



2021/2022 United States Report



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

BABSON COLLEGE

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Global Entrepreneurship Monitor

2021/2022

United States Report

©2022 Donna J. Kelley, Jeffrey Shay, Mahdi Majbouri, Candida G. Brush, Andrew C. Corbett, Caroline Daniels

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Babson Park, MA

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Foreword

The 2021–2022 United States Report by the Global Entrepreneurship Monitor (GEM) demonstrates the value of entrepreneurial leadership in difficult—even grim—times. It underscores our conviction that entrepreneurs of all ages, genders, and ethnicities can create sustainable and innovative value, often providing solutions to challenges experienced worldwide.

As I read the GEM survey results, I am struck by the humanity represented by the numbers. The business closure rate is shown at a historical high, yet the expectation of success is unfaltering. There is a dramatic year-over-year drop in negative thinking around business startup difficulty; a strong showing of women overcoming fear of business failure; an impressive display of entrepreneurial thought leadership within the Black community, and—for the first time since 1999—a pronounced number of young adults who have put their stamp on entrepreneurial leadership this year with their commitment to sustainability.

Unexpected job loss forced many Americans to make tough economic choices, such as paying rent or buying groceries, but the data reveals that intrepid entrepreneurs started businesses at an increased rate over the prior year. Disrupted supply chains impacted everything from saline bags to toilet paper. Rising costs, canceled events, limited travel, infection rates, and loss of life were staggering, yet new enterprise after new enterprise were launched.

Innovators and risk-takers are helping our nation and communities through crises and everyday struggles. Gen Z entrepreneurs created opportunities for environmental sustainability, took action to maximize social impact, and created positive impact in their localities. Roger Babson would have been proud of this socially responsible generation.

In 2021, we saw pressing societal needs at the forefront of entrepreneurship. The drive, energy, and ambition to better this world through entrepreneurial activities are as strong as ever.

When you read these survey results, I encourage you to explore the humanity represented by the data sets. The ongoing pandemic has transformed our way of life, and the GEM survey reveals a fascinating look at the entrepreneurial response.

I am confident that you will find this year's U.S. GEM report as inspiring and informative as I have.

Steve

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

Executive Summary

In 2021, the Global Entrepreneurship Monitor (GEM) conducted its 23rd annual survey. Academic research teams in 50 economies collected and analyzed data on a comprehensive array of indicators about entrepreneurs and their businesses. GEM assesses attitudes and self-perceptions about entrepreneurship, and for those identifying themselves as starting or running businesses, their motivations, aspirations, and various characteristics of themselves and their businesses. For a second year, GEM added questions to its survey to assess the impact of COVID-19 among entrepreneurs, established business owners, and the adult population.

The GEM United States team, based at Babson College, has participated in GEM every year, administering an annual adult population survey to over two thousand respondents. Based on the 2021 results, it is estimated that around 33.5 million U.S. respondents were starting or running new businesses, and nearly 18 million were running established businesses.¹ This signifies the importance of entrepreneurship to U.S. society in generating a source of income for families, creating jobs, contributing to growth of the economy, and providing valuable products and services.

However, almost 8.8 million people were estimated to have closed a business in the prior year, demonstrating that some businesses do not work out or simply reached the end of their life cycle. This is also a reminder of how shocks to the environment, such as that associated with COVID-19, impose detrimental effects on the business community but also lead to structural change that creates opportunities for entrepreneurs.

Following are selected findings from the 2021 GEM United States survey.

Impact of COVID-19 on Entrepreneurship and Established Business Ownership

- In 2021, 35% of entrepreneurs thought that starting a business was more difficult than it had been a year earlier versus 82% in 2020 who stated that it was more difficult than the prior year.
- The percentage of entrepreneurs who thought that COVID-19 provided new opportunities to pursue with their businesses was nearly equal in both pandemic years, 54% in 2020 and 52% in 2021.
- Among established business owners, 43% stated that their expectations for growth were higher than they had been the prior year, while 28% stated that their expectations for growth were lower.
- More than 4.3% of respondents closed a business in both 2020 and 2021, among the highest closure rates in GEM history. Other high points were reported in 2007 (4.8%) and 2008 (4.5%), around the time of the global economic recession.
- Although one-third of entrepreneurs and established business owners already used a range of digital technologies in their business, another one-fourth adopted or enhanced their use of digital technologies as a result of the pandemic.

¹Based on an estimated population of 203,119 adults age 18-64, calculated from a total population of 331,893,745 on July 1, 2021, multiplied by 61.2% (subtracting 22.3% for persons under age 18 and 16.5% for persons age 65 and over). Source: United States Census, <https://www.census.gov/quickfacts/fact/table/US/PST045221>, accessed June 7, 2022. Note that a small overlap may occur as a result of some people running both new and established businesses.

- A nearly equal percentage of entrepreneurs (42%) and established business owners (43.5%) stated that the federal government had responded effectively to the economic consequences of the pandemic, with similar proportions (46% of entrepreneurs and 43% of established business owners) stating the government had not responded effectively.

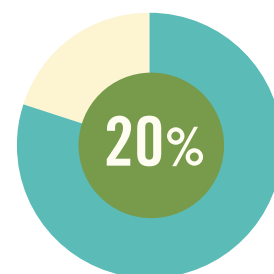
Business Phases

- The Total Entrepreneurial Activity (TEA) rate edged upward in 2021 to 16.5%, after exhibiting a slight drop in 2020.
- Established business activity continued the slight decline reported in 2020, dropping to 8.8% in 2021.
- Entrepreneurial intentions increased slightly to 14.8% in 2021.
- The motivation most frequently cited for starting a business was to build great wealth or a high income (74% of entrepreneurs), followed by a desire to make a difference in the world (71%).
- Job scarcity was less a motivator in 2021 (46%) than in 2020 (50%). Continuing a family tradition motivated 41.5% of entrepreneurs, exhibiting a 45% increase over the prior year.
- The youngest age group (adults age 18-24) showed high entrepreneurial intentions (20%), high entrepreneurship rates (19%), and high business closure rates (6.2%). This pattern differed from prior years, particularly with regard to entrepreneurship, which typically exhibits peaks in the age groups 25-34 and 35-44.

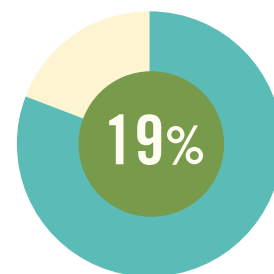
Impact of Entrepreneurship and Established Business Ownership

- More than half of U.S. entrepreneurs are starting businesses in professional services and technology: Finance, Real Estate, and Business Services (28%); Health, Education, Government, Social and Consumer Services (21%); and Information and Communications Technologies (4%).
- In the United States, 23% of entrepreneurs use technology that is new to their region, new nationally, or new to the world, in order to build their offering and deliver their products and services.
- Among industries in which entrepreneurs and established business owners operate, 6% of entrepreneurs and 5.6% of established business owners work in medium-to-high-technology sectors.
- With regard to innovation, 28% of U.S. entrepreneurs report that their products and services are new to the people in their region, the country, or the world. This is a rebound to 2019 results after a decline in 2020, but the 2021 number is below the average of the nation's high-income peer economies.
- Most established business owners in this report are either sole operators as the only employee (35%), or they employ five or fewer people (44%). Additionally, 70% expect either to create no new jobs or to eliminate jobs in the next five years.
- More than 35% of U.S. entrepreneurs expect to create at least one new job and as many as five new jobs over the next five years. Another 28% expect to create at least six new jobs, among the highest percentages in the 19 high-income economies of the 2021 GEM survey.
- Compared to the other 18 high-income economies, the United States has among the lowest percentages of entrepreneurs who anticipate 25% or more of their revenue to come from customers outside their own country (5.4%).

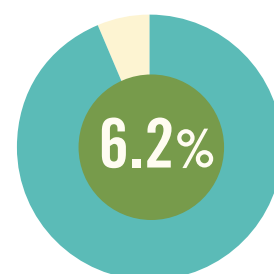
AMONG ADULTS AGE 18-24



entrepreneurial intentions



entrepreneurship rates



business closure rates

Societal Attitudes, Affiliations, and Self-Perceptions in the Adult Population

- Positive societal attitudes toward entrepreneurship improved in the United States in 2021, with 76% of respondents believing that starting a new business is a desirable career choice, 77% stating that entrepreneurs are conferred a high level of status, and 80% perceiving positive media and/or internet attention about successful entrepreneurs.
- Approximately 65% of U.S. adults believed they possessed the requisite knowledge and skills for starting a business, consistent with levels reported in 2019 and 2020. Respondents perceiving opportunities for starting a business increased to 63% in 2021, nearly reaching pre-pandemic levels after a drop in 2020. However, fear of failure among those seeing opportunities reached the highest level recorded by GEM in the United States (43%).

Gender in Entrepreneurship

- Women in the United States are highly likely to believe that entrepreneurship is a good career choice (78%), slightly more so than men (75%). Most women also believe that entrepreneurs receive high status (80%) and positive media attention (75%). However, fewer women (58%) than men (69%) believe it is easy to start a business.
- The majority of women (57%) in the U.S. population know at least one entrepreneur, with the percentage of men slightly higher (60%).
- Capabilities perceptions increased for both genders in 2019 before the pandemic and held relatively steady through 2021 (57% of women and 72% of men), although exhibiting a significant gender gap.
- Opportunity perceptions among women in 2021 rebounded nearly to the level reported in 2019, narrowing the gender gap (60.5% of women and 66% of men).
- Fear of failure edged downward slightly for women in 2021 compared to 2020, but the increase reported among men nearly closed the gender gap (42% of women, 43% of men).
- TEA rates among males have stayed relatively stable for the past five years (18% in 2021), while women showed increasing entrepreneurship rates through 2019, a slight drop in 2020, and then a partial rebound in 2021 (to 15%).
- Entrepreneurial intentions increased to 14% in 2021 among women and 15% among men.
- Established business ownership rates among women stayed relatively stable at 7.6% in 2021 compared to 2020, while men reported a slight decline to 10%.
- For TEA and established business activity, the United States exhibited high rates for women and gender parity, compared to the other 18 high-income economies.
- Men entrepreneurs were slightly more likely than women to be motivated to build great wealth or high income (76% of men versus 72% of women), while women were more likely than men to have family-related motives (46% of women versus 38% of men).
- Longitudinal data over the past five years show a consistent year-to-year decline in participation in the information and communications technology sector among males: from 11.5% in 2017 to 3% in 2021. For women, this percentage fluctuated between 3.3% and 5% over these five years.

2021 IMPROVEMENT ON POSITIVE SOCIETAL ATTITUDES TOWARD ENTREPRENEURSHIP

76%

believe starting a new business is a desirable career choice

77%

state entrepreneurs are conferred a high level of status

80%

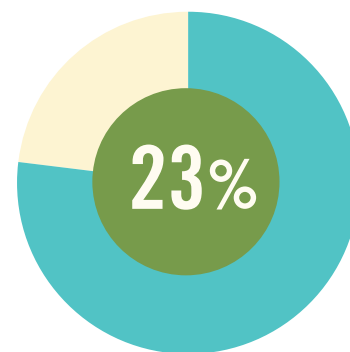
perceive positive media and/or internet attention about successful entrepreneurs

- Among women entrepreneurs, 24% expected to create at least six jobs in the next five years versus 32% of men entrepreneurs.
- Around 10% of both women and men entrepreneurs are introducing products and services that are new to the world.

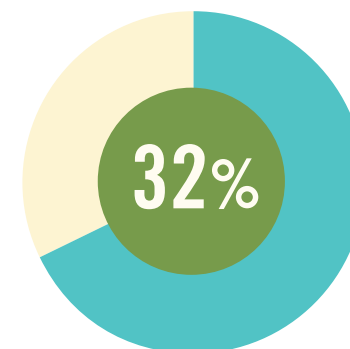
Race and Ethnicity in Entrepreneurship

- Black people are highly likely to state that entrepreneurship is a good career choice and that entrepreneurs receive positive media attention (81% for both). White people are highly likely to state that entrepreneurs are afforded high status (82%).
- Black people (77%) are more likely than White people (53%) and Hispanic people (70%) to know other entrepreneurs.
- Black people (73%) are more likely than White (63%) or Hispanic (56%) people to say they have the capabilities to start a business. They are also highly likely (77%) to perceive entrepreneurial opportunities around them (versus 61% and 63% for White and Hispanic people, respectively.)
- Black people have comparatively low fear of failure - 32% among those seeing opportunities, versus 45% and 43% for White and Hispanic people, respectively.
- Nearly one-fourth of Black people (23%) have entrepreneurial intentions, twice the percentage of White people. And nearly one-third (32%) are entrepreneurs, over two and a half times the rate reported among the White population.
- The Hispanic population reports high intentions (20%), with fewer in the entrepreneurial phase (17%). This societal group also reveals comparatively lower established business ownership rates (5.1% versus 10.3% for White people and 6.4% for Black people) and slightly higher business closure rates (6.2% versus 3.5% for White people and 5.4% for Black people).
- Nearly all Hispanic entrepreneurs (94%) cite building wealth and high income as a motivation for starting their businesses, while Black entrepreneurs (79%) were more likely than White (66%) or Hispanic (67%) entrepreneurs to be motivated to make a difference in the world. Over half (52%) of Black entrepreneurs mention job scarcity as a motivator versus 44% for White entrepreneurs and 47% for Hispanic entrepreneurs.

AMONG BLACK PEOPLE IN THE UNITED STATES



have entrepreneurial intentions



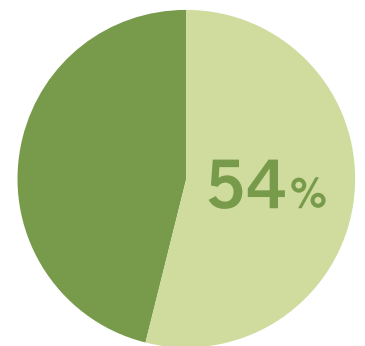
are entrepreneurs – over 2.5x the rate reported among White people.

Entrepreneurship and Sustainability

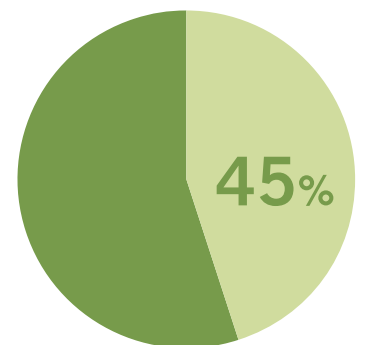
- Over two-thirds of entrepreneurs (68%) and over half of established business owners (54%) indicate that they prioritize the social and/or environmental impact of their businesses above profitability or growth.
- Nearly half (49%) of entrepreneurs and established business owners stated they had taken action over the past year to minimize the impact of their business on the environment.
- Half (50%) of entrepreneurs and 39% of established business owners say they have taken steps to maximize social impact with their businesses over the past year.
- Younger entrepreneurs were more inclined than older entrepreneurs to take action in the past year to minimize environmental impact (54% of adults age 18-34 versus 45% of adults age 35-64). Similarly, younger entrepreneurs were highly likely to take action to maximize social impact (58% of adults age 18-34 versus 45% of adults age 35-64).
- Innovative entrepreneurs were more likely than non-innovative entrepreneurs to have taken action in the past year to protect the environment (53% versus 47%) and to maximize social value (60% versus 46%).
- Similarly, established business owners with innovations (66%) were more likely to act with environmental sustainability in mind than non-innovative established business owners (46%) and to maximize social value (56% versus 37%).

Younger Entrepreneurs Were More Inclined To Take Action To

MINIMIZE ENVIRONMENTAL IMPACT



AGES 18-34



AGES 35-64

Introduction: The United States Economy in 2021

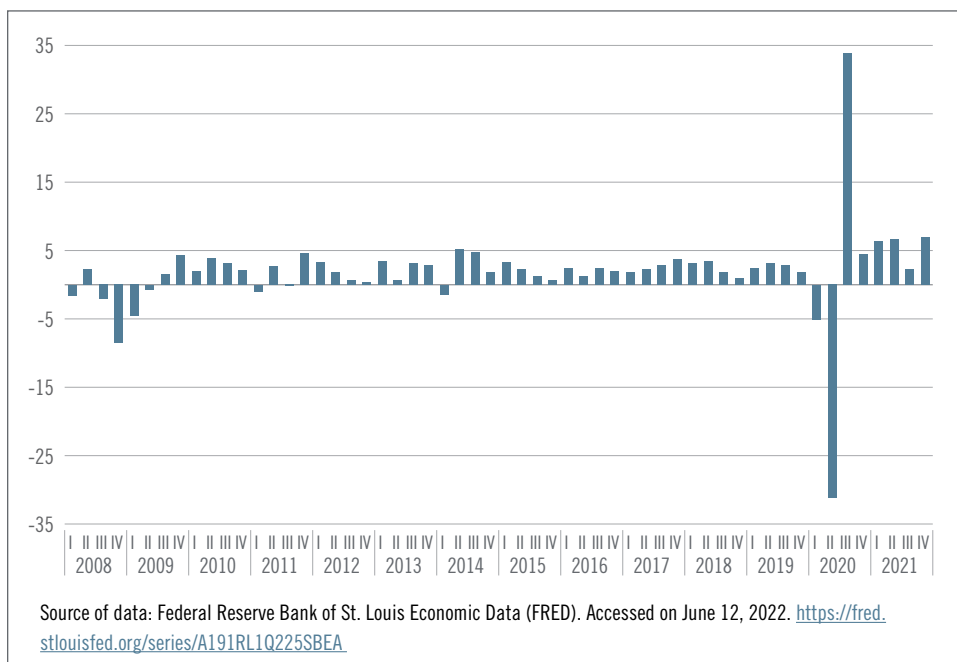
The major economic developments in 2020 and 2021 were related to the COVID-19 pandemic. As detailed in Chapter 1, the progression of the pandemic and related circumstances were central factors affecting entrepreneurs, potential entrepreneurs, and established business owners. Economic policy makers at the federal, state, and local government levels, as well as at the Federal Reserve, focused primarily on containing the pandemic and mitigating its effects.

In November 2020, the announcement of two COVID-19 vaccines by Pfizer-Biontech and Moderna brought hope around the world that the end of the pandemic was near. However, it was not possible to vaccinate everyone in the world fast enough to protect against new variants spreading globally. By early January 2021, the number of COVID-19 cases in the United States had exceeded 250,000 cases a day, about four times greater than the previous peak in July 2020. Then in February 2021, the number of cases declined rapidly to a new low level and dropped again in May 2021 (see Figure 1). However, case numbers never declined to levels at which the virus could be ignored.

By June 1, 2021, 53% of the U.S. population was fully or partially vaccinated, slowing progression of the virus. By December 31, 73% of the population was fully or partially vaccinated. The first and second quarters of 2021 saw progress, but the last two quarters of the year held surprises. In July 2021, a new variant, Delta, began to spread nationally. Although its impact was smaller than that of the surge in January 2021, Delta made clear the pandemic was not over. In late November, the Omicron variant, significantly more contagious, became dominant and exceeded previous upticks by January 2022. The GEM surveys, however, were collected in June 2021 before Delta and Omicron and at a time when the virus trajectory was generally low.

As Figure 1 shows, after the stay-at-home lockdowns ended in the second quarter of 2020, the U.S. economy grew in real terms, after accounting for inflation, by about 34% in the third quarter and 4.5% in the fourth quarter. Thanks to high consumer demand for goods during the pandemic and the decline in COVID-19 cases, the U.S. economy rose in 2021 at growth rates not seen between 2003 and 2020. The first two quarters and the last quarter of 2021 saw growth rates above 6%. Overall in 2021, the U.S. economy grew by 5.6%, bringing it to the pre-pandemic trajectory projected by the Congressional Budget Office.²

² <https://www.crfb.org/papers/analysis-cbos-budget-and-economic-outlook-january-2020>. Accessed on June 14, 2022.

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

The strong economic growth in late 2020 and 2021 was the direct result of at least four major factors:

1) federal government fiscal policy advocating stimulus and relief packages, 2) Federal Reserve monetary policy response to the pandemic, 3) introduction of the COVID-19 vaccines and their global rollout, and 4) the resilience and dynamism of the U.S. economy.

In early 2020, the federal government passed three packages in response to the pandemic. The first, mainly a health policy for \$8.3 billion, provided funds for vaccine research, relief funds to states and local governments to fight the spread of the disease, and money to stop spread of the disease abroad. The second, the Families First Coronavirus Response Act (FFCRA), was signed into law on March 18, 2020. Among other measures, it provided about \$1 billion in unemployment insurance to states, additional relief funds for families who relied on free school lunches, and tax credit to companies with fewer than 500 employees to offer paid sick leave. Foreclosure and eviction moratoriums were enacted at the same time. Additionally, a moratorium was issued on student loan interest accrual and payments.

The third relief package, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, was signed into law on March 27, 2020. It was the largest single relief and stimulus package, appropriating \$2.3 trillion for many initiatives. It included direct cash payments to individuals, additional unemployment benefit of \$600 per week until the end of July 2020, \$367 billion in loans and grants to small businesses

through the Paycheck Protection Program (PPP), \$150 billion in grants to states and local governments, over \$130 billion in grants for healthcare institutions, \$40 billion to schools and universities, and many more measures.

A supplementary relief package passed on April 24 increased the PPP funding by \$484 billion to help small businesses and hospitals survive the pandemic. This and additional measures directly helped business owners and entrepreneurs. It also allowed businesses 24 weeks (instead of the original eight weeks) to spend the PPP money. In addition, it lowered the requirements for loan forgiveness: businesses had to spend 60% (instead of 75%) of their PPP funds on payroll. Businesses could now defer the loan payment and delay paying payroll taxes as well. They also had time until the end of 2020 to restore their payrolls to pre-pandemic levels. The PPP loan maturity taken after June 5, 2020, was extended to five years, and borrowers received additional time to pay back unforgiven parts of their loan.

On December 21, 2020, a fourth stimulus and relief package was passed, providing \$600 in direct payments to individuals making up to \$75,000. Unemployment benefits increased by \$300 per week. It also offered \$325 billion for small business loans, including \$284 billion in forgivable PPP loans, \$20 billion in grants to small businesses in low-income areas, and \$15 billion for live cultural venues. In addition, it offered: \$83 billion in education funding; \$69 billion in public health measures; \$45 billion for airline payroll support, transit, and state highways; \$26 billion in nutrition and agricultural funding programs including the Supplemental Nutrition Assistance Program (SNAP); and \$25 billion in emergency rent assistance and more.

