



GEM

2020/2021 United States Report

GLOBAL ENTREPRENEURSHIP MONITOR / National Entrepreneurship Assessment for the United States of America

BABSON COLLEGE



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Global Entrepreneurship Monitor

2020/2021

United States Report

©2021 Donna J. Kelley, Jeffrey Shay, Mahdi Majbouri, Candida G. Brush, Andrew C. Corbett

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Babson Park, MA

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Acknowledgments

The authors are especially grateful to the following people who have contributed their time and support to make this report possible:

- » Stephen Spinelli Jr. MBA'92, PhD, President of Babson College
- » Kerry Salerno, Chief Marketing Officer, Babson College
- » Lorraine Daignault, Marketing Strategy, Babson College
- » Cheryl Robock, Creative Management, Babson College
- » Melissa Jolly, Art Direction and Design, Babson College
- » Cathleen Cahill, Art Direction and Design, Babson College
- » Matt Mayerchak, Production Design
- » John Crawford, Writer, Babson College
- » Genevieve Rajewski, Content Strategy, Babson College
- » Martha Lanning, Research Associate and Editor, Babson College
- » Smajyra Million, Executive Director, Arthur M. Blank Center for Entrepreneurship
- » Doug Scibeck, Project Manager, GEM United States
- » Aileen Ionescu-Somers, GEM Executive Director
- » Kevin Anselmo, GEM Marketing Director
- » The GEM Global Data Team

This report would not be possible without the Consortium of GEM National Teams who participated in the 2020 GEM Global survey: Angola, Austria, Brazil, Burkina Faso, Canada, Chile, Colombia, Croatia, Cyprus, Egypt, Germany, Greece, Guatemala, India, Indonesia, Iran, Israel, Italy, Kazakhstan, Kuwait, Latvia, Luxembourg, Morocco, Netherlands, Norway, Oman, Panama, Poland, Qatar, Russian Federation, Saudi Arabia, Slovak Republic, Slovenia, Republic of Korea, Spain, Sweden, Switzerland, Taiwan, Togo, United Arab Emirates, United Kingdom, United States, Uruguay

Unless otherwise noted, GEM data were used in the preparation of this report. Their interpretation and use are the sole responsibility of the authors.

- » Donna J. Kelley
- » Jeffrey Shay
- » Mahdi Majbouri
- » Candida G. Brush
- » Andrew C. Corbett

Foreword

This year, the United States Report from the Global Entrepreneurship Monitor offers a portrait of a crisis. It also demonstrates the resiliency and power of entrepreneurship.

Clearly, the COVID-19 pandemic has shaken and disrupted the economy, and our everyday lives, but GEM provides valuable insight into how exactly that disruption is playing out across the country.

At times, the numbers can be disheartening. Among all respondents, 40% saw their household income decline because of COVID-19, and nearly 70% of entrepreneurs blamed the pandemic for delays in getting their businesses operational. Among established business owners, 58% halted some of their core business activities because of COVID-19. Of those who closed a business, more than one-third cited the pandemic as the reason.

Entrepreneurial leaders, however, are strategic thinkers, calculated risk takers, and problem solvers who know how to thrive in times of uncertainty. Some 54% of entrepreneurs, and 43% of business owners, reported that the pandemic introduced new opportunities for their businesses.

People believe in entrepreneurship's promise and potential. Of those surveyed, 78% associate entrepreneurship with high status in society, and 70% said it is a good career choice. In fact, faced with a faltering labor market, people often turned to entrepreneurship to take charge of their careers. In 2020, one-half of entrepreneurs said they were motivated to start a venture because jobs were difficult to find. That represents a 22% increase from 2019.

COVID-19 is certainly not the only crisis facing the U.S. The events of the past year have brought critical attention to the ongoing fight against systemic racism and inequality in this country. Entrepreneurship may not be the only solution to such deep-rooted injustices, but it represents a potential path to economic empowerment. Black people, according to GEM data, are twice as likely as white people to have entrepreneurial intentions (20% vs. 10%) and nearly twice as likely to start businesses (26% vs. 14%). However, they have comparatively fewer mature and established enterprises, so whatever lack of support these entrepreneurs may be facing needs to be addressed in order for their ventures to become more sustainable and enduring.

GEM is a rigorously quantitative study, but for each number there is an entrepreneur struggling and adapting. GEM data documents this unprecedented period in time, a historical moment that will take its place in future classroom textbooks, and tells its entrepreneurial story.

GEM research is critical to understanding that story, now and in the future. This year's U.S. GEM findings offer an early snapshot of the pandemic at its six-month mark, but entrepreneurial leaders continue to turn challenges into opportunities, creating innovative solutions to the urgent problems of these difficult days.

Much like the Great Depression or World War II, the pandemic promises to be a transformative event, one in which the society we knew is remade and filled with change and possibility, and entrepreneurial leaders will lead the way. They are anxious to make up for lost time and eager to create, build, and innovate. GEM will be there to witness and capture this extraordinary moment, and through research, we will continue to understand and learn from entrepreneurs and help guide them as they shape the world of tomorrow.

Stephen Spinelli Jr. MBA'92, PhD
President, Babson College

Executive Summary

The Global Entrepreneurship Monitor (GEM) United States team conducted its 22nd annual survey in late summer and early fall 2020. Over 2,000 Americans responded to a survey that assessed their attitudes and self-perceptions about entrepreneurship. For those identifying themselves as starting or running businesses, the survey assessed their motivations and aspirations, as well as various characteristics of their businesses. Additional questions in the 2020 survey assessed the impact of COVID-19 on entrepreneurs, established business owners, and the general adult population. The GEM United States team, based at Babson College, was among 43 global academic teams participating in GEM in 2020.

The results indicate that over 30 million Americans were starting or running new businesses at the time of the survey, around six months into the COVID-19 pandemic, and that 19.5 million were running established businesses. This illustrates the impact entrepreneurs have on generating a source of income for their families, jobs for others, growth for the U.S. economy, and valued products and services for society. However, 4.4% of the U.S. adult population, the equivalent of 8.7 million people, reported closing a business in the prior year, revealing that some businesses did not work out or simply reached the end of their life cycle. Environment shocks such as that associated with COVID-19 can impose detrimental effects on the business community, or they can lead to structural change, creating opportunities for entrepreneurs.

Following are key results from the 2020 GEM United States survey.

Impact of COVID-19

- Among the U.S. Adult Population (18–64 years old),
 - 40% of respondents stated that their household income declined because of COVID-19;
 - 41% said they knew at least one person who stopped owning and managing a business due to the COVID-19 pandemic; and
 - 21% said they knew at least one person who started a business because of COVID-19.
- Among Entrepreneurs,
 - 82% thought that starting a business was more difficult than a year earlier;
 - 69% cited delays in getting their businesses operational because of COVID-19; and
 - 54% stated that the pandemic introduced new opportunities to pursue with their businesses.
- Among Established Business Owners,
 - 58% stopped some of their core business activities altogether because of the pandemic;
 - 43% identified new opportunities they wanted to pursue with their business; and
 - men were more likely (45%) than women (30%) to expect lower growth compared to a year prior.
- Business closure:
 - Over one-third of those closing a business cited COVID-19 as the reason (41% of women who closed a business and 30% of men who closed a business).
- Government response:
 - Established business owners were more likely than entrepreneurs (51% vs. 45%) to state that the federal government was effective in responding to the economic consequences of the COVID-19 pandemic.

22nd Annual Survey
late summer/early fall 2020

.....
2,000 Americans responded
.....

30+ million
Americans were starting or
running new businesses
six months into the
COVID-19 pandemic

.....
19.5 million
Americans were running
established businesses

.....
8.7 million
Closed a business in the prior year

- Among entrepreneurs, 51% said the state government was more effective than the federal government in responding, compared to 32% of established business owners.
- Established business owners (41%) were more likely than entrepreneurs (28%) to say that the federal government was doing a better job than the state government.
- Among established business owners, 28% had received, or expected to receive, pandemic-related financial support from the government, with women reporting a higher percentage than men (32% vs. 25%).

Entrepreneurial Activity

- The total entrepreneurial activity (TEA) rate in the United States in 2020 was 15.4%, down from 17.4% in 2019, but equal to the results reported in 2018. This 2020 rate is equal to Canada's and higher than that of most European countries participating in GEM. Several countries in Latin America and the Middle East reported higher rates.
- Necessity played an instrumental role in driving entrepreneurship in 2020; half of entrepreneurs were motivated to start in order to earn a living because jobs were scarce, a 22% increase from 2019.
- The established business ownership rate was 9.9%, a slight decline from 10.6% in 2019.
- Among the U.S. Adult Population, 4.4% closed a business, a 50% increase from 2.9% in 2019.

Societal Attitudes and Self-Perceptions

- Most Americans hold positive perceptions about entrepreneurship: It is associated with high status in society (78%), it is a good career choice (70%) and it receives positive media attention (72%).
- Perceptions about one's capabilities for starting a business were high (64%) and relatively unchanged from 2019. However, opportunity perceptions dropped from 62% in 2019 to 49% in 2020. Fear of failure rose from 35% in 2019 to 41% in 2020, an all-time high.

Impact Characteristics

- More than one-half (57%) of entrepreneurs are building businesses in finance, services, and information/communications technologies.
- Around 20% of entrepreneurs report that their products and services are innovative.
- Growth projections, or the proportion of entrepreneurs anticipating adding more than five new jobs in the next five years, declined in 2020 (27.5% vs. 32.5% in 2019).
- Entrepreneurs are most likely to sell locally (88%).

Total entrepreneurial activity (TEA)

.....

2020: 15.4% ↓

2019: 17.4%

.....

Established business ownership rate:

.....

2020: 9.9% ↓

2019: 10.6%

.....

Closed a business:

.....

2020: 4.4% ↑

2019: 2.9%

.....

Women's Entrepreneurship

- The TEA rate for women was 16.6% and for men 18.3%, about eight women entrepreneurs for every 10 men entrepreneurs.
- Women are more likely than men to be motivated by making a difference in the world (70% for women vs. 66% for men), while men are more likely to start a business to build great wealth or a very high income (70% for men vs. 61% for women).
- About half of women and men entrepreneurs cited job scarcity as a reason for starting a business. This reflects a 12% increase from 2019 for women vs. a 30% increase for men.
- The most common industries in which women start businesses are retail/wholesale, professional/administrative services, and health/education/government/social services. These industries account for over two-thirds of women entrepreneurs, but less than half of men entrepreneurs.
- Overall, 16% of ventures led by women and 24% of ventures led by men report some degree of newness, with only 2% of women considering their products or services to be new to the world, compared to 12% of men.
- Women in U.S. society are less likely than men to perceive opportunities for entrepreneurship (44% for women vs. 53% for men) and less likely to believe they have the capabilities for starting a business (59% for women vs. 69% for men). Women are more likely to report fear of failure (46% for women vs. 37% for men).
- Intentions to start a business in the next three years declined from 2019 by 11% for women (to 10.6%) and by 5% for men (to 14.7%).
- Expectations for creating more than five jobs in the next five years declined from 2019 by 21% for women (to 21%) and by 15% for men (to 33%).
- The percentage of Americans reporting closing a business in the prior year rose in 2020, accounting for 5.4% of women (a 13% increase from 2019) and 6.8% of men (a 24% increase from 2019).



Julie Lovely founded Wild Hearts Therapeutic Equestrian Program, based in West Bridgewater, MA and is dedicated to transforming the lives of their participants, their families, and all who work with them through the healing power of horses. She began its veterans' offshoot, Wild Hearts Horses for Heroes, in 2014, specifically designed for Veterans with challenges that make it difficult to return to duty or readjust to civilian life following deployment.

Race/Ethnicity

- Black people (76%) are 10% more likely to believe that entrepreneurship is a good career choice, compared to White (69%) and Hispanic (68%) populations. White people (80%), however, are more likely than the other two groups (74% for both) to believe entrepreneurs garner high status and respect in society.
- Black people (56%) are more likely to see opportunities than White or Hispanic people (around 47.5%). They also have higher capability perceptions (68.3% for Black vs. 63% for White and 54% for Hispanic). However, fear of failure for Black people is higher than for the other two groups (52% for Black vs. 38% for White and 45% for Hispanic).
- Black people are twice as likely as White people to have entrepreneurial intentions (20% vs. 10%) and nearly twice as likely to start businesses (26% vs. 14%). However, they are half as likely to be running mature businesses (5% vs. 10%), and they report a higher percentage of business closures (6% vs. 4%).
- Compared to the Black population, close to the same proportion of Hispanic people intend to start a business in the next three years. However, actual startup rates are 40% lower (16%) than reported in the Black population.
- Necessity motives are highest among Hispanic (60%) and Black (56%) populations, compared to the White population (45%).



As a partner at Kapor Capital, a venture capital firm in Oakland, California, Brian Dixon works with companies in their early stages, those exhausting yet exhilarating days when entrepreneurs test out their ideas and dreams, seeing if they can take flight.

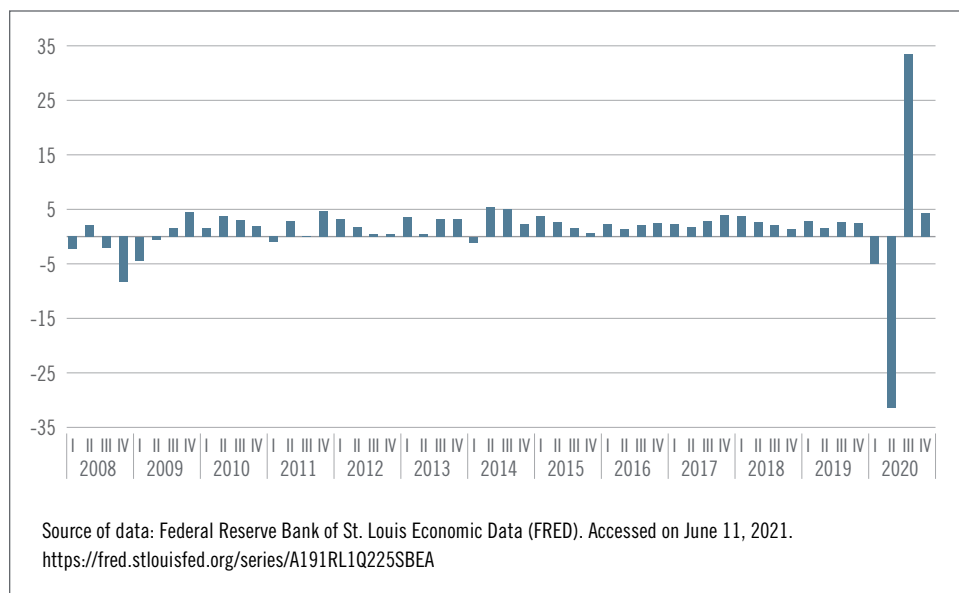
Introduction: The United States Economy in 2020

It is probably an understatement to say that 2020 was an extraordinary year. Such a year happens so infrequently that some generations may never experience it in their lifetimes. A global pandemic and its ripple effects swept through the world and shut down a large portion of every economy worldwide. The world was at war with a pandemic about which little was known. Scientists were not sure how SARS-CoV-2, the virus behind the pandemic, spread, whether it was airborne or spread by touching contaminated surfaces. They did not know whether people needed to wear masks, whether masks protected people around a user, or protected the user as well. The absence of knowledge created uncertainty.

It is common knowledge that uncertainty and volatility are the enemies of business, and 2020 was not short of these forces. Social distancing, or more aptly physical distancing, particularly indoors, was a major hurdle that many businesses could not overcome. The hospitality and tourism industries came to a halt, and many service industries requiring personal interaction were significantly impaired. Some businesses closed down forever. At the same time, some industries, particularly information and communication technology as well as logistics and home delivery, saw an all-time high demand for their products and services. Working from home was the main driver of these changes.

