

A GEM of a Study

>Abstract

In periods of economic downturn, government leaders try to stimulate entrepreneurship activity. Project directors of the Global Entrepreneurship Monitor, partnered with the Kauffman Center for Entrepreneurial Leadership of Ewing Marion Kauffman Foundation, the London School of Business and Babson College, designed a research study to add insight to what activities would be most likely to stimulate entrepreneurship activities.

>The Scenario

What government policies and initiatives are most likely to generate high levels of entrepreneurial activity? Which are positively correlated with the economic well-being of a country as measured by growth in GDP and job formation? Project directors of the Global Entrepreneurship Monitor (GEM), who define entrepreneurship as “any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business,” suggest the following:

- Promoting entrepreneurship, especially outside the most active age group (25–44), with specific programs that support entrepreneurial activity.
- Facilitating the availability of resources to women to participate in the entrepreneurial process.
- Committing to long-term, substantial postsecondary education, including training programs designed to develop skills required to start a business.
- Emphasis on developing an individual’s capacity to recognize and pursue new opportunities.
- Developing the capacity of a society to accommodate the higher levels of income disparity associated with entrepreneurial activity.
- Creating a culture that validates and promotes entrepreneurship throughout society.

Researchers at the Kauffman Center for Entrepreneurial Leadership (Babson College) and the London Business School revealed these propositions based on a study designed to prove a causal relationship between factors that affect entrepreneurial opportunities and potential, to business dynamics and national economic growth and well-being.

>The Research

The research design compensated for lack of control of extraneous variables by using data from 10 nations “with diversity in framework conditions, entrepreneurial sectors, business dynamics, and economic growth.” The longitudinal study proposed to prove or disprove a new conceptual model of cultural, economic, physical, and political factors to predict economic growth (Exhibit C-GEM 1–1).

EXHIBIT C-GEM 1-1 Conceptual Model: The Entrepreneurial Sector and Economic Growth

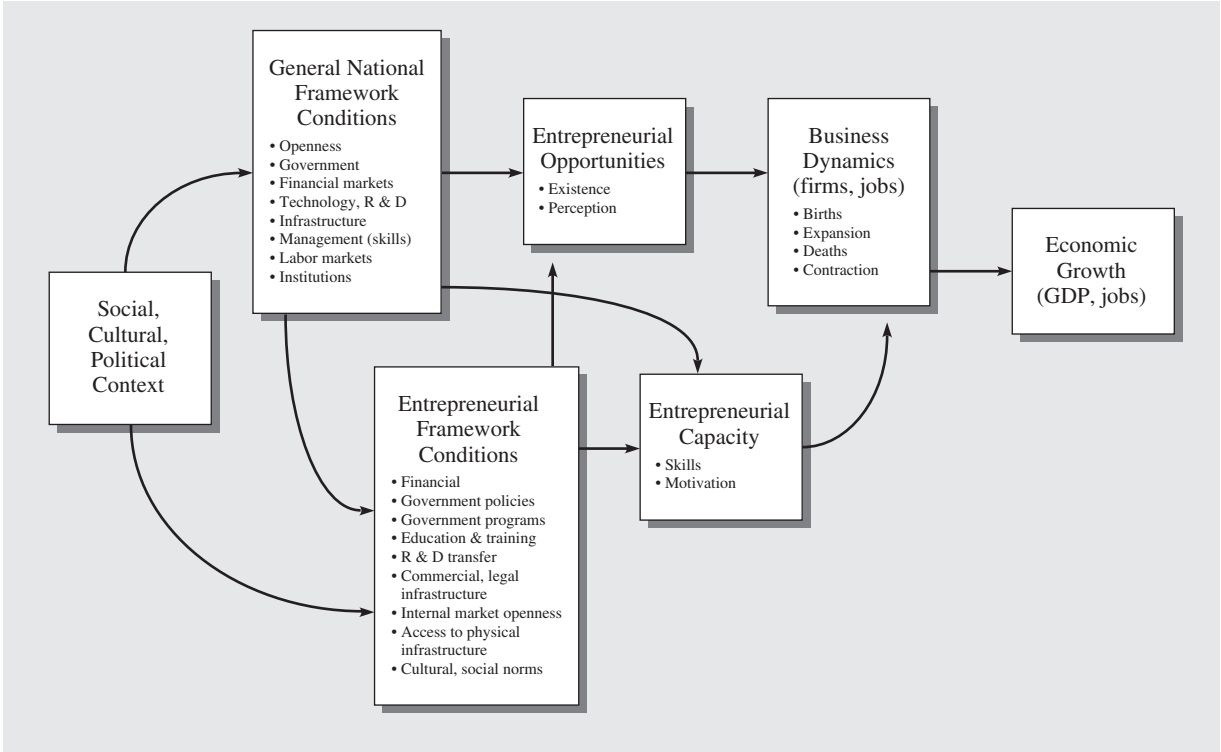
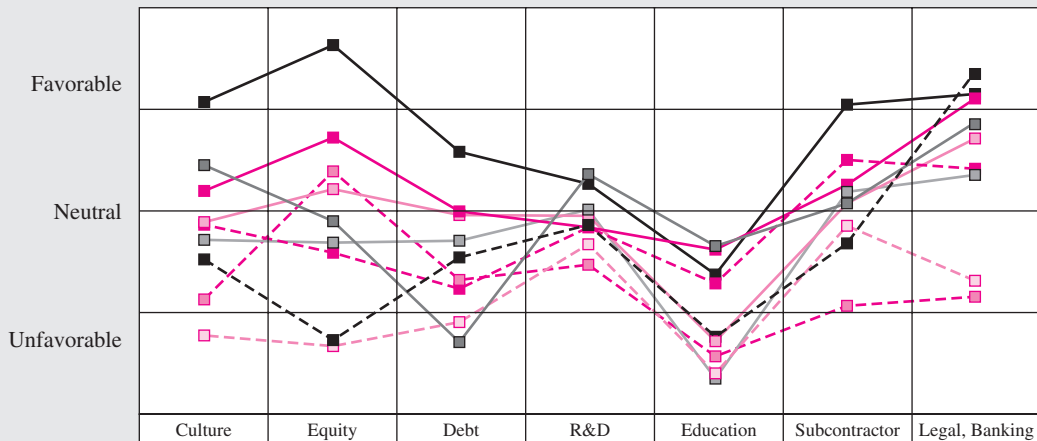