On March 11, 2021, the American Rescue Plan Act implemented \$1.9 trillion of stimulus and relief measures. It offered \$1,400 direct payment (plus \$1,400 per dependent) to individuals earning less than \$75,000 a year. It increased the maximum Child Tax Credit from \$2,000 to \$3,600 for each child under age six in 2021. The package increased the unemployment benefit by \$300 until September 2021 and allocated \$350 billion to state and local governments through various initiatives. It offered \$25 billion to the Small Business Administration to provide grants and loans to restaurants and other food and beverage establishments and an additional \$7.5 billion in PPP. The Act included billions of dollars in assistance for vaccines and other health measures, K-12 education, higher education, public transit, rental assistance, childcare assistance, airline industry workers, and more.

In addition to the above, the Federal Reserve used four tools to respond to the pandemic crisis: 1) reduction of interest rates, 2) loan and asset purchases (quantitative easing), 3) targeted lines of credit (for example, for the PPP), and 4) relaxing certain federal banking regulations in place at the time of the crisis. These measures allowed banks and financial institutions to provide more loans at low cost to entrepreneurs, established businesses, struggling industries, mortgage holders, consumers, and governments including federal, state, and local.

In March 2020, the federal funds rate, the interest rate that banks charge each other to borrow or lend excess reserves overnight, was reduced from the range of 1.5% to 1.75% to a range of 0% to 0.25%. This rate remained low for about two years. Also in March 2020, the Federal Reserve began a new quantitative easing program to purchase \$120 billion per month in assets such as U.S. Treasury Securities (“Treasury”) and mortgage-backed securities. It expanded by \$2 trillion its repurchase agreement (“repo”) operations, short-term borrowing options for dealers of government securities, in which it acted as a buyer to increase liquidity to lenders (money supply) and reduce the cost of borrowing.

Complementing the CARES Act and the PPP, the Federal Reserve offered lines of credit to banks and lending institutions that offered loans to small businesses through the PPP. It also created the Main Street Lending Program through which it purchased \$600 billion in small and medium-sized business loans. It purchased \$500 billion of short-term notes offered by state and local governments, as well as corporate bonds in the primary and secondary markets so that corporations had access to credit during the pandemic. These and other initiatives³ helped stabilize and grow the lending markets, reduced the cost of borrowing, and encouraged investment and consumption during the pandemic.

The introduction and rollout of multiple vaccines were among the most effective initiatives to support the global economy in 2021. The U.S. government launched Operation Warp Speed (OWS), a public–private partnership to accelerate the development, manufacturing, and distribution of COVID-19 vaccines, therapeutics, and diagnostics. This program funded multiple promising vaccines based on early evidence, allowing them to be developed faster; and it paid vaccine developers to build manufacturing plants months before it became known that a vaccine was effective. This ensured that immediately upon proof of vaccine efficacy, the government would have enough vaccines ready to start vaccination campaigns. The time saved by building manufacturing plants before vaccine approval saved hundreds of billions of dollars globally every month.

These initiatives, combined with the resilience and dynamism of the U.S. economy and its entrepreneurs, generated robust economic growth in the United States in late 2020 and early 2021 and rapidly improved the unemployment rate in the second half of 2020 and early 2021. By the end of 2021, the unemployment rate had dropped below 4%, lower than in most years during the 2010s (see Figure 2). The unemployment rate for women had been significantly higher than for men early in the pandemic (see Figure 3). This unusual phenomenon, opposite what happened during the Great Recession of 2008–2009, led economists to call it a “She-cession.” Women’s unemployment rate, however, declined faster than men’s, such that in much of 2021, men’s unemployment rates were slightly higher than women’s (see Figure 3).

³ Such as the Commercial Paper Funding Facility (CPFF) through which the Federal Reserve bought corporate short-term debt to support the flow of credit to households and businesses. This lowered the cost of borrowing.

Figure 2: National Unemployment Rate, Seasonally Adjusted Percent

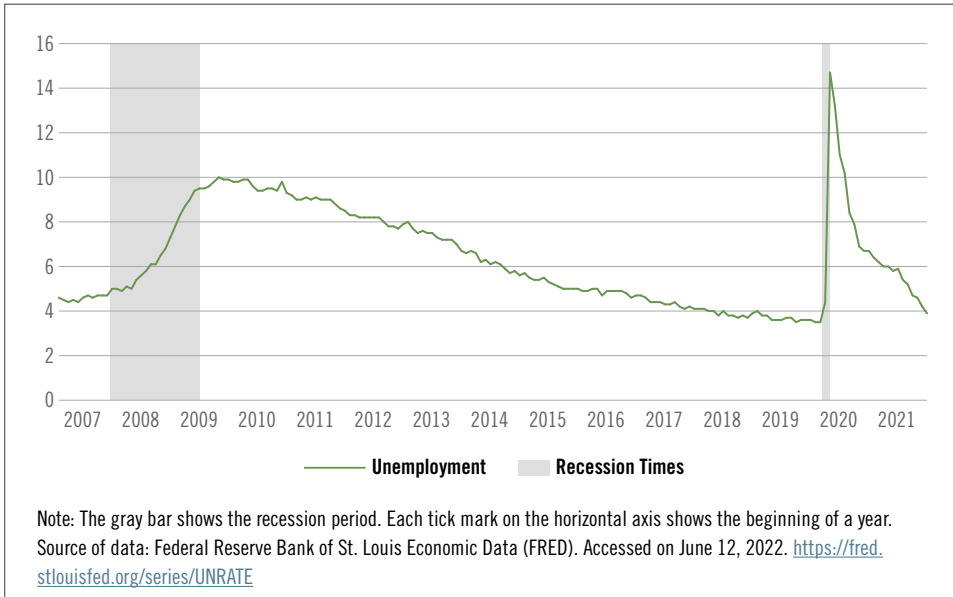


Figure 3: National Unemployment Rate by Gender, Seasonally Adjusted Percent

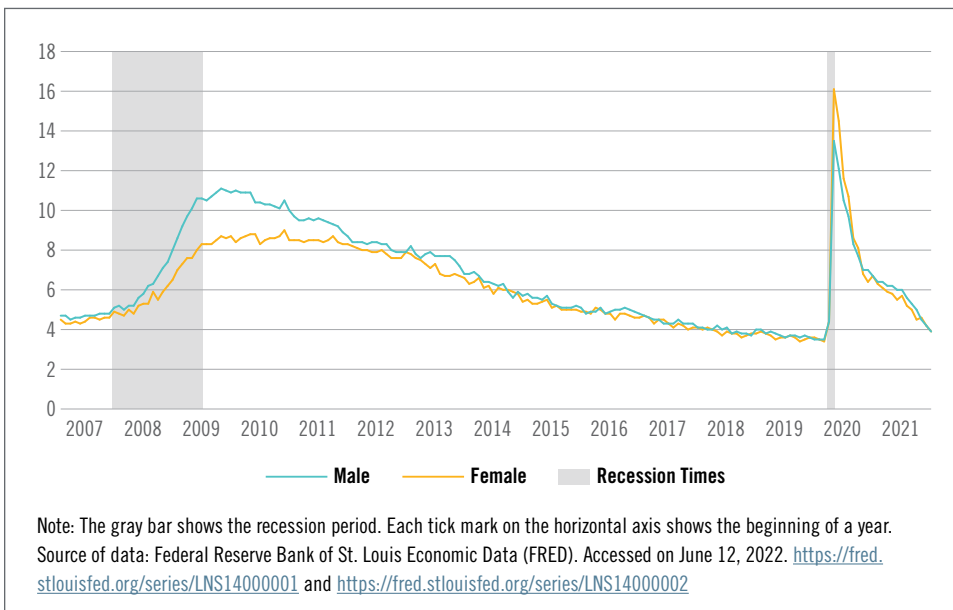
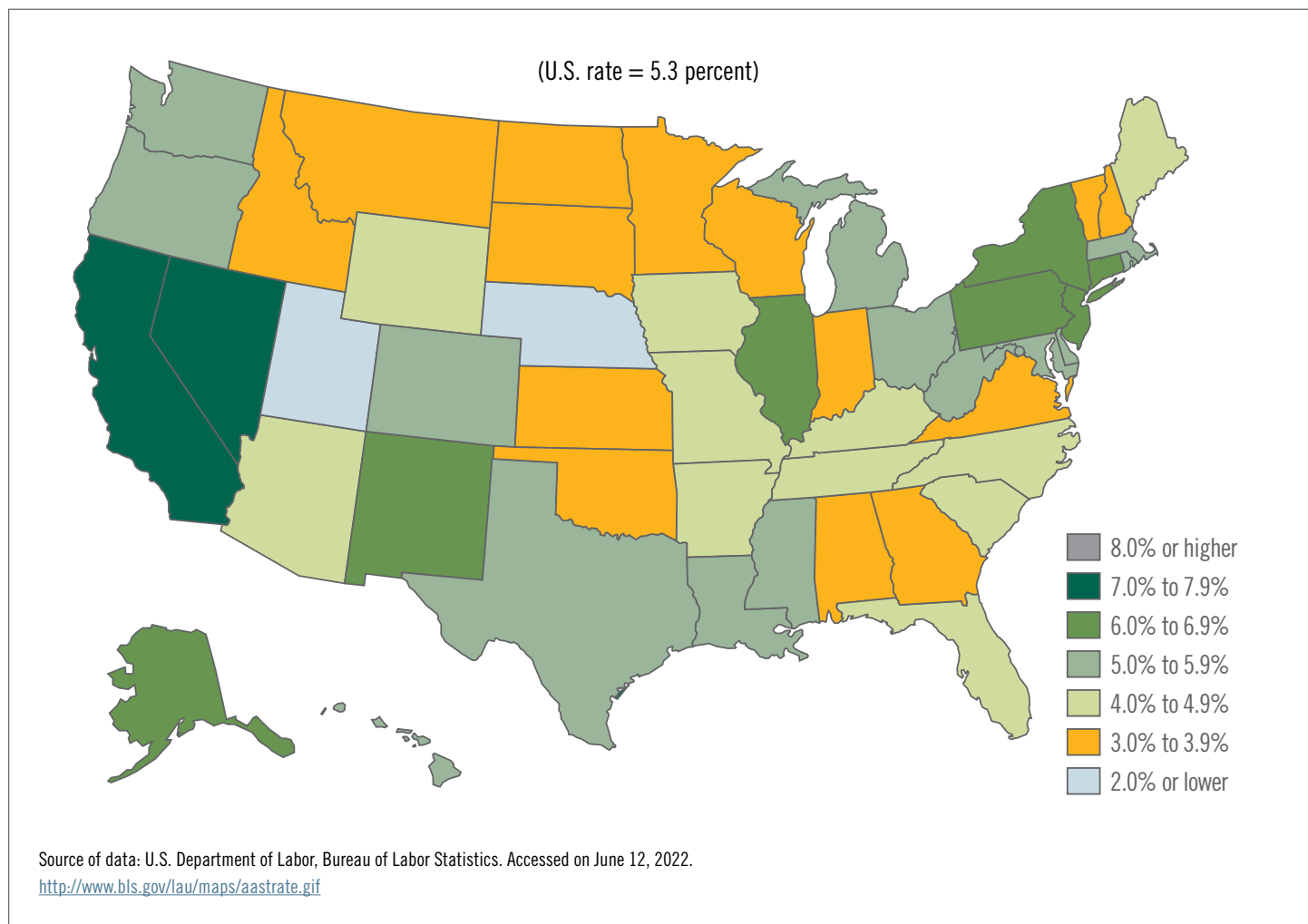
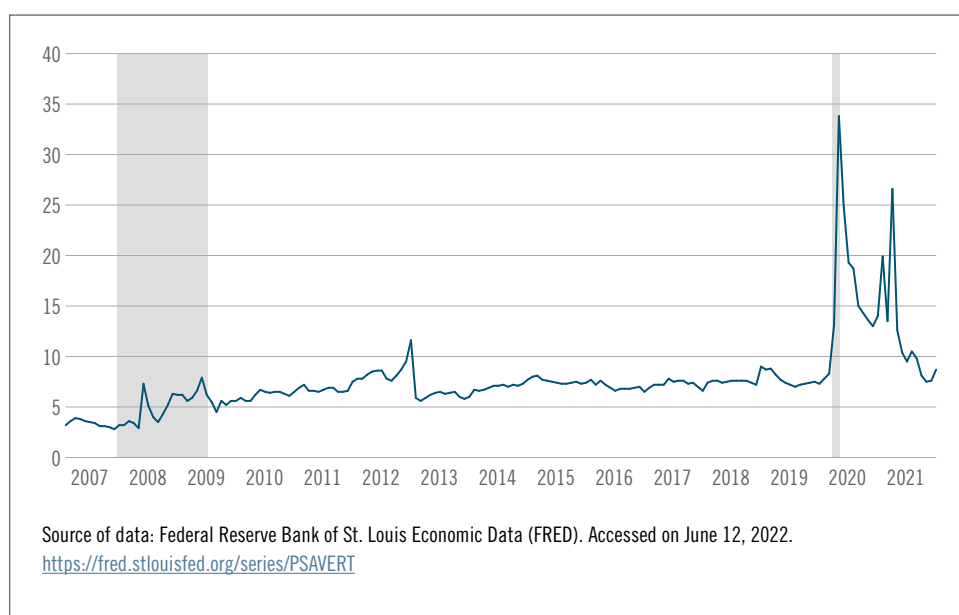


Figure 4: Unemployment Rates By State, 2021 Annual Averages

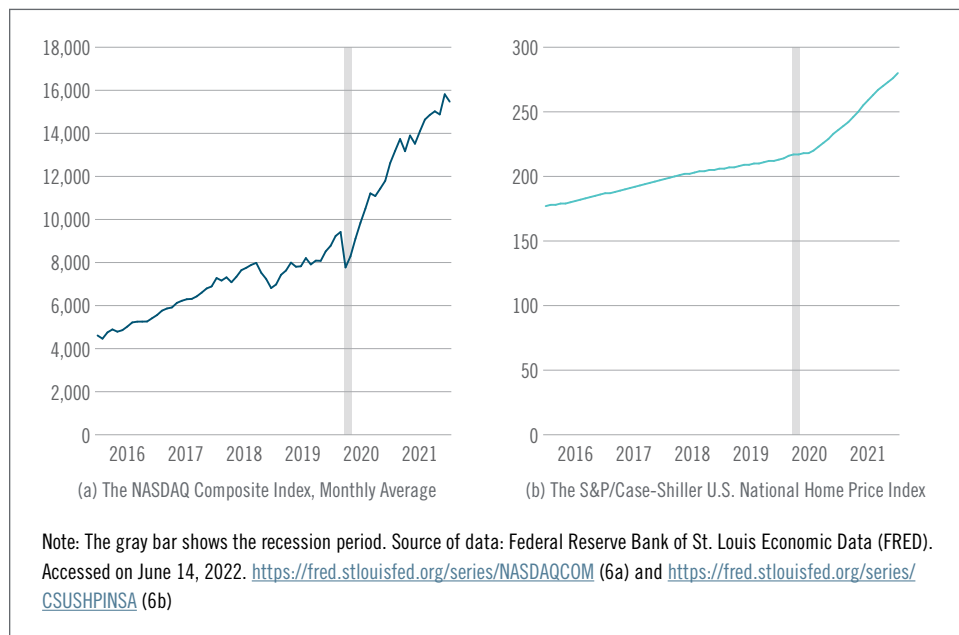


As a result of initiatives by the federal government and the Federal Reserve, personal incomes increased during the pandemic, particularly due to increased unemployment benefits, PPP loans to small businesses for payroll expenses, and stimulus checks. Meanwhile, consumers had significantly fewer options on which to spend their money. Services such as hospitality, personal care, and food and beverage venues were negatively affected by the pandemic. This meant that personal incomes were directed to savings, investment in assets, or purchasing durable goods such as automobiles and home appliances. The monthly personal saving rate as a percent of disposable income shot up to over 30% early in the pandemic and remained at unusually elevated levels through 2020 and 2021 (see Figure 5).

Figure 5: Personal Saving Rate as a Percent of Disposable Income



The rise in personal saving coupled with low interest rates increased the demand for investment options, particularly stocks and real estate, as well as consumer goods. Almost all asset markets, stocks and real estate in particular, experienced significant appreciation during 2020 and 2021. The S&P 500, NASDAQ, and Dow Jones Industrial Average (DJIA) rose continuously during this period. The S&P 500 reached its highest pre-pandemic value by late August 2020 and rose an additional 40% by the end of 2021. The NASDAQ experienced about a 64% jump over its pre-pandemic peak (see Figure 6a), and the DJIA moved up 27.5%. In addition, home prices increased rapidly during this period due to: 1) higher demand resulting from greater saving, lower interest rates, and the need to work from home; and 2) significant decline in the supply of homes for sale. The S&P/Case-Shiller U.S. National Home Price Index, which tracks the value of single-family housing over time, advanced faster than during late 2020 and all of 2021 to about 25% over its pre-pandemic level by the end of 2021 (see Figure 6b).

Figure 6: The NASDAQ Composite Index and the S&P/Case-Shiller U.S. National Home Price Index

Real personal consumption expenditure on durable goods such as automobiles and home appliances moved to levels higher than its projected trend (see Figure 7). This increase in demand for goods, accompanied by supply chain bottlenecks, created shortages and ultimately higher prices. Initially, price surges were limited to a few goods such as used cars, lumber, and services such as air travel and car rentals. As price increments were mostly due to supply chain disruptions or temporary increases in demand, the Federal Reserve and many observers assumed that price hikes would be temporary and the economy would correct itself in the medium term. By late 2021, however, evidence showed price hikes to be persistent as they spread to essential component products such as electronic chips. Fears of permanent inflation gained ground through late 2021. Nevertheless, the dominant faith in the markets and the Federal Reserve maintained that high prices would not last. This viewpoint changed in early 2022.

Figure 7: Real Personal Consumption Expenditure on Durable Goods (Billions of Dollars)

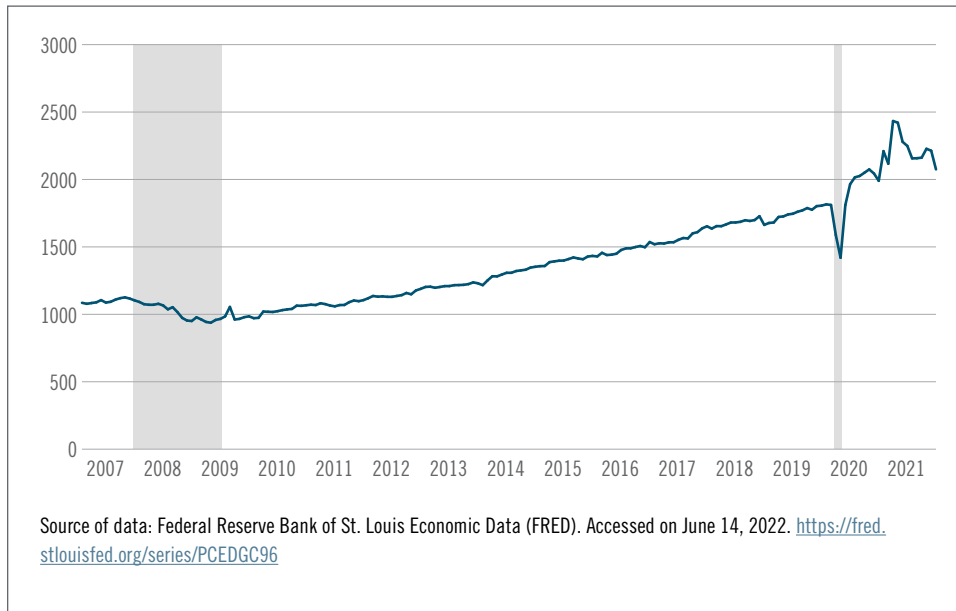
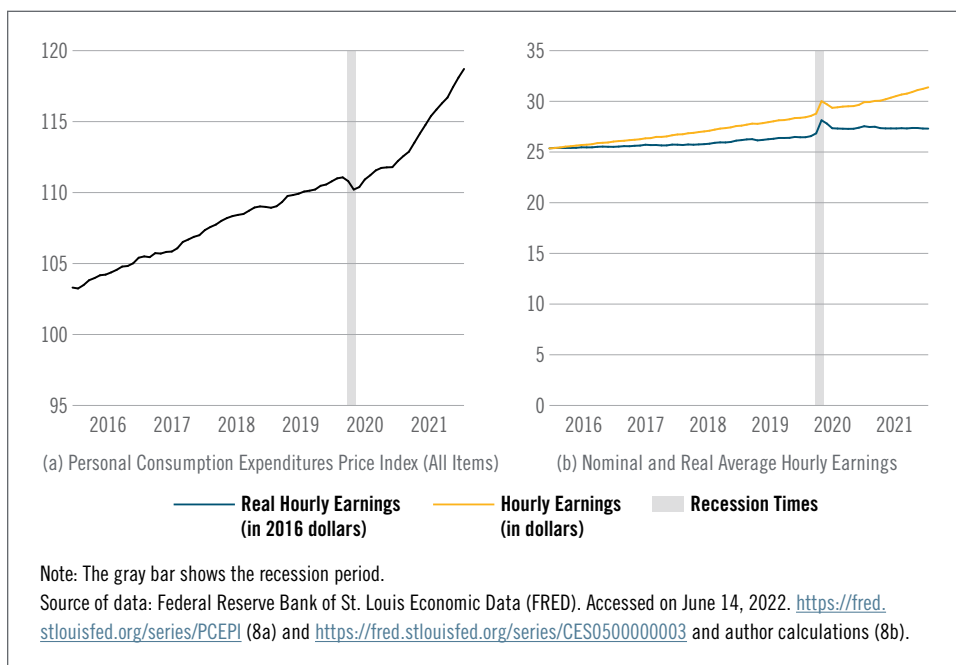


Figure 8: Personal Consumption Expenditures Price Index (All Items) and Nominal and Real Average Hourly Earnings (Total Private)



One factor contributing to higher prices was that wages were climbing (see Figure 8b). This was mainly because employers had a difficult time filling positions. The unemployment rate was declining rapidly, and some had left the labor market because of pandemic fatigue and other issues, a phenomenon known as the “Great Resignation.” High prices, however, reduced the purchasing power of higher wages. Real hourly earnings adjusted for inflation stayed roughly constant in most of 2021 and dipped slightly at year-end.