From the middle of 2009 to February 2020, the U.S. economy experienced its longest boom cycle since World War II. It was a period of robust growth. There were fears of recession from the beginning of 2019, but the economy proved stronger than anticipated. In early 2020, the unemployment rate was just 3.5%, and core inflation was only 2.4%. In March 2020, the federal government issued stay-at-home orders, and state governments shut down nonessential businesses. The seasonally adjusted annual growth rate

Figure 1: Percentage Change in Real GDP from the Preceding Quarter, Annual Rates Seasonally Adjusted

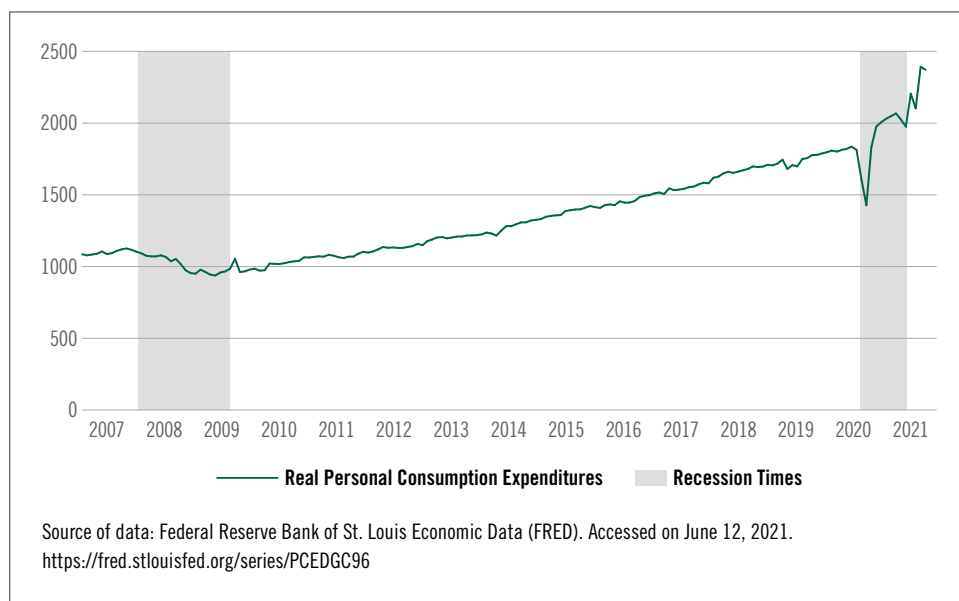


As a conservation planner, Jessica Wright has a goal to provide on-the-ground technical assistance to landowners and managers who wish to adopt practices that improve soil health, water quality, wildlife habitat, and farm viability. She works closely with conservation districts and NRCS staff to ensure efficient delivery of service to clients and effective implementation of policies and priorities.

immediately turned negative. In the first quarter of 2020, the seasonally adjusted annual growth rate was -5%, and in the second quarter, it declined by a staggering -31.4% (Figure 1).

In the third quarter, however, the U.S. economy had its strongest rebound on record with an annualized growth rate of 33.4%. Some industries came back on track although at partial capacity, and expansive monetary and fiscal policies lifted the economy. The Federal Reserve slashed the inter-bank interest rate to nearly zero, and the federal government introduced a stimulus package to combat recession. Demand for services declined, but thanks to low interest rates and the stimulus, spending on durables (autos, home remodeling, and appliances) increased rapidly (Figure 2). In the last quarter, as news about the successful trials of various vaccines came out, the economy experienced a positive (annualized) growth rate of 4.3%. Overall, the U.S. economy shrank by only 2% in 2020, despite the magnitude of the shock from the pandemic and all the lives it took throughout the year.

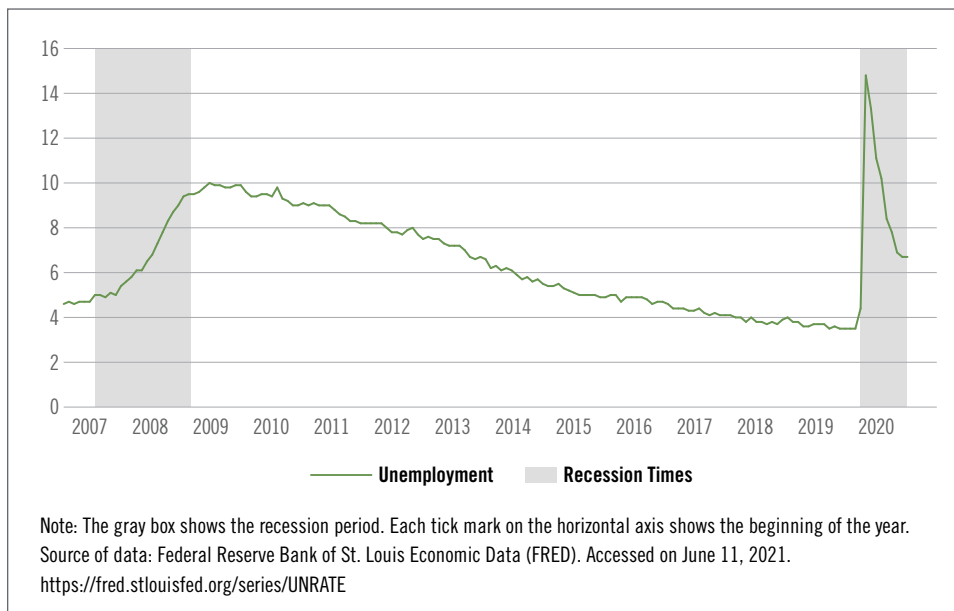
Figure 2: Real Personal Consumption Expenditure on Durable Goods (Billions of Dollars)



Aldo Carrascoso is the CEO and co-founder of InterVenn Bioscience. Based in South San Francisco, California, the company focuses on studying glycans, which are complex structures in the body made of sugar molecules. Those structures hold lots of critical biological information that has often been underutilized in medicine, Carrascoso says.

As a result of this robust economic growth prior to the pandemic, total non-farm employment reached an all-time high of over 152 million workers by February 2020. But by April 2020, it rapidly fell to about 130 million workers, a loss of over 20 million jobs. In March 2020, unemployment claims filed by Americans in just one week rose to a record 6.9 million, about 10 times larger than the pre-pandemic record in 1982 of 695,000 unemployment claims in one week. A record 14.8 million workers became unemployed, surpassed only during the Great Depression of 1929–1933. With recovery in the third and fourth quarters, the unemployment rate declined to 6.7% by the end of the year (Figure 3). Total non-farm employment rose to 142.7 million, about 10 million fewer workers than at the beginning of the year. The service sector, especially low-wage workers, was the most deeply affected. The leisure and hospitality industries lost a staggering 50% of employment, about 8 million jobs, between March and April, not fully recovered as of June 2021.¹

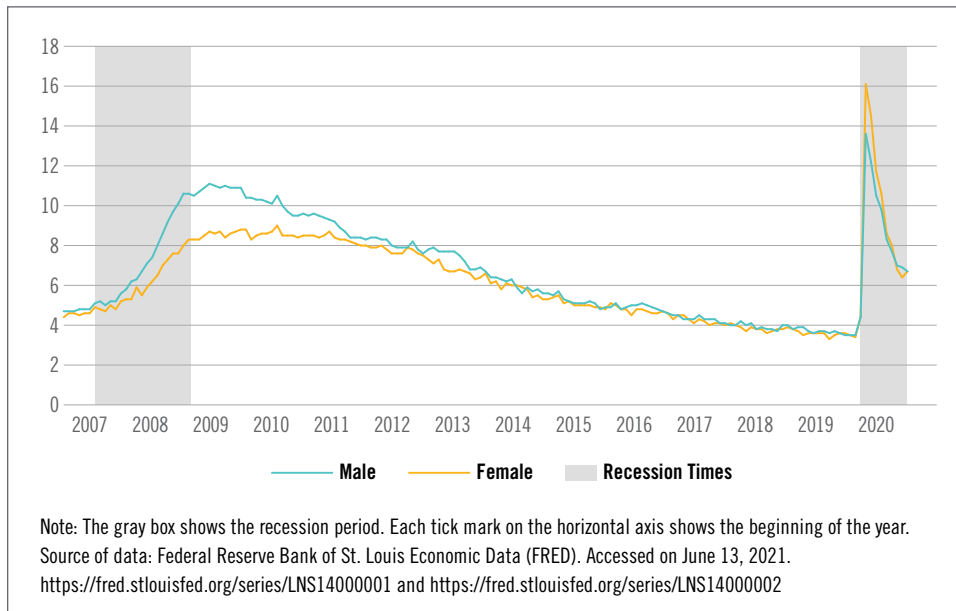
Figure 3: National Unemployment Rate by Percent, Seasonally Adjusted



Carolyn Levosky runs the family business Playtime, located in Arlington, MA, and is part of the Hobby Stores Industry. For over 50 years, Playtime has been supplying everything from fine art supplies, arts and crafts, party supplies, stationery, and gifts.

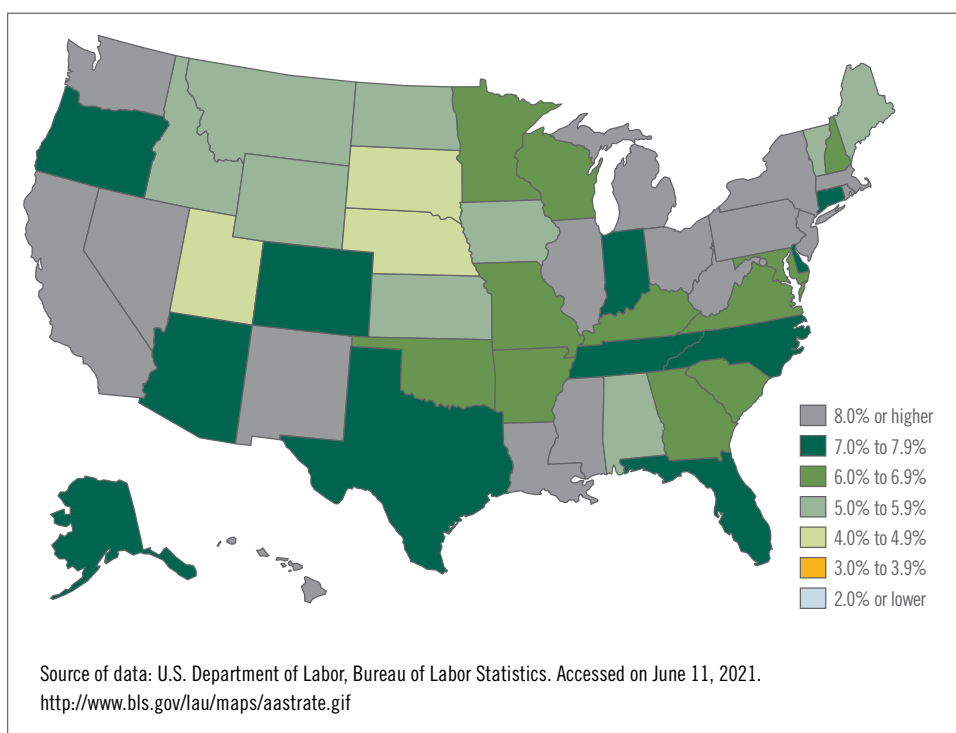
¹ Source of data: Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on June 12, 2021.
<https://fred.stlouisfed.org/series/USLAH>

Figure 4: National Unemployment Rate by Gender, Percent Seasonally Adjusted



StrongHER Girls™: The Movement was founded by Salma Nakhlawi, and is dedicated to teaching underserved girls, women, and those of marginalized identities about strengthening their bodies, from the inside out. They help girls of color find their voice through an intersectional feminist curriculum dedicated to boost self-esteem, self-image, challenging gender and societal ideals, and teaching the power and Olympic lifts.

Figure 5: Unemployment Rates by State, Annual Averages 2020



In recent decades, women's unemployment has generally been lower than men's, particularly during recessions. During the pandemic recession of 2020, however, unemployment rates for women were unusually high compared to rates for men, which led to some calling this recession “shecession” (Figure 4). The difference in rates was partly because the industries that were most adversely affected by the pandemic employed more women than men. Also, school closures made it harder for parents, particularly mothers, to continue working. Unemployment for women declined fast, however, and reached the same rate as that for men by the end of the year.

By the end of 2020, the unemployment rate for White people came down to 6% (from 14.1% in April), below the national average of 6.7%. But the unemployment rate for Black people was the highest among minorities at 9.9% in December 2020 (down from 16.7% at its peak in April and May). The Hispanic unemployment rate declined to 9.3% (down from 18.9% at its peak in April), and the Asian-American unemployment rate declined to 5.8% (from 14.8% at its peak in May).²

Much of the recovery in the third and fourth quarters was consumer-driven. Although demand in leisure and hospitality declined heavily, demand for durable goods (for example, manufactured products, autos, and home remodeling) and online retail increased significantly. The personal savings rate increased to 33.7% of income in April, as consumers were uncertain about the future and the pandemic; and this gave consumers the opportunity to spend more. The enhanced federal unemployment benefits and the stimulus checks helped as well. Sales at retail stores such as Walmart, Target, and Home Depot, as well as for online retailers Amazon, Etsy, and Shopify, saw significant increases. Real Personal Consumption Expenditure, which declined from over \$13.4 trillion in February to slightly less than \$10 trillion in April, gained most of its loss and climbed back to about \$13 trillion by November.³

Moreover, the housing market rebounded fast. Initially, the number of new housing starts declined by over 40% from February to April from 1.589 million homes to 938,000 homes. However, it rose so quickly that by the end of the year, it was higher than it had been earlier in the year at 1.661 million homes (Figure 6). This was partly because demand for homes, particularly single-family homes in suburban locations, soared rapidly nationwide during the pandemic. The S&P/Case-Shiller U.S. National Home Price Index, which tracks the value of single-family housing over time, rose throughout the pandemic, even between February and April. By the end of the year, it had exceeded its value at the beginning of the year by slightly over 10% (Figure 6).



Joe and Tom LaGrasso, the fourth generation of LaGrasso Bros. Produce, installed a hydroponics operation—housed in a shipping container and controlled by software and a mobile app—in the company's parking lot in order to capitalize on food trends that favor fresh and local produce.

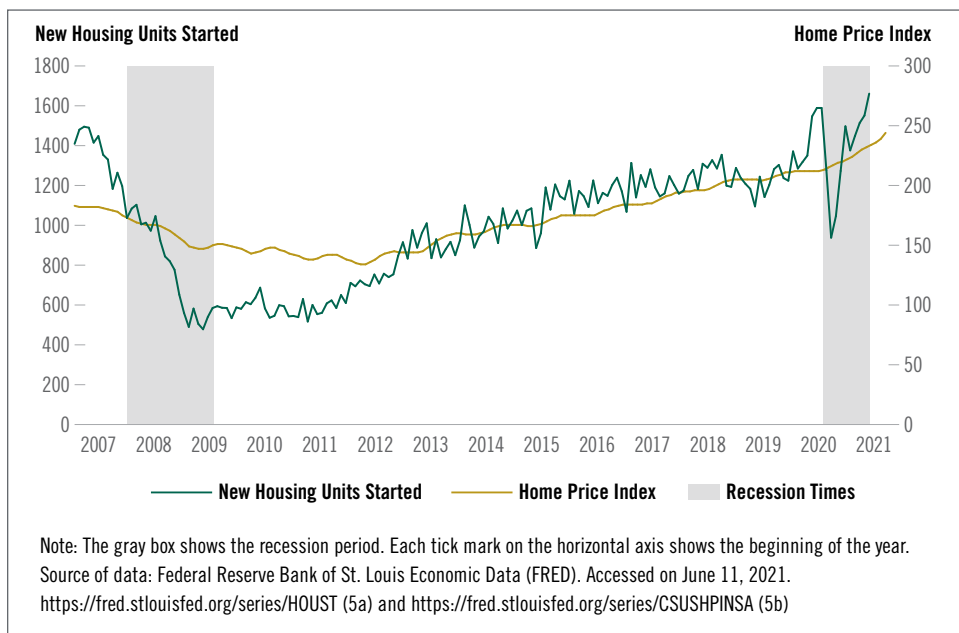
² Source of data: Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on June 12, 2021. White population, <https://fred.stlouisfed.org/series/LNS14000003>; Black population, <https://fred.stlouisfed.org/series/LNS14000006>; Hispanic population, <https://fred.stlouisfed.org/series/LNS14000009>; and Asian population, <https://fred.stlouisfed.org/series/LNU04032183>.

³ Source of data: Federal Reserve Bank of St. Louis Economic Data (FRED). Accessed on June 12, 2021. <https://fred.stlouisfed.org/series/PCEC96>

Figure 6: The Number of New, Privately Owned Housing Starts and the S&P/Case-Shiller Home Price Index

Left axis: The number of new, privately owned housing starts (by thousands of units)

Right axis: The S&P/Case-Shiller Home Price Index



Priya Parrish is the Managing Partner of Private Equity at Impact Engine, a venture capital and private equity firm investing in companies driving positive impact in economic empowerment, education, environmental sustainability, and health.

The stock market rallied at the beginning of 2020, but the rally did not last long. The S&P 500 index, a combination of 500 different stocks, reached 3,389.15 points by February 19. However, early in the pandemic, it declined 34% to 2,237.40 points. By the end of December, as the economy partially recovered, it broke records many times and reached its all-time high of 3,732.04 points. Similarly, although the Dow Jones Industrial Average (DJIA) was at its high of 29,551.42 on February 12, it declined 37% to 18,591.93 by March 23. In December, it reached its all-time high of over 30,000 points. The NASDAQ Composite Index also broke records numerous times by the end of the year, although it had dropped by 30% at the beginning of the pandemic.

Market support for entrepreneurial firms continued through the pandemic. Venture capital investment totaled \$164 billion,⁴ and there were 514 initial public offerings (IPOs),⁵ both categories at record highs in the United States. However, it is important to note that increased venture capital investments and IPOs would benefit mostly those businesses launched pre-pandemic.

⁴ <https://nvca.org/pressreleases/record-year-for-u-s-venture-capital-industry-despite-pandemic-and-economic-downturn/>

⁵ <https://stockanalysis.com/ipos/statistics/>

Monetary and Fiscal Policy Responses to the 2020 COVID-19 Pandemic

The Federal Reserve System, the central bank of the United States known as “the Fed,” responded immediately to the pandemic. It slashed the U.S. baseline interest rate, known as the federal funds rate, by 1.5 percentage points to nearly zero. It also calmed the markets by stating explicitly that the Fed would keep the rates low as long as necessary for the economy to weather the pandemic and recover.

