

DO YOUNG PEOPLE HAVE DIFFERENT MOTIVATIONS FROM OLDER PEOPLE FOR STARTING A BUSINESS?

The APS asks about levels of agreement with different motivations for starting businesses, providing options for respondents. Levels of agreement with the motive “to make a difference in the world” were especially high in low-income (Level C) economies. This may seem counter-intuitive, but low-income economies often experience the worst effects of global challenges, such as the pandemic, climate change, loss of biodiversity and pollution. When confronted so

directly with such effects in their everyday lives, entrepreneurs may be more motivated to look for solutions. However, there are generational, as well as income-level, differences in motivations. Younger people are more likely than older people to agree with the motive “to make a difference in the world”, and older people in turn are more likely to agree with the motive “to earn a living because jobs are scarce”. This motive is the dominant one across most economies outside Europe.

ARE PEOPLE EXITING THEIR BUSINESSES BECAUSE OF THE CORONAVIRUS PANDEMIC?

Despite the pandemic, in three-quarters of GEM economies less than one in 10 adults have exited a business in the past year, with just three economies (Poland, Egypt and Oman) in which the level of exits exceeded the level of startups. However, there are also 12 economies in which the main reason given for a third or more of those exiting a business

in the past 12 months was the pandemic.

There are also more positive reasons to exit a business, such as getting a job offer or another business opportunity. These types of reasons were cited by more than a quarter of those exiting a business in 11 of the 47 economies, none of which are classed as low-income.

WHERE ARE THE MOST SUPPORTIVE PLACES TO START A BUSINESS?

GEM’s National Expert Survey (NES) results are presented in Part 2 of this report, as are Economy Profiles which give a brief overview of both APS and NES results for each country. The GEM National Reports that will become available throughout 2022 will provide in-depth analysis on the results of the APS and NES for each and every participating economy.

GEM defines a number of Entrepreneurial Framework Conditions (EFCs), many of which are the direct responsibility of the government in each country. Yet these are consistently given low scores by national experts, as reflected in the spider graphs provided in Part 2 of this report. This is especially (and consistently over the years) true of the framework condition related to “Entrepreneurial Education in Schools”, typically rated lowest of all the EFCs. Few if any experts would disagree that improvements in entrepreneurial education in schools could significantly improve the entrepreneurial environment of most economies.

In 2021, of the 47 GEM-participating economies, national expert assessments suggest that the United Arab Emirates has the most supportive environment for entrepreneurship and Sudan the least supportive, with many degrees of supportiveness in between. The United Arab Emirates has the highest total score by a clear margin, having improved in 11 of the 13 framework conditions since 2020, and scoring highest of all 47 economies in four of them. The United Arab Emirates is the only economy to have scored as sufficient or more for all framework conditions. These changes are the direct result of policy adjustments that have moved increasingly to promoting business conditions for entrepreneurs.

Finally, and to sum up, based on the research results underpinning this GEM Global Report, an evidence-based program to foster and enhance economic recovery could include the following:

- Support for household income, particularly in poorer economies;

- Actions — including reducing exit costs and focusing more media attention on successful entrepreneurs with previous failures — to overcome or limit the fear of failure that constrains levels of new business activity in too many economies;
- Additional support, not only for existing but also for new businesses during crises such as the pandemic, at times when conditions are typically not optimal for starting businesses;
- More support for women and older people to start their businesses and become entrepreneurs, thus increasing and strengthening the national entrepreneurship base while reducing pressure on social support systems and maintaining social harmony;
- Encouragement for new — but especially established — businesses to use more digital technology to market and sell their products or services;
- Across all income groups, encouragement of entry of differentiated products into business services sectors, to maximize growth opportunities and competitiveness in the marketplace.

Successful entrepreneurship can both drive economic recovery and meet the ambitions of talented and creative individuals across all economies. Unleashing this potential offers a much better route forward as we hopefully leave the ongoing pandemic behind us once and for all.