The year 2021 was mixed with hope and anxiety for many, including entrepreneurs; but the pandemic continued to offer new opportunities for entrepreneurship, particularly as accumulated personal savings increased aggregate demand for goods. Strong U.S. economic growth continued through 2021, but fear of inflation and difficulty hiring affected businesses in the last months of the year.

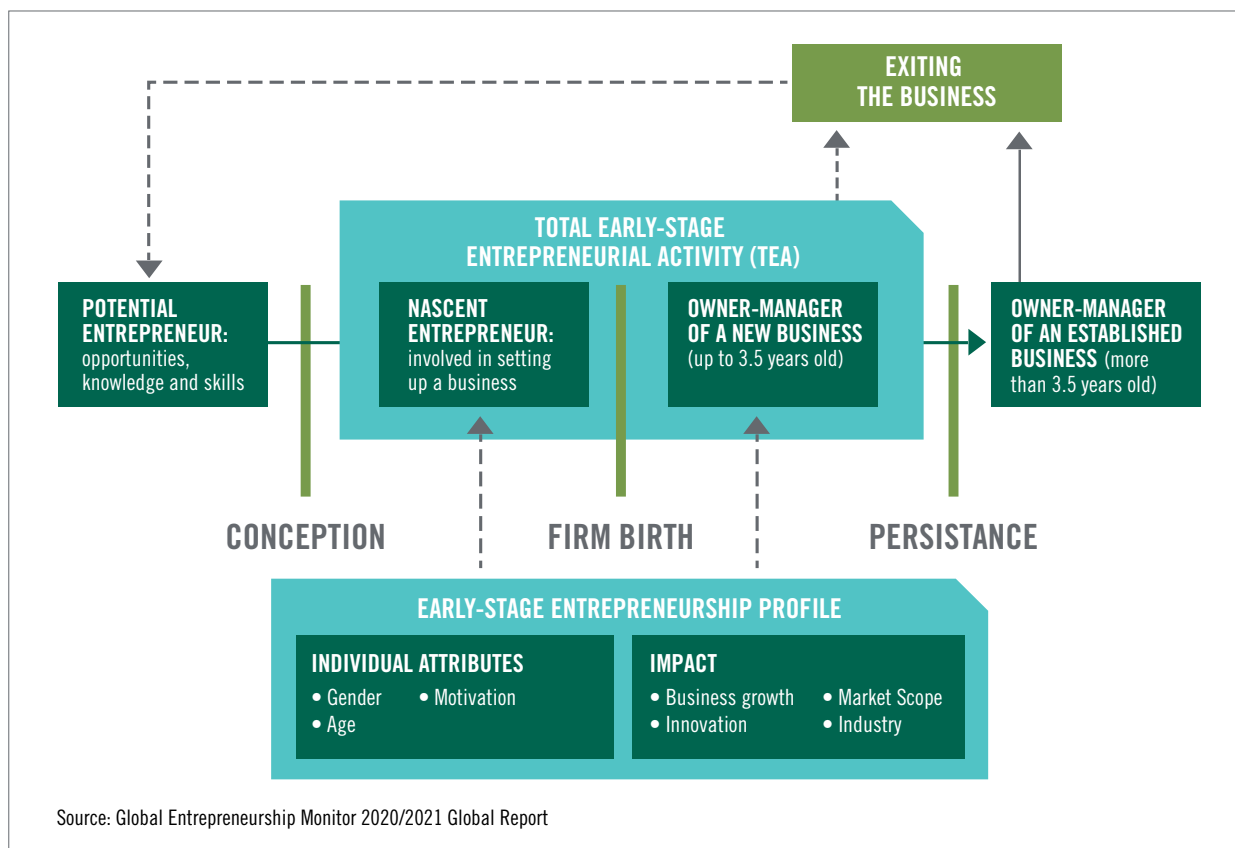
Background on GEM

GEM, co-founded by Babson Professor William Bygrave and London Business School Professor Michael Hay, is a consortium of national teams, primarily associated with top academic institutions, which conduct survey-based research on global entrepreneurship. The United States team is based at Babson College, a consistent supporter of the GEM United States team and the lead global sponsor of GEM since its founding.

Each summer since 1999, GEM has conducted random, representative surveys of at least 2,000 adults in each participating economy. This produces primary data on rates of entrepreneurship across multiple phases of the process, detailing the demographics, motivations, and ambitions of entrepreneurs, as well as characteristics of their businesses, such as the level of innovativeness and industry participation. Additionally, GEM uncovers a range of insights on the attitudes, self-perceptions, and affiliations in the adult population.

Figure 9 illustrates key GEM indicators. Total entrepreneurial activity (TEA) represents the proportion of the working-age adult population actively engaged in starting or running a new business. It is the sum of the “nascent” entrepreneurship rate (those who have not yet paid salaries for three months), and the “new” business ownership rate (those who have paid wages for more than three months but less than three and a half years, minus any double-counting where entrepreneurs are engaged in both). Individuals who are running a business and have paid wages for three and a half years or more are categorized as established business owners. GEM also collects data on those who in the prior year closed a business or left a business that continued operations.

Figure 9: GEM Entrepreneurship Indicators



The GEM 2021/2022 United States Report begins with survey results in Chapter 1 related to the impact of COVID-19. Chapter 2 covers TEA rates and other phases of business activity, as well as age profiles and entrepreneurial motives. Chapter 3 details the industries entrepreneurs and established business owners compete in, as well as levels of employment, market scope, and innovation. Chapter 4 assesses societal attitudes, affiliations, and self-perceptions about entrepreneurship in the U.S. adult population. Chapters 5 and 6 examine GEM indicators by gender and race/ethnicity, respectively. Finally, a special topic on social and environmental sustainability is the focus of Chapter 7. A key objective of this research is to advance understanding about entrepreneurship and help both the public and private sectors develop policies, programs, and initiatives that promote and support entrepreneurs.

Ryan Lupberger & Zachary Bedrosian



Ryan Lupberger and Zachary Bedrosian are the founders of Cleancult, a subscription service with a goal to deliver the most effective, non-toxic, laundry pods, so that you can feel clean, not chemicals. Their mission is to deliver that “clean-sheets feeling” to people while removing harmful chemicals from their skin and the waste stream.

Lupberger: “My goal became to create a natural household cleaning brand using products that were actually natural, with packaging that was zero-waste and with formulas that were really powerful. There’s a lot of problems with cleaning, but there’s also a huge opportunity. We’d been seeing so much amazing growth in DTC these past few years, but we hadn’t yet with cleaning. In 2017, Cleancult was born!”

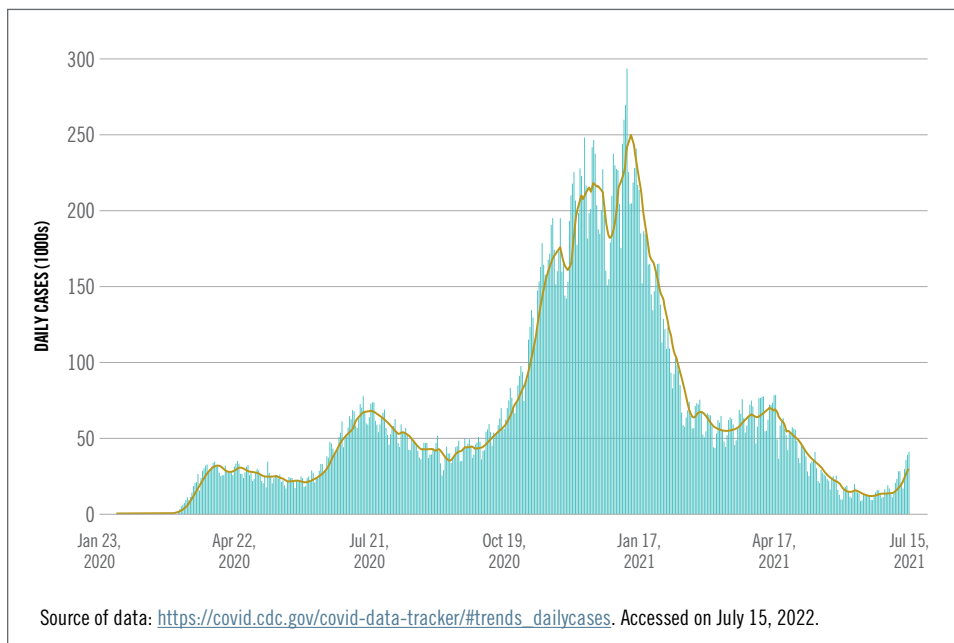
CHAPTER 1

Impact of COVID-19 on Entrepreneurship and Established Business Ownership

COVID-19 Cases and Death Rates

The GEM 2021 survey was conducted in early June through mid-July 2021, the second summer of the COVID-19 pandemic. Cumulative COVID-19 cases were approaching 34 million, with over 600,000 deaths reported. During the survey timeframe, the case count was at a low point after a surge that had started in fall 2020 and peaked in mid-January 2021 (see Figure 10). Soon after the GEM 2021 survey timeframe, case numbers began to climb again and reached the pandemic's highest peak in January 2022, due to the Omicron variant.

Figure 10: Daily COVID-19 Case Rates in the United States through July 15, 2021

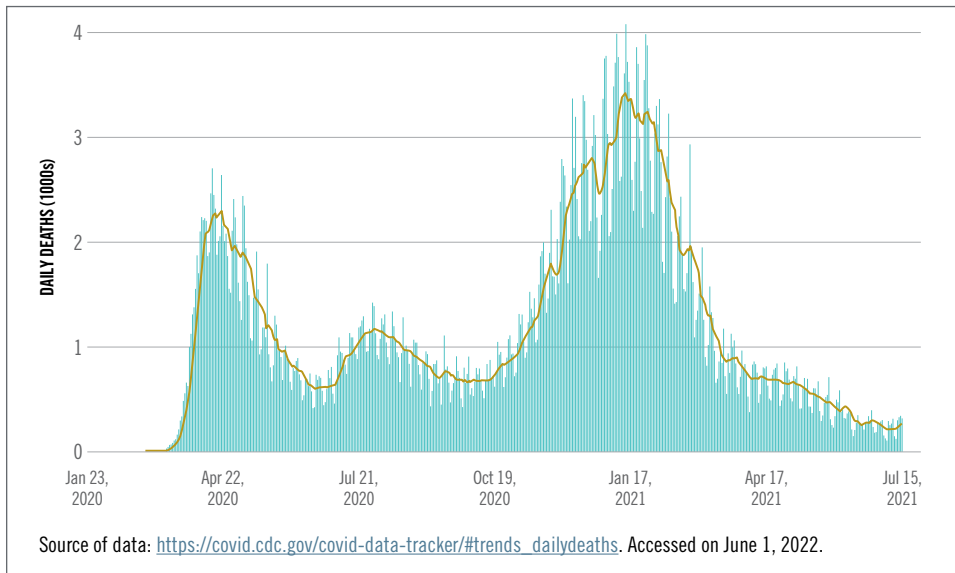


Death rates showed slightly different patterns compared to case counts. Deaths were high at the beginning as the nation and the world grasped the magnitude of the pandemic in spring 2020 and took measures to control it. As this report was being written during summer 2022, the highest daily COVID-19 death counts to date had been reported in winter 2020/2021 as cases surged; by then vaccines had been developed, but they were not yet widely available.

At the time of the GEM 2021 survey, death rates were declining (see Figure 11). Soon after, deaths increased again in two peaks, as the lethal Delta variant spread through the population starting in late summer 2021, followed by the less lethal but highly contagious Omicron variant during the winter of 2021/2022.

The GEM survey therefore took place at a time when the nation had suffered through over a year of the pandemic: a particularly tough winter followed by what many wishfully expected would be the end of the all-consuming, day-to-day concerns that gripped the country—a hopeful time when the nation was unaware of what was to come.

Figure 11: Daily COVID-19 Death Rates in the United States through July 15, 2021



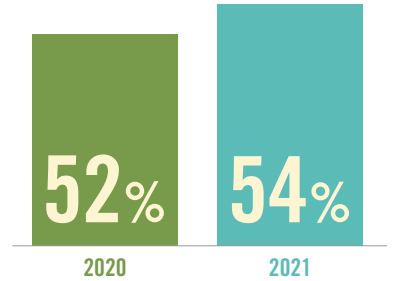
Impact of COVID-19 on Entrepreneurs

The GEM 2021 survey revealed that just over 35% of U.S. adults reported a decline in their household income due to the pandemic in 2021—still a high percentage, but somewhat less than the 40% who had previously reported income decline in 2020. Entrepreneurs were more optimistic in 2021 compared to 2020. In 2021, 35% thought that starting a business was more difficult than it had been a year earlier, versus 82% stating this opinion in 2020.

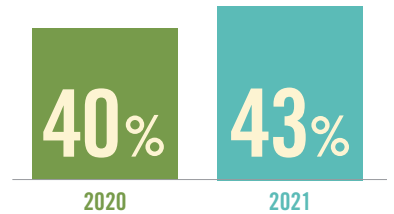
Of course in 2020, entrepreneurs were assessing conditions during a time of crisis, comparing this time period to one year earlier when the pandemic was unknown. In 2021, entrepreneurs were likely more confident as cases and deaths were declining, vaccines were widely available, and the country had a better grasp than a year earlier, more or less, on understanding and managing the pandemic.

However, the percentage of entrepreneurs who thought that COVID-19 provided new opportunities to pursue with their businesses was nearly equal in both pandemic years (54% in 2020 and 52% in 2021). Perhaps this could be for different reasons: in 2020, there may have been opportunities in response to the pandemic at the time, while 2021 may have revealed changes, perhaps lasting ones, in circumstances as a result of COVID-19. A similar pattern could be seen among established business

The % of entrepreneurs who thought that COVID-19 provided new opportunities



A similar pattern could be seen among established business owners:



stated that the pandemic provided new opportunities

owners: in 2021, 40% stated that the pandemic provided new opportunities they wanted to pursue, versus 43% in 2020.

Impact of COVID-19 on Established Business Owners

Established business owners appeared less pessimistic relative to growth expectation in 2021 than they had been in 2020: in 2021, 28% stated their expectations for growth were lower than a year ago, compared to 43% in 2020. In fact, in 2021, 43% of established business owners stated that their expectations for growth were higher than a year earlier.

Impact of COVID-19 on Business Closure

In 2021, 4.3% of U.S. respondents stated they had closed a business in the prior year, and another 2.1% stated they had left a business that continued operating. Of the total 6.4% who left business ownership, 21% said it was due to the coronavirus pandemic. A more thorough discussion of closures will ensue in Chapter 2; however, it appears that the pandemic did have an effect on business closures, since results on this indicator for both 2020 and 2021 were among the highest in GEM history. The other high point was recorded in the period 2007-2008, which corresponds to the global economic recession.

Adapting to the Challenges of the Pandemic

Among factors that can help entrepreneurs and established business owners survive—and thrive—during environmental shocks like the COVID-19 pandemic are adaptive actions they themselves take, as well as government measures to assist them. Although one-third of entrepreneurs already were using a range of digital technologies in their businesses, another one-fourth adopted or enhanced their use of digital technologies in response to the pandemic. About the same results were observed among established business owners. This demonstrates the resourcefulness of those starting and running businesses amid environmental shocks and how these shocks themselves drive adaptation. It also reveals how technology can be a tool for adapting to change.

In 2021, a similar percentage of entrepreneurs (42%) and established business owners (43.5%) thought that the federal government had effectively responded to the economic consequences of the pandemic, with about an equal number of entrepreneurs (46%) and established business owners (43%) stating the government had not responded effectively.

In summary, the COVID-19 pandemic continued to provide new opportunities for entrepreneurs and established business owners, and greater optimism was evident in perceptions about starting and growing a business. However, business closure activity increased during both 2020 and 2021. Digital technologies helped some entrepreneurs and established business owners adapt to conditions imposed by the pandemic.

IN 2020
43%

of established business owners were **less pessimistic about growth** expectations compared to

28%
IN 2021

OF THE TOTAL
6.4%

who left business ownership

21%

said it was due to the coronavirus pandemic

ONE THIRD

of entrepreneurs already were using a range of digital technologies for business

ONE FOURTH

adopted or enhanced their use of digital technologies in response to the pandemic.


The same results were found for both new entrepreneurs & established business owners

Tara Foley



Tara Foley is dedicated to helping people discover effective beauty products that won't compromise their values, their health, or the health of the planet. In 2013 she founded Follain (Gaelic for "healthy and wholesome") as the first U.S. beauty retailer to have a public-facing ingredient policy to protect environmental health. In addition to curating the best clean beauty retail, Follain's own line of skincare essentials is growing at other leading retailers from Goop to ULTA. She is a board member of the trade association NOHBA and works with various other nonprofits and advocacy groups fighting for better health education, access, and regulation in the beauty industry.

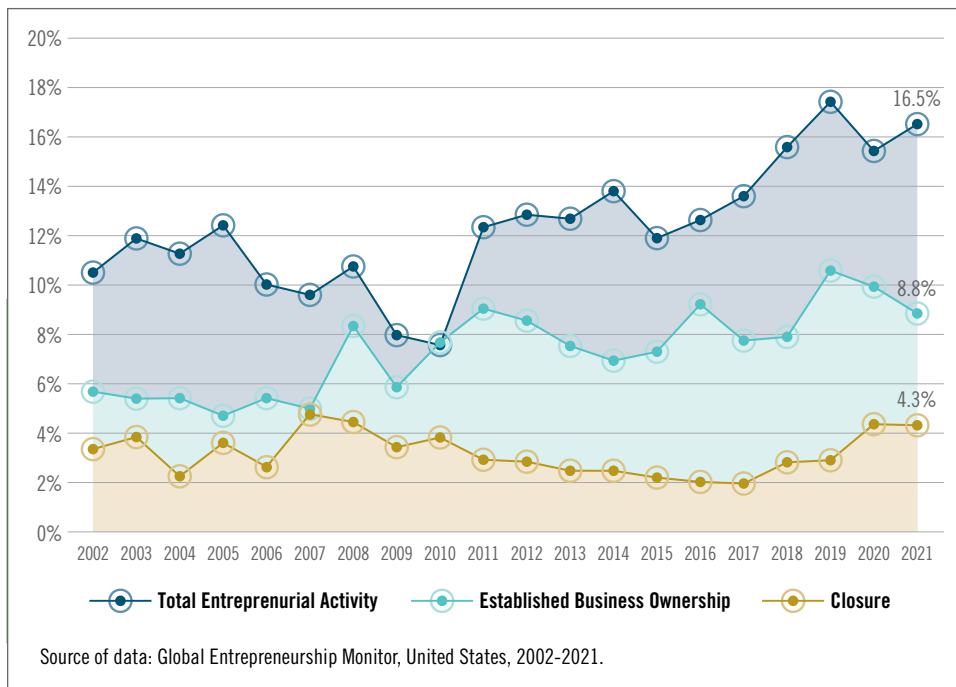
CHAPTER 2

Business Phases

Total Entrepreneurial Activity, Established Business Ownership, and Business Closure

In 2019, Total Entrepreneurial Activity (TEA) in the United States reached its highest level in GEM history, followed by a slight drop in 2020 (Figure 12). In 2021, this indicator edged upward again, suggesting that entrepreneurship was strong in the second year of the pandemic. On the other hand, established business activity showed a slight decline in both 2020 and 2021, after a rise in 2019 that likely reflected a lagged effect of prior increases in TEA. Business closures remained slightly elevated in 2021, as also reported for 2020.

Figure 12: Total Entrepreneurial Activity, Established Business Ownership, and Business Closure Activity Among U.S. Adults (age 18-64), 2002-2021



As Figure 12 demonstrates, TEA rates are nearly always higher than established business rates in the United States. These high TEA rates suggest a thriving start-up culture, although with fewer people running mature businesses. This could signal a concern about business sustainability. But established business activity in the United States is still high relative to that in other high-income economies, as seen in Figure 13, which also shows higher TEA than established business rates in most countries. This suggests that while not all entrepreneurial actions lead to mature business ownership, long-term business sustainability nonetheless relies on a foundation of those willing to try their hand at entrepreneurship.

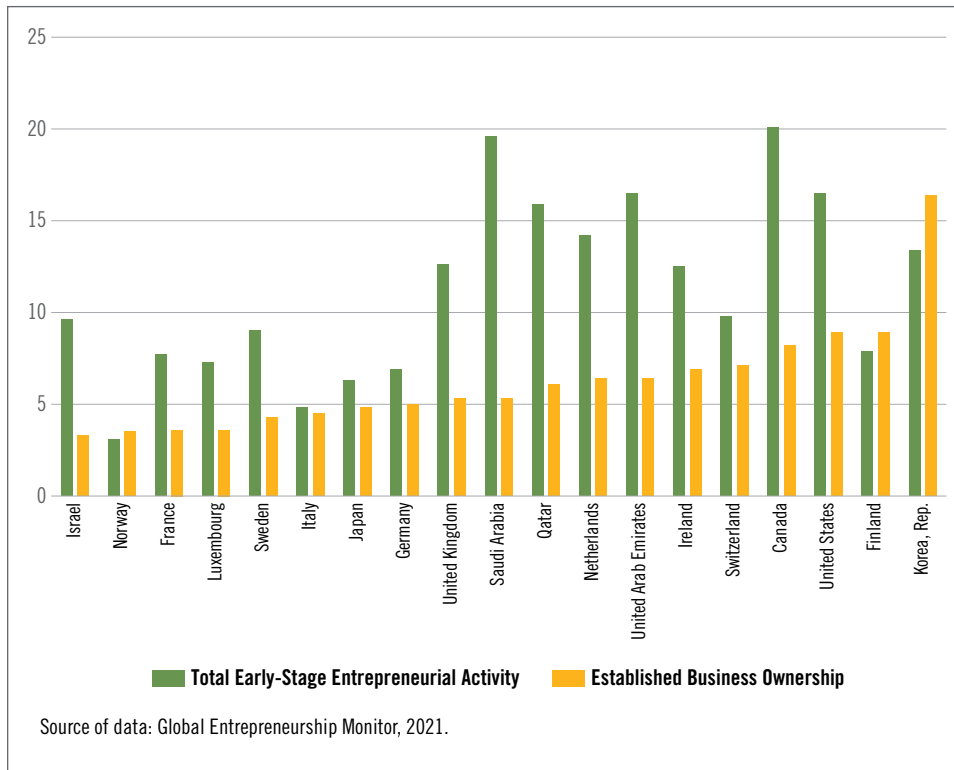


Philip Bell
Co-Founder, Snippet

“I started Snippet as a way for anyone, no matter your income level, to have a pathway to own tangible assets that generate revenue and appreciation over time.”