In addition, the Fed stabilized the financial markets, including the market for Treasury bills. Treasury bills provide an important means by which the federal government can borrow from the financial markets. In mid-March, the market for treasury bills was volatile, and there were not enough buyers in the market. The Fed intervened by buying about \$1.7 trillion of treasuries to calm the markets. This gave a strong signal to market actors that the Fed was ready to intervene if markets were riven by panic or uncertainty. It also smoothed the path to recovery in the third and fourth quarters.

The Fed introduced several temporary lending facilities to support various types of funding programs. Two of the most important were the Paycheck Protection Program (PPP) Liquidity Facility and the Main Street Lending Program. These two programs were essential for small and medium-sized enterprises to sustain themselves throughout the pandemic (more on them below).

In March, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which offered a \$2.2 trillion economic stimulus and was signed into law by President Trump. The CARES Act allocated \$300 billion in one-time cash payments to Americans who reported adjusted gross income of up to \$99,000 (or \$198,000 for married couples filing jointly) on their tax returns. Most single adults received up to \$1,200, and families with children received more. Also included were: \$260 billion in increased unemployment benefits; an initial \$350 billion in funding for creation of the Paycheck Protection Program to provide forgivable loans to small businesses, later increased to \$669 billion by subsequent legislation; \$500 billion in loans for corporations; and \$339.8 billion to state and local governments.

Many businesses and nonprofits could not keep their employees on the payroll. The Paycheck Protection Program (PPP) was instituted to give low-interest, private loans to businesses and nonprofits to cover their payroll costs, rent, utilities, and interest on loans. The amount of a PPP loan was about 2.5 times the average monthly cost of payroll. In some cases, businesses and nonprofits could receive a second loan equal to the first. The loan could be forgiven partially or fully if a business kept its employees and employee wages stable.

As many economists noted, the best way to bring the economy back on track was to disable SARS-CoV-2. To make that happen, on May 15, the U.S. government officially introduced Operation Warp Speed, a public–private partnership initiated to facilitate and accelerate the development, manufacturing, and distribution of COVID-19 vaccines, therapeutics, and diagnostics. With this program, the government invested in the development of multiple promising vaccines based on preliminary evidence. The



As Vice President of MDRC, Sharon Rowser is committed to finding solutions to some of the most difficult problems facing the nation—from reducing poverty and bolstering economic self-sufficiency to improving public education and college graduation rates.

government funding support enabled faster development of new vaccines. More importantly, the vaccine developers were paid to build manufacturing plants for their vaccines months before it became clear that those vaccines were effective. This ensured that the world would not have to wait several more months after vaccine approval for manufacturing plants to be built and become functional.

It was anticipated that some of the vaccines would not prove safe or effective, but it was clear that early investment of a few billion dollars in several vaccine projects would save trillions of dollars later. Every month, the U.S. economy was losing hundreds of billions of dollars and the world economy was losing trillions. It was obvious that a \$10 billion investment in Operation Warp Speed would pay off, even if only one of the vaccines were approved. In December 2020, the U.S. FDA issued Emergency Use Authorization (EUA) for the Pfizer-BioNTech COVID-19 vaccine (December 11) and the Moderna COVID-19 vaccine (December 18). By early 2021, these vaccines and others developed by AstraZeneca and Johnson & Johnson were proven effective.

The year 2020 was difficult for many entrepreneurs, but the pandemic offered new opportunities for entrepreneurship. The resilience of the U.S. economy and its entrepreneurs, the heroism of front-line workers, and effective government policy were instrumental in kickstarting a fast recovery for the economy before the end of the year. This will be the story for generations to come.

Background on GEM

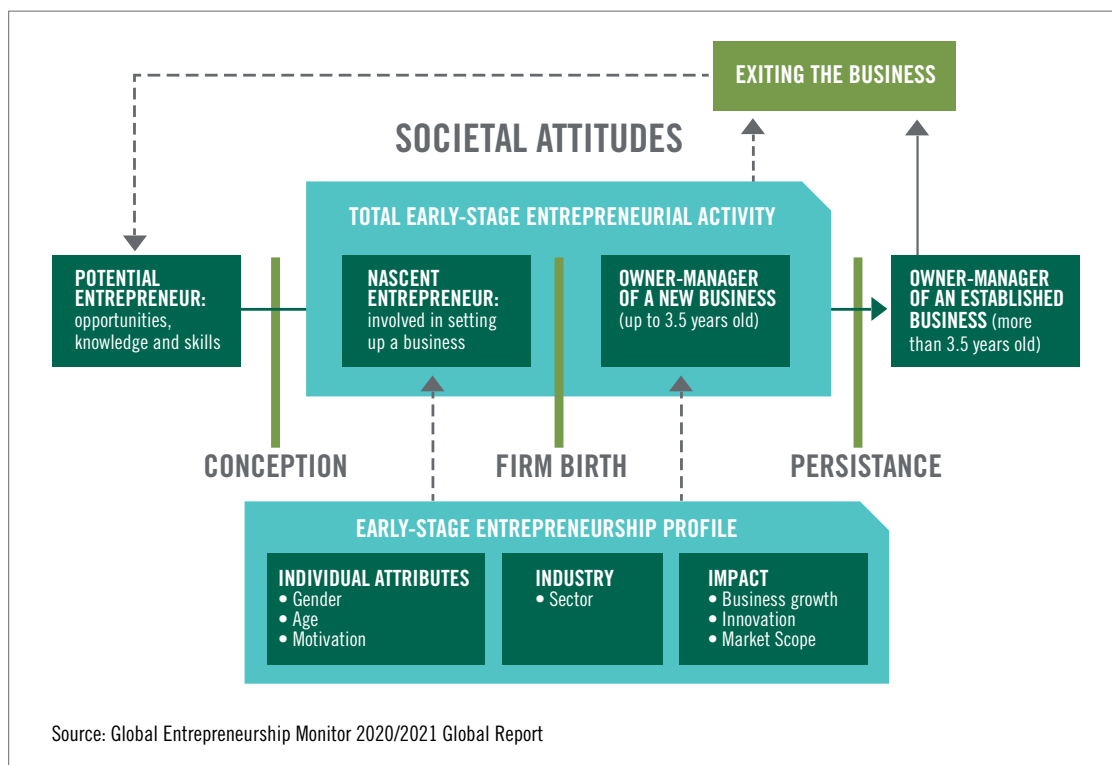
Each summer since 1999, GEM has conducted random, representative surveys of at least 2,000 adults across the population of each participating economy. This produces primary data on the rates of entrepreneurship across multiple phases of the process; on the demographics, motivations, and ambitions of entrepreneurs; and on the characteristics of their businesses, such as the level of innovativeness and industry participation. In addition, GEM uncovers a range of insights on the attitudes, self-perceptions, and affiliations relative to entrepreneurship in each society. Figure 7 illustrates key GEM indicators.

GEM is unique in providing globally comparable data that capture both informal and formal entrepreneurial activity. Its focus on entrepreneurs provides a lens into the people who are starting and running businesses, and those in society who may support their efforts. Countries like the United States that participate in GEM on an ongoing basis have longitudinal data that can track the evolution and cycles of entrepreneurship over time. This is particularly critical in years like 2020, where changes in GEM indicators can reveal the nature of COVID-19's effect on entrepreneurship. For the GEM 2020 survey, new questions were added to assess the impacts of COVID-19, including difficulties and delays in starting a business, business closures, growth expectations, and government response to COVID-19.



Tim Ryan, Chair and Senior Partner, leads the people of PwC US. He is passionate about helping clients build trust and deliver sustained outcomes for a better future. He is focused on bringing human and tech insights together, strengthening their culture of care and belonging, and driving meaningful change on diversity and inclusion.

Figure 7: GEM Entrepreneurship Indicators



GEM was co-founded by Babson Professor William Bygrave and London Business School Professor Michael Hay. The United States team is based at Babson College, which has been a consistent supporter of the GEM United States team and the lead global sponsor of GEM since its founding. With Babson's support, and the hard work and dedication of national research teams in each participating economy, GEM has become the most frequently used source of data on entrepreneurship in academic publications. Findings from the GEM research help both the public and the private sector to develop policies, programs, and initiatives that advance understanding of and support for entrepreneurship.

Structure of the Report

The GEM 2020/2021 United States report begins with a review of participation across phases of entrepreneurship in Chapter 1, with both longitudinal and global comparisons. Included in this chapter are assessments of the effects of COVID-19 on entrepreneurial activity. Chapter 2 assesses societal attitudes and self-perceptions about entrepreneurship. Chapter 3 covers impact characteristics including industry sector, job creation expectations, innovation, and geographic scope. Chapter 4 provides a detailed assessment of women's entrepreneurship, and Chapter 5 reviews attitudes and activity levels by race and ethnicity. The report concludes with some key implications based on the results.

Lisa Carter



Lisa Carter is a serial entrepreneur with a passion for building brands. As the owner and chief engagement officer of Drinkwater Marketing and Productions she works with small businesses and large size enterprises to develop brand, digital and event marketing strategies to drive revenue. Prior to launching Drinkwater, she spent 20+ years in the corporate sector building product and brand strategies for top Fortune 500 companies such as The Limited Corporation, Timberland Footwear, and Staples Inc.

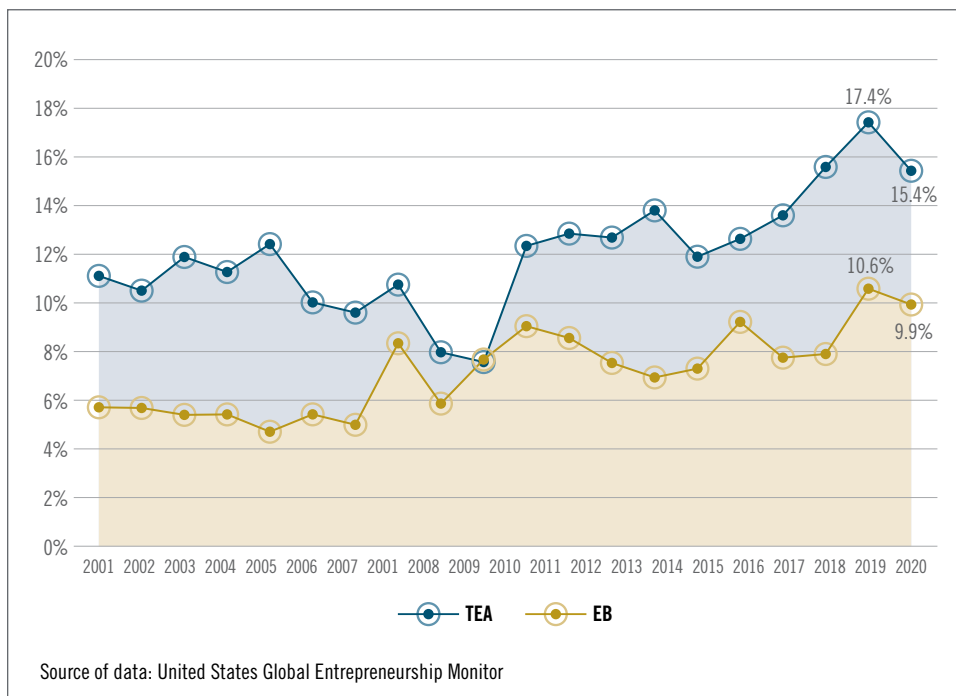
CHAPTER 1

Entrepreneurial Activity

Entrepreneurial Activity

In 2020, entrepreneurship in the United States experienced a decline by 11% from 2019 (Figure 8). It is far less than the 26% drop reported in 2009 after the 2007–2008 global financial crisis, and it is equal to the 2018 results. Still, the 2020 decline might be considered a response to the COVID-fueled recession. It follows four years of increases after a mostly stable five-year period post-financial crisis. The 2021 results will need to be examined to determine if the 2020 results reveal a longer-term effect of the pandemic on entrepreneurship rates.

Figure 8: Total Entrepreneurial Activity and Established Business Ownership Rates in the United States, 2001–2020



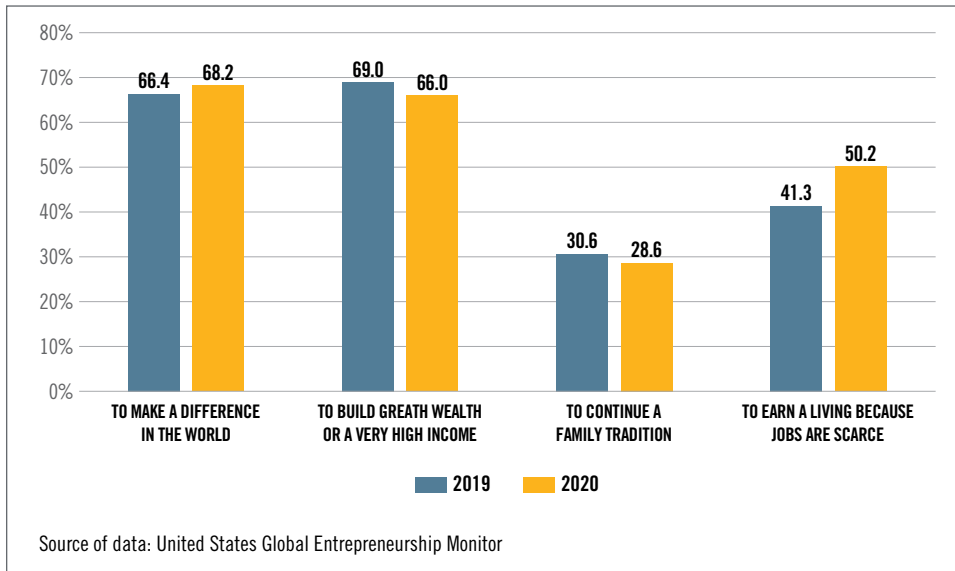
YEAR	EB	TEA
2001	5.7%	11.1%
2002	5.7%	10.5%
2003	5.4%	11.9%
2004	5.4%	11.3%
2005	4.7%	12.4%
2006	5.4%	10.0%
2007	5.0%	9.6%
2008	8.3%	10.8%
2009	5.9%	8.0%
2010	7.7%	12.3%
2011	9.0%	12.3%
2012	8.6%	12.8%
2013	7.5%	12.7%
2014	6.9%	13.8%
2015	7.3%	11.9%
2016	9.2%	12.6%
2017	7.8%	13.6%
2018	7.9%	15.6%
2019	10.6%	17.4%
2020	9.9%	15.4%
Change 2019–2020	-6.1%	-11.4%

* among non-entrepreneurs

The 2020 TEA and established business ownership rates may reflect a mix of behaviors during the pandemic. While many individuals may have been deterred or delayed in starting a business, others may have seen opportunities in the COVID-19 environment, or needed to create a source of income. In fact, 21% of those surveyed said they knew at least one person who started a business as a result of COVID-19.

Necessity may have played a more instrumental role in driving entrepreneurship in 2020 compared to 2019. Necessity motives are generally low in the United States, compared to other motives like pursuing a high income or making a difference in the world. As Figure 9 shows, the most substantial change in motives from 2019 is related to job scarcity. Given that 40% of respondents stated that their household income declined because of COVID-19, this is perhaps not surprising.

Figure 9: Motivations for Starting a Business Among Entrepreneurs in the United States, 2019–2020



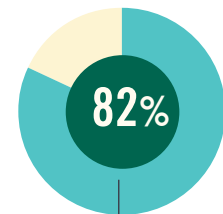
Also, entrepreneurs encountered challenges getting started: 82% thought that starting a business was more difficult than a year earlier, and 69% cited delays in getting their businesses operational because of COVID-19. Still, over half (54%) stated that the pandemic provided new opportunities to pursue with their businesses.

Established Business Ownership

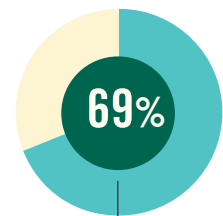
Although established business ownership showed little change from 2019, the prospects among this group were not high in 2020. Among business owners, 58% stated that they stopped some of their core business activities altogether because of the pandemic. So even though established business rates remained relatively stable in 2020, it is likely that many business owners were struggling or reducing activity with their businesses.

Established business owners showed optimism, although less than entrepreneurs, and 43% identified new opportunities they wanted to pursue with their business. Chapter 5 will go into more detail on the growth prospects and other impact characteristics of both entrepreneurs and established business owners.

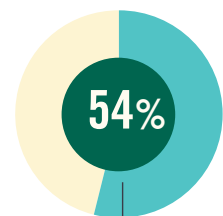
ENTREPRENEURS
encountered challenges
getting started:



Reported that starting a business was more difficult than a year earlier.



Cited delays in getting their businesses operational because of COVID-19.



Stated that the pandemic provided new opportunities to pursue with their businesses.

58% Of established business owners stopped some of their core business activities altogether because of the pandemic.

43% Identified new opportunities they wanted to pursue with their business because of the pandemic.

