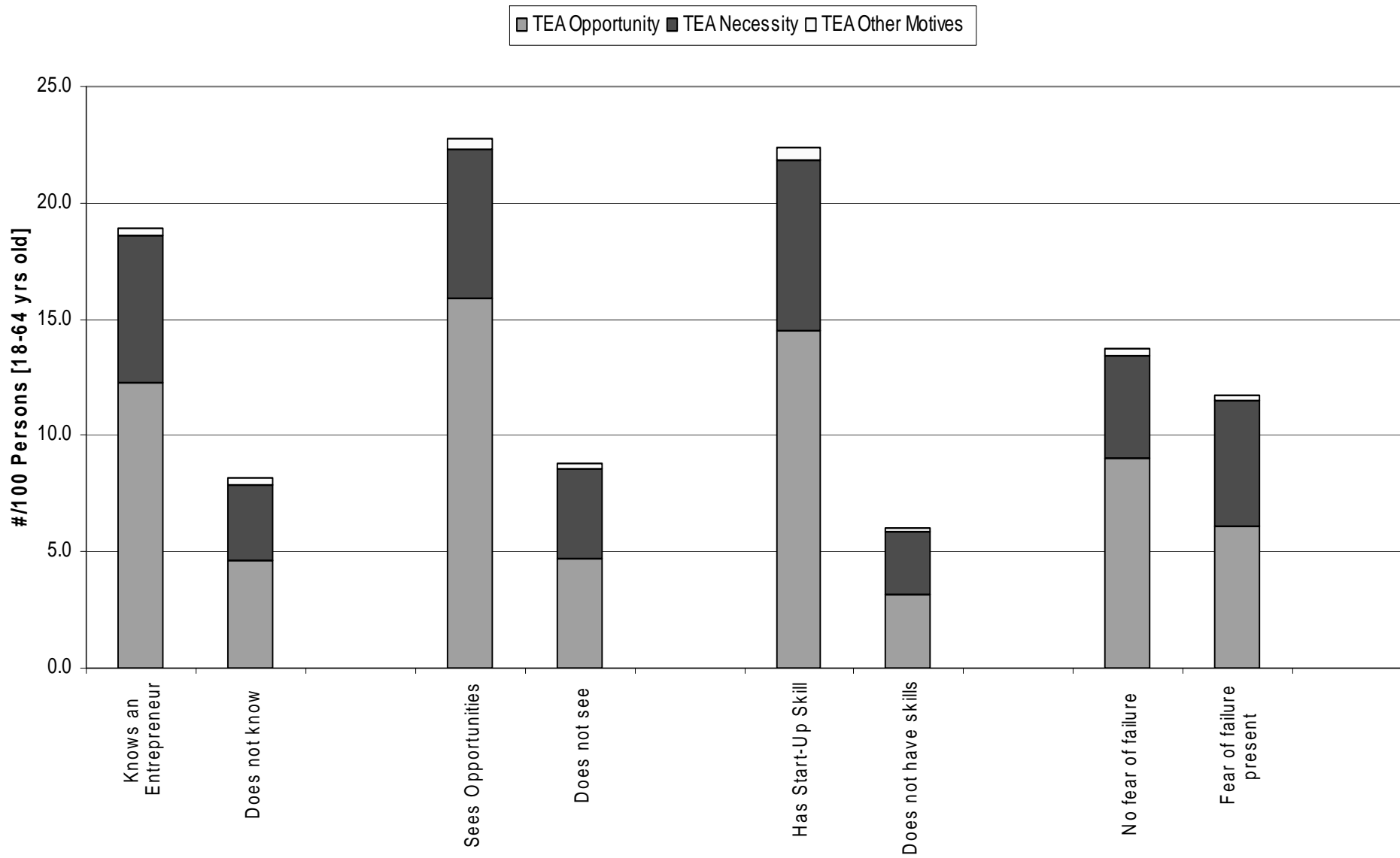
### TEA Businesses by Gender of Nascent Entrepreneur: 2000-2003