Snippet is a real estate investing platform for the masses. Throughout history, real estate has been the best-performing asset class. Unfortunately, barriers to entry are extremely high and there is an information asymmetry problem. Snippet will build communities by offering low entry points for those who traditionally considered themselves priced out of real estate investing. The company aims to create opportunities for everyone to own assets and build a financial future they can be proud of.

Figure 13: Total Entrepreneurial Activity and Established Business Ownership in 19 High-Income Economies (GDP per Capita over \$40,000 USD), 2021



In my humble opinion, successful entrepreneurs produce quality work even when it is daunting. They don't see setbacks as "failures," they see them as pivotal opportunities for growth. My advice for rising entrepreneurs would be to focus less on failing and more on going against the grain in a meaningful way. As my professor of finance Mark Potter told me, "If not you, then who?"

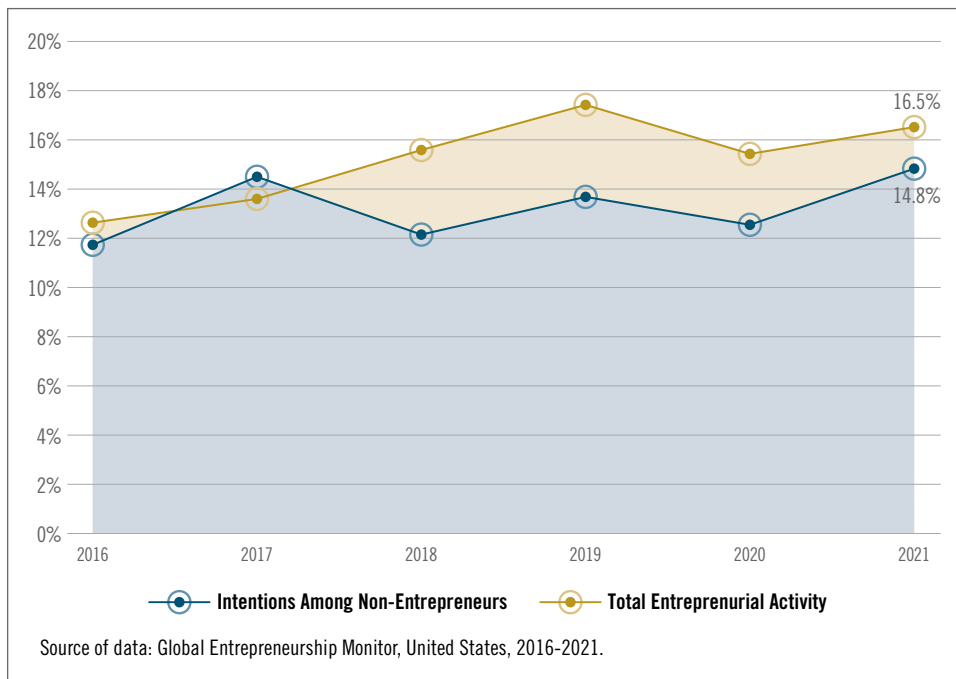
— Philip Bell
Co-Founder, Snippet

Entrepreneurial Intentions

Those showing entrepreneurial intentions, but not yet taking steps to start a business, manifest the extent to which there are potential entrepreneurs in a population. In the United States, the past four years recorded slightly more people starting a business than simply intending to start one in the next three years (see Figure 14).

In some countries, intentions are consistently higher than TEA, suggesting that people may be wanting or planning to start a business, but fewer are actually taking the steps to launch. This could be due to such factors as, among others, less than favorable environmental conditions, or opportunity costs associated with good job alternatives that make entrepreneurship a tougher sell. On the other hand, consistently lower intentions could signal a low supply of prospective entrepreneurs. However, given the high TEA rates in the United States, the results indicate less hesitancy or fewer constraints for launching a business.

Figure 14: Entrepreneurial Intentions and Total Entrepreneurial Activity Among U.S. Adults (age 18-64), 2016-2021



12%
 Increase from 2020 that the most frequently cited motivation was to build great wealth or a high income.

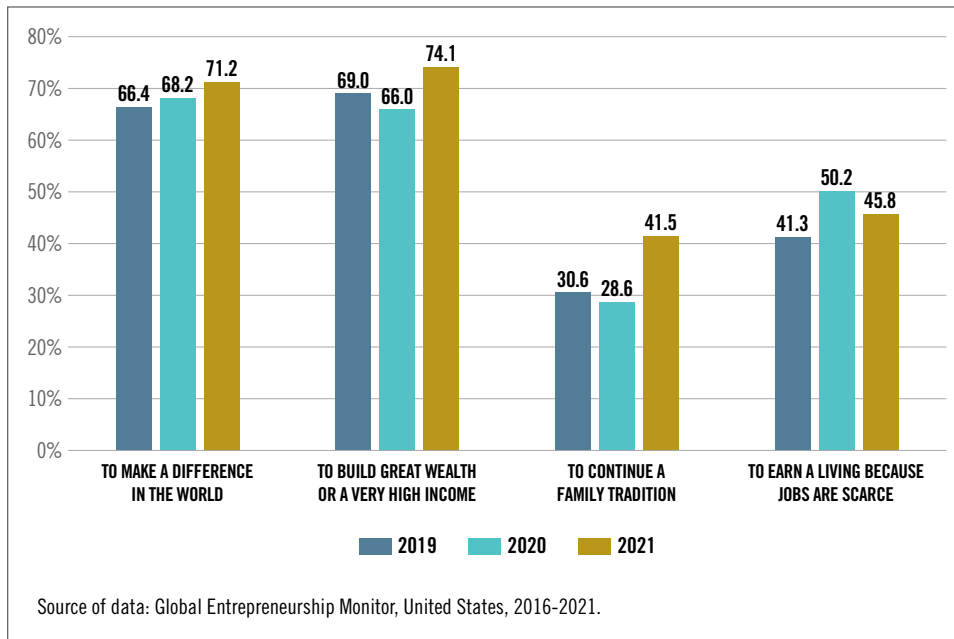
MAKING A DIFFERENCE IN THE WORLD,
 ANOTHER FREQUENTLY AND INCREASINGLY CITED MOTIVE'

Entrepreneurial Motives

In 2021, motives for starting a business showed notable differences compared to prior years. The most frequently cited motivation was to build great wealth or a high income (see Figure 15), a 12% increase from 2020. As Chapter 1 reported, over one-third of respondents saw their household income decrease during 2021, which might explain the motivation to generate high income. However, job scarcity was less a motivator in 2021 than in 2020, perhaps because the unemployment rate, while high in summer 2020, was declining before and during summer 2021.

Another frequently and increasingly cited motive is making a difference in the world, likely reflecting greater awareness of environmental challenges and the social problems that were magnified by the COVID-19 pandemic. Less cited is continuing a family tradition; however, this motive increased by 45% in 2021 over the prior year. Perhaps this result reflects more time spent with family during social restrictions and distancing, constraints that were imposed during the pandemic.

Figure 15: Motivations for Total Entrepreneurial Activity in the United States, 2019-2021



Age Patterns Across Phases

Generally, those in early to mid-career (adults age 25-44) exhibit the highest entrepreneurship rates, with somewhat lower rates in both the younger and older age ranges. In 2021, however, a distinctly different pattern can be observed (see Figure 16). Rates are high among the youngest age group (age 18-24) and stay around this level though age 54, followed by a steep drop-off in the late career group (age 55-64). The absence of a clear peak suggests an equal interest in entrepreneurship among adults of all ages up to the late career group. Perhaps each age group brings certain advantages, for example youthful enthusiasm, fresh ideas, and fewer financial obligations among young people versus the older population's experience, reputation, and access to resources.

Enthusiasm for entrepreneurship can be seen in the intentions of the age group 18-24: one-fifth aimed to start a business in the next three years. For those age 25-54, the results are similar and lower than their TEA rates. A drop-off then occurs in the age group 55-64.

Established business ownership increases with age until the age range of 55-64. This is logical, given that a mature business owner would be running a business started in their earlier years. In addition, it may be possible that younger people experiment with multiple businesses and careers, choosing not to settle on a particular business for the long term until their later years.

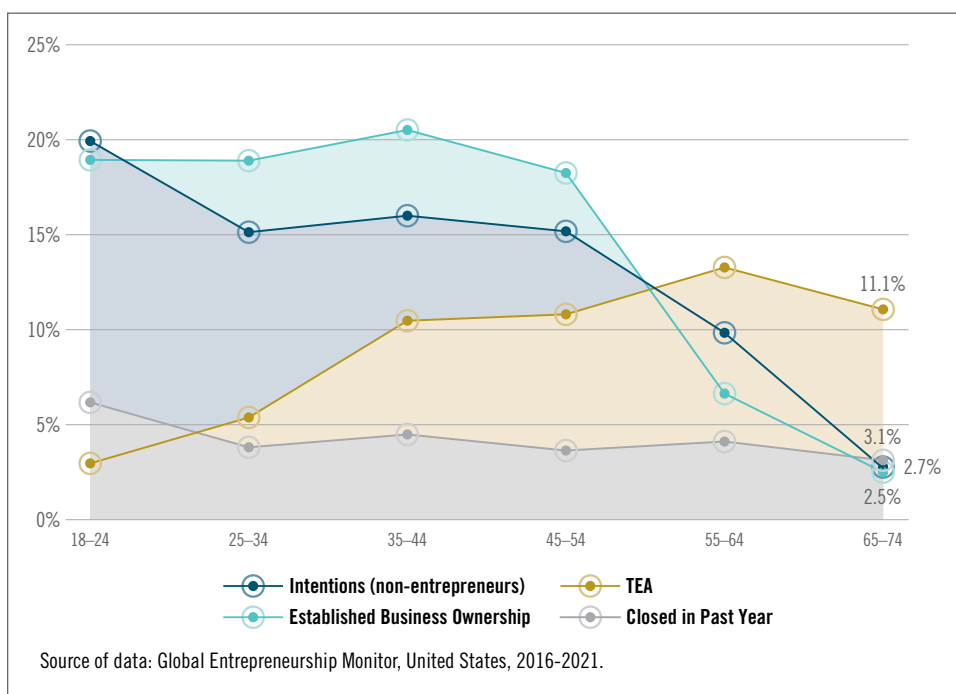


Generally entrepreneurship rates peak among those who are old enough to have enough work experience, resources and networks they can leverage in starting their businesses. But this recent GEM survey shows a growing interest in entrepreneurship among young people, who can bring novel ideas, their knowledge of youth market segments, and their openness to risk and learning, to the entrepreneurship ranks.”

— Donna J. Kelley
Professor of Entrepreneurship,
Frederic C. Hamilton Chair of
Free Enterprise, and Chair of
the Entrepreneurship Division
at Babson College

Business closure rates are similar across age groups except for the youngest group, which exhibits a higher rate of business closings. Perhaps the increase in TEA among this age group in 2021 was also associated with a higher likelihood of attempts that did not work out. Another explanation is that this age group may be more likely to start temporary businesses, or to move on from these businesses as they focus on college or take the next step in their careers.

Figure 16: Total Entrepreneurial Activity Rates by Age Group in the United States, 2021



In summary, TEA rates and established business rates reached an all-time high in GEM reporting for 2019, followed by slight drops for both rates in 2020. While TEA showed signs of reversing this trend in 2021, established business activity continued to edge downward. The top motivation for entrepreneurship was to increase wealth, with this motivation up from the prior two years. Notable results in 2021 included the high intentions, TEA, and business closure rates among the youngest group (age 19-24).



Bridget Handley
Founder, Chestnut

Handley on managing fear of failure: “It’s scary to be judged by others, but it’s worse to let the weight of other people’s opinions rob you of the experiences you want to have. To create something that no one else has, you need to do things others haven’t done before. If you don’t fail, you aren’t even trying.”

Chestnut is a fintech platform that demystifies the investment process, enabling young investors to achieve long-term financial growth.

Jyotsna Mehta



Jyotsna Mehta is an accomplished entrepreneur in digital health and analytics with over 20 years of combined experience in academia, regulatory affairs, and the pharmaceutical industry. Her company, KevaHealth, provides a SaaS (software as a service) platform to patients who have respiratory illnesses. KevaHealth's mission is to provide remote respiratory care for all those who need it and help prevent costly ER admissions for respiratory conditions including asthma and COPD. The KevaHealth team is composed of passionate professionals working each day to improve outcomes for patients with respiratory conditions.

Mehta's advice for aspiring entrepreneurs hesitant to take the first step: "It is important to fail as it makes you learn and grow and achieve success faster."

CHAPTER 3

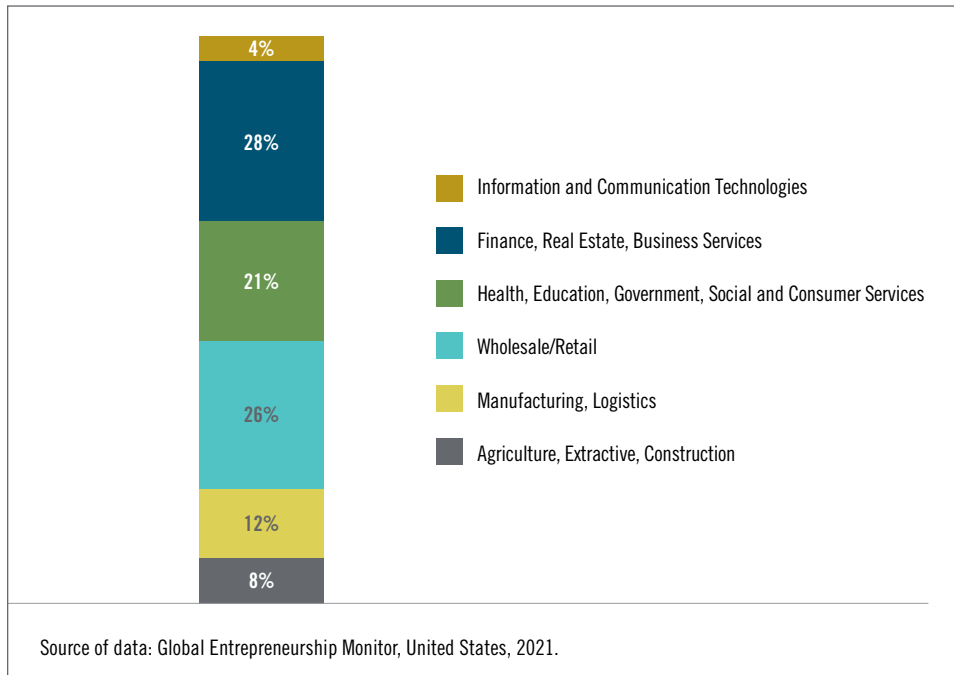
Entrepreneurial Impact

Industry Sector Participation

Technological advances, consumer preferences, and all types of micro and macro factors can affect industry sectors in both positive and negative ways. This constant fluidity makes tracking entrepreneurship by industry sector an important marker to watch. Total Entrepreneurial Activity across industry sectors offers a glimpse of the types of opportunities currently being explored, and it gives a sense of the near-term future of business activity.

While some economies around the world encourage particular industries in order to exploit unique natural resources or past national advantage, others advocate for a broad approach across sectors. The United States falls into the latter category, but 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 entrepreneurship and creativity in the United States, it is not surprising to see high TEA rates in industries like information technology, finance, and fintech, where start-up activity relies on technology and creativity as drivers. The numbers in these areas are steady, although slightly below numbers of the previous year, but still strong.

Figure 17 shows TEA rates for the United States across industry sectors. This chart shows the United States approach to supporting entrepreneurship in all types of industries. However, the entrepreneurial U.S. economy continues to see more opportunities being pursued in services and technology, with more than half of all entrepreneurs starting businesses in: Finance, Real Estate, and Business Services (28%); Health, Education, Government, Social and Consumer Services (21%); and Information and Communications Technologies (4%). Manufacturing continues at about the same rate as during the previous year.

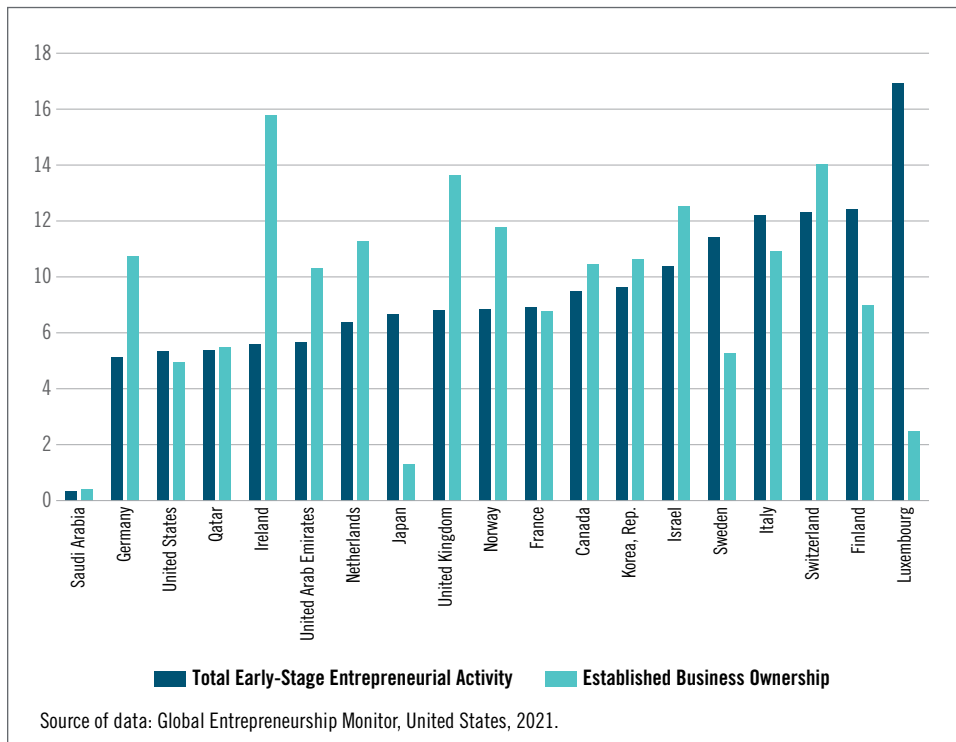
Figure 17: Industry Breakdown for Total Entrepreneurial Activity in the United States, 2021

Technology and Innovation

For almost a century in the United States, technology has been the driver behind products and services that entrepreneurs are shaping in their new businesses. Technology is an industry unto itself for many entrepreneurs and also a tool that early-stage entrepreneurs use to mobilize start-ups. In the United States, 23% of entrepreneurs use new technology that is new to their area, new nationally, or new to the world—to build their offering, to deliver it, or both.

Among the industries entrepreneurs and established business owners operate in, 6% of entrepreneurs and 5.6% of established business owners participate in medium to high-technology sectors. When compared to advanced economies, all with GDP per Capita greater than \$40,000, the view for the United States is mixed at best. Figure 18 shows that participation in technology sectors among both U.S. entrepreneurs and established business owners is near the lower end of these high-income countries. This has the United States keeping company with countries one would expect like Germany and Ireland, but also with Qatar and the UAE.

Figure 18: Percentage of Total Entrepreneurial Activity and Established Business Ownership Participating in Medium and High-Technology Sectors in 19 High-Income Economies (GDP per Capita over \$40,000 USD), 2021

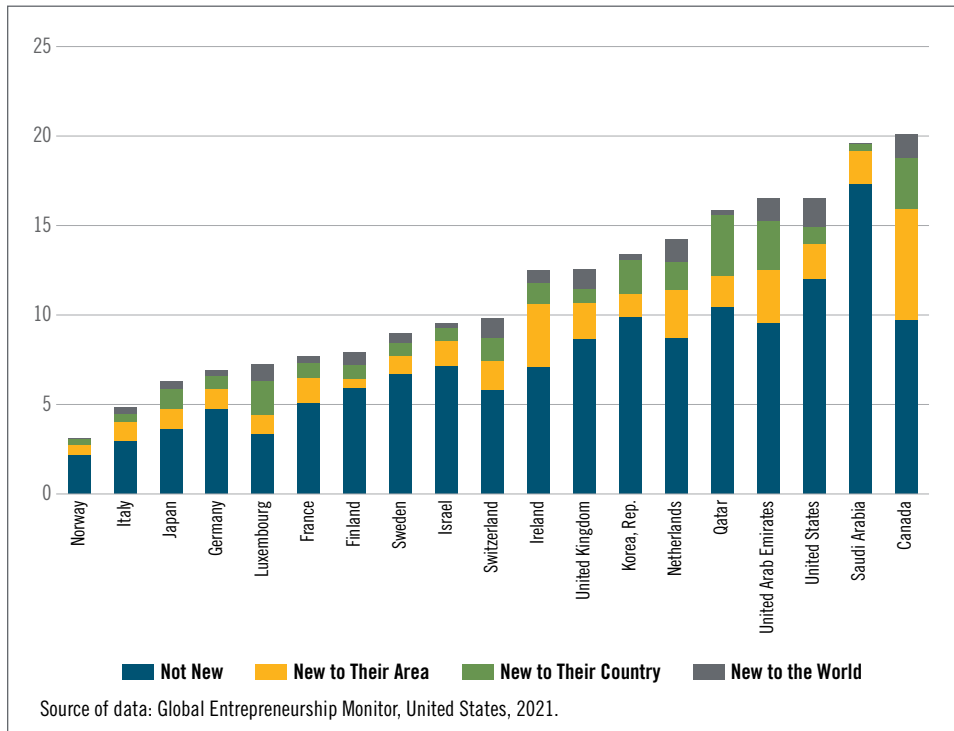


For one of the top technological countries in the world, these relatively low numbers may seem surprising. They may reflect the size and diversity of the United States, with many types of businesses being started. However, despite the nation’s deep history as a technological leader and with numerous technology behemoths based in the United States, more entrepreneurs appear to be using technology to develop products than participating in technology sectors. While use of technology is important, in the long term, a strong economy in the United States may need more entrepreneurs developing technology-based businesses.

With regard to innovation, 28% of U.S. entrepreneurs report that their products and services are new to the people in their region, the country, or the world. This number is similar to results reported in 2019, and it is a strong rebound from the 21% reported in 2020. It may indicate that innovation declined during the early days of the pandemic but rebounded in 2021 as more entrepreneurs pursued novel opportunities.

However, as Figure 19 indicates, the U.S. innovation level is below the average of its high-income peers. Again, it could be argued that given the size of the United States, innovation levels are high in absolute terms. Still, this warrants further consideration, given the importance of innovation to global competitiveness and social value creation.