NOTE

Each of the 50 GEM National Teams will produce their own National Report subsequent to this Global Report, delving into country-specific impacts and policy alternatives in far more detail than is possible here. Policymakers with interest in specific economies among the GEM participants should contact the relevant GEM National Team, details of which are provided in the Economy Profiles in Part 2 of this Global Report.

Key Thoughts for Policymakers from the GEM 2021/2022 Global Report Authors

It is difficult to make informed decisions without having the right data. GEM fills this void for policymakers. GEM is the only global research source that collects data on entrepreneurship directly from the source — entrepreneurs! Policymakers can take action based on GEM data to help their respective entrepreneurial ecosystems to thrive. Based on this year’s research, the GEM 2021/2022 Global Report authorship team shared some key insights for policymakers.



“Supported by our 22 years of studies, at GEM we are convinced that policymakers should know much more about the real difficulties that confront entrepreneurs. If one isn’t an entrepreneur, it is difficult to appreciate all the aspects involved in setting a business idea in motion. From accessing finance to location and services, from dealing with taxes and regulations, to relying on wider society for both its support and its response, so much of it represents a challenge to be overcome. Policymakers in all countries need to address the realities faced by entrepreneurs and establish measures that facilitate entrepreneurial activity. In 2021, hardly any countries fared well in an evaluation of the main environmental factors that foster entrepreneurial activity.”

Dr Alicia Coduras, GEM Global and GEM Saudi Arabia



“The Global GEM Report constitutes a unique window into the dynamic and turbulent world of entrepreneurs, who create new employment opportunities for many workers across the globe. It also helps us understand how each nation’s entrepreneurial ecosystem has evolved and how entrepreneurs have created, or sustained, or wound down their initiatives in a particular year. The GEM Global Report has taken on new significance during the pandemic, given the severe new governmental restrictions on social interaction which have contributed to the disruption of economic activity and the modification of business models in many industries. This year’s GEM Report motivates us to rethink strategies and support instruments for promoting entrepreneurship.”

Dr Maribel Guerrero, Universidad del Desarrollo; GEM Chile



“As I pored over the 2021 GEM Global results, one word kept coming to mind: resilience. When we had to stay home, we didn’t just hide beneath the covers: we baked bread and we made business plans. We looked for face masks and toilet rolls, and we found opportunities. If vaccines protect the health of nations, it is entrepreneurship that will protect the wealth of nations.”

Dr Stephen Hill, Lead Author of the GEM 2021/2022 Global Report



“Every economy is unique and needs to operate within its own entrepreneurial ecosystem. At the same time, there are some principles and best practices that any economy can consider leveraging and adapting to its own context. Reading through the economy profiles, one country that stands out is the Republic of Korea. It is most impressive how this country responded to the pandemic by effectively managing COVID-19 outbreaks, resulting in a sustained high level of entrepreneurial activity throughout the crisis. Spain continued its impressive balance between different types of entrepreneurs, both male and female as well as older and younger entrepreneurs. Also noteworthy is Chile, whose population has built on a recent tradition of confidence in their ability to start businesses, and managed to recover its high TEA rate. I encourage all policymakers to study these examples as well as all the economy profiles. Consider the different actions – both positive and negative – and use that as a guide as you look to enable entrepreneurship to flourish in your communities of interest.”

Dr Aileen Ionescu-Somers, GEM Executive Director



“Globally, there’s still a lot to be done to bridge the gender gap for early-stage entrepreneurial activity. Our results show that youngsters (aged 18–34), as well as graduates, are more likely than non-graduates to start their own businesses. This underscores the need for inculcating skills and abilities in academic syllabi around the identification and generation of opportunities through creativity and innovation.”

Dr Muhammad Azam Roomi, Professor at the Prince Mohammed Bin Salman College of Business and Entrepreneurship; GEM Saudi Arabia



“There is a clear relationship between the level of income and the share of startups in business services (e.g. professional services, communications), with this share typically being much higher in high-income than in low-income economies. Thus, encouraging new startups in differentiated and high-value business services may improve the development path of many low- and middle-income economies. Although there is a high-level entrepreneurial activity in low-income economies, their job creation ambition appears muted, and hence may not easily translate into employment-intensive established businesses in the future. Thus, a focus on training and other forms of business development support is needed in such economies.”