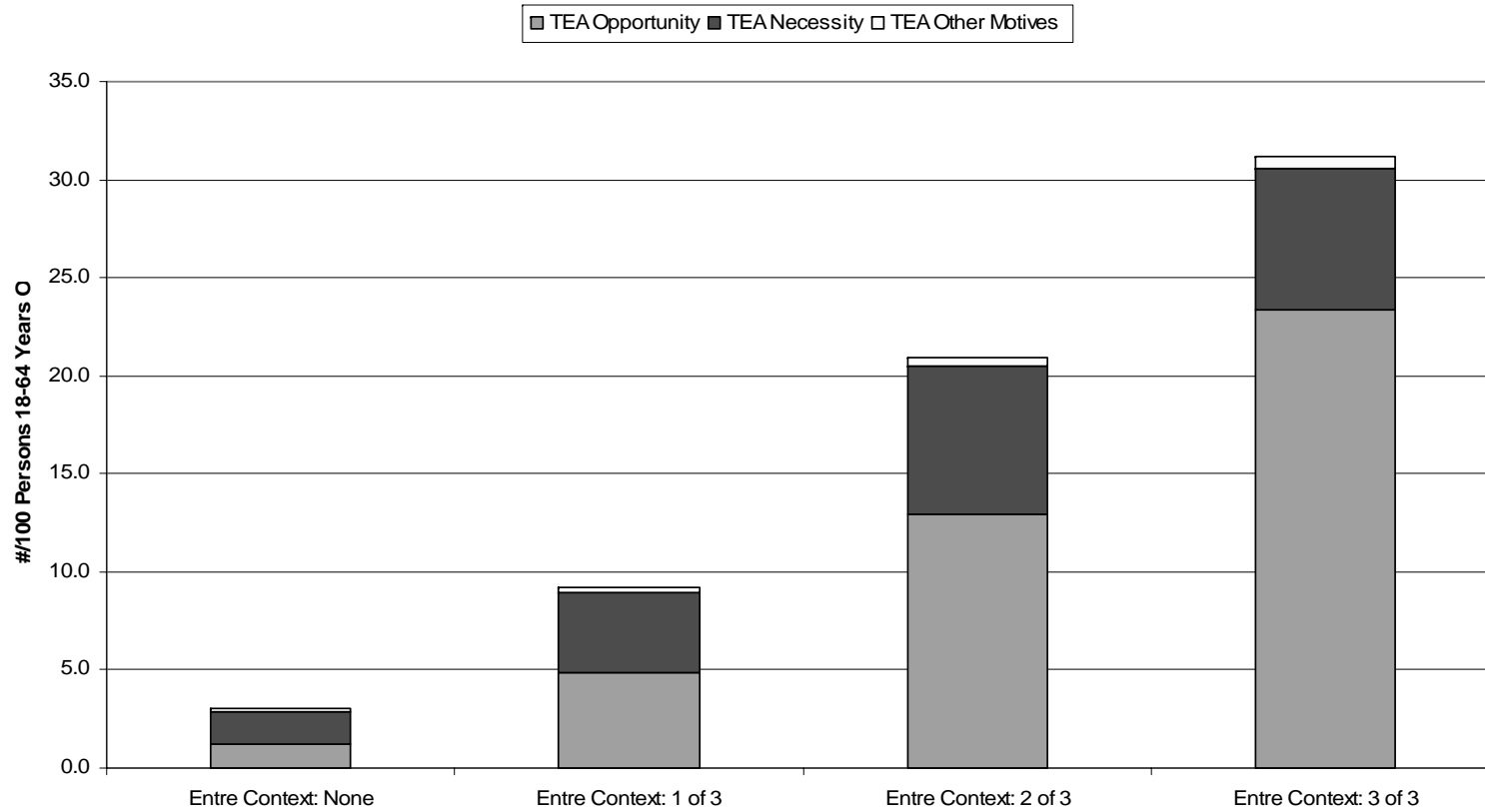
### Education, HH Income, and Labor Force Participation and TEA Rates