Figure 19: Level of Innovativeness for Total Entrepreneurial Activity in 19 High-Income Economies (GDP per Capita over \$40,000 USD), 2021



Job Creation and Growth Expectations

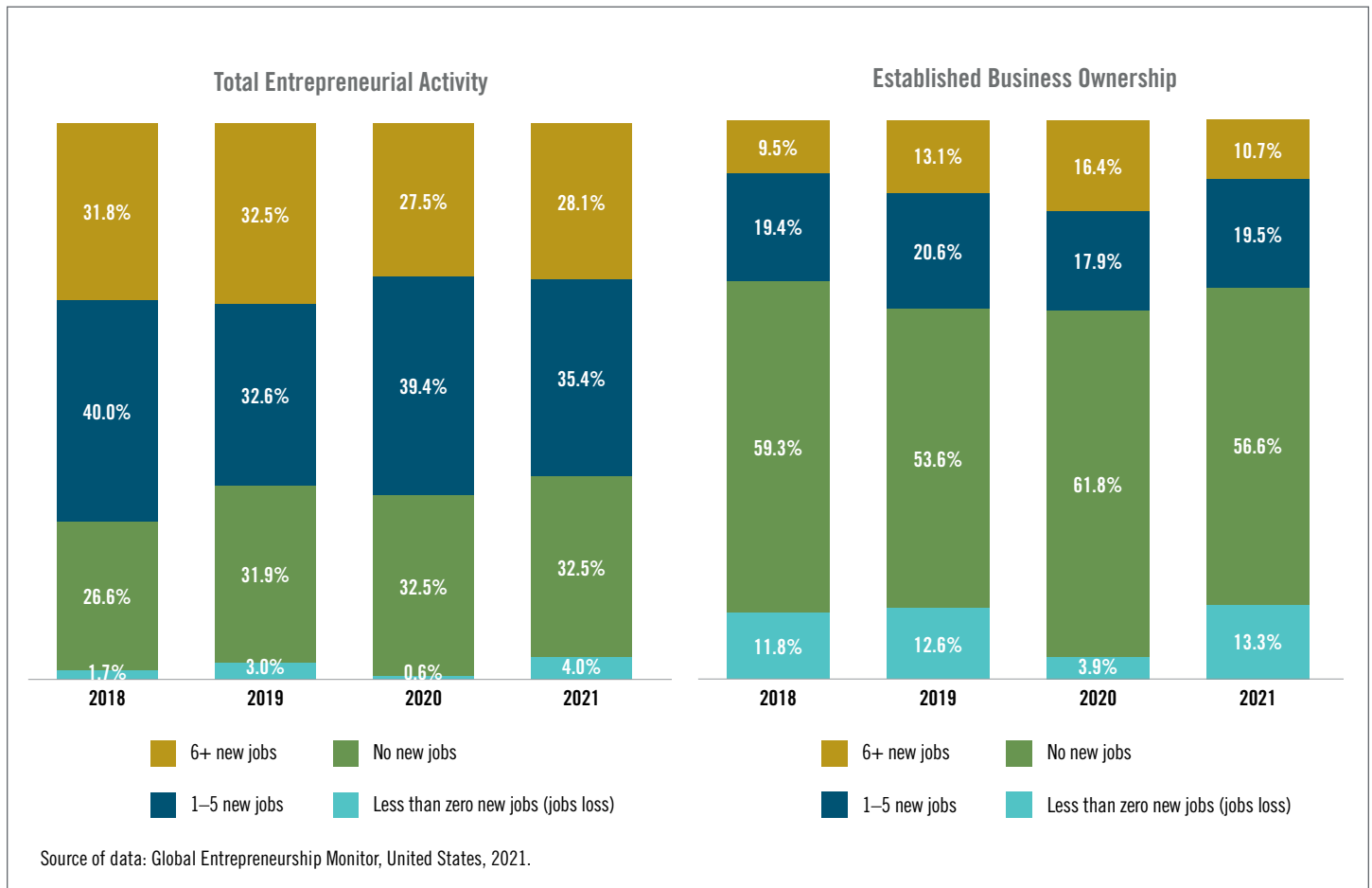
An entrepreneur's sense of how many employees they might need in the future is a signal of confidence and an indication that they perceive strong growth on the horizon. Entrepreneurs with high expectations for job creation are signaling confidence that they are developing opportunities that meet a clear need. Growth-oriented entrepreneurs are also signaling that they can recruit, hire, and develop others to help them successfully grow their venture. This is no small feat given the "Great Resignation" and the difficulty U.S. businesses experienced in finding qualified employees.

Beyond entrepreneurs, these numbers are critical for policy makers and other leaders to consider carefully. Overall, job creation expectations are important measuring sticks because start-ups that create jobs are the businesses that grow local, regional, and national economies.

Established business owners have been operating long enough that many have achieved a relatively stable level of employment, which indicates existing employment levels in U.S. owner/manager businesses. Currently, most established business owners in this report are either sole operators and the only employee (35%), or they employ fewer than five people (44%). Roughly 21% employ more than six people, and 9% employ more than 20.

This somewhat bleak news continues in Figure 20, detailing the outlook of established business owners for job creation over the next five years. As opposed to job creation, job loss shows an upward tick after a low in 2020. The expectation of job loss by 13% of established business owners marks a high for recent years. Among established business owners, 70% expect either no new jobs to be created or to eliminate existing jobs. Many may be struggling as the pandemic continues, and these projections signal strong concern for the near term. At the same time, these results could suggest different ways of operating businesses, where business owners can use technology and engage with networks of partners to operate their businesses, reducing their need to hire many employees.

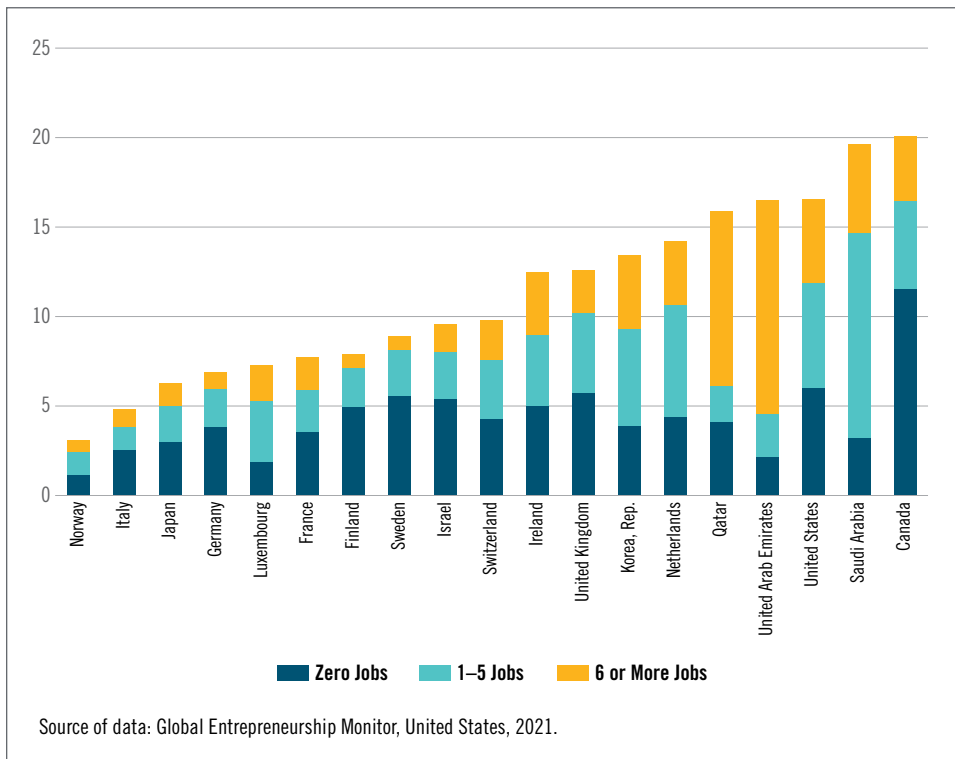
Figure 20: New Job Creation Expectations for Total Entrepreneurial Activity and Established Business Ownership in the United States, 2021



The data are more positive, however, as reported by TEA respondents based on their job creation expectations over the same period. Regulatory change or massive change of any type can be difficult for some businesses but may open opportunities for others. New entrants that make up the TEA category may find opportunity in spite of the pandemic. Figure 21 shows that more than 35% of all entrepreneurs expect to create at least one and as many as five new jobs over the next five years, and 28% expect to create at least six new jobs.

Job creation confidence is strong compared to that of similar economies. The expectation of creating six or more jobs is similar to expectations in Ireland, Luxembourg, the Netherlands, and the Republic of Korea. As Figure 21 depicts, only Qatar and the United Arab Emirates in the Middle East, buoyed by growth in all areas across the region, expect to see proportionately more jobs created.

Figure 21: Job Creation Expectations for Total Entrepreneurial Activity in 19 High-Income Economies (GDP per Capita over \$40,000 USD), 2021

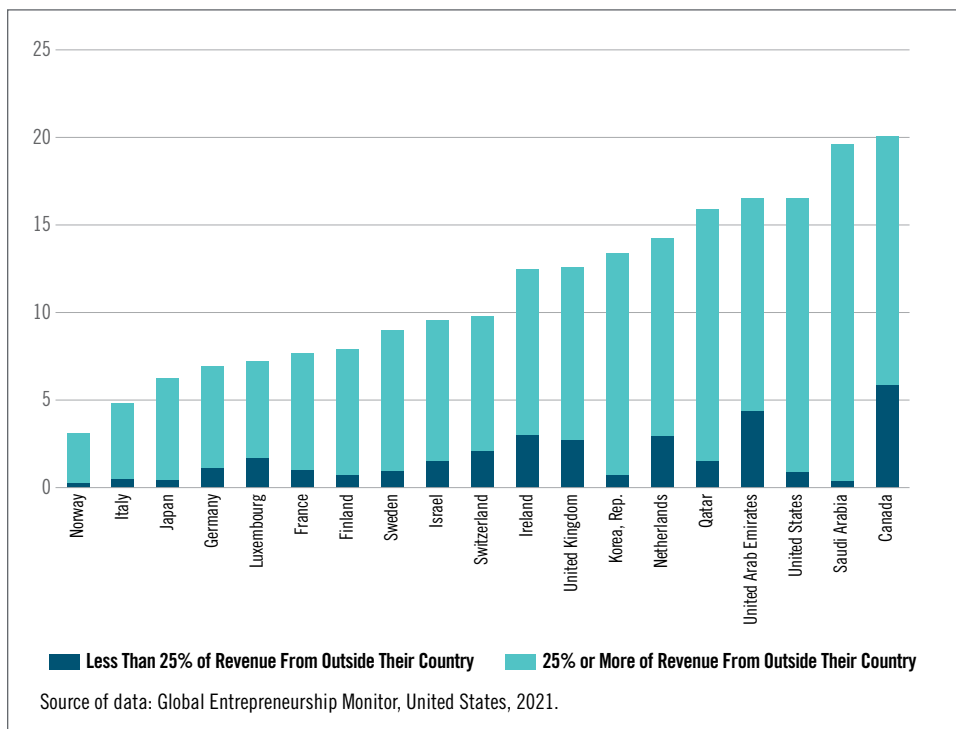


National and International Scope

The United States is a large country in geography and population, and this confers advantage. The internal market size affords early-stage entrepreneurs and established business owners the luxury to grow their businesses in a big, diverse arena. Not needing to sell beyond national borders can keep administrative and other processes simple and efficient. However, this factor may reduce interest in developing international sales, compared to initiatives undertaken by smaller countries, especially those near easy export markets.

Figure 22 shows the percentage of U.S. entrepreneurs running a new business who anticipate 25% or more of their revenue to come from customers outside their own country. The United States has among the lowest international sales proportionately among entrepreneurs, a level similar to that of the Republic of Korea and higher than Saudi Arabia. Again, the size of the U.S. market would not require many ventures within the country to be global at start-up; and continuation of the global pandemic beyond 2021 could stymie international expansion. Nevertheless, it is important to consider the international reach of U.S. entrepreneurs in contributing to global competitiveness and market reach.

Figure 22: Percentage of Total Entrepreneurial Activity with 25% or More International Revenue in 19 High-Income Economies (GDP per Capita over \$40,000 USD), 2021



In summary, entrepreneurs in the United States start businesses in a diversity of industries with strong participation in services. Few operate technology businesses, but more employ technology in developing and delivering their products and services. Although innovation levels have returned to 2019 levels, they remain below the average of the high-income economies participating in GEM in 2021. The results show that a large number of established business owners employ only themselves or a few employees, and many project job loss or no new jobs in the next five years. However, entrepreneurs are more optimistic about future job creation. The results show that a majority of entrepreneurs expect to sell within the U.S. market versus internationally.



Mareesa Ahmad
Founder, Culinary Sprouts

Culinary Sprouts is an educational activity for kids that helps them learn the fundamentals of cooking with curated cooking kits that include all pre-measured ingredients and an instructional video. So far, the kits have helped children across four different continents gain more independence and confidence in the kitchen!

What advice would you give to rising entrepreneurs with fear of failure getting in their way?

“Normalize failure! Failure is very normal and happens to everyone around you. Instead of letting fear overcome you, embrace it, take it as a learning experience, and try again.”

Keisha Greaves



After being diagnosed with Muscular Dystrophy, Keisha Greaves started her own line of T-shirts called Girls Chronically Rock to inspire others with chronic illnesses to have confidence in themselves and not let their disability define who they are. Her shirts have motivational messages like “Trust your Dopeness,” “Walk with a Twist,” and “Chronically Dope.” She and Girls Chronically Rock have been featured on network TV programs such as *The Today Show* and *Good Morning America*.

In 2021, she expanded her clothing line to include adaptive swimwear - swimsuits that are easy for disabled people to get on and off when they go to water therapy. Keisha is a motivational speaker, has a Master’s degree in business management, and is the state ambassador of the Commonwealth of Massachusetts for the Muscular Dystrophy Association.

CHAPTER 4

Societal Attitudes and Self-Perceptions About Entrepreneurship

Societal Attitudes

In 2021, positive societal attitudes about entrepreneurship improved in the United States over 2020 levels. In fact, perceptions that starting a new business is a desirable career choice increased by 8% to reach an all-time high (see Figure 23). Pandemic-driven economic uncertainty forced many people into unemployment due to layoffs from previously stable organizations and even their closures. This may have increased the desirability of an entrepreneurial career path in which individuals perceive the value of a locus of control rather than relying on an employer's ability to prepare for and weather difficult future economic conditions.

In addition, perceptions of attaining a high level of status and respect through entrepreneurial success, as well as perceptions of the frequency of media and/or internet stories about successful entrepreneurs, rebounded to the all-time highs reached in 2019. Typically, these perceptions move in concert with each other, and the percentage point gap between the two measures remains relatively small and constant. A possible explanation of this trend is that media and internet coverage of entrepreneurial success and failure necessarily impacts perceptions of status and respect associated with starting a business.

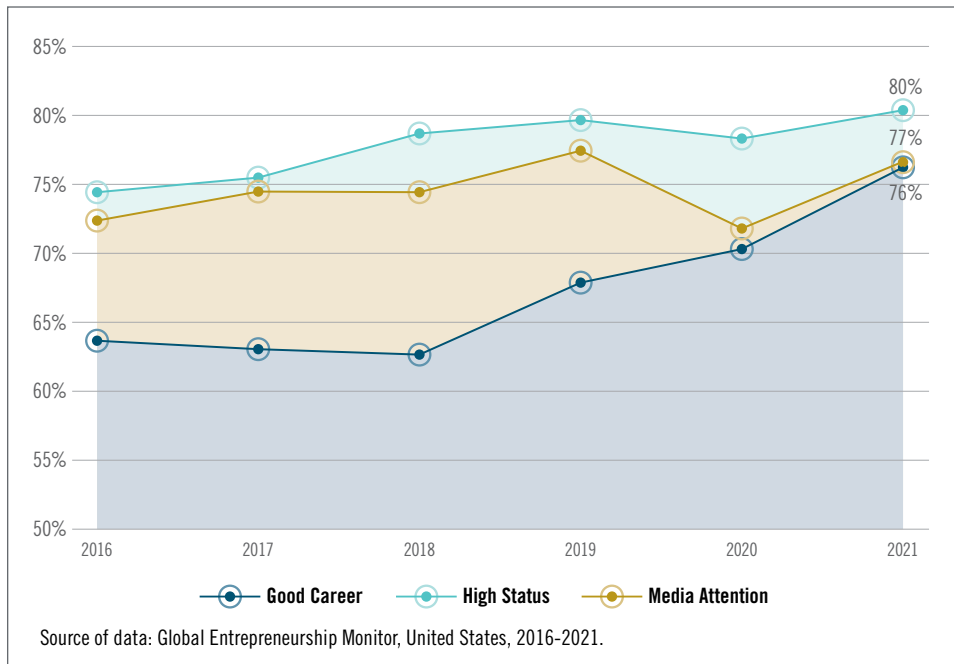
Another notable trend is that while more people continue to believe that entrepreneurs have high status than believe that starting a business is a good career choice, the gap between these two measures has decreased over time. The gap decreased from double-digit percentage points during the years prior to the pandemic to just four percentage points in 2021. Perhaps this gap is closing due in part to people believing that an entrepreneurial path offers more perceived control over one's destiny than the alternative of working for someone else.

ALL-TIME HIGH INCREASE OF
EIGHT%
 SEE STARTING A NEW BUSINESS
 AS A DESIRABLE
 CAREER CHOICE



No matter how many obstacles or no matter how many times you have fallen, get a journal, and write down what you learned so you don't make the same mistake, and get back out there. The world needs you."

— Ceylan Rowe
 Founder, Fihri

Figure 23: Societal Attitudes About Entrepreneurship in the U.S. Adult Population, 2016-2021

Self-Perceptions

Approximately 65% of U.S. respondents believed that they possessed the requisite knowledge and skills for starting a business. This represented relatively no change from 2020 or from the high level reached in 2019. The United States ranked fourth highest among the GEM 19 advanced economies for this indicator, behind Saudi Arabia, Qatar, and the United Arab Emirates. The United States high ranking may reflect the proliferation of entrepreneurship education from K-12 through college over the past 30 years, business start-up information readily available on the internet, and government policies and support favorable to entrepreneurship.

Perceived opportunities for starting a business increased 30% in 2021, nearly reaching pre-pandemic levels (see Figure 24). The United States ranked eighth on this indicator among the GEM 19 advanced economies, with Saudi Arabia, Sweden, and Norway reporting the highest levels of opportunity perceptions. Coupled with approximately 67% of respondents perceiving that “it is easy to start a business,” the second year of the pandemic may have motivated individuals to recognize and pursue such opportunities, consistent with the increase in TEA reported in 2021.

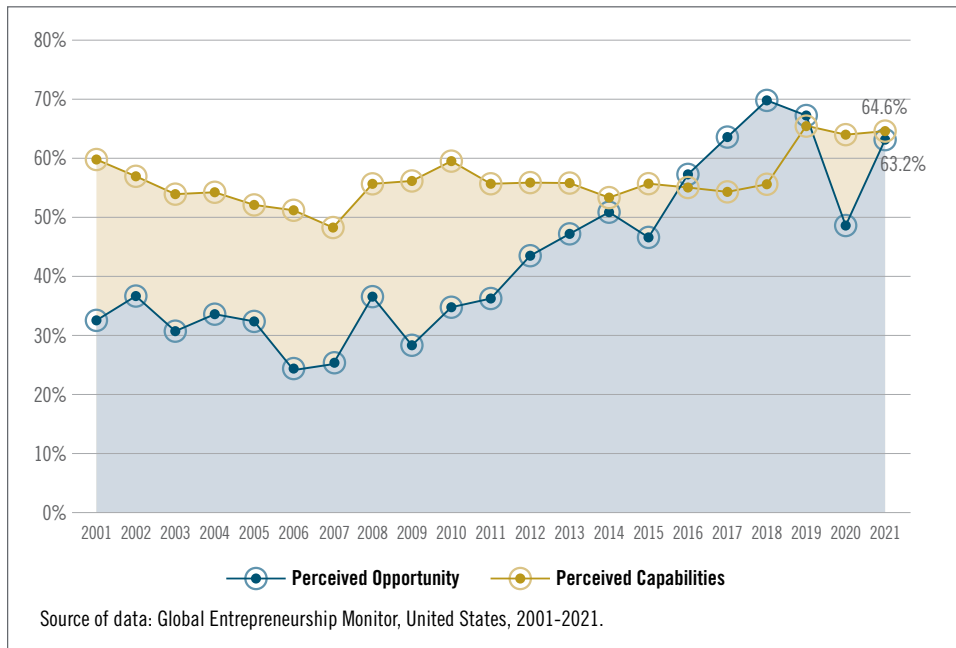


Jeff Sang-Hyun Lim
 Founder, Hazzah

Hazzah is the Shopify for Web3 connecting artists, brands, and fans through digital collectibles and fan tokens. The company helps users create new revenue streams by selling their work as digital collectibles and providing step-by-step guidelines on successfully creating value for their digital collectibles.

Hazzah gives back to the community by providing education on Web3 technology so that artists can be the initiator, not the victim, of innovative surprise.

Figure 24: Opportunity and Capability Perceptions in the U.S. Adult Population, 2001-2021



Given the optimism shown by increased perceptions of available opportunities, entrepreneurship as a favorable career path, and confidence in one’s ability to start a new business, it was somewhat surprising that fear of failure among those seeing opportunities reached the highest level recorded by GEM in the United States (see Figure 25). This result may lead to questions on beliefs about when pandemic conditions will subside and when the economy will return to so-called “normal” conditions. The United States ranked seventh highest on fear of failure among the GEM 19 advanced economies, with the Republic of Korea, Switzerland, and the Netherlands perceiving the lowest fear of failure. However, on the positive side, more than half of U.S. respondents seeing opportunities did not fear failure.