EXHIBIT C-GEM 1-2 Entrepreneurial Framework Conditions: Cross-National Comparisons of Key Informant Multi-Item Indexes



	Culture	Equity	Debt	R&D	Education	Subcontractor	Legal, Banking
U.S.	0.8	1.23	0.44	0.21	-0.46	0.8	0.88
Canada	0.15	0.55	0	-0.12	-0.28	0.22	0.86
Israel	0.34	-0.06	-0.97	0.29	-0.26	0.04	0.67
U.K.	-0.07	0.17	-0.03	-0.02	-0.97	0.08	0.57
Germany	-0.2	-0.22	-0.21	0.03	-1.24	0.15	0.29
Denmark	-0.09	-0.3	-0.56	-0.12	-0.52	0.39	0.33
France	-0.92	-1.01	-0.81	-0.23	-1.21	-0.1	-0.49
Japan	-0.65	0.29	-0.52	-0.39	-1.06	-0.68	-0.61
Finland	-0.36	-0.94	-0.33	-0.1	-0.94	-0.22	1.03
Correlation to Start-Up Rate	0.87	0.79	0.58	0.69	0.65	0.71	0.55



Various data collection methods were employed, including:

- Promoting entrepreneurship, especially outside the most active age group (25–44), with specific programs that support entrepreneurial activity.
- Current, nonstandardized data collected by each national research team.
- Two rounds of adult population surveys (1,000 randomly selected adults per country) to measure entrepreneurial activity and attitude, completed and coordinated by an international market survey firm by phone—or face-to-face in Japan. (Market Facts [Arlington, VA] did the first round of data collection in June 1998 [Canada, Finland, Germany, the United Kingdom, and the United States]. Audience Selection, Ltd. [London] conducted the second round in March 1999 from all 10 countries.)
- Hour-long personal interviews with 4 to 39 experts (key informants) in each country.
- Detailed 12-page questionnaire completed by each key informant.

The perception of opportunity (.79) and the two measures of entrepreneurial potential of the population—capacity (.64) and motivation (.93)—positively correlate with business start-up rates. And start-up rates positively correlate with growth in GDP (.60) and level of employment (.47).

While many cross-sectional measures still remain in this ongoing study, study directors claim, “The support for the conceptual model is encouraging, although clearly not conclusive. GEM provides a robust framework within which national governments can evolve a set of effective policies for enhancing entrepreneurship.”

>Discussion

1. What are the independent and dependent variables in this study?
2. What are some of the intervening, extraneous, and moderating variables that the study attempted to control with its 10-nation design?
3. Can you do a causal study without controlling intervening, extraneous, and moderating variables?
4. What is the impact on study results of using national experts (key informants) to identify and weigh entrepreneurial framework conditions?
5. Can you do a causal study when much of the primary data collected is descriptive opinion and ordinal or interval data?

>Sources

- Developed for Business Research Methods, 7e. Used with permission of Pamela S. Schindler and Donald R. Cooper. © 2001
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