## Entrepreneurial Context and Pariticipation in Start-ups [TEA Rates]

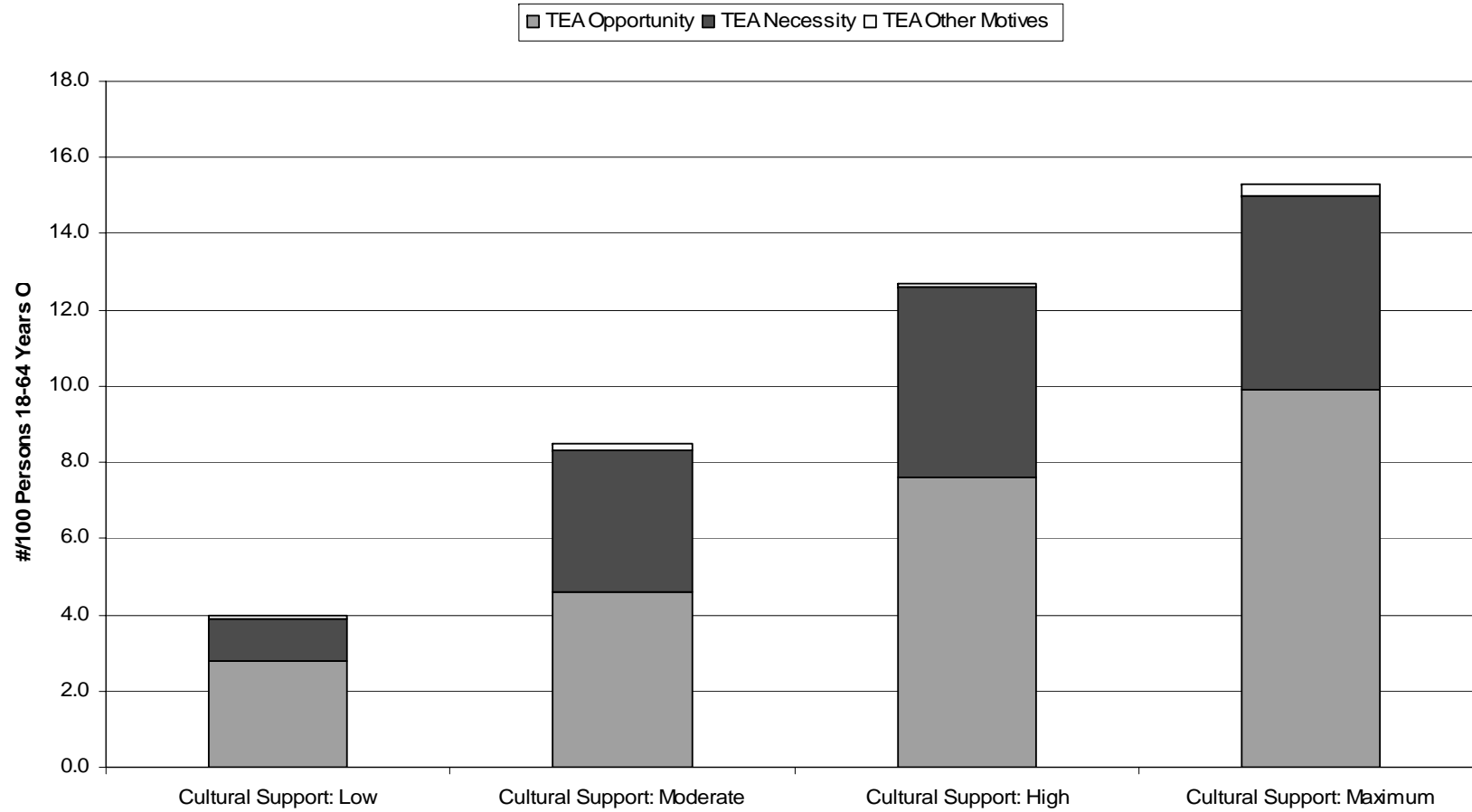


### Entrepreneurial Context Index and TEA Rates



Context reflects positive response to: Knowing an entrepreneur, perception of an opportunity, or having skill to do start-up.

### Entrepreneurial Cultural Support Index and TEA Rates



Cultural support reflects positive responses to the perception that: in their country: 1) starting a new business a desirable career choice, 2) successful entrepreneurs have status and respect, and 3) the media have stories about successful new businesses.

# Implications for Entrepreneurial Centers

- Importance of Entrepreneurship
  - Massive Participation
  - Source of jobs
  - New firms source of sector productivity improvements
  - Relationship to national economic growth
  - Market changing start-ups rare
    - Need a lot to get those few that will have big impact
- Impact of confidence in skill and ability
  - Single most powerful factor affecting participation
  - Almost as powerful as age and gender in effecting participation
- **WHO ELSE IS BETTER EQUIPPED TO DEVELOP ENTREPRENEURIAL TRAINING PROGRAMS AT ALL LEVELS IN THE EDUCATIONAL SYSTEM**