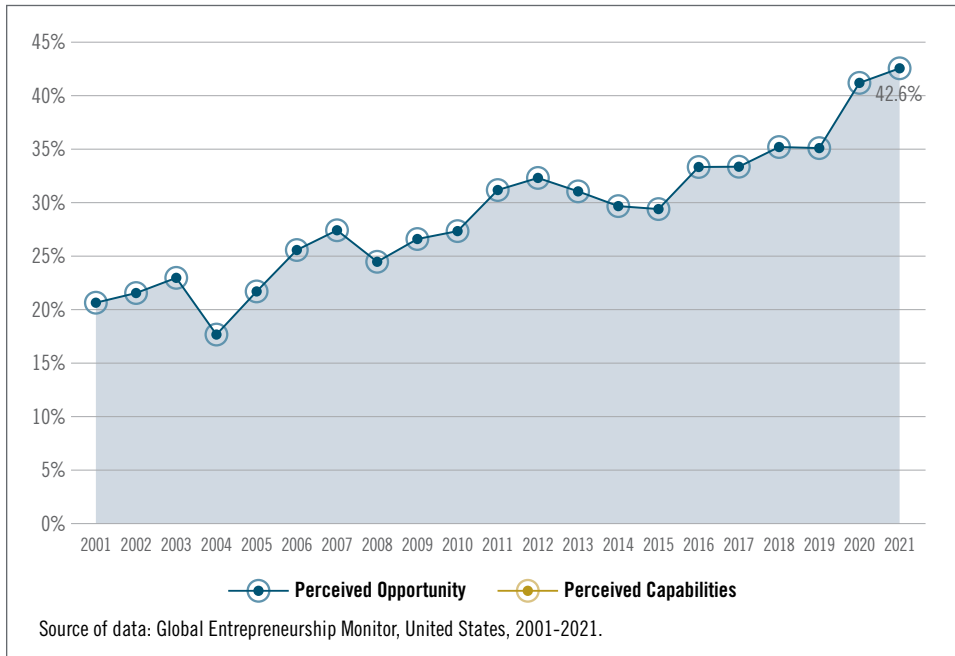


Swarna Shiv
Founder, Unsmudgeable

Unsmudgeable is an anti-smudge lens coating for prescription and safety eyewear applied once to prevent future facial smudges and fingerprints.

Swarna Shiv, founder, has worn glasses for 14 years but has not found a way to prevent lens smudging permanently, despite experimenting with 15 brands of eyewear cleaning products. Swarna founded Unsmudgeable because she was motivated to see more clearly.

Figure 25: Fear of Failure Among U.S. Adults Seeing Opportunities, 2001-2021



Being a rising entrepreneur means combining strong industry knowledge with having fun. In the initial stages, treat your venture as a really cool project you want to try; this mindset may decrease the fear of failure. Take that project seriously and remain disciplined with all related tasks.”

– Swarna Shiv
 Founder, Unsmudgeable

In summary, societal attitudes improved in 2021, and capability perceptions continued at the high levels reported in 2019 and 2020. Opportunity perceptions rebounded toward this indicator’s pre-pandemic high, but fear of failure continued the upward creep exhibited in 2020.

Samantha Hoff



Pottery with a Purpose is a female-founded, female-run business promoting individual and community well-being through a curated line of eco-conscious DIY pottery kits and virtual corporate pottery workshops that invite creativity and mindfulness anytime, anywhere - all while giving back to mental health initiatives. The company curates and delivers the equivalent of a hands-on, tech-free “pause” button straight to your doorstep or office.

CHAPTER 5

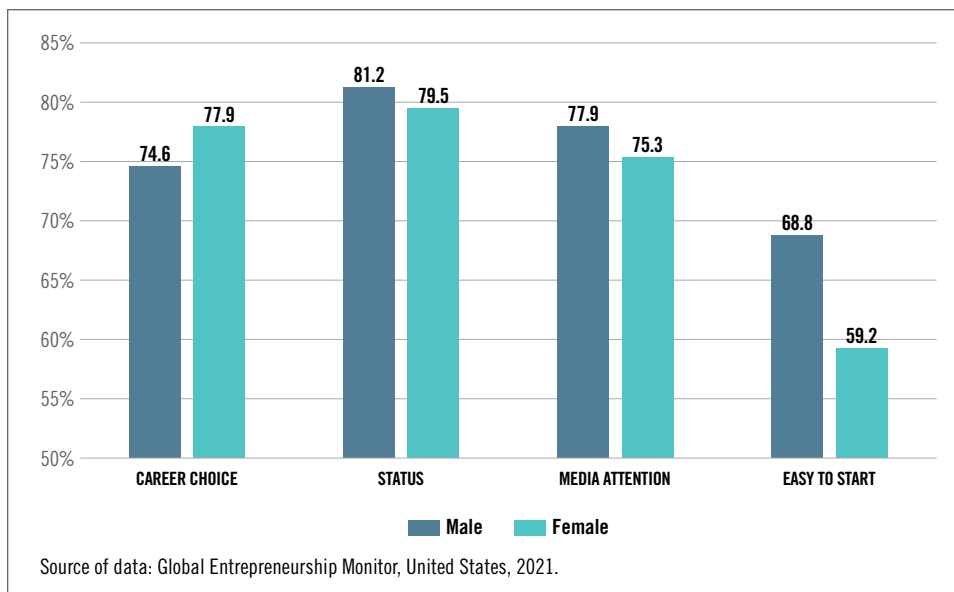
Gender in Entrepreneurship

The COVID-19 pandemic negatively impacted women entrepreneurs during 2020, with many existing businesses pivoting, hibernating, or being shut down.⁴ Nevertheless, women launched new ventures, finding ways to solve problems and earn an income under the unusual crisis conditions.

Societal Attitudes

In 2021, women still perceived entrepreneurship as a good career choice, slightly more so than men (see Figure 26). In fact, most women also believed that entrepreneurs hold high status and receive positive media attention, an increase from 2020. Despite these favorable perceptions, a large gender gap remained in perceptions about the ease of starting a business, with the rate among women 14% lower than the rate among men.

Figure 26: Societal Attitudes by Gender in the U.S. Adult Population, 2021



Affiliations and Self-Perceptions

The majority of women respondents (57%) in the U.S. population knew at least one entrepreneur, a 6% decline from the previous year. The rate for men (60%) was nearly identical to the rate in 2020. Overall, this indicator has shown considerable stability in recent years, with similar results in 2019 and 2020.

Opportunity perceptions exhibited a significant drop in 2020 during the first summer of the pandemic. But in 2021, this indicator rebounded nearly to the level reported in 2019. Historically, women have



Sarah Switlik Brooks, COO
Switlik Survival Products

Sarah Switlik Brooks is a fourth generation member of the family business, Switlik Survival Products. The company has been manufacturing aviation, marine, and military products in Trenton, New Jersey, since 1920.

“You don’t make it to 102 years in business without a number of successes and failures,” Switlik Brooks says. She states that the key to staying relevant is to diversify your business enough so that failures don’t define you.

⁴ 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.

lagged behind men in opportunity perceptions; for example in 2020, women were 16% less likely than men to state they perceived opportunities around them. In 2021, this gender gap narrowed with women only 8% less likely than men to perceive opportunities.

A key factor influencing the decision to start a venture is whether one perceives they have the necessary capabilities. Believing one has the ability to identify an opportunity, build a team, acquire resources, and perform other tasks needed to launch a venture relates directly to the likelihood of entrepreneurship. Capability perceptions increased for both genders in 2019 before the pandemic and held relatively steady through 2021, as Figure 27 illustrates. There is a fairly consistent gender gap in this indicator, with women about 20% less likely to state they have the ability to start a business. Still, the results show that the majority of women believe they have entrepreneurial capabilities.

Perhaps most noteworthy is the change in fear of failure for women, which has historically been higher than for men—nearly one-fourth higher in 2020. For the first time in many years, perceived fear of failure is nearly equal to that of men, with less than a 4% difference. It is possible that the drastic changes in how work was done—for example, working from home, reliance on technology, sharing of family responsibilities—decreased the perceived risks for women.⁵

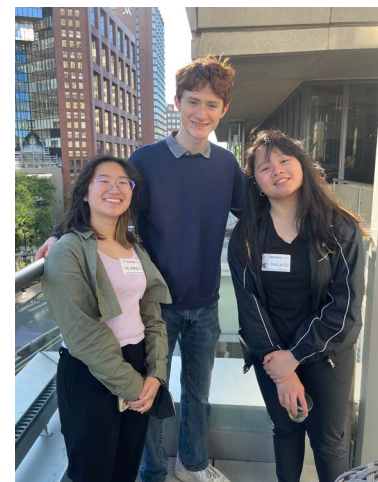
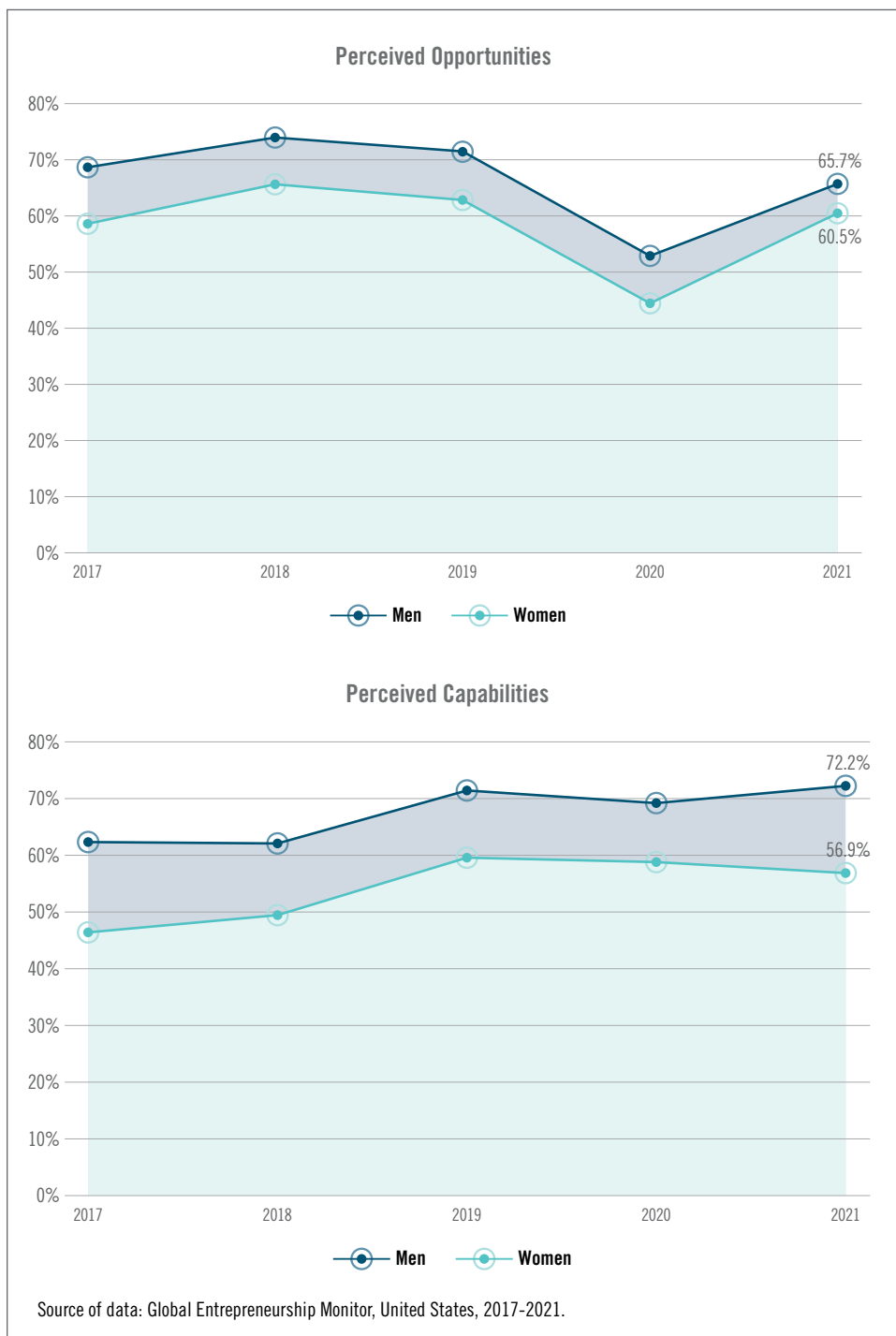


Learn and grow from breakdowns, turn them into breakthroughs, and move on.”

– Sarah Switlik Brooks
VP of Sales + Marketing,
Switlik Parachute Company

⁵ <https://www.gomodus.com/blog/eight-ways-technology-changing-business>

Figure 27: Entrepreneurial Self-Perceptions by Gender in the U.S. Adult Population, 2017-2021

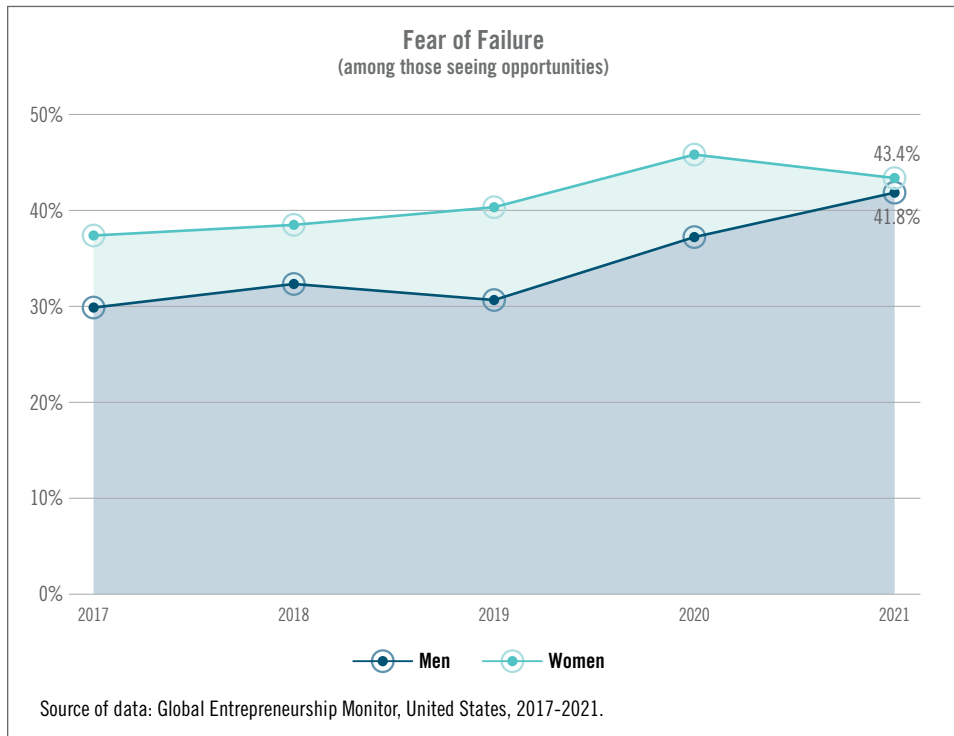


Anh Tu Le, Lily Jiang, Neal Conway, Co-Founders, Sebela

Sebela is an app that lets you preview makeup with augmented reality and teaches you how to apply it with video tutorials.

Sebela’s mission is to help anyone who has experienced frustration when applying a new makeup look after learning it online, but ended up wiping off the look because it didn’t suit their personal liking. Anyone can use Sebela to express themselves with makeup, regardless of their skill level.

Figure 27 (Continued): Entrepreneurial Self-Perceptions by Gender in the U.S. Adult Population, 2017-2021



For us there were times where we didn't know what to do because we haven't done it before. Had we just stopped there and kept pondering we would've definitely failed. Doing a start-up is like the wild west, you can't control every factor, but the fact that anything can happen – even your start-up taking off – is why you should keep on persevering.”

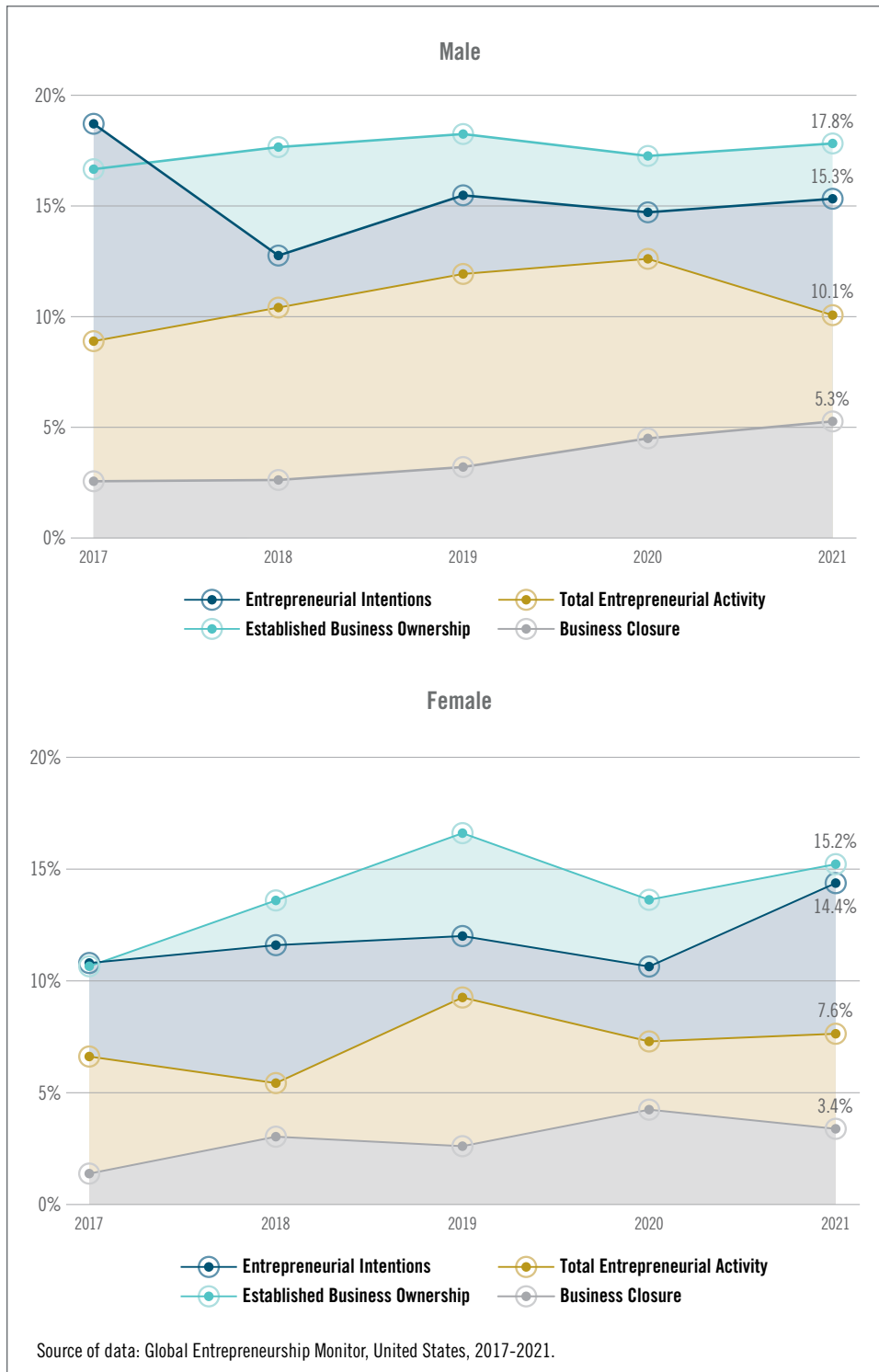
– Sebela Co-Founders on how to endure challenges

Rates Across Business Phases

TEA rates among males have stayed relatively stable for the past five years, while TEA rates among women increased through 2019, dropped slightly in 2020, then rose in 2021 (see Figure 28). A more than one-third increase of intentions among women in 2021 may suggest a further rebound of entrepreneurship, to the extent these intentions signal emergent entrepreneurial actions.

Established business ownership rates among women held relatively stable in 2021 compared to 2020, while established business ownership rates for men declined by 20%. However, a gender gap remained in this indicator, with women nearly one-fourth less likely than men to be running established businesses. Business closure activity among men moved slightly upward, with the 2021 rate double that of 2018, while business closure activity for women continued a slightly fluctuating pattern.

Figure 28: Entrepreneurial Intentions, Total Entrepreneurial Activity, Established Business Ownership, and Business Closure Activity in the U.S. Adult Male and Female Population, 2017-2021



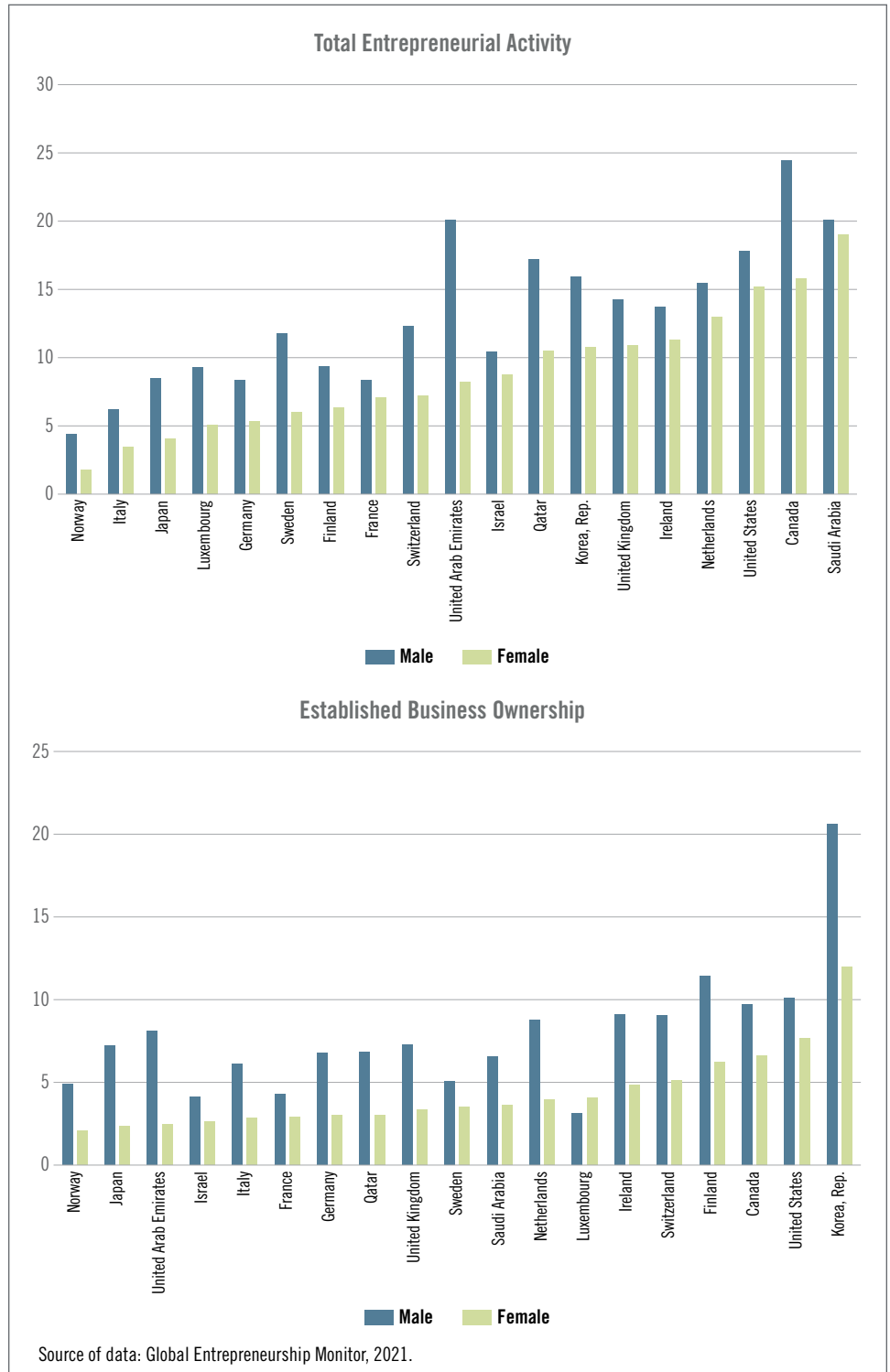
Danielle Zigelboim
Founder, Coconut Cartel

Coconut Cartel is a premium rum brand whose mission is to ignite curiosity in rum and encourage people to explore this dynamic category of spirits. Danielle would tell rising entrepreneurs that fear and anxiety are part of the entrepreneur’s toolkit. “It’s a superpower our body has to keep us alert and on our toes. But you’ve got to train your brain to know how to use those feelings and turn them into power.”

