Chapter 13
Global Entrepreneurship Monitor and Entrepreneurs’ Export Orientation

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Abstract The Global Entrepreneurship Monitor (GEM) presents an annual assessment of the national level of ‘early-stage’ entrepreneurial activity and the institutional conditions to which it is subject in a large number of countries. Within the framework of GEM a TEA (Total early-stage Entrepreneurial Activity) index has been developed to measure (early-stage) entrepreneurial activity. Next to this TEA index, the GEM also provides an indicator for the prevalence of export-oriented entrepreneurs within countries. This chapter presents an example of an empirical analysis using macro-level GEM data for 36 countries. More specifically, this chapter investigates whether the presence of export-oriented entrepreneurs is a more important determinant of economic growth than entrepreneurial activity in general. Our results suggest that export-oriented entrepreneurship is indeed more important for achieving high economic growth rates than entrepreneurial activity in general.

JEL-classification: F23, L25, L26, O47, O57

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13.1 Introduction

The Global Entrepreneurship Monitor (GEM), a worldwide research project, presents an annual assessment of the national level of early-stage entrepreneurial activity and the institutional conditions to which it is subjected in a large number of countries. A TEA (Total early-stage Entrepreneurial Activity) index has been developed to be able to measure early-stage entrepreneurial activity within countries. This index is a combination of nascent entrepreneurs (those currently involved in
concrete activities to set up a new business) and owners of young businesses (those currently owning a business that is less than 42 months old). Furthermore, within the framework of GEM also an indicator has been developed for export activity among new or early-stage entrepreneurs. An important focus of the GEM project involves the exploration of the role of entrepreneurship in national economic growth.

Entrepreneurship is considered an important mechanism of economic development (Schumpeter 1934; Baumol 2002) and for developing competitive economies (Hawkins, 1993). For example, entrepreneurs may contribute to economic growth because they are important for introducing or generating innovations (Autio, 1994; Acs and Audretsch, 2003). In particular, entrepreneurs contribute to a process of variety and selection where many individual entrepreneurs pursue an observed market opportunity and try to economically exploit a new idea. However, due to an increased uncertainty in the global knowledge economy, it is not clear a priori which of these different new ideas are economically viable (Audretsch and Thurik, 2000). Only after setting up a new business, entrepreneurs find out what consumers prefer and hence, whether their new ideas are economically viable. Most of these new ideas will not be economically viable but some of them will be. The successful ideas often turn into innovations. When there are more entrepreneurs pursuing new ideas, the level of competition is higher and the process of variety (i.e. a large number of different new ideas being pursued) and selection will be more intense. From an economy-wide point of view this higher intensity increases the probability of actual innovations taking place (i.e. of economically viable ideas being ‘selected’ through the market). Several studies confirm a positive impact of entrepreneurship on national economic growth for developed countries (see e.g. van Stel, 2006).

There is increased attention for firms that are involved in international activity from inception or shortly thereafter. Such firms are commonly referred to as ‘born globals’ (Rennie, 1993; Knight & Cavusgil, 1996), or ‘international new ventures’ (Oviatt & McDougall, 1994). There is evidence that the number of born globals or international new ventures is increasing (Oviatt & McDougall, 1994). Born global firms are thought to be of importance in terms of innovation and employment (Moen, 2002). However, only a few empirical studies have investigated the effect of export on business performance among new ventures (Bloodgood et al., 1996; McDougall & Oviatt, 1996; Zahra et al. 2000). Furthermore, whereas it is generally acknowledged that internationally oriented new ventures are important in terms of economic growth (Moen, 2002) to our knowledge, this link has not been investigated empirically. We aim to extend the literature on new venture export activity and growth by focusing on the country level. In particular the present chapter builds on the assumption that exporting entrepreneurs develop specific skills (including innovative skills) through their export activity and, consequently, a high number of exporting entrepreneurs may be even more conducive to the process of variety and selection described above, compared to high numbers of domestically operating entrepreneurs. In other words, high numbers of exporting entrepreneurs may have a particularly strong impact on competition, innovation and economic growth.

To summarize, in studying the relationship between entrepreneurial activity and growth we expect that in particular export-oriented entrepreneurship will make an