Business Closure

In 2020, 4.4% of the U.S. adult population closed a business, compared to 2.9% the year prior. While this may seem like a small number, it is more than a 50% increase from 2019. It indicates an additional three million people who reported closing a business in 2020 (8.7 million total).⁶ Over one-third of those exiting a business cited COVID-19 as the reason. Business closures seemed highly visible with 41% of survey respondents saying they knew at least one person who stopped owning and managing a business due to the COVID-19 pandemic.

Government Response

As discussed in the introduction of this report, the U.S. government played a significant role in reversing the economic downturn with such measures as reducing the federal funds rate and providing economic stimulus payments and additional unemployment benefits to Americans. For small and medium-sized business owners, the government offered forgivable loans through the Paycheck Protection Program (PPP). However, the PPP impact was controversial almost from the start, with reports of delays receiving money, because the Small Business Administration (SBA) was handling an enormous number of requests in a short period of time. There was also uncertainty about requirements, such as whether one would have to repay a loan they had thought was a grant, and instances in which funds were obtained fraudulently or went to businesses they were not intended to benefit, like large companies.

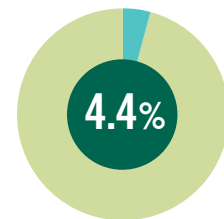
With regard to measures instituted to protect the public from COVID-19, responsibility was left primarily to the states. Across the country, states varied significantly in terms of how much and when the pandemic raged through their population, the parameters set separately by each state government to protect citizens, and the public's willingness to abide by the restrictions laid out. The pandemic was highly politicized in an election year, with contradictory information, lack of trust, and fear framing the beliefs and behavior of many.

The effect of COVID-19 on business owners varied, with most forced to close temporarily and reopen later with restrictions on social distancing and other measures. Some were able to adapt, such as by offering takeout or delivery, or shifting their offerings to serve new market needs. Others were fortunate in already operating businesses that could serve customers isolating at home or spending more time outdoors, like those offering online instruction or recreational equipment. But many found their businesses faltering in this rapidly evolving environment. It was unknown, at the time of the GEM survey in late summer and early fall 2020, how long COVID-19 would remain a major threat to societal health and the economy. Even with government aid, would this be enough to outlast COVID-19?

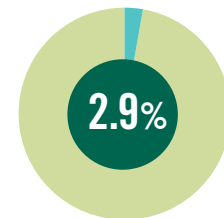
Given these differences and future uncertainty, it is worthwhile to examine perceptions about the government response to COVID-19 among entrepreneurs and established business owners. GEM

BUSINESS CLOSURE

8.7 million Americans closed a business in 2020.
Over 33% of those cited COVID-19
as the reason.



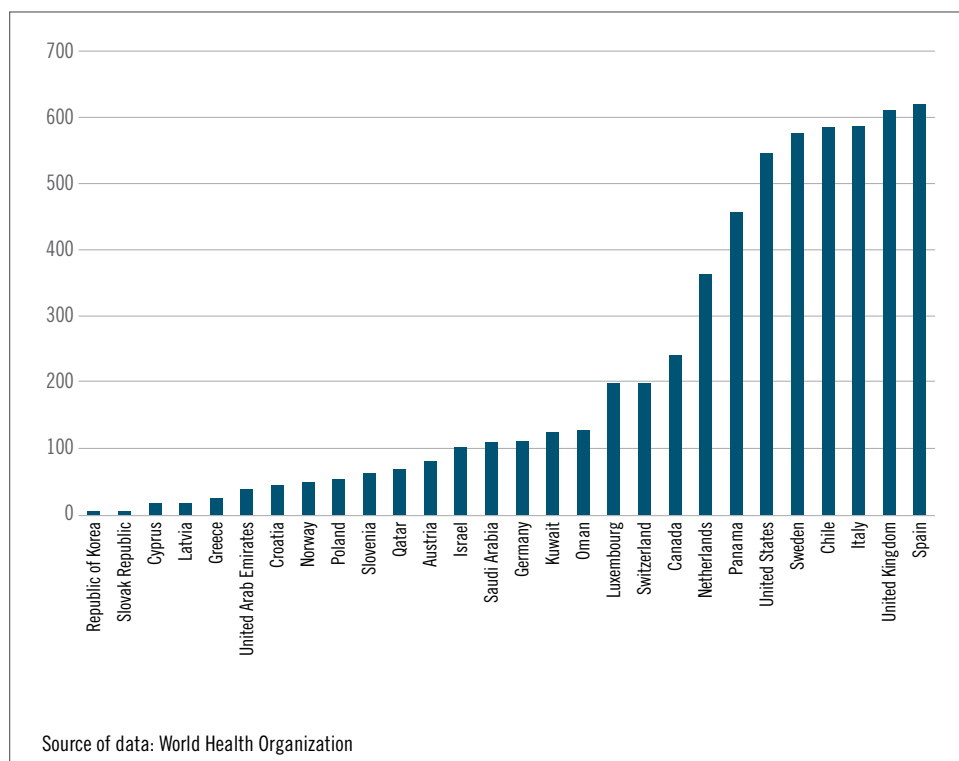
2020



2019

⁶ Based on an estimate of 197 million people between 18 and 64 years of age in the United States (the age range of survey respondents).
Source: United States Census 2020.

Figure 10: Cumulative Deaths per One Million Population as of August 30, 2020, in 28 Developed Economies



Economy	Cumulative Deaths per 1 M population
Republic of Korea	6
Slovak Republic	6
Cyprus	17
Latvia	18
Greece	25
United Arab Emirates	38
Croatia	45
Norway	49
Poland	54
Slovenia	62
Qatar	68
Austria	81
Israel	102
Saudi Arabia	110
Germany	111
Kuwait	124
Oman	127
Luxembourg	198
Switzerland	199
Canada	241
Netherlands	363
Panama	456
United States	546
Sweden	576
Chile	585
Italy	587
United Kingdom	611
Spain	620

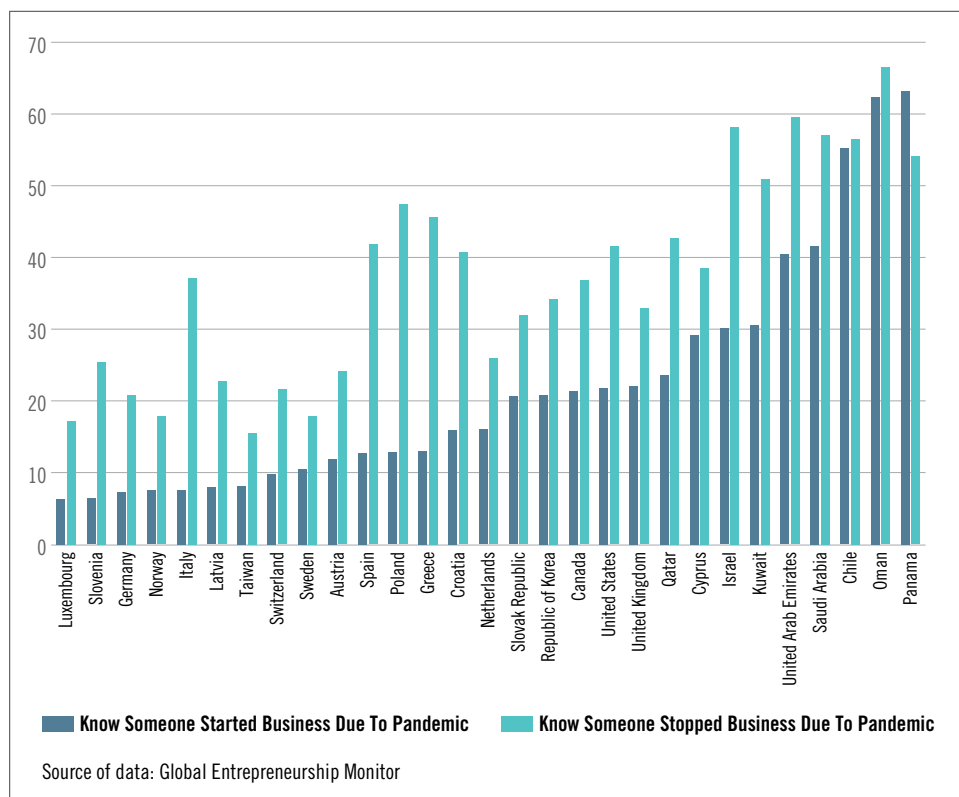
survey results showed some contrasts between these two groups. As of late summer and early fall 2020, established business owners were more likely than entrepreneurs (51% vs. 45%) to state that the federal government was effective in responding to the economic consequences of the COVID-19 pandemic.

When asked whether the federal or state government was doing a better job in responding to the economic consequences of the pandemic, 51% of entrepreneurs said the state government was more effective, compared to 32% of established business owners. The latter were more likely to say that the federal government was doing a better job (41% compared to 28% of entrepreneurs). Given that COVID-related federal aid targeted ongoing businesses, rather than helping people start businesses, this may explain why established business owners were more positive about the federal government response. Among established business owners responding to the GEM survey, 28% had received, or expected to receive, pandemic-related financial support from the government.

Global Comparisons

The 2020 GEM survey was conducted primarily in late summer to early fall 2020. At that point, COVID-19 had taken a devastating toll in the United States, as well as in Chile and many European countries such

Figure 11: Percentage of the Adult Population Who Knew Someone Who Started a Business and Someone Who Ended a Business in 29 Developed Economies, 2020

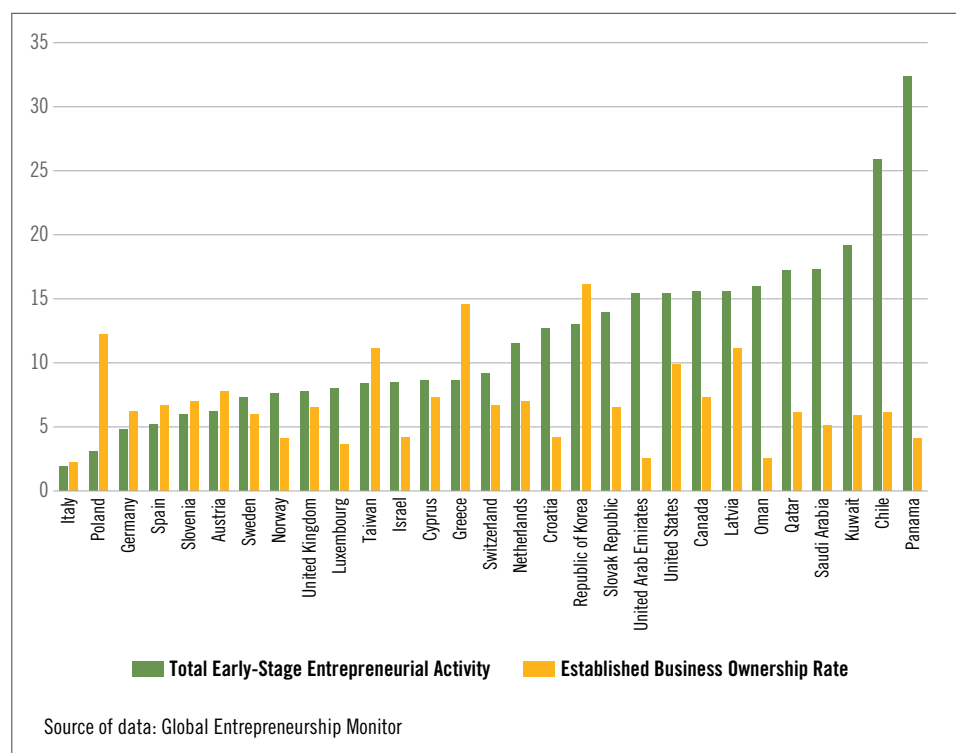


Country	Know someone started business due to pandemic	Know someone stopped business due to pandemic
Luxembourg	6.3	17.2
Slovenia	6.4	25.4
Germany	7.3	20.8
Norway	7.5	17.8
Italy	7.6	37.1
Latvia	7.9	22.7
Taiwan	8.1	15.5
Switzerland	9.8	21.6
Sweden	10.5	17.9
Austria	11.9	24.1
Spain	12.7	41.8
Poland	12.8	47.4
Greece	13.0	45.6
Croatia	15.9	40.7
Netherlands	16.0	25.9
Slovak Republic	20.6	31.9
Republic of Korea	20.8	34.2
Canada	21.4	36.8
United States	21.8	41.5
United Kingdom	22.1	32.9
Qatar	23.6	42.7
Cyprus	29.2	38.5
Israel	30.1	58.2
Kuwait	30.6	50.9
United Arab Emirates	40.4	59.5
Saudi Arabia	41.6	57.1
Chile	55.2	56.5
Oman	62.4	66.5
Panama	63.2	54.1

as Spain, the United Kingdom, Italy, and Sweden. Figure 10 shows cumulative deaths per one million people as of August 30, 2020, in 28 of the developed economies participating in the GEM 2020 survey. Taiwan was not included in the World Health Organization (WHO) database.

In the United States, it was more likely that an adult knew someone who had stopped a business rather than started one because of COVID-19. Likewise, in 28 of the 29 other developed economies participating in the GEM 2020 survey (except for Panama), more people knew at least one person who had stopped a business than knew someone who had started a business because of the pandemic (Figure 11).

Figure 12: Total Entrepreneurial Activity and Established Business Ownership Rates in 29 Developed Economies, 2020



Country	Total early-stage Entrepreneurial Activity	Established Business Ownership rate
Italy	1.9	2.2
Poland	3.1	12.2
Germany	4.8	6.2
Spain	5.2	6.7
Slovenia	6.0	7.0
Austria	6.2	7.8
Sweden	7.3	6.0
Norway	7.6	4.1
United Kingdom	7.8	6.5
Luxembourg	8.0	3.6
Taiwan	8.4	11.1
Israel	8.5	4.2
Cyprus	8.6	7.3
Greece	8.6	14.6
Switzerland	9.2	6.7
Netherlands	11.5	7.0
Croatia	12.7	4.2
Republic of Korea	13.0	16.1
Slovak Republic	13.9	6.5
United Arab Emirates	15.4	2.5
United States	15.4	9.9
Canada	15.6	7.3
Latvia	15.6	11.1
Oman	16.0	2.5
Qatar	17.2	6.1
Saudi Arabia	17.3	5.1
Kuwait	19.2	5.9
Chile	25.9	6.1
Panama	32.4	4.1

Figure 12 shows TEA and established business ownership rates for the 29 developed economies. The United States shows a moderately high rate of entrepreneurship, with lower rates reported in most European countries, and higher rates in a handful of countries in the Middle East and Latin America. Most of the developed economies showed declines in TEA from 2019, with those reporting the lowest rates in 2020 (Poland, Germany, and Italy) having dropped by about one-third or more from 2019.

Compared to 2019, necessity was a greater motivator for starting a business in the United States in 2020, with half of entrepreneurs stating they started a business to earn a living because jobs were scarce. A greater proportion cited this motive in 20 of the other developed economies, nearly 90% in Saudi Arabia and Oman.

Like TEA, established business rates in the United States are comparatively high, with three European countries (Latvia, Poland, and Greece) and two Asian economies (Taiwan and the Republic of Korea) reporting higher rates. The United States showed only a slight decrease (6%) in this indicator from 2019. Half of the 28 other developed economies showed greater declines in established business activity, with rates in the UAE and Italy dropping by more than half.

Yulkendy Valdez and Josuel Plasencia



Josuel Plasencia and Yulkendy Valdez encourage employees to be fully themselves, and say being able to celebrate all of who we are is particularly appealing to millennial workers. They founded Boston-based Project 99, which helps companies teach young employees and their managers inclusive leadership skills, with the aim of retaining diverse talent and growing future leaders. Studies show that more ethnically and racially diverse companies tend to outperform their less diverse competitors, say Plasencia and Valdez.

CHAPTER 2

Societal Attitudes and Self-Perceptions About Entrepreneurship

Societal Attitudes

In general, societal attitudes toward entrepreneurship remained positive in the United States, with little change from 2019 regarding perceptions that starting a new business is a desirable career choice and that entrepreneurial success is associated with a high level of status and respect (Table 1). It is interesting to note that more people believe that entrepreneurs have high status than believe starting a business is a good career choice. This indicates how highly entrepreneurs are regarded in the United States, even if one does not necessarily think it is the best path for a career.

However, there was a 7% decrease in perceptions about media and/or internet coverage of successful new businesses. A possible explanation is that COVID and its negative impact on many small businesses dominated media stories in 2020 and may have overshadowed more positive media reports such as how many entrepreneurs pivoted to survive (and in some cases thrived) during the pandemic. Positive media coverage on entrepreneurship may also have been overshadowed by the sometimes negative tone associated with the high-profile government hearings involving technology companies that many people previously regarded as entrepreneurial success stories. Still, this indicator is quite high and equal to results from 2016.