Relative to other high-income economies, the United States shows high TEA rates among women and high gender parity between women and men (see Figure 29). For every 100 male entrepreneurs in the United States, there are 85 female entrepreneurs, similar to France, Ireland, and the Netherlands. Among the high-income economies, only Saudi Arabia continued to exhibit gender parity in 2021, as it also did in 2019 and 2020. Notably, gender gaps remain large in Norway, the UAE, and Japan.

A similar observation can be made relative to established business ownership. The United States shows high rates and high gender parity on this indicator. For every 100 male established business owners, there are 76 female established business owners. Only Luxembourg, with moderately low female rates and even lower male rates, reports a greater level of gender parity.

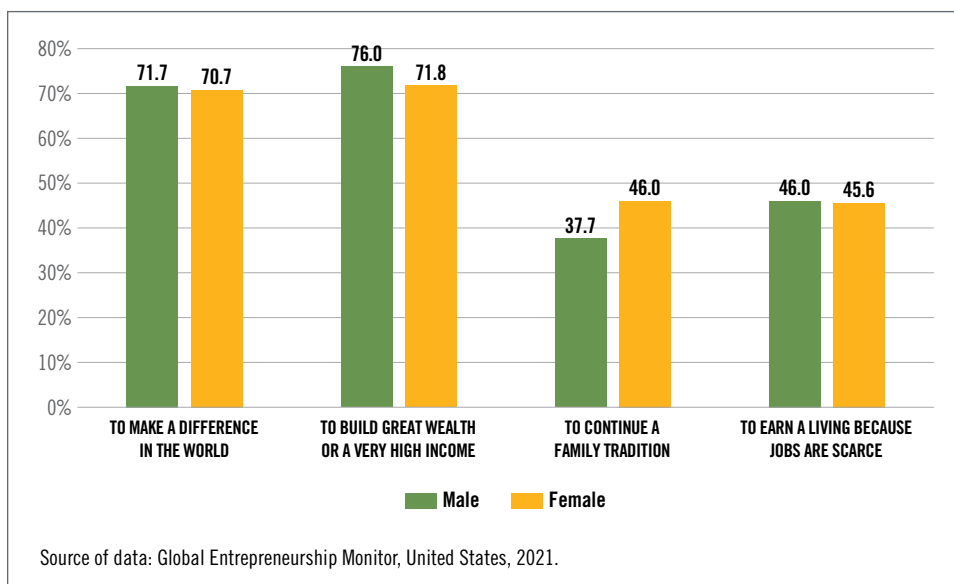
Figure 29: Total Entrepreneurial Activity and Established Business Ownership by Gender in 19 High-Income Economies (GDP per Capita over \$40,000 USD), 2021



Entrepreneurial Motives

With regard to motivations for starting a business, women and men entrepreneurs are about equally likely to be motivated to make a difference in the world (see Figure 30). They also show similar levels of motivation by job scarcity. However, consistent with previous years, men entrepreneurs are slightly more likely to be motivated to build great wealth or a high income, while women are more likely to have family-related motives.

Figure 30: Motivations for Total Entrepreneurial Activity by Gender in the U.S. Adult Population, 2021



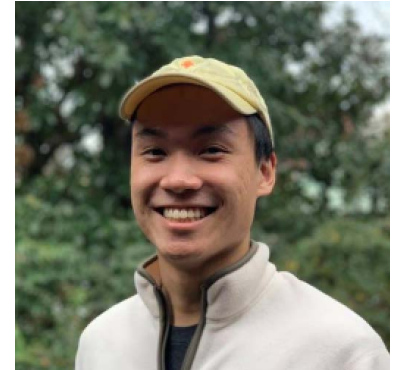
Aditya Sudhakar
Co-Founder, YDot

Aditya Sudhakar, an electrical engineer, and James Ho (see next page) are co-founders of YDot. They are building a website for hardware firms to store, analyze, and share insights about engineering data. They envision a future where hardware teams can make faster and more confident decisions together.

Industry Sector

While many men and women entrepreneurs (around 23%) run wholesale or retail businesses, there are gender differences across industry sectors (see Figure 31). Especially popular among women entrepreneurs are businesses in health, education, government, and social services, as well as professional and administrative services. Especially popular among men are manufacturing, transportation, agriculture, and mining businesses.

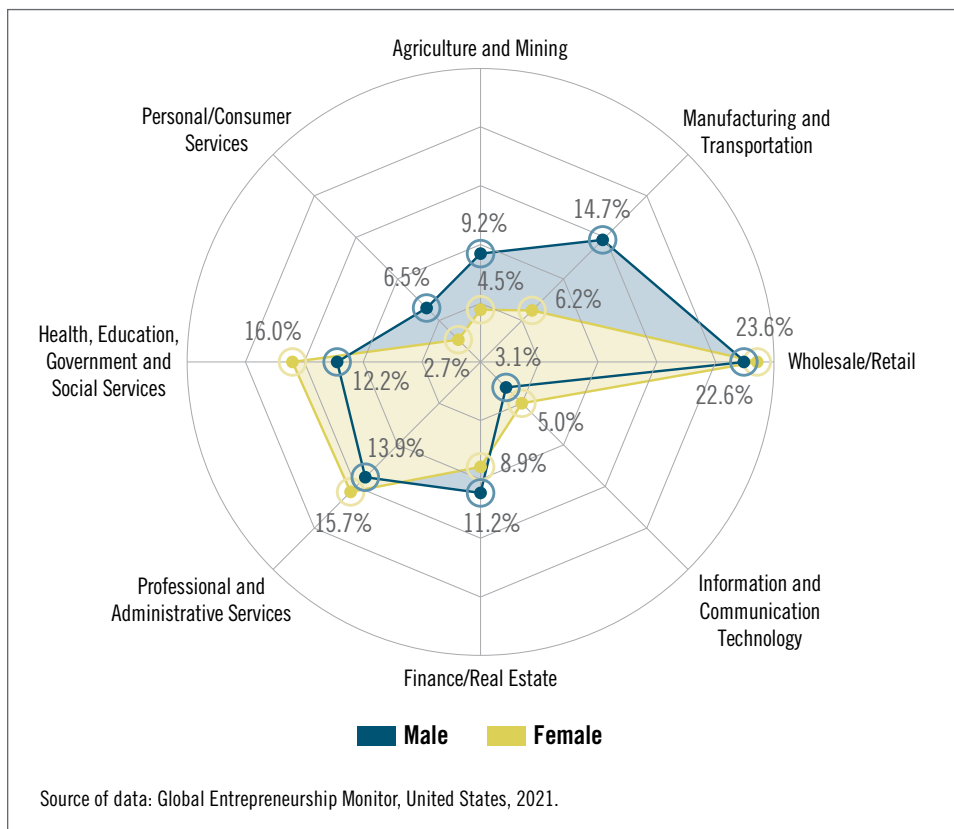
An interesting result can be seen in information and communications technologies. While the image of a technology entrepreneur is often male, longitudinal data over the past five years show a consistent year-to-year decline in male participation in this sector from 11.5% in 2017 to 3% in 2021. For women, this percentage fluctuated between 3.3% and 5% over these five years.



James Ho
Co-Founder, YDot

YDot has recently partnered with an aerospace start-up to receive feedback on their initial product offering. Looking forward, they would like to work with more hardware companies to validate their market and garner more feedback.

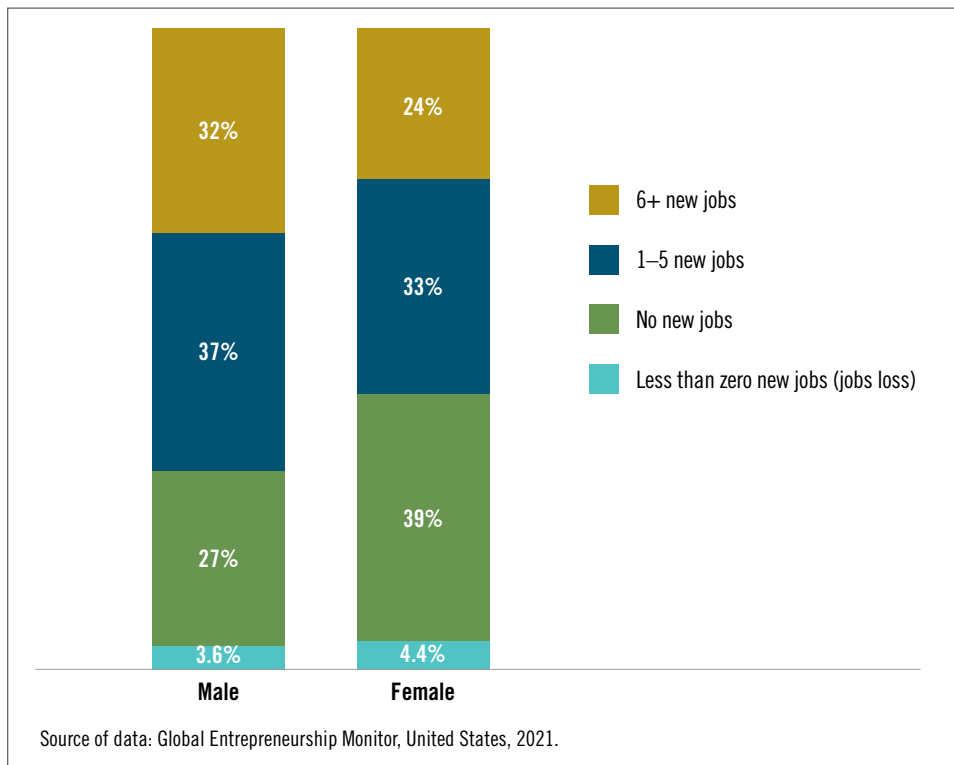
Figure 31: Industry Sector Participation for Total Entrepreneurial Activity by Gender in the U.S. Adult Population, 2021



Job Creation Expectations

The majority of women entrepreneurs (57%) project creating at least one new job in the next five years (see Figure 32). However, men are more likely to state they are job creators, especially to the extent they expect to hire six or more new employees in the next five years. On the other hand, the percentage of women expecting job loss or no new jobs rose to 43% in 2021, a 22% increase from 2020, while the percentage for men (31%) stayed the same.

Figure 32: Job Creation Expectations for Total Entrepreneurial Activity by Gender in the U.S. Adult Population, 2021



Erica Yngve
Founder, Bralessly

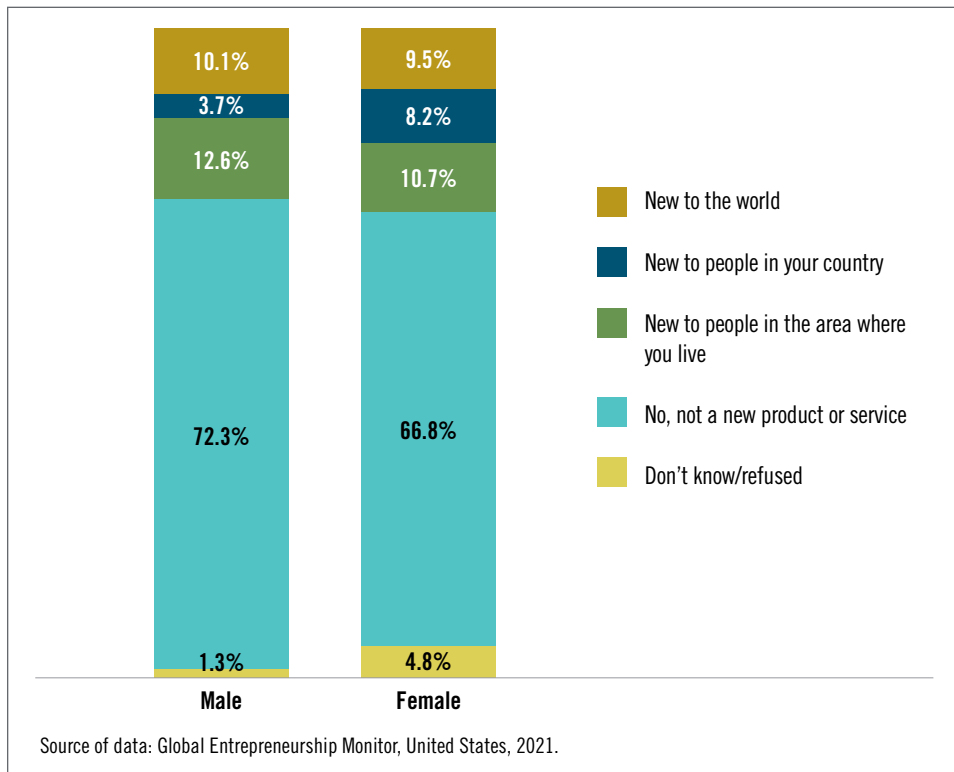
Bralessly is a brand of clothing for women who want to be comfortably braless and still be modest. It is a woman-owned small business sewing clothing with care in Tucson, Arizona. The company's no-bra products are eco-friendly and sustainable.

Founder Erica Yngve, on managing obstacles as an entrepreneur:
 “Your only real roadblock is the limit you put on your imagination. Decide what it is you want to do, assume no limitations, then find creative ways to make it happen. And network like crazy. Don’t pass up an opportunity to meet with someone and connect on some level. Those connections pay dividends in the future.”

Innovation

Men and women entrepreneurs are about equally likely to state that their products or services exhibit some level of newness to customers. Men entrepreneurs are slightly more likely than women entrepreneurs to state their businesses are new at the local level, while women entrepreneurs show a greater likelihood to claim newness at the national level (see Figure 33). Around 10% of both women and men entrepreneurs state their products and services are new to the world.

Men have maintained the same level of newness at the national and global levels for the past three years. Women have increased their innovativeness to the extent that a greater percentage of women than men state their products and services are new either nationally or globally.

Figure 33: Innovation for Total Entrepreneurial Activity by Gender in the U.S. Adult Population, 2021

In summary, key results show that women continue to hold positive perceptions about entrepreneurship, although exhibiting trepidation about the ease of starting a business, especially compared to perceptions held by men. Opportunity perceptions among women rebounded after a significant drop in 2020, perceptions of capabilities remained high, and the gender gap on fear of failure closed.

Female entrepreneurial intentions reached an all-time high for GEM in 2021; and relative to the 18 other high-income economies, the United States showed high rates and gender parity for both TEA and established business ownership. The motivations most frequently cited for women entrepreneurs were building wealth, which was slightly higher for men, and making a difference in the world, which men reported with similar values.

Industry differences include relatively high female participation in many service sectors, and comparatively high male participation in agricultural and manufacturing areas, although the highest percentage for both genders was in wholesale/retail businesses. The majority of men and women expect to grow their businesses, but a rising number of women do not expect to add employees. Both genders are about equally likely to state their offerings are new to customers.

Lawrence Canada



“Take any success as a win and any failure as an experience.” –Lawrence Canada, Founder, The Goodie Jar. A portable snack container with an innovative push-down-top-design. The Goodie Jar’s mission is to make snacking easier, particularly for those with weak fine motor skills.

During the pandemic there was a significant drop in resources available to small start-up businesses. So in order to help recover throughout the pandemic, The Goodie Jar has looked at alternative resources to help fund expenses like the operational costs of the start-up.

Up next for The Goodie Jar: A product launch focusing on colleges/universities and senior care centers.

CHAPTER 6

Race and Ethnicity in Entrepreneurship

This chapter examines the White, Black, and Hispanic populations in the United States on key entrepreneurship indicators.⁶

Societal Attitudes

All three racial/ethnic groups have positive attitudes toward entrepreneurship, but with distinct differences. Black people are particularly likely to state that entrepreneurship is a good career choice, which may explain high rates of entrepreneurship in this population. This perception may be influenced by what one sees as job alternatives. For example, to the extent one sees work as an employee as less desirable or with drawbacks, entrepreneurship will appear as a better career. This attitude may be shaped by seeing entrepreneurs who are perceived as having an attractive career.

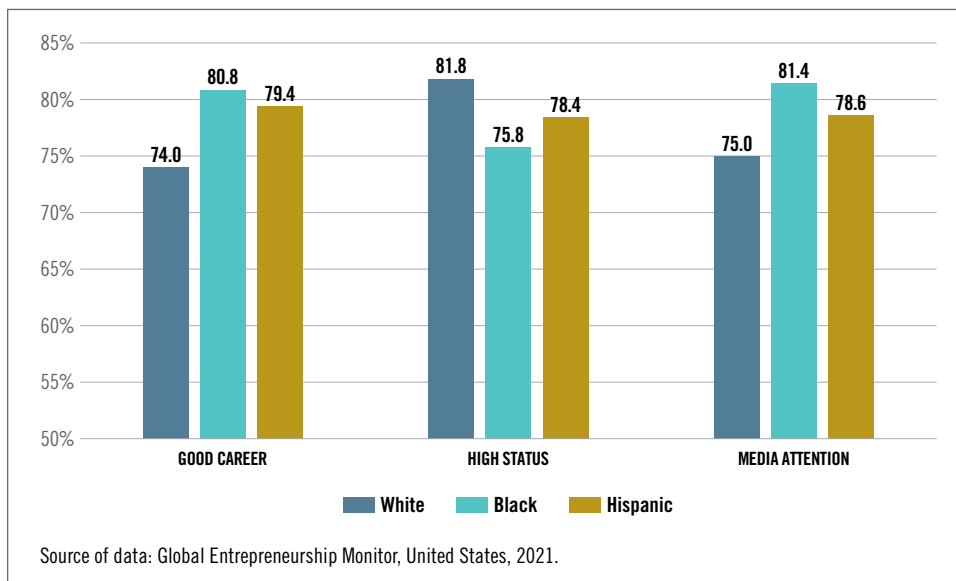
Black people are most likely to state that entrepreneurs receive positive media attention, nearly 10% more likely than White people (see Figure 34). However, White people are most likely to state that entrepreneurs are afforded high status. Perhaps this reflects the extent to which entrepreneurship is seen as a livelihood versus a prestigious pursuit. There is likely influence from the media tendency to highlight White male entrepreneurs such as Elon Musk, Mark Zuckerberg, and Jeff Bezos, to name a few.



Leonardo Fernandes
Co-Founder, Joint Peer

Joint Peer is a learning enhancement platform that helps teachers save time and empowers students to improve learning through peer review workshops. Joint Peer’s mission is to help people embrace feedback to grow.

Figure 34: Societal Attitudes by Race and Ethnicity in the U.S. Adult Population, 2021



⁶ Other racial/ethnic groups are present in the U.S. population in smaller numbers and do not provide sufficient data for the analyses in this chapter.

Affiliations and Self-Perceptions

While the societal attitudes displayed in Figure 34 reflect people's beliefs about entrepreneurship generally, affiliations and self-perceptions assess individual inclination and readiness for entrepreneurship on key dimensions. Figure 35 shows that Black entrepreneurs are most likely to know other entrepreneurs and specifically 45% more likely than White entrepreneurs. This is an interesting result to reflect on, in terms of differences in social networks among racial and ethnic groups, and the extent to which these provide role models, mentoring, or other support for entrepreneurs.

In addition, Black people are most likely to state there are opportunities around them for starting businesses; and those seeing opportunities are least likely to state that fear of failure would stop them from starting a business. On these two measures, the White and Hispanic populations are about equal. Opportunity perceptions show people's awareness of, and ability to identify, opportunities around them, which may also reflect the prevalence of ideas in their communities and social circles. Opportunity perception may reveal cultural attitudes about risk and optimism about prospects. Potential contributors to perception are enablers and barriers, and an entrepreneur's ability to overcome barriers.

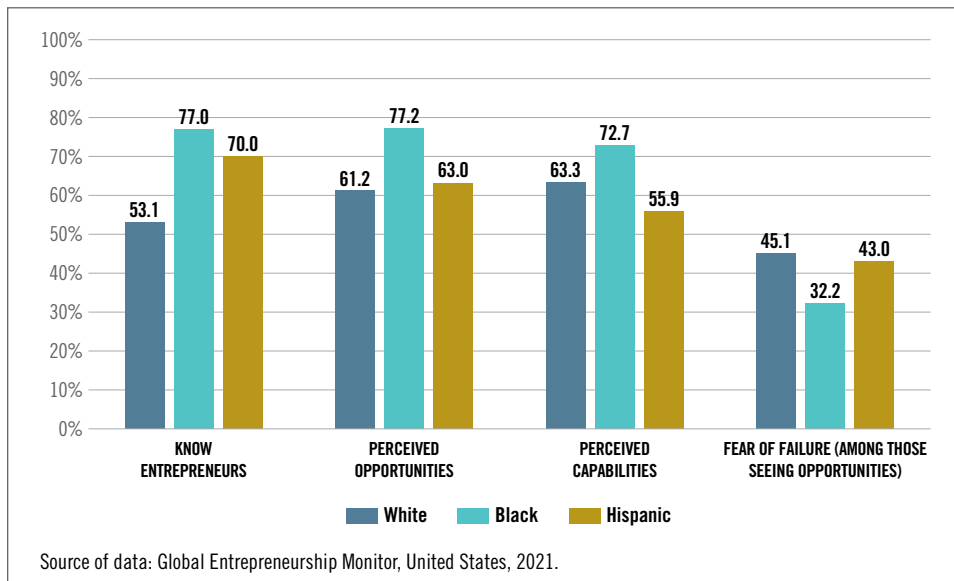
Regarding capabilities, Black people have high confidence in their abilities, while a majority of Hispanic people believe they have entrepreneurial capabilities, but at nearly a one-fourth lower rate than among Black people. Capabilities assessments reflect a variety of factors. These might include experience, such as previously starting or working in an entrepreneurial business, or exposure to entrepreneurship through family members or acquaintances. Education and training contribute to self-assessment, not only availability of and participation in such programs, but how these experiences provide a foundation of ideas and skills for starting a business. Capabilities can be assessed separately and relative to the type of business under consideration, and advantages or roadblocks that may enable or constrain start-up.



