



GEM and its use in policy

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A couple of definitions

- **Entrepreneurs:** the people who act as change agents developing an idea or concept that is innovative (either in the social or the economic space)
- **Entrepreneurship:** the process by which entrepreneurs innovate and commercialise their ideas in the interests of creating wealth (socially or economically)
- **Vital distinction when formulating policy:** you need entrepreneurs to have entrepreneurship.

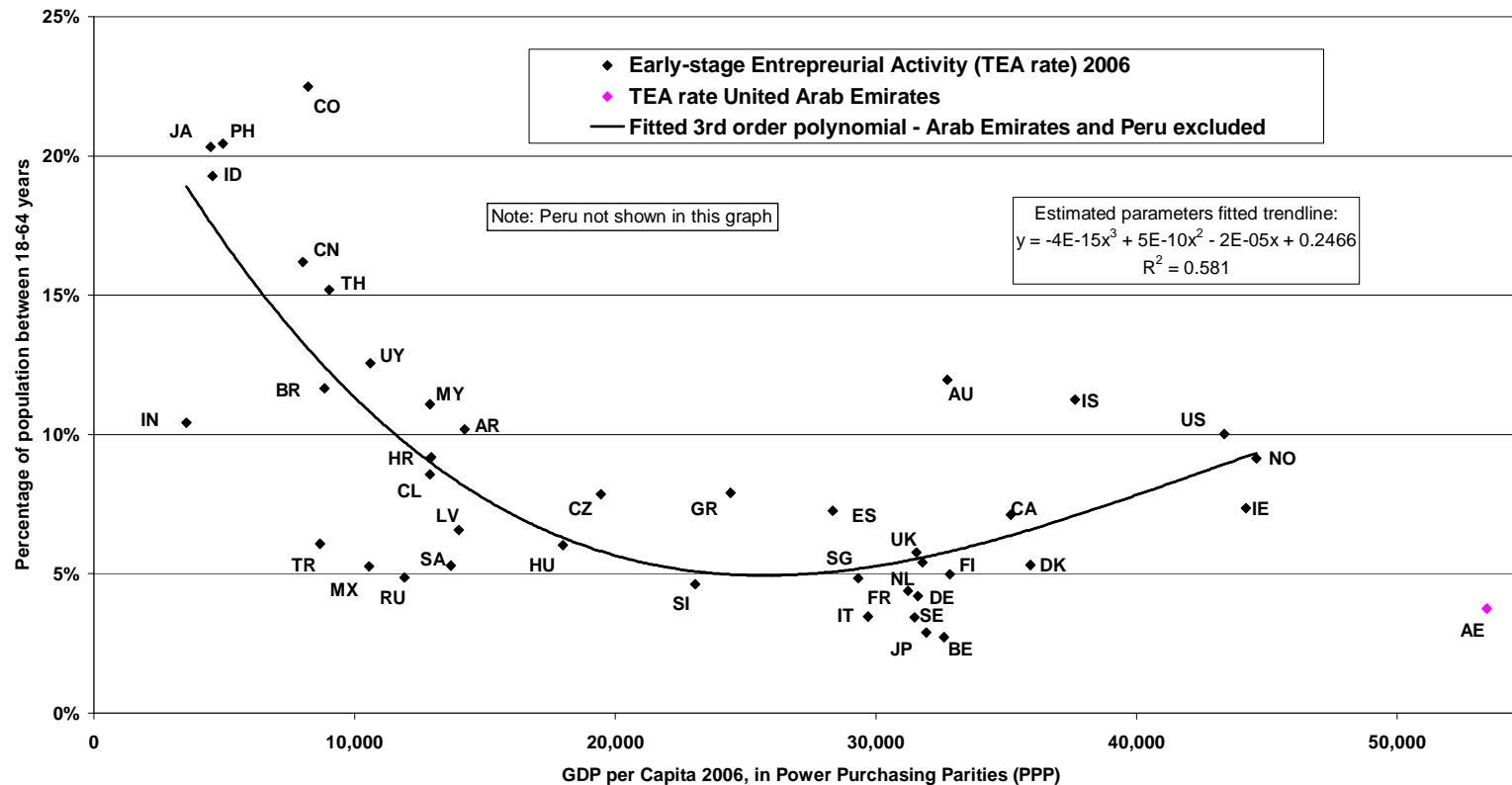
What GEM is

- The world's largest household survey looking at entrepreneurs and entrepreneurial activity (170,000 people in 2006)
- A social survey that identifies:
 - Entrepreneurs and established business owners (overall and by demographic groupings)
 - Entrepreneurial motivations
 - Attitudes and perceptions of entrepreneurship
 - Types of entrepreneurial activity
 - Informal investment activity
- An international comparative measure of the *propensity* of a country to be entrepreneurial
- A rich contribution to the policy evidence base on entrepreneurs and their role in economic development

What GEM is not

- A survey of businesses
- A study of the link between economic growth and entrepreneurship
- A measure of the **numbers** of entrepreneurial, high growth or innovative businesses in a country
- An international comparison of the number of entrepreneurial, high growth or innovative businesses in a country

Entrepreneurship and economic development: what GEM tells us



How is this useful for policy?

- GEM measures entrepreneurial activity/propensity amongst particular socio-economic groups
- TEA is a measure of *early stage* entrepreneurial activity:
 - Nascent activity (0-3 months)
 - Baby activity (4-42 months)
- Established business ownership (older than 42 months)
- “High growth” entrepreneurs (job creating)
- Innovation and technology entrepreneurs
- In short: a study of the entrepreneurial **demand side** in the labour market

Policy interventions and the evidence base

Demand side		Supply side	
Policy example	Evidence base	Policy example	Evidence base
Support networks	Link between knowing an entrepreneur and TEA	Access to finance	Bank, VC and published business recors + household info
Informal investment	Prevalence of informal investment	Growth potential of entrepreneurial firms	Business register data; VAT registrations
Hard to reach or excluded groups	TEA and EBO by demographic groups; attitudes by group	Innovation networks	Community innovation survey data
Building an entrepreneurial culture	Attitudes, additional questions on training or access to finance	Fiscal measures	Impact analysis of investment behaviours

Case study of the UK

- Sample has grown from 7,000 in 2001 to 42,500 in 2006
- Size of sample means we have a large number of businesses as well
- Questionnaire more complex, although still comparable, to address a number of demand side areas:
 - Training
 - Finance
 - Innovation networks
 - Social entrepreneurship
- TEA is one of the government's "competitiveness indicators"



Users of GEM UK

- DTI's small business service: demand side measure alongside their own household survey
- HM Treasury: to inform discussion on "equity gap!"
- UK Regional Development Agencies: to identify demand-side (and some supply side) gaps and formulate policy accordingly
- Local Economic Growth Initiative: identifying rural/urban differences and differences by Index of Multiple Deprivation
- Women: background for Women's Enterprise Task Force
- Youth entrepreneurship: Enterprise Insight: attitudes and perceptions of young people – identifying gaps.
- National Council for Graduate Entrepreneurship
- UK Cabinet Office: Social entrepreneurship
- Institute of Family Business: family entrepreneurs
- National Endowment for Science, Technology and the Arts (NESTA): innovation networks, technology and innovation based entrepreneurs.

Conclusions

- GEM doesn't measure policy impact as TEA and EBO do not change much year on year
- GEM UK has wide-reaching policy uses in identifying gaps in demand side. These do change year on year.
- Internationally GEM measures "high level" differences in propensity to be entrepreneurial
- Nationally, the scope of the GEM methodology to address demand side policy issues is substantial.