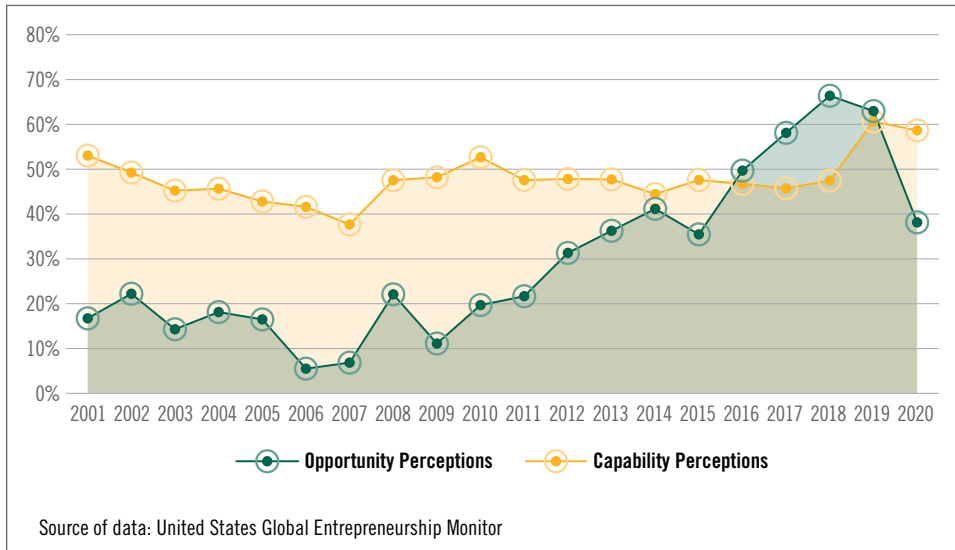
Chris Jacobs, founder and CEO of Honest Discounts, created his company with the mission to provide affordable prescription healthcare by providing a free Rx discount card to families and communities.

Table 1: Societal Attitudes Toward Entrepreneurship in the U.S. Adult Population, 2016–2020

	Good Career Choice	High Status	Media Attention
2016	64%	74%	72%
2017	63%	75%	74%
2018	63%	79%	74%
2019	68%	80%	77%
2020	70%	78%	72%

Source of data: United States Global Entrepreneurship Monitor

Figure 13: Opportunity and Capability Perceptions in the U.S. Adult Population, 2001–2020



YEAR	Opportunity Perceptions	Capability Perceptions
2001	32.5%	59.8%
2002	36.7%	56.9%
2003	30.7%	53.9%
2004	33.6%	54.2%
2005	32.4%	52.1%
2006	24.1%	51.2%
2007	25.1%	48.3%
2008	36.6%	55.7%
2009	28.3%	56.2%
2010	34.8%	59.5%
2011	36.3%	55.7%
2012	43.5%	55.9%
2013	47.2%	55.8%
2014	50.9%	53.3%
2015	46.6%	55.7%
2016	57.3%	55.0%
2017	63.6%	54.3%
2018	69.8%	55.6%
2019	67.2%	65.5%
2020	48.6%	64.0%

Self-Perceptions

Self-perceptions about one’s knowledge and skills for starting a business leveled off in 2020 after an 18% increase between 2018 and 2019 (Figure 13). This indicator is generally relatively stable, but nonetheless maintained the high level reached in 2019. Other indicators illustrate the toll that the pandemic had on entrepreneurship. People were less likely to perceive opportunities for starting a business around them, reflecting a 28% decrease from 2019 (Figure 13). However, opportunity perceptions were still well above the levels reported around the 2007–2008 recession.

One reason why opportunity perceptions did not drop further is that some Americans may have seen opportunities for “creative destruction,” a term used by Austrian economist Joseph Schumpeter to describe opportunities for new ideas and ways of doing business that present themselves during times of economic crisis. Additionally, GEM data were collected in late summer and early fall 2020, before the fall and winter surges in COVID-19 cases and deaths.

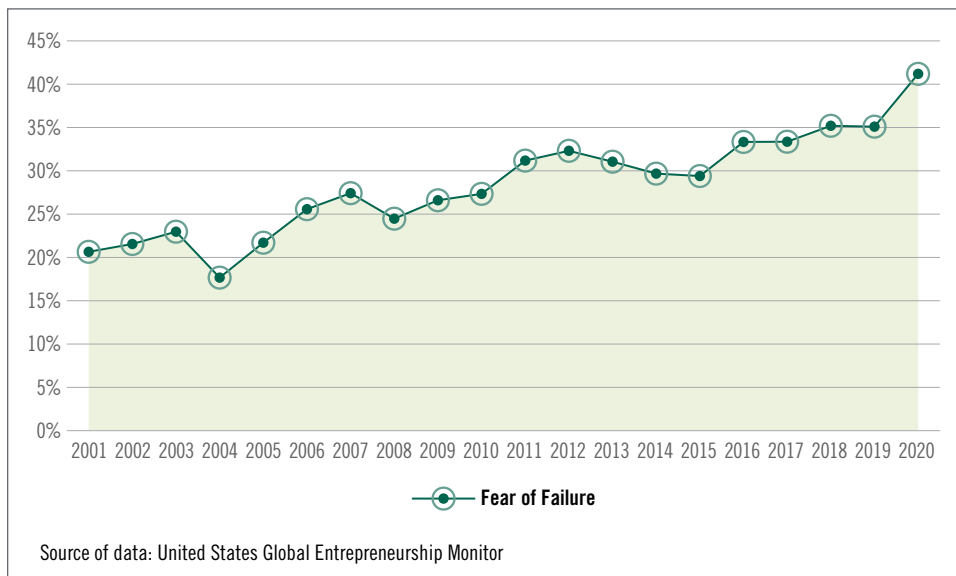
During a global pandemic, it is difficult not to consider the possibility of failure, and the GEM 2020 data reflect just that. Although fear of failure increased by 17% to the highest level ever reported by GEM for the United States (Figure 14), it is perhaps optimistic to report that more than half of Americans seeing opportunities did not fear failure. This may be due to the individualistic nature of the United States and general optimism that the economy and businesses would recover.

Nevertheless, the rise in fear of failure is consistent with the percentage of the adult population who shut down a business, which increased by 50% from 2019 to 2020, to reach levels not experienced since the 2007–2008 recession, as reported in Chapter 1. Additionally, the difficult economic environment



Diana S. Gray is a Speaker, Executive Coach and Trainer that provides advice and helps lead change in small businesses, organizations, educational institutions and faith-based organizations through high-quality trainings and consultant services.

Figure 14: Fear of Failure Among U.S. Adults Seeing Opportunities, 2001–2020



YEAR	Fear of Failure*
2001	20.6%
2002	21.6%
2003	23.0%
2004	17.7%
2005	21.7%
2006	25.6%
2007	27.4%
2008	24.5%
2009	26.6%
2010	27.3%
2011	31.2%
2012	32.3%
2013	31.1%
2014	29.7%
2015	29.4%
2016	33.3%
2017	33.4%
2018	35.2%
2019	35.1%
2020	41.2%

*for those seeing opportunities

also impacted motivations for starting new businesses, with a 22% increase in people doing so “to earn a living because jobs are scarce.” Thus, despite an increase in fear of failure and amid a rise in business closures, many Americans were forced to start businesses because employment opportunities were limited or non-existent.

Global Comparisons

When compared to the other 29 developed countries included in the 2020 GEM survey,⁷ the United States fared better than the national averages on many of the key indicators discussed above (Table 2). Despite pandemic conditions, it appears that Americans generally believed it was easy to start a business and that they were confident in their capabilities to do so.



Troubled to learn that garbage trucks are among the most polluting vehicles on the road, Jim Poss created BigBelly solar powered trash compactors. Today, BigBelly garbage and recycling units are located in over 50 countries around the world.

⁷ Austria, Canada, Chile, Croatia, Cyprus, Germany, Greece, Israel, Italy, Kuwait, Latvia, Luxembourg, Netherlands, Norway, Oman, Panama, Poland, Qatar, Republic of Korea, Saudi Arabia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Taiwan, United Arab Emirates, United Kingdom, Uruguay.

Table 2: Comparison of the United States to 29 Other Developed Countries Participating in the GEM 2020 Survey on Key Societal Perceptions About Entrepreneurship, 2020

	Easy to start a business	Good opportunities to start a business in my area	Personally have the knowledge and skills	Fear of Failure
USA Score	68.6	48.6	64.0	41.2
Developed Country Average	55.0	46.5	56.9	42.4
USA Rank/30	8	12	12	10th lowest
Top three countries	Saudi Arabia Norway Netherlands	Saudi Arabia Oman Qatar	Saudi Arabia Oman Qatar	Republic of Korea Norway Italy

Source of data: United States Global Entrepreneurship Monitor



Ian So, eager to apply his entrepreneurial studies and work experience to real life, bought a food truck on eBay for \$19,000 and launched his food business, Chicken & Rice Guys. From that initial investment, his business grew into an annual multi-million dollar revenue company with 6 food trucks, 3 restaurants, a 10,000 sf full service food truck commissary, and a full-service catering/popup division.

David Zamarin



David Zamarin, the chief visionary behind his company, founded DetraPel with one simple mission to #protectwhatyoulove. Detrapel manufactures and distribute powerful, planet-friendly, cancer-free protective coatings designed for use on all your favorite fabric and leather belongings. Zamarin believes that through innovation and a commitment to reduce environmental impacts and negative health effects, corporations have the power and responsibility to disrupt the growing trajectory of global challenges directly caused by irresponsible manufacturing.

CHAPTER 3

Entrepreneurial Impact

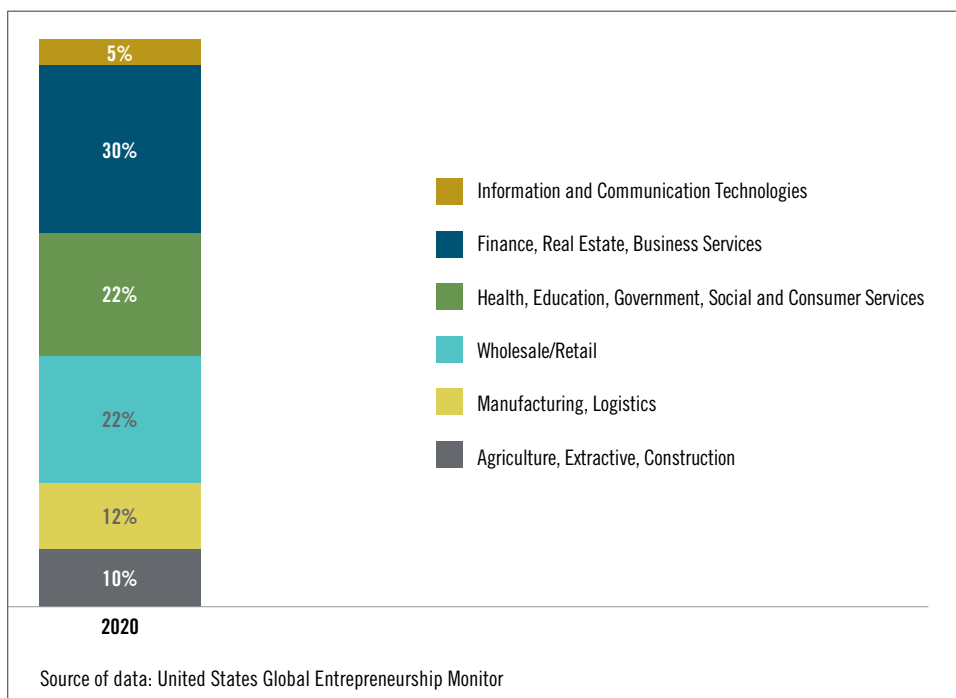
Industry Sector Participation

Examining Total Entrepreneurial Activity across industry sectors provides a snapshot of the types of opportunities currently being explored and also gives a sense of the near-term future. While some governments and economies across the globe promote certain industries in order to exploit unique natural resources or past national advantage, others champion a broad approach across a variety of sectors. The United States falls into the latter category, and for the past two decades has put greater emphasis on knowledge-intensive industries and service-based sectors.

Given this, together with the strong emphasis on design and creativity in the United States, it is not surprising to see TEA rates in service-based industries where startup activity relies on technology and creativity as the drivers of these businesses. During this time of pandemic, the numbers by industry are essentially the same as in prior years, which speaks to the continued creativity of entrepreneurs within the United States.

Figure 15 shows the TEA rate for the United States across industry sectors. As shown, the U.S. economy continues to be reliant on professional services and technology with over half of entrepreneurs building businesses in Finance/Real Estate/Business Service, Health/Education/Government/Social/Consumer Services, and Information/Communication Technologies.

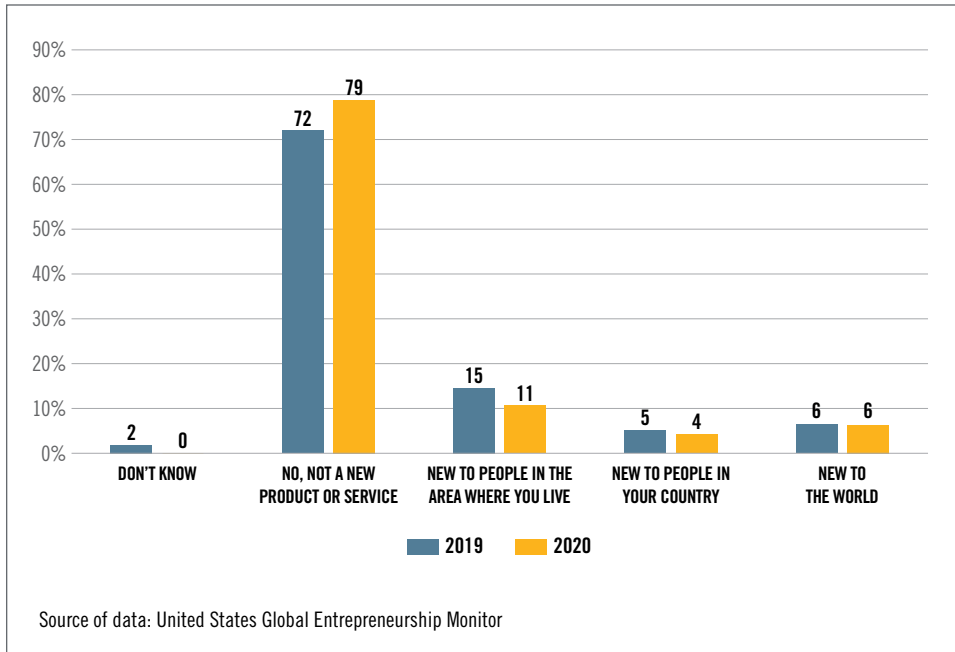
Figure 15: Industry Sector Breakdown for Entrepreneurs in the United States, 2020



As the Founder of Yaymaker, a platform for artists to engage with customers in live venues, my entrepreneurial training was really tested during COVID. We had to quickly pivot to a totally virtual experience. It took creativity, courage, and good business fundamentals to explore totally new methods of reaching our customers and delivering our services. Now we have opened up new revenue streams, are back on our feet and more excited for the future than ever.”

– Dan Hermann
 Founder of Yaymaker

Figure 16: Newness of Technology Used in Products or Services Offered by Entrepreneurs in the United States, 2020



Technology and Innovation

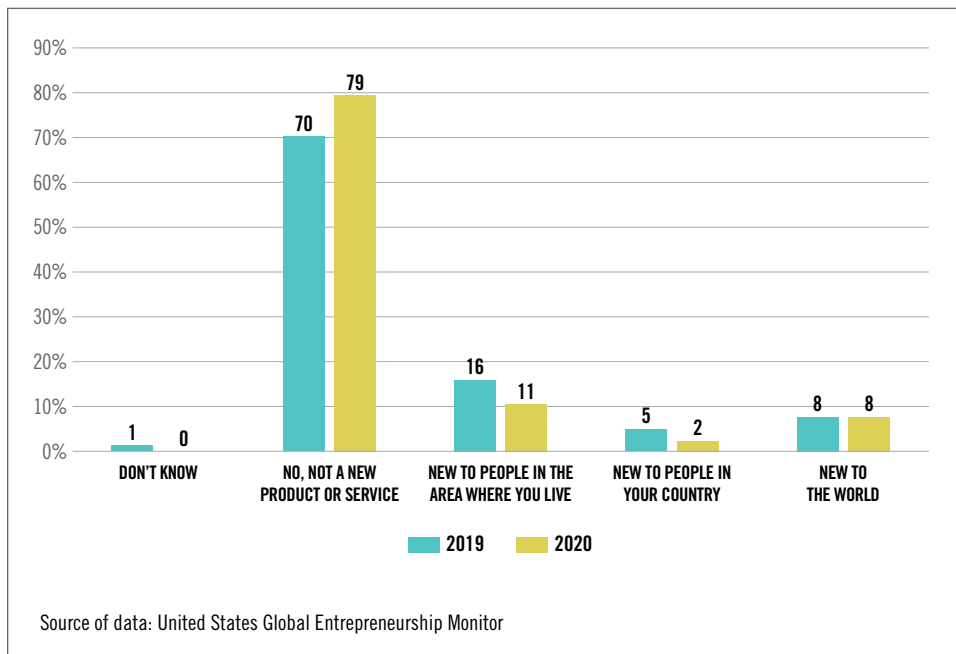
For at least 50 years in the United States, technology has been the driver behind many products and services entrepreneurs are introducing with their new businesses. Technology is not just an industry itself but also the competitive tool that early-stage entrepreneurs use to mobilize their startups. U.S. entrepreneurs can create competitive advantage by leveraging new technology to build their offering, to deliver it, or both. However, as Figure 16 shows, the percentage of entrepreneurs using the latest technology for their ventures has dipped a bit from the prior year. Almost 20% of entrepreneurs report using new technologies to power their products and services.