Dr Sreevas Sahasranamam, Chancellor's Fellow in Entrepreneurship, Innovation, and Leadership at the Hunter Centre for Entrepreneurship, University of Strathclyde, Glasgow; GEM UK



“Consistent with crises throughout history, the COVID-19 pandemic crisis surfaced new opportunities for entrepreneurs around the globe. However, despite positive perceptions of the ease of starting a business, self-confidence in their skills and abilities, and other factors, many entrepreneurs were constrained by the fear of failure. Policymakers could allay much of this fear by drawing greater attention to entrepreneurial success stories both large and small and implementing risk-mitigating initiatives that reduce real and perceived impediments for startups.”

Dr Jeffrey P. Shay, Babson College, Professor of Entrepreneurship, Entrepreneurship Division; GEM USA

PART 1

Analysis



What Is GEM?

Stephen Hill and Aileen Ionescu-Somers.

1.1 A BRIEF INTRODUCTION TO GEM

More than two decades ago, academics at Babson College (USA) and London Business School (UK) started a collaborative research project to measure and monitor levels of entrepreneurial activity across different countries. This project, which started with a mere handful of economies, has now become a research organization bearing a name and brand universally recognized by entrepreneurship academics, experts and policymakers around the world: Global Entrepreneurship Monitor (GEM).

This 23rd annual GEM Global Report maintains GEM's unique position as by far the

world's largest and longest-running study of entrepreneurship. It draws comparisons between 50 economies that participated in GEM's 2021 research, during a challenging and turbulent period dominated by a global pandemic of epic proportions.

Such comparisons are only possible because GEM defines entrepreneurial activity in a precise and specific way. For GEM, entrepreneurial activity, or entrepreneurship, is the act of starting and running a new business, i.e. not just thinking about it, or intending to start, but expending resources to get a new business off the ground.

1.2 WHY IS ENTREPRENEURSHIP IMPORTANT?

Starting and running new businesses is a vital process in any dynamic economy. New businesses bring new jobs, increased incomes and added value, often by introducing new ideas, technologies and products to society. The successful new business hastens structural change, harnessing resources to produce the goods and services that people want but, crucially, which they are also prepared to pay for. Of course, not all new businesses grow and prosper. However, failure has proven to be an important part of the business development process, encouraging learning and personal growth for entrepreneurs prepared to pick themselves up, dust themselves off and start again.

Level of entrepreneurial activity is thus an important indicator of the dynamism of an economy.^{3,4} It provides a benchmark for every economy, enabling comparison with others. Consistency in the definition and measurement of the level of entrepreneurial activity allows the evolution of entrepreneurship to be traced over time. This is a characteristic that is especially important in the midst of the turbulence caused by the largest and most pervasive pandemic

in living memory. The coronavirus pandemic has had multiple impacts on entrepreneurship, ranging from stifling or constraining the intentions of entrepreneurs to create businesses, to providing new market opportunities for those nimble and creative enough to respond quickly to changing circumstances. This Global Report will provide ample evidence of the significant and far-reaching impact of the pandemic on entrepreneurial intentions and activity, as well as more detailed impacts on, for example, the use of technology in selling goods and services, or national expert views on the changing economy, such as the impact of working from home and the rise of the gig economy.

Few would deny that the business landscape has changed dramatically in the past two years. Millions of employees and business owners all over the world have adjusted to commuting

³ This report uses the term *economy* rather than *country*, because country status can be contested.

⁴ Decker, R., Haltiwanger, J., Jarmin, R., & Miranda, J. (2014). The role of entrepreneurship in US job creation and economic dynamism. *Journal of Economic Perspectives*, 28(3), 3–24. <https://doi.org/10.1257/jep.28.3.3>