It is perhaps not surprising to see similar numbers with respect to innovation level. Figure 17 shows that close to 20% of all entrepreneurs in the United States report that their offerings are new to their customers.



DARTdrones, founded by Abby Speicher, is a national flight school for drone pilots offering expert drone training and program development solutions for enterprise clients, government agencies, public safety departments, and individuals.

Figure 17: Innovative Products or Services Offered by Entrepreneurs in the United States, 2020



Job Growth Expectations

An entrepreneur’s sense of how many employees he or she might hire over the next five years not only signals their growth intentions, but also helps policymakers and other leaders for a handful of reasons. First, entrepreneurs with higher expectations for job creation are signaling confidence that they are developing an opportunity that meets a clear and growing need and that they will need more people to help them execute. Second, they also signal that they can recruit, hire, and develop others to help them successfully grow their venture. Overall, job creation expectations are important measuring sticks because startups that create many jobs are the businesses that significantly grow local, regional, and national economies.

In 2020, the percentage of entrepreneurs who do not expect to create any new jobs at all over the next five years stayed at 32%, around the same level as in 2019. However, projections for a higher growth level, adding more than five new jobs, declined among entrepreneurs from 32.5% in 2019 to 27.5% in 2020. This suggests a decline in the optimism (or ambition) that typically characterizes entrepreneurs, perhaps reflecting greater caution among those starting during the pandemic, added to the uncertainty they already face in the startup phase. Globally, however, the United States is on par with the average for the other 29 developed economies, with respect to entrepreneur expectations of job creation for more than five employees.

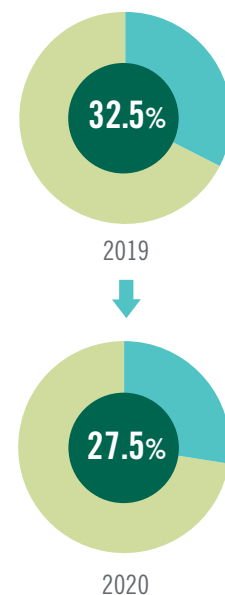


It’s so important to support Black-owned businesses right now, because we are doing the work. It’s supporting the actual communities where injustice occurs.”

– Janice McLean DeLoatch
Founder, Black Shopping Networks

BUSINESS CLOSURE

Growth projections (percentage of entrepreneurs projecting more than five employees) declined from 2019 to 2020.



In 2020, a higher proportion of established business owners than in 2019 anticipate no new jobs in the future (62% vs. 54% in 2019), with only a slight increase in the percentage anticipating more than five new jobs (16% vs. 13% in 2019), overall suggesting some caution around increasing payroll. Besides the ambitions of entrepreneurs and the growth potential of their opportunities, other ecosystem enablers can influence their growth ambitions such as changes in labor availability, government policies and technology.

National and International Scope

Being a country of large size and population has its advantages. The sheer size and diversity of markets within the United States afford early-stage entrepreneurs and established business owners opportunities to exploit and grow their businesses without going beyond their own borders. Alternatively, this tends to keep U.S. rates of international sales relatively low.

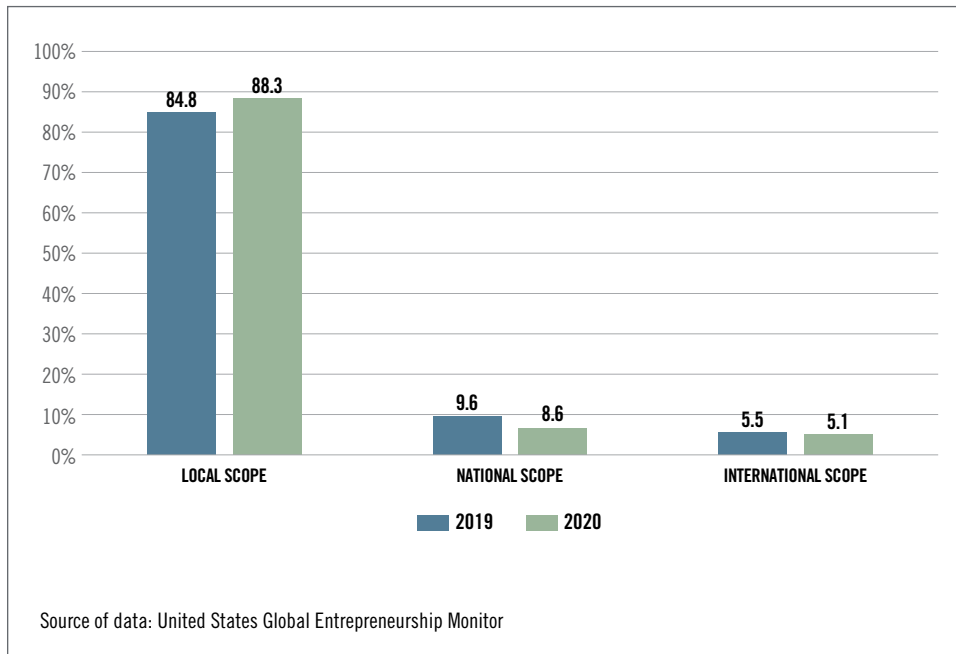
Figure 18 shows trends in 2020 similar to those in 2019 with respect to where entrepreneurs are selling their products and services. With the global pandemic localizing businesses even more, it would not be unexpected to see a rise in sales in the local area, with a corresponding drop in national and international sales for U.S. entrepreneurs. However, these changes were modest in 2020.

Historically, the size of the U.S. market has not required many entrepreneurs within the country to be active globally at the startup phase. While U.S. entrepreneurs have international sales of only 5%, their counterparts in neighboring Canada report over 50% more in international sales at 8%, while some developed European countries also report a greater percentage of international sales (e.g., Switzerland 9.5%, Norway 8%, Austria 7.8%, Netherlands 7.2%, and Germany 6.9%). In addition to the size and attractiveness of internal markets, other influences on the extent of international trade activity may include trade policies and relationships with other countries, trade assistance and logistics, and cultural and language similarities or barriers. Entrepreneurs with global knowledge and ambition, and products and services with international marketability, can contribute to a nation's global reach.



Dinesh Wadhvani is co-founder and CEO of ThinkLite, which custom designs, manufactures, distributes, and installs energy-efficient lighting solutions.

Figure 18: Geographic Reach of Entrepreneurs in the United States, 2020



Jessica Chang co-founded LobstahBox, a venture that ships live Maine lobsters and other regional favorites such as clam chowder and wild blueberry pie to eager eaters around the country.

Entrepreneurs

who pivoted in the era of COVID



Marissa Goldstein, Rafi Nova, a fair trade and ethical textile company that pre-Covid focused on backpacks, quickly pivoted to high quality face masks and was even an early producer of the smile mask.



Bryanne Leeming sells her learning tools to teachers. She quickly found ways to support those teachers teaching from home in the spring. She's now engaging with teachers whose school's reopening plans are tied to hybrid.



Marc Baghadjian is building Replay (formerly Skippit), a dating app that uses short video and voice content to allow people to express themselves.



Ed Kinnaly, CEO of Bauer Hockey pivoted from hockey equipment to the production of medical face shields during the start of the Covid pandemic.



Fan Bi took his multi-unit retail clothing business Blank Label in a new direction: branded masks for corporate clients. Today, masks comprise 50% of Blank Label sales. Fan has adapted to the new reality.



Brothers Michael and Matthew Vega-Sanz for Lula, a car sharing mobility platform for those under 25 years old, pivoted into insurance coverage.



Justin Guerette and Ryan Parcels started Starling Organics as a CBD supplement company and pivoted based on Covid and a relationship with Exhale Spas. You can find their private labeled immunity boosting gummies online and in Exhale Spas.



Hayoung Park ran two charity auctions on HYP, a social bidding platform for exclusive releases in fashion, art, and more. He auctioned off "Stay Home" Nike Dunk Lows and Highs. The two pairs sold for a total of \$11,801 and HYP donated the proceeds—amounting to \$10,278.07—to GiveDirectly and UnitedWay's COVID-19 relief funds.

Jennifer Pierre



Jennifer Pierre is the founder of Melanites, a toy company that designs diverse dolls, toys, storybooks, and games that celebrate brown boyhood. Melanites' mission is to show positive representations of boys of color to inspire kids to dream big, stand tall, and cultivate curiosity, adventure, and fun! She created Melanites to break through the glass ceiling society cultivates in the minds of young boys of color about what they can be when they grow up and how they are supposed to express themselves.

CHAPTER 4

Women's Entrepreneurship

It is well-documented that the COVID 19 pandemic disproportionately affected women entrepreneurs during 2020 largely because their businesses tend to be smaller and younger, as well as concentrated in industry sectors hardest hit by the economic shutdowns.⁸ However, even in the face of the pandemic in 2020, women entrepreneurs continued to create ventures, provide jobs, and develop essential services for communities worldwide.

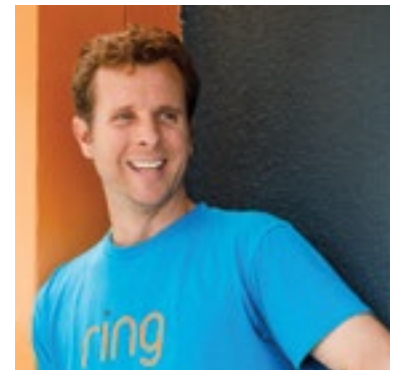
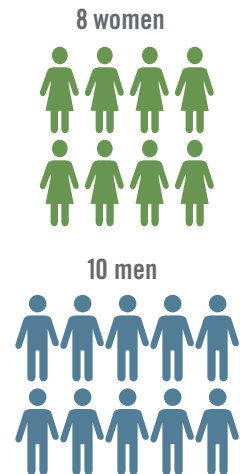
Entrepreneurship Rates

While women's entrepreneurship rates remained strong in Latin America and Central Asia, they varied dramatically by economy: under 5% in Italy, Poland and India; more than 50% in Angola; 35% in Togo; and more than 25% in Guatemala, Panama and Colombia. However, there are only six economies among the 43 participating in GEM in 2020 where women's entrepreneurship rates exceeded those of men: Angola, Togo, Saudi Arabia, Indonesia, Oman and Kazakhstan (Figure 19).

The fact remains that the majority of new businesses are more likely to be started by men than women, suggesting the global gender gap still prevails. In the United States, 2019 marked the smallest gender gap in recent history with TEA for women 16.6% and for men 18.3%. However, 2020 showed a decline for both and a widening of the gender gap. The gender ratio in the United States in 2020 was equivalent to that of Canada, at about eight women entrepreneurs for every 10 men entrepreneurs. This exceeded the ratio in some countries of Western Europe (Sweden, Norway, Italy) and the Middle East (Morocco, Iran, Egypt), and also in India.

GENDER GAP

In 2020, there were around 8 women for every 10 men starting or running new businesses in the United States.



A lifelong inventor and successful entrepreneur, Jamie Siminoff created the world's first Wi-Fi video doorbell while working in his garage in 2011, now known as RING.

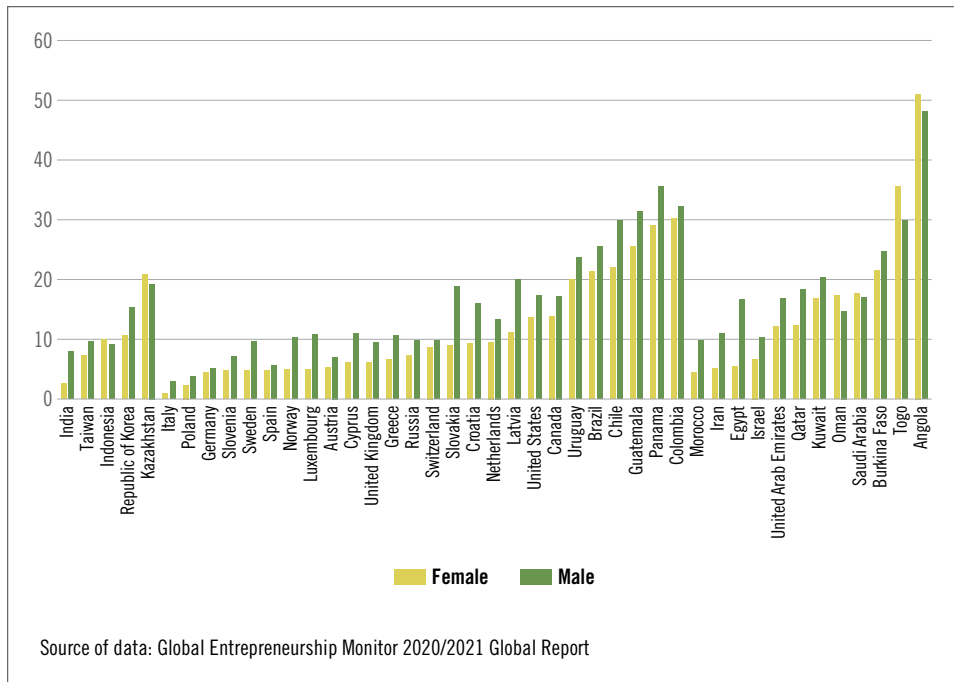
⁸ WE Forum (2020), Our recovery from the coronavirus crisis must have gender empowerment at its heart. Available at: <https://www.weforum.org/agenda/2020/05/industries-gender-women-coronavirus-covid19-economic>. Accessed on June 10, 2020.

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Kalnins, A. and Williams, M. (2014), When do female-owned businesses out-survive male-owned businesses? A disaggregated approach by industry and geography. *Journal of Business Venturing* 29(6): 822–835. DOI: 10.1016/j.jbusvent.2013.12.001.

Manolova, T., Brush, C., Edelman, L., and Elam, A. (2020), Pivoting to stay the course: How women entrepreneurs take advantage of opportunities created by the COVID-19 Pandemic. *International Small Business Journal*. 38:6. 481–491.

Figure 19: Total Entrepreneurial Activity (TEA) by Gender in 43 Economies, 2020



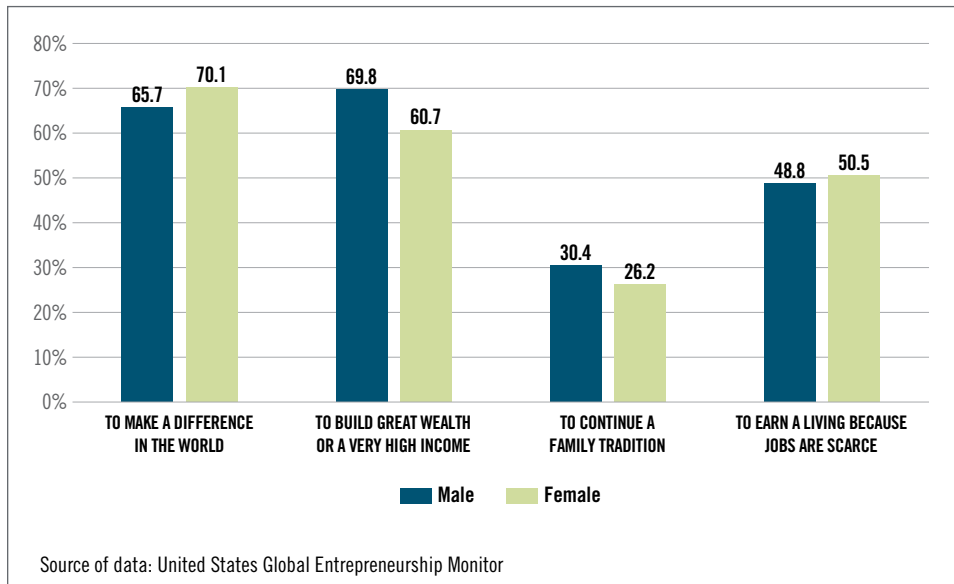
Country	TEA by gender (% adults 18–64)	
	Female	Male
Central & East Asia		
India	2.62	7.94
Taiwan	7.26	9.63
Indonesia	10.00	9.14
Republic of Korea	10.57	15.34
Kazakhstan	20.88	19.25
Europe & North America		
Italy	0.92	2.93
Poland	2.36	3.81
Germany	4.44	5.11
Slovenia	4.75	7.10
Sweden	4.79	9.70
Spain	4.81	5.57
Norway	4.92	10.23
Luxembourg	4.94	10.86
Austria	5.31	7.03
Cyprus	6.14	10.98
United Kingdom	6.18	9.50
Greece	6.66	10.59
Russia	7.28	9.74
Switzerland	8.72	9.75
Slovakia	8.91	18.80
Croatia	9.27	16.06
Netherlands	9.55	13.40
Latvia	11.17	20.04
United States	13.63	17.26
Canada	13.89	17.25
Latin America & Caribbean		
Uruguay	20.06	23.75
Brazil	21.31	25.59
Chile	22.08	29.90
Guatemala	25.52	31.32
Panama	29.09	35.57
Colombia	30.19	32.15
Middle East & Africa		
Morocco	4.49	9.81
Iran	5.07	10.92
Egypt	5.44	16.73
Israel	6.71	10.35
United Arab Emirates	12.18	16.77
Qatar	12.32	18.36
Kuwait	16.86	20.41
Oman	17.31	14.73
Saudi Arabia	17.67	16.97
Burkina Faso	21.52	24.76
Togo	35.56	29.84
Angola	51.05	48.05

Motives for Starting a Business

Startup rates are linked to motives for starting a business. Generally, most U.S. entrepreneurs hope to make a difference in the world and build wealth or achieve a high income (more than 60%), but there are intriguing gender differences. As noted in Figure 20, women are more likely than men to be motivated by making a difference in the world, although the percentage of men noting this motive increased by 5% from 2019 through 2020, while it remained steady for women. It is possible that motivations are connected to the sectors where women start more businesses, such as professional and administrative services and health care, which often meet personal needs.

In contrast, men are more likely than women to start a business to build great wealth or a very high income. Women are slightly more likely to start a business out of necessity because jobs are scarce, and this rose by 12% in 2020. However, men showed a 30% increase. Given the economic shutdown due to the COVID-19 crisis, it is not surprising that necessity-based motives rose during the year. Finally, a motivation to continue a family tradition remains somewhat lower than other motives for both genders, although slightly higher for men than for women.

Figure 20: Motivations by Gender for Starting a Business in the United States, 2020



Industry Participation

Both genders most often start retail or wholesale businesses, but this is especially the case for women entrepreneurs, as more than one out of four starts in this sector (Figure 21). Men entrepreneurs participate at similar levels across four industry categories: agriculture, finance, professional/administrative services, and health/education/government/social services. These latter two service-related sectors each comprise about one-fifth of women entrepreneurs. Notably, 2020 shows an all-time high percentage of women in manufacturing, up nearly 50% from 2019, while the percentage of men in this sector dropped by about an equal figure. Generally, women more often start businesses in sectors with lower entry barriers and fewer startup costs, and more often in the services and business-to-consumer sectors.

Innovation

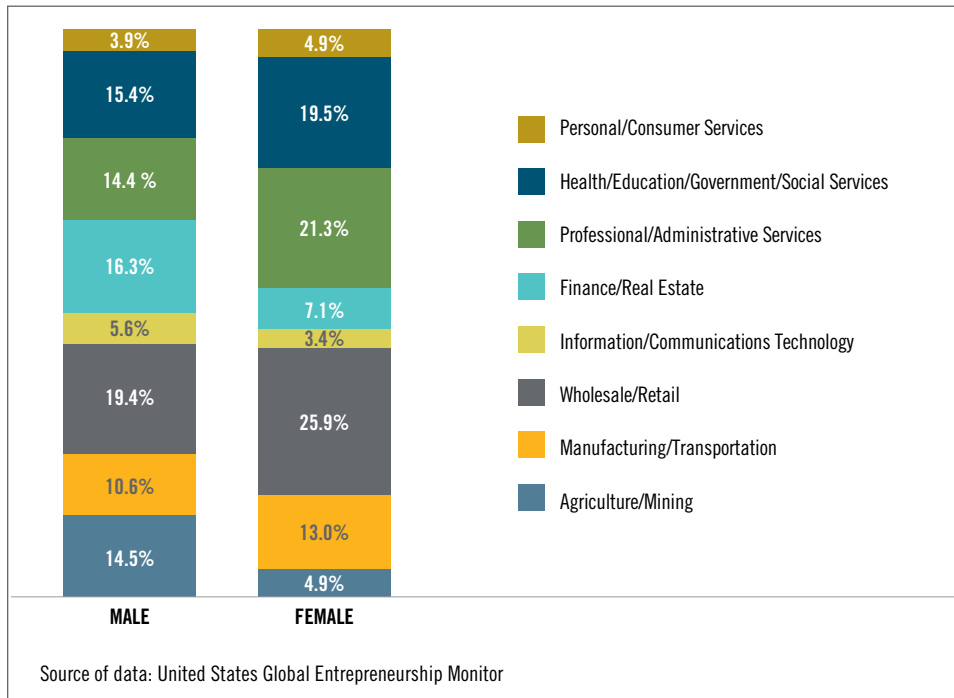
Entrepreneurs with innovations introduce products and services that are new to people locally, nationally, or globally. Overall, 24% of men-led ventures and 16% of women-led ventures report some degree of newness, with 12% of men considering their products or services to be new to the world, compared to only 2% of women. This is likely related to the sectors where people start businesses, especially those where innovations are competitively important.



Covid gave us an unprecedented ability to support our neighbors in ways we never thought we could. We transitioned to a to-go/delivery model to protect our employees and guests, but we also created the Hodgepodge Pantry to address the shortages of necessities our city was experiencing along with the rest of the country. We made sure to also implement COVID-impact pricing: If you were financially impacted in any way by COVID, we gave items to folks at cost.”

– Krystle Rodriguez
Co-founder and operator of
Hodgepodge Coffeehouse

Figure 21: Industry Sector Breakdown for Male and Female Entrepreneurs in the United States, 2020



Societal Attitudes

The rates of entrepreneurship, and support for this endeavor, are influenced by contextual factors such as societal attitudes toward entrepreneurship. Both women (78%) and men (79%) in the United States continue to believe that those starting a business have a high level of status and respect, as was the case in 2019. However, perceptions of positive stories in the public media or online about entrepreneurship declined for both women and men by about 7% (to 71% and 73% respectively), perhaps affected by the dominance of news about COVID-19, which was generally negative at the time of the survey.

Gender differences were noted in perceptions about entrepreneurship as a desirable career choice, remaining steady from 2019 at 68% for women, while increasing by 8% for men to 73%. Perhaps men reacted more to the current context, seeing entrepreneurship as a more viable career amid the alternatives available at the time. Among entrepreneurs, both men and women believed that starting a business was more difficult in 2020 than a year prior, although more men (61%) held this belief than women (57%). Additionally, both genders noted delays in getting their business operational (64% for women, 61% for men). On the other hand, fewer believed the pandemic created new opportunities for them to pursue (46% for women, 47% for men), although perhaps there is optimism in this positive indicator capturing nearly half of entrepreneurs. Nonetheless, it is fair to say that the COVID crisis affected both men and women entrepreneurs in significant and somewhat similar fashion.



As a medical product company set out to change the standard of care in short-term airway management, the biggest challenge from COVID has been not being able to showcase our product through live demonstrations. However, as a serial entrepreneur who has faced plenty of obstacles in the past, I know we will persevere and continue to pivot until we find our path to success and gain traction.”

— Cory Allison
Founder and CEO of KelCor

Self-Perceptions

Historically, the percentage of adults in the U.S. population who perceive opportunities has generally increased over the previous 10 years. In 2020, not surprisingly, this indicator dropped by over one-fourth for both genders to 44% for women and 53% for men. Similarly, fear of failure among those seeing opportunities increased to 46% for women and 37% for men. Regarding perceived capabilities, men were more likely to believe they had the capabilities to start a business (69%) than women (59%), and both percentages were similar to those of 2019. Also holding steady was the percentage of the population who knew at least one entrepreneur, with 61% the result for both genders.

Overall, women have high confidence in their abilities for entrepreneurship, even if lower than that of men, and they affirm having role models and other benefits through their affiliations with entrepreneurs. More concerning in 2020, however, are their lower perceptions about opportunities and higher fear of failure, which may be reflected by the decline in entrepreneurial intentions shown in Figure 22: down 5% for men and 11% for women, with the bigger change for women widening the gender gap.

Venture Performance

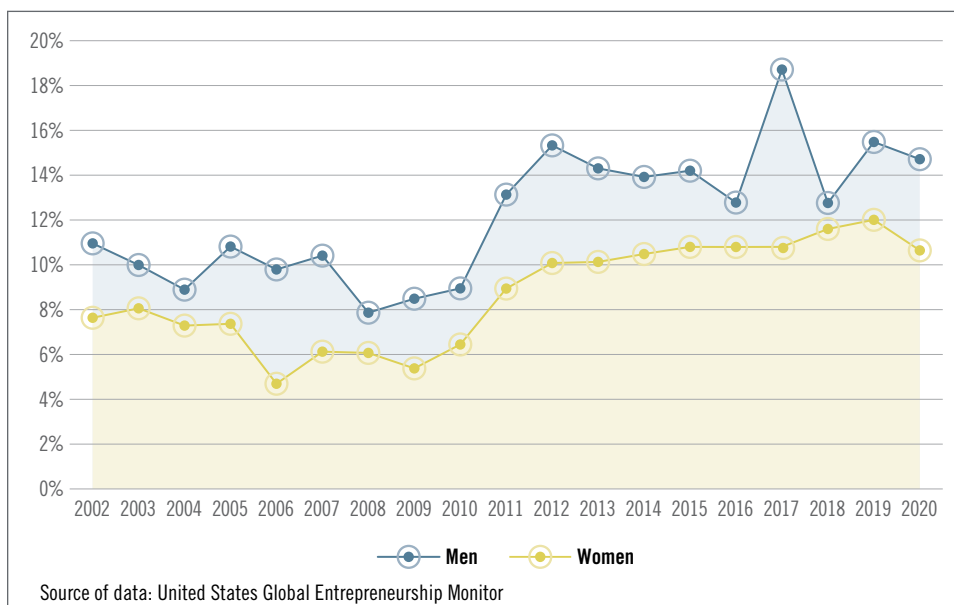
Growth expectations imply the potential contribution of entrepreneurs to job creation in their economies. Similar to the percentages of 2019, 34% of women and 31% of men did not expect to create new jobs in 2020. Perhaps not surprisingly, expectations for growing by more than five jobs declined from 2019 by 15% for men (to 33%) and by 21% for women (to 21%), likely due to the COVID crisis.



**Don't you dare give up!
Follow your dreams; they do
eventually come true."**

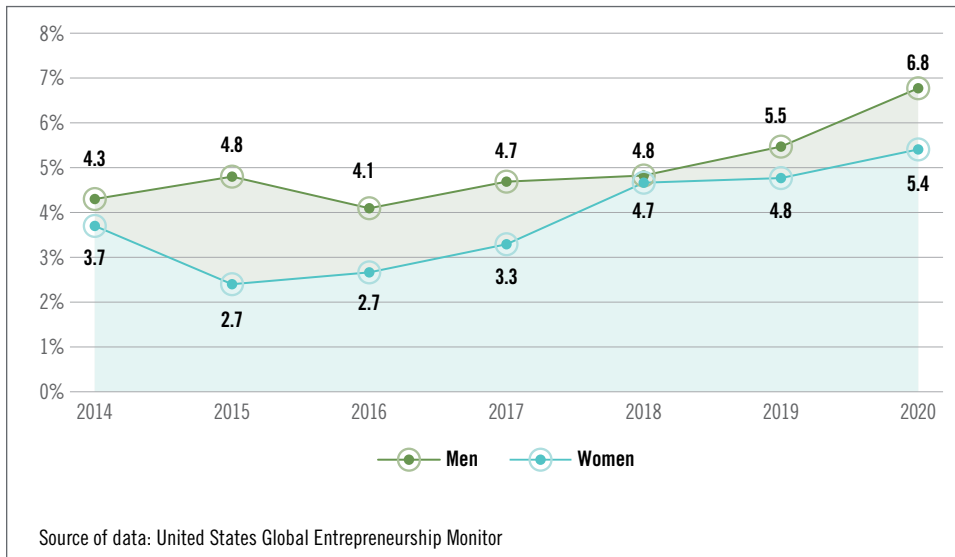
– Labrescia Dawson
Founder and CEO of Dawson's
Management

Figure 22: Intentions by Gender to Start a New Business Within Three Years in the United States, 2002–2020



	Men	Women
2002	11.0%	7.6%
2003	10.0%	8.1%
2004	8.9%	7.3%
2005	10.8%	7.4%
2006	9.8%	4.7%
2007	10.4%	6.1%
2008	7.9%	6.1%
2009	8.5%	5.4%
2010	8.9%	6.4%
2011	13.1%	8.9%
2012	15.3%	10.1%
2013	14.3%	10.1%
2014	13.9%	10.5%
2015	14.2%	10.8%
2016	12.8%	10.8%
2017	18.7%	10.8%
2018	12.8%	11.6%
2019	15.5%	12.0%
2020	14.7%	10.6%
2020	48.6%	64.0%

Figure 23: Business Closure by Gender in the Previous Year in the United States, 2014–2020



Among established business owners, growth expectations were much lower in that 57% of men and 70% of women did not expect to create new jobs.

The effect of COVID-19 on business growth, activities and opportunities among established business owners showed notable gender differences. Men (45%) were more likely than women (30%) to expect lower growth compared to a year prior, when the pandemic had not yet surfaced. Interestingly, women (32%) were more likely than men (25%) to expect to receive financial support from the government.

The pandemic had equal impact in some aspects among established business owners. More than half of men (55%) and women (56%) said that COVID-19 led them to stop some of their core activities. On a more positive note, one-third of both genders felt the pandemic provided new opportunities they could pursue with their businesses.

Business closures signal the loss of jobs in an economy, as well as any dissociation with stakeholders such as investors, customers, or suppliers. In 2020, the percentage of Americans reporting closing a business in the prior year rose to 6.8% of men (up 24% from 2019) and 5.4% of women (up 13% from 2019). Among those closing businesses, 41% of women and 30% of men reported closing because of the coronavirus pandemic. Women had a slightly lower closure rate than men (see Figure 23), possibly due to a lower base rate of prior startup activity. However, women were more likely than men to close due to COVID-19, which illustrates a greater effect of the pandemic on women business owners.

Women more likely than men to expect to receive financial support from the government.



Percentage of those closing businesses citing the coronavirus pandemic as the cause.



Aaron Walton



In 2005, Aaron Walton co-founded the advertising agency Walton Isaacson, with colleague Cory Isaacson. Walton and Isaacson set out to create what they called “the world’s most interesting agency,” one that celebrates all kinds of diversity. “We understood that diversity ultimately leads to innovation,” Walton says. “When we’re surrounded by people who aren’t like us, we work harder to marshal our arguments to convince people why things need to evolve or be different. That can’t happen if everyone thinks the same, looks the same, comes from the same background.”

CHAPTER 5

Race and Ethnicity

The GEM U.S. survey includes questions about race and ethnicity. With sufficient numbers of Black (13.4%) and Hispanic (18.5%) populations in the United States, along with the White/non-Hispanic population (60.1%),⁹ it is possible to examine entrepreneurship indicators among these groups.

Societal Attitudes and Self-Perceptions

Differences in societal attitudes can be seen in Figure 24, where Black people are 10% more likely than White and Hispanic people to believe that entrepreneurship is a good career choice. White people, however, are over 7% more likely than the other two groups to believe entrepreneurs garner high status and respect in society.

Perhaps curiously, despite the high visibility of White entrepreneurs like Elon Musk, Bill Gates, Mark Zuckerberg and Jeff Bezos in U.S. media, Black and Hispanic people are more likely than White people to report seeing stories in the public media and online about successful entrepreneurs. Black people (66%) and Hispanic people (67%) are also more likely than White people (59%) to know entrepreneurs personally.

Both visibility and personal affiliations can be important in inspiring and guiding prospective entrepreneurs. However, whether one thinks entrepreneurship is a good career or affords high status may be influenced by one's point of reference. For example, differences in perceptions about entrepreneurship as a career choice may be weighed against work as an employee; and racial or ethnic differences in employment prospects may influence one's view of entrepreneurship as an alternative career. In addition, one's perception about status may be based on entrepreneurs that are most like oneself.

Perceptions about entrepreneurship as a career choice among the Black population seem to mirror self-perceptions. Black people view entrepreneurship as a good career, and they see opportunities around them. Further, they are highly likely to believe they have the capabilities to start a business, although fear of failure is high, over one-third higher than among the White population (Figure 25). This may reflect concern about losses one might incur or consequences one might face in starting a business that does not work out.

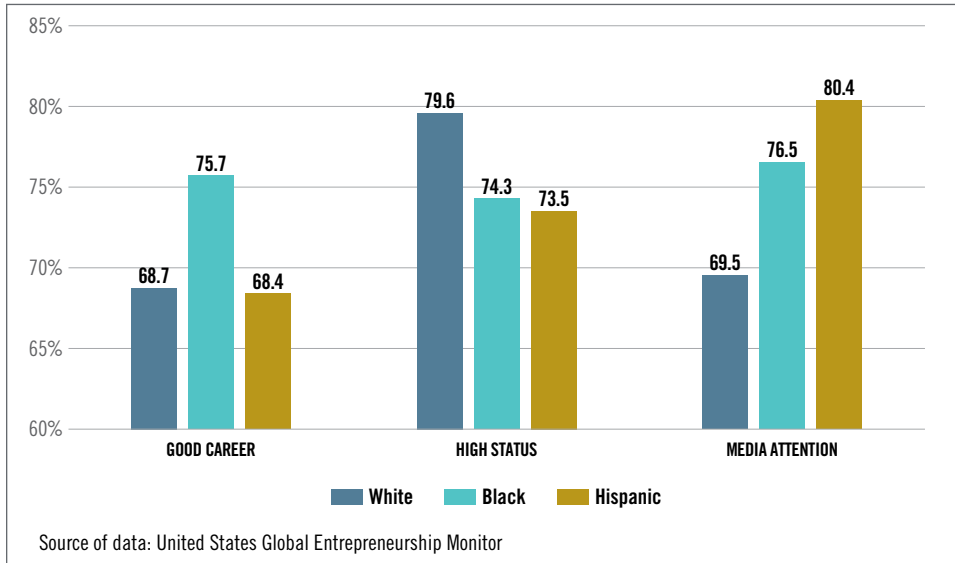
Compared to the White population, the Hispanic population is equally likely to believe entrepreneurship is a good career and equally likely to see opportunities. However, Hispanic people are much less likely than Black or White people to believe they have the capabilities to start a business. Their fear of failure is lower than that of Black people, but greater than that of White people.



Asini Wijewardane and Colleen Leung want to solve the problem that is the complex web of referrals, insurance, and stigma associated with finding a therapist. Together, they have taken a critical step toward that mission through the establishment of their business, Unmute.

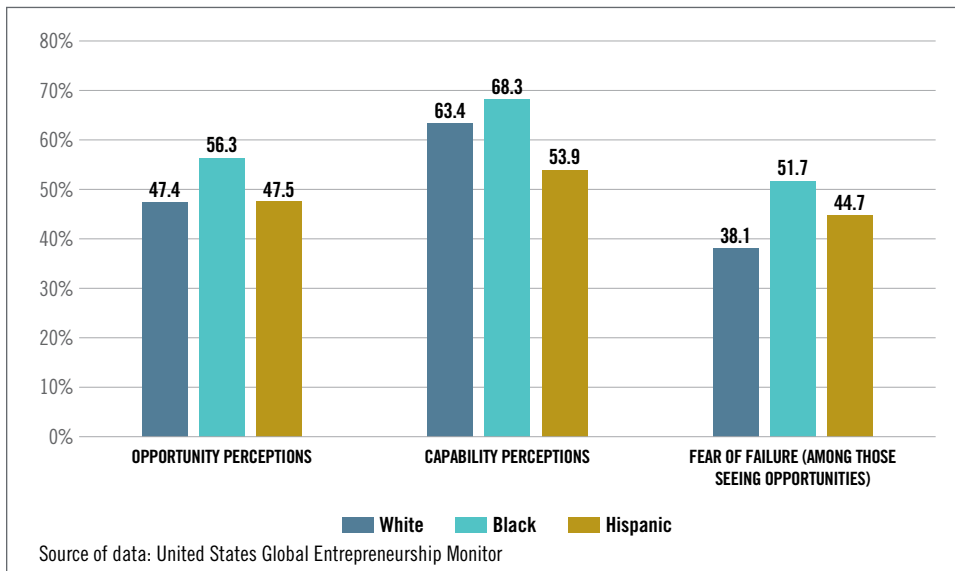
⁹ <https://www.census.gov/quickfacts/fact/table/US/RHI725219>. Accessed on May 25, 2021.

Figure 24: Societal Perceptions About Entrepreneurship by Race and Ethnicity in the United States, 2020



Angelica Mendoza, founder of Badass Mom Wine, had a dream that every mom can have a glass of rosé at any stage of motherhood. The idea was born when she was pregnant and craving a glass of rosé; everything tasted like grape juice. And she wanted the REAL TASTE BUT ZERO ALCOHOL. And that's when BADASS MOM SPARKLING rosé was created. This rosé keeps the flavor because they make fermented wine first in Spain, and then remove the alcohol.

Figure 25: Societal Self-Perceptions About Entrepreneurship by Race and Ethnicity in the United States, 2020



Activity Across Phases

GEM measures entrepreneurship through an annual survey of the adult population. Each survey provides a point-in-time assessment of activity in a society, but does not follow specific individuals over time, which would present methodological challenges (for example, attempting to locate survey respondents over multiple subsequent years). Consequently, differences in participation across phases could mean that, for example, more people have decided to start a business in a particular year, and this data may not yet have been captured in reporting of mature business activity. Thus, the effect of changes in early phases may have a lagged effect on later phases. However, building on 22 years of GEM data, it is possible to identify if a 2020 survey result is a current trend or a persistent pattern; and patterns are the focus of the results described here.

Although there is not an ideal level of participation in the various phases, it is valuable to look at the relationship among phases. Additional insights are possible in examining data over time or across economies or regions. Persons who intend to start a business are potential entrepreneurs, but not all of them will act on their intentions; nonetheless, their size and characteristics as a group suggest the potential for entrepreneurship in a society. The GEM TEA rate indicates the proportion of the adult population who are willing and able to pursue their intentions, influenced at least in part by the extent to which the entrepreneurial ecosystem supports their ambitions.

Not all entrepreneurs will progress to running mature businesses, but all will wish to have a best shot at success with their ventures. Finally, it must be accepted that some businesses will fail, so a reasonable amount of closure activity is not necessarily a bad thing, because low closure could mean no one was willing to take a chance at starting in the first place. Those who close a business may benefit society by applying their lessons learned to a new business, or by participating as stakeholders of entrepreneurship in other ways.

An examination across phases of activity by race and ethnicity shows distinct differences (see Figure 26). The White population exhibits a relatively steady pattern across phases, where fewer people than in the other two groups have intentions to start a business. For the next phase, a higher percentage is starting than intending, perhaps because some who want to become entrepreneurs spend less time in the intentions phase and just act on their goals. The lower level of established business activity illustrates that not all entrepreneurs sustain businesses into maturity, also reflected by the closure level in the next phase.

Black people are highly likely to have entrepreneurial intentions and to start businesses, at nearly twice the rate of White people. These results are consistent with high regard for entrepreneurship as a career choice, and with positive perceptions about opportunities and one's capabilities. However, this large foundation of potential entrepreneurs and entrepreneurs who start a business has been persistently accompanied by low established business rates and higher business closure rates than in the other two groups.

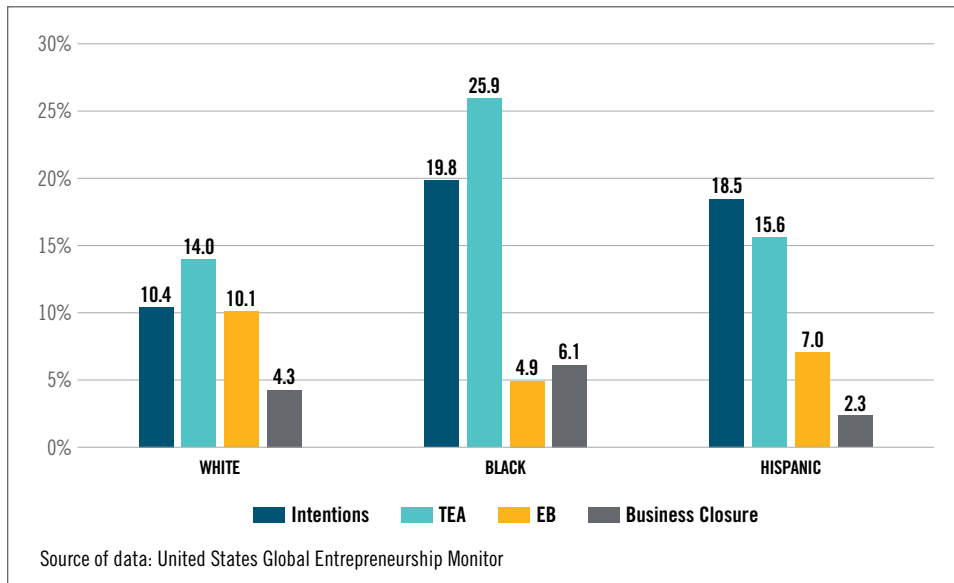


Elle Simone Scott founded SheChef, a mentoring and networking organization for women of color in the culinary field.



**BLACK PEOPLE
START
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WHITE PEOPLE.**

Figure 26: Intentions, Total Entrepreneurial Activity, Established Business Ownership, and Business Closure by Race and Ethnicity in the United States, 2020



These results prompt two questions: (1) Why are Black people starting at such high rates, and (2) why are comparatively few running businesses in the mature stage? It may be the case that Black people see entrepreneurship as a viable career alternative compared to the availability and attractiveness of other job choices. However, sustaining a business requires an ecosystem of conditions and stakeholders to support it, as well as a set of capabilities to grow and maintain a business while overcoming obstacles that surface over time. Without these factors, it may be difficult to ensure success over the long term.

The results for the Hispanic population make possible different observations. Compared to the Black population, close to the same proportion intend to start a business in the next three years. However, actual startup rates are 40% lower than reported in the Black population. This could indicate issues with the ability to act, or the ease of acting, on intentions. Startup constraints may include factors such as access to financing, obtaining licenses, and finding available and affordable rental space. Other constraints may include inadequate training or lack of support like expert advice or peer mentoring. With regard to sustaining businesses, the relationship between established business ownership and TEA is not as pronounced as with Black people, but nonetheless it indicates a low level of mature business activity relative to TEA, especially compared to the White population.



Valentina Gomez co-founded The Lab Girl & Co, which is a haircare brand inspired by modern and empowered women. Lab Girl & Co wants every woman to find the power one holds within to transform, to be inspired, and to evolve, one product at a time; they give back to their community through education, awareness, and love.

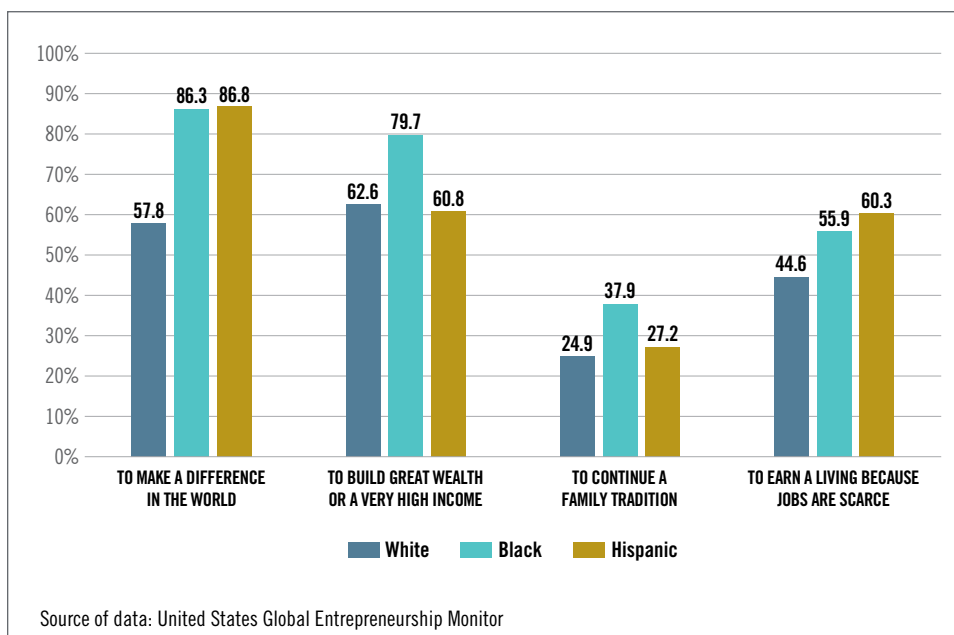
Entrepreneurial Motivations

Examining motives may reveal possible explanations for TEA differences (Figure 27). First, both Black and Hispanic entrepreneurs are highly motivated to make a difference in the world. This ambition is paired with a higher level of necessity motives than is present for White entrepreneurs. Given higher unemployment levels for Black and Hispanic people (than for White people),¹⁰ entrepreneurship may be a more important job creator for these two groups. High rates among Black people may also be explained by motives to achieve great wealth, and it is likely that family members of Black entrepreneurs or business owners support or work directly with their businesses.



2MIGHTY is an e-commerce site that specializes in beauty, accessories, and apparel. The business' logo, website design, product launches, custom packaging, promotion and marketing are all done by CEO Aaliyah Nelson.

Figure 27: Motivations for Total Entrepreneurial Activity in the United States, 2020



¹⁰https://www.bls.gov/web/empsit/cpsee_e16.htm. Accessed on May 26, 2021.

Conclusions

The GEM 2020 survey has revealed the impact COVID-19 had on entrepreneurship six months after the pandemic first caused restrictions on American life and business. The survey results showed high awareness about businesses closing, with 41% of respondents stating they knew at least one person who had stopped owning and managing a business. An equal percentage of respondents stated that their household income had declined due to the effects of COVID-19, showing the personal impact on so many individuals and families. Most entrepreneurs reported delays and challenges starting a business. More than half of established business owners stopped some of their core activities because of COVID-19.

Still, the pandemic provided new opportunities that over half of entrepreneurs and somewhat less than half of established business owners said they wanted to pursue. At the time of the survey, TEA and established business rates showed only modest declines from a year prior. Perhaps the increase in necessity motives signaled that any further decrease in activity was tempered by those turning to entrepreneurship to earn a living at a time when jobs were in short supply.

Between the GEM surveys of 2020 and the report production in summer 2021, COVID-19 surged in fall and winter. And although nearly half of Americans were vaccinated before summer 2021, the threat of COVID-19 was still uncertain. It is difficult to predict whether entrepreneurship will languish or rally for the next survey. The increase in business closures, the increase in fear of failure, and the decline in opportunity perceptions by more than 25% may serve as leading indicators. Yet they contrast sharply with the economic rebound and job market recovery which began after the 2020 survey.

There is much to learn from the entrepreneurship experience during the pandemic. Not every business was in a position to thrive or adjust during this time, but others found it possible to adapt or pivot completely, offering new products or services, or the same ones with new business models. To the extent life will return to the way it was before, or on the other hand, reveal lasting change, entrepreneurs have new tools to pursue opportunities, new opportunities to chase, and valuable lessons learned about managing business in a crisis.

While COVID-19 consumed most of the world's attention, certain events in the United States did not hide in COVID's shadow. The Movement for Black Lives and the outcry over treatment of Asian citizens during 2020 and 2021 brought to the forefront the violence and disadvantages suffered by minorities in the United States. Entrepreneurship is not the only solution to these societal problems, but if it can lead to economic empowerment, it can elevate the well-being of those typically left behind. The GEM results show a need to identify gaps that, when addressed, offer solutions to provide all Americans the opportunity to execute their entrepreneurial vision and create rewarding, sustainable livelihoods for themselves, their families and stakeholders.

Despite the much-needed focus on current events, it is important not to lose sight of ongoing efforts to improve the impact of entrepreneurship on the U.S. economy. For instance, international commerce and innovation are key to advancing a nation's competitiveness. Selling internationally means entrepreneurs must compete in what are most likely unfamiliar markets, adapting their approach to compete against local players. This not only provides opportunities to sell beyond one's national borders, but also means an entrepreneur can operate on a global scale. Moreover, to the extent entrepreneurs introduce innovations, especially beyond their local area, they provide a basis for sustainable advantage. Support for innovative global entrepreneurship will require a particular ecosystem that offers access to advanced technologies, intellectual property protection, export assistance and highly skilled labor.

Although many businesses do not survive into maturity and others either stay small or become small, stable jobs and economic vitality depend on ensuring sufficient businesses can survive and grow into maturity. This depends on the aspirations of entrepreneurs and the encouraging environment in which they conduct their activities. It can also depend on the choice of industry: Many people are attracted to the ease and low cost of starting low-entry-barrier businesses. But an economy benefits to the extent it contains high-potential, capital-intensive and knowledge-intensive ventures.

There is no question that the pandemic affected startup rates, attitudes and business operations for both women and men entrepreneurs. Women perceived startup conditions to be more difficult, while necessity-based entrepreneurship rose for men. A greater percentage of both men and women expected lower growth compared to the previous year. The gender gap in TEA rates and new-to-the-world innovation, and the high proportion of women's activity in retail/wholesale and services leave opportunities to be addressed as the United States emerges from a year of social and financial crises drastically affecting business activity.

This report has described entrepreneurship in the United States during an unprecedented time. It is the hope of the authors that the results can educate and inform a broad audience of academics, educators, policymakers and practitioners, advancing knowledge, prompting further research, igniting debate, and guiding decisions that ensure America's entrepreneurial culture continues to thrive.

About the Authors

Donna Kelley, PhD, is a Professor of Entrepreneurship, Chair of the Entrepreneurship Division, and the Frederic C. Hamilton Chair of Free Enterprise at Babson College. A frequent presenter on the topic of global entrepreneurship, Kelley has spoken at the United Nations, the U.S. State Department, the World Bank, the U.S. Census Bureau, the Republic of Korea's SMBA, the National Governor's Association and for many other executive, policy and academic audiences around the world. She served on the Board of Directors for the Global Entrepreneurship Monitor (GEM) from 2007 through 2021, and is co-leader of the GEM United States team. Kelley has co-authored over 30 GEM reports on global entrepreneurship, women's entrepreneurship, family entrepreneurship, entrepreneurship education and training, high impact entrepreneurship, and entrepreneurship in the United States, the Republic of Korea, Saudi Arabia, and Africa.



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