Mario Terceros Arce
Co-Founder, Joint Peer

On how to cope with fear of the unknown:
“Being an entrepreneur means embarking on a journey of trials and errors. Failure is actually a success because you learn what you don’t know. That’s how you grow. So, embrace failure and feedback from people around you. That’s the best path forward to achieve your dreams of becoming a successful entrepreneur.”

Figure 35: Entrepreneurial Affiliations and Self-Perceptions by Race and Ethnicity in the U.S. Adult Population, 2021



Rates Across Business Phases

Given the prior discussion on attitudes, affiliations, and perceptions, it is perhaps no surprise that Black people are more likely to have a desire or plan to start a business, or to be in the process of starting or running a new business. What might be more noteworthy, however, is the magnitude of participation in these two phases. Nearly one-fourth of Black people have entrepreneurial intentions, twice as many as White people. And nearly one-third are entrepreneurs, over two and a half times the rate reported among the White population (see Figure 36).

Although less dramatic, it is nonetheless notable that the Hispanic population reports high intentions, with fewer in the entrepreneurial phase. However, both indicators register higher than in the White population. This same pattern—higher intentions than TEA among Hispanic people—was also evident in 2020. The relationship between intentions and TEA for this ethnic group appears to be consistent over time. This could suggest that, despite high interest in or plans for entrepreneurship among Hispanic people, few are actually starting businesses. This point warrants investigation about why this may be the case, particularly if certain barriers or lack of support affect this group in particular.

Another noteworthy result revealed in Figure 36 is that intentions, TEA, and established business activity are nearly equal for the White population, yet demonstrate great disparities in the Black and Hispanic populations. Not all entrepreneurs maintain their businesses into maturity, and established business activity is defined as ownership/management of businesses more than three and a half years old, representing businesses of all ages. Hence, there can be many business owners in this phase.



*Ceylan Rowe
Founder, Fihri*

Ceylan Rowe is a social entrepreneur who has years of experience advising women’s groups and as a commissioner advocating for legislation related to women and girls. She has been an advocate for gender equity for women and girls for over 30 years. Fihri is a socially responsible firm that sells over 50 products for period use, made from materials that are biodegradable, organic cotton, plastic-free, or by women-owned businesses. Fihri’s mission is to ensure all menstruators have the best period product delivered to them as well as reduce the stigma around menstruation and alleviate period poverty.

GEM data reveal that there are far more entrepreneurs than those who are running businesses in the mature phase among Black and Hispanic people. It could be the case that the high entrepreneurship rates seen in the Black population will result in more established business activity in the future. However, this result raises questions about whether sustaining a business is more difficult for Black and Hispanic entrepreneurs. This point is reinforced by the higher business closure rates seen in Figure 36, although competing hypotheses should be acknowledged; it could mean a high failure rate or simply reflect that with more people starting businesses, even a low relative likelihood of failure would still result in a high absolute rate of closing.

Figure 36: Entrepreneurial Intentions, Total Entrepreneurial Activity, Established Business Ownership, and Business Closure Activity by Race and Ethnicity in the U.S. Adult Population, 2021

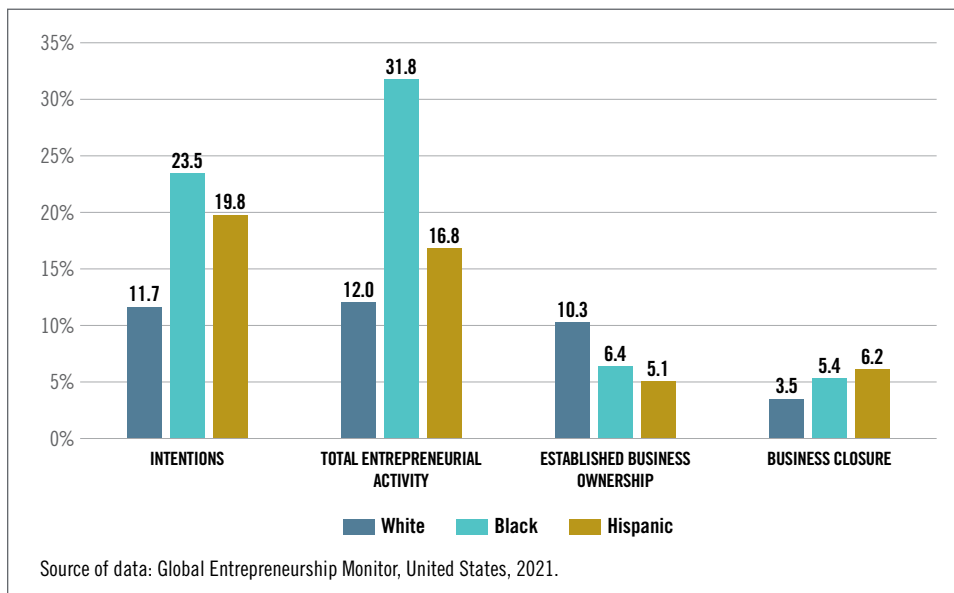


Table 1: Entrepreneurial Intentions, Total Entrepreneurial Activity, Established Business Ownership, and Business Closure Activity by Race and Ethnicity in the U.S. Adult Population, 2020-2021

	Intentions		TEA		EB		Business Closure	
	2020	2021	2020	2021	2020	2021	2020	2021
White	10.4%	12.0%	14.0%	12.0%	10.1%	10.3%	4.3%	3.5%
Black	19.8%	23.0%	25.9%	31.8%	4.9%	6.4%	6.1%	5.4%
Hispanic	18.5%	20.0%	15.6%	16.8%	7.0%	5.1%	2.3%	6.2%

Source of data: Global Entrepreneurship Monitor, United States, 2020-2021.

Table 1 compares 2021 results with those reported in the prior year. Key findings revealed in this chart include the slight decline in TEA among the White population, while this indicator increased substantially—by nearly one-fourth—in the Black population; the latter also saw a slight rise in established business activity. Among the Hispanic group, while intentions and TEA increased only slightly, there were somewhat greater changes: a decline of over one-fourth in established business activity and a nearly three-fold increase in closures.

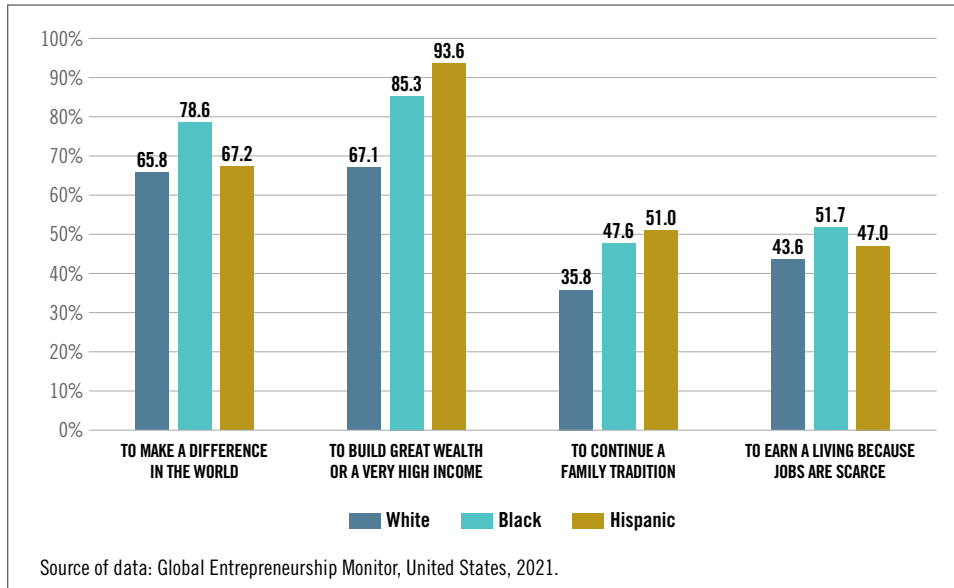
Entrepreneurial Motives

Entrepreneurs have a range of motivations for starting businesses, and they often cite several reasons. GEM tracks four start-up motivations, illustrated in Figure 37. For all groups assessed, building wealth and high income is the single most important motivator, particularly for Black entrepreneurs and even more so for Hispanic entrepreneurs. Nearly all Hispanic entrepreneurs identify this motive, over a 50% increase from 2020.

Black entrepreneurs are more likely than the other two groups to be motivated to make a difference, although this is also an important motivator for the other two groups.

The lowest motivation shown in Figure 37 is family-related motives among White entrepreneurs. Yet this motive is cited more frequently among the other two groups, especially Hispanic entrepreneurs. Over half of Hispanics identify this as a motivator, nearly twice the level reported in 2020.

More than half of Black entrepreneurs cite job scarcity as a motivator, although somewhat less than in 2020. A more marked decline in this motive can be seen among Hispanic entrepreneurs: from 60% in 2020 to 47% in 2021.

Figure 37: Motivations for Total Entrepreneurial Activity by Race and Ethnicity in the United States, 2021

In summary, positive attitudes about entrepreneurship among Black people correspond to high intentions and TEA rates. Comparatively, the Hispanic population reports nearly equal intentions, but with TEA rates just over half those of Black people. For both the Black and Hispanic populations, established business ownership rates are lower, and business closure rates are higher, than those reported for White people. Black entrepreneurs were more likely than the other two groups to be motivated to make a difference and to earn a living because of job scarcity, while nearly all Hispanic entrepreneurs had wealth motives.

Kathryn Hilderbrand



Kathryn Hilderbrand is a master tailor, designer, and business entrepreneur with over 30 years of experience working in the fashion industry. In addition to owning an upscale tailoring shop, Stitched, on Cape Cod and being the founder/designer of Good Apparel, Hilderbrand founded Good Clothing Company in 2015 to create small runs of production for designers. Good Clothing Company is a mission-based apparel manufacturing facility specializing in small batch, ethical, and sustainable apparel production. The company plans to continue their focus on small batch apparel manufacturing and expand partnerships with local companies to increase their ability to reshore apparel manufacturing for large scale production.

CHAPTER 7

Social and Environmental Sustainability

Sustainability and the Role of Entrepreneurs

Since the Paris Agreement of 2015 became effective in 2016, based on the United Nations Framework Convention on Climate Change (UNFCCC of 1992) and signed by 196 parties, entrepreneurs and innovators have increased their focus on developing methods to measure, manage, and grow sustainable practices. Entrepreneurs are making a concerted effort to build a world economy that can keep the Earth from heating beyond 1.5 degrees Celsius by 2100.¹ The challenge is to change the way products and services are designed, made, and delivered to use resources in a manner that allows the environment to flourish in a regenerative way. As United Nations Secretary-General António Guterres notes, “Making peace with Nature is the defining task of the 21st century.”²

Industry collaborations, encouraged by the United Nations, have led to the creation of Global Compacts called “the world’s largest corporate sustainability initiative.” As of this writing, more than 12,000 companies based in over 160 countries, nearly 1,000 in the United States, are devoting time and energy to create work processes focused on building a regenerative economy across multiple industries to meet the United Nations 17 Sustainable Development Goals.^{3,4} Entrepreneurial accelerators and launchpads have included sustainability as one of the criteria for meaningful impact. Currently, there are over 300 incubators and accelerators throughout the United States.⁵ As well, several large companies such as Microsoft, Disney, and Google have created and sponsored accelerators for entrepreneurs to foster innovation in sustainability.⁶

The persistence of COVID-19 has brought continued focus on world health, the effects of globalization, the challenge of meeting increasing needs with limited resources, and ultimately, climate change. The attention of entrepreneurs has turned to the health of the planet and to how resources are organized for entrepreneurial endeavors.

In 2021, entrepreneurs focused on sustainability as core to their efforts to address social and economic inequities and environmental concerns. More effort is being spent on finding sustainable materials and methods for building products and services and on improving ethical work practices throughout the value chain. Many realize that a cooperative and collaborative approach is required.

Recognizing the role of entrepreneurs in sustainability practices, GEM included questions about environmental and social impact in the 2021 survey. Future action steps may call for attention to energy use, carbon emissions, and more efficient methods, machinery, and transportation. Social impact considerations include: creating employment for groups with limited access to the labor market,



Connor Harbison
Founder, Atlas Urban Farms

Connor Harbison is a three-time start-up founder who is currently earning his MBA. Before moving to Boston, Connor lived in Bozeman, Montana, where he led a start-up accelerator, coached 1,000 early-stage entrepreneurs, and served with AmeriCorps VISTA helping members of underserved groups start businesses.

His venture, Atlas Urban Farms, designs hydroponic systems, bringing the whole food supply chain into restaurants so chefs can save money serving fresher food. Harbison’s start-up has installed hydroponic towers throughout the Babson College in an effort to continue building his business and increase sustainability efforts across the community.

¹ <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

² <https://www.un.org/en/climatechange/un-secretary-general-speaks-state-planet>

³ <https://www.unglobalcompact.org/what-is-gc>

⁴ <https://www.unglobalcompact.org/sdgs>

⁵ <https://www.failory.com/startups/united-states-accelerators-incubators>

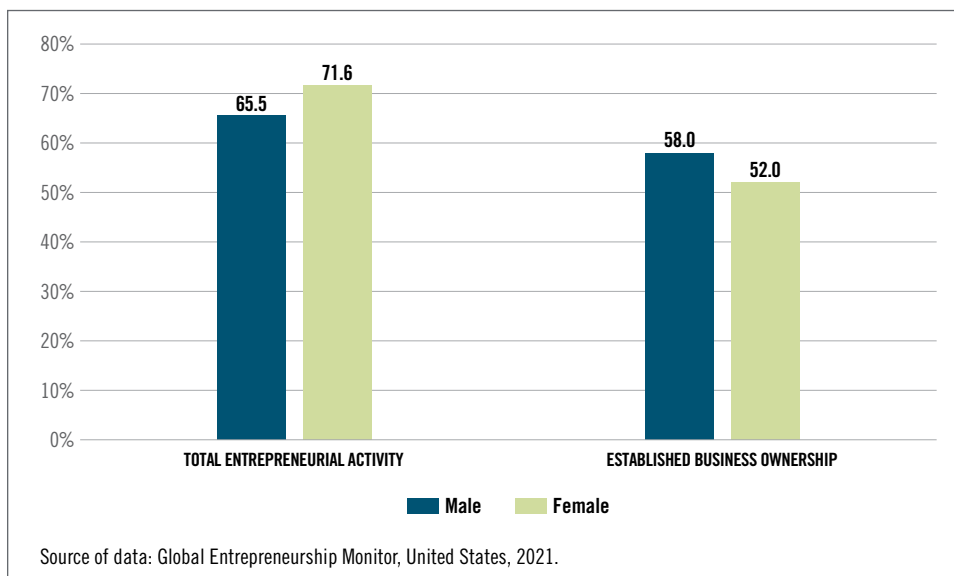
⁶ <https://coara.co/blog/corporate-accelerator-programs>

social enterprises in the supply chain, workforce diversity, prioritizing respect for human rights and the environment, combatting child or slave labor, and supporting projects that develop the community with equity and justice for all groups.

Prioritizing Social and Environmental Impact

Over two-thirds of entrepreneurs (68%) prioritize the social and/or environmental impact of their businesses above profitability or growth. This suggests that entrepreneurs are taking a position on sustainability, at a somewhat higher level for women than for men (see Figure 38). Over half of established business owners (54%) indicated this same priority, men slightly more so than women.

Figure 38: Percentage of U.S. Entrepreneurs and Established Business Owners who Prioritize Social and Environmental Impact of Business Above Profitability or Growth, by Gender, 2021

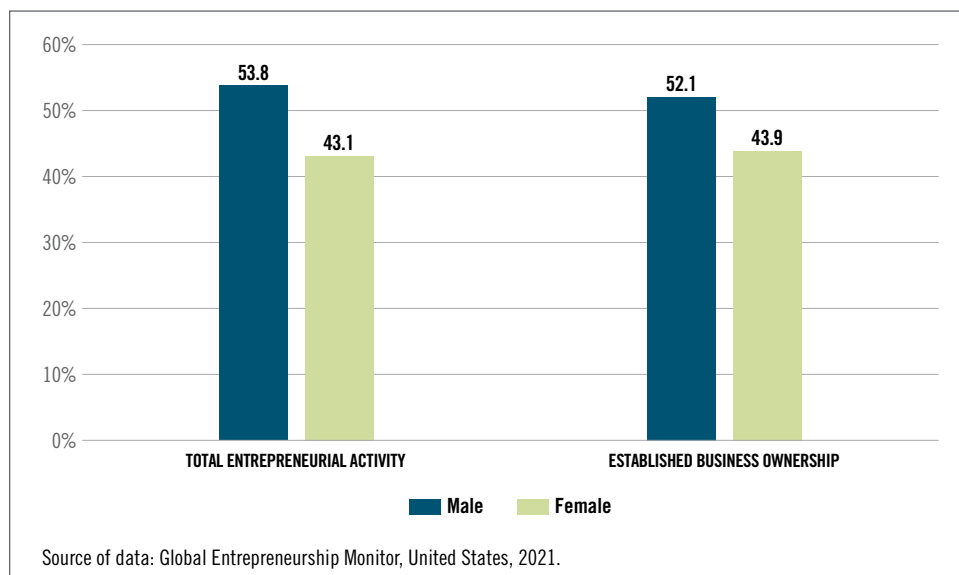


Slightly more than two-thirds of young entrepreneurs age 18-34 (67%) and older entrepreneurs age 35-64 (69%) are motivated to prioritize sustainability. Among entrepreneurs who are comparatively more innovative, who offer products or services that are new to customers, 73% exhibit a higher rate of prioritizing sustainability versus 67% of non-innovative entrepreneurs.

Steps to Minimize Environmental Impact

There is growing awareness that every business has an environmental impact, and that the onus to act sustainably is on the entrepreneur. Entrepreneurs are learning how to take steps that have a positive impact on the environment, such as saving energy, reducing carbon emissions, and generating less solid waste. Nearly half of all entrepreneurs and established business owners (49% for both) stated that in the past year they had implemented actions to minimize the environmental impact of their businesses, with men more likely to do so than women (see Figure 39).

Figure 39: Percentage of U.S. Entrepreneurs and Established Business Owners who Minimize Environmental Impact of their Business, by Gender, 2021



Younger entrepreneurs age 18-34 are more inclined (54%) than older entrepreneurs age 35-64 (45%) to design their business models with environmental sustainability in mind. This suggests greater awareness about the environment among younger groups and reinforces the value of their participation in entrepreneurship.

Grass-roots social movements have contributed to awareness of the need to develop and move toward sustainable practices. Swedish environmentalist Greta Thunberg, as a representative and spokesperson for younger generations, has challenged innovators to change the conduct of business:

“We can’t save the world by playing by the rules, because the rules have to be changed. Everything needs to change, and it has to start today.”⁷

The World Economic Forum (WEF) in a recent study found that Generation Z cares more about sustainable buying decisions than brand names and that “this first generation of digital natives is inspiring others to act more sustainably.”⁸

Innovative entrepreneurs are increasing their sustainability efforts, as 53% have taken action versus 47% of non-innovative entrepreneurs. Similarly, established business owners with innovative products and services are acting with environmental sustainability in mind (66%), more so than those without innovative products and services (46%).

⁷ https://www.ted.com/talks/greta_thunberg_the_disarming_case_to_act_right_now_on_climate_change

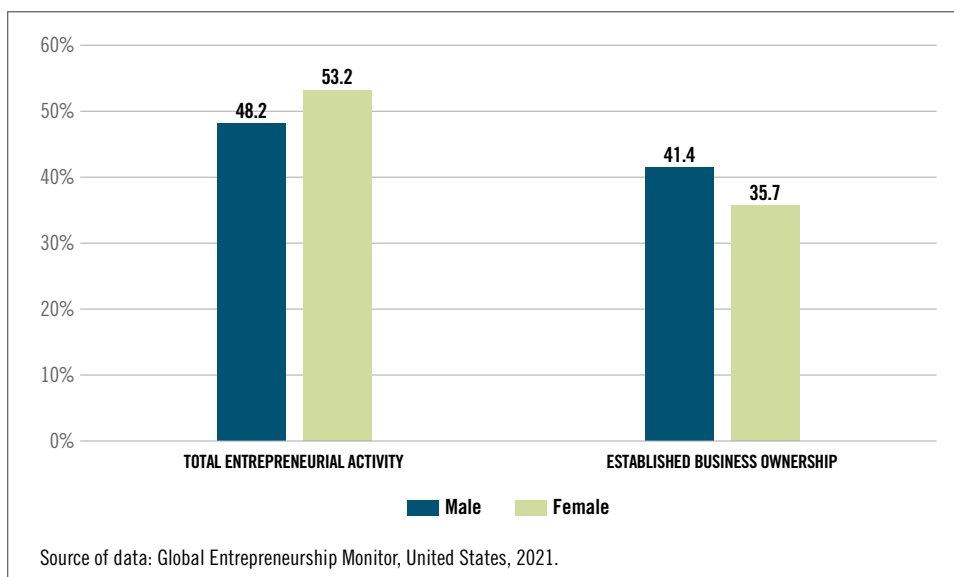
⁸ <https://www.weforum.org/agenda/2022/03/generation-z-sustainability-lifestyle-buying-decisions/>

Steps to Maximize the Social Impact of Businesses

Fully half of entrepreneurs (50%) and 39% of established business owners say they have taken steps over the past year to maximize the social impact of their businesses. These actions may include social considerations in new product design, production, and delivery processes, and hiring more diverse workers and those with limited access to the labor market. Steps may also involve prioritizing working with business partners who respect human rights and the environment, fighting against any form of child or slave labor, and supporting projects or entities that develop the community and include less-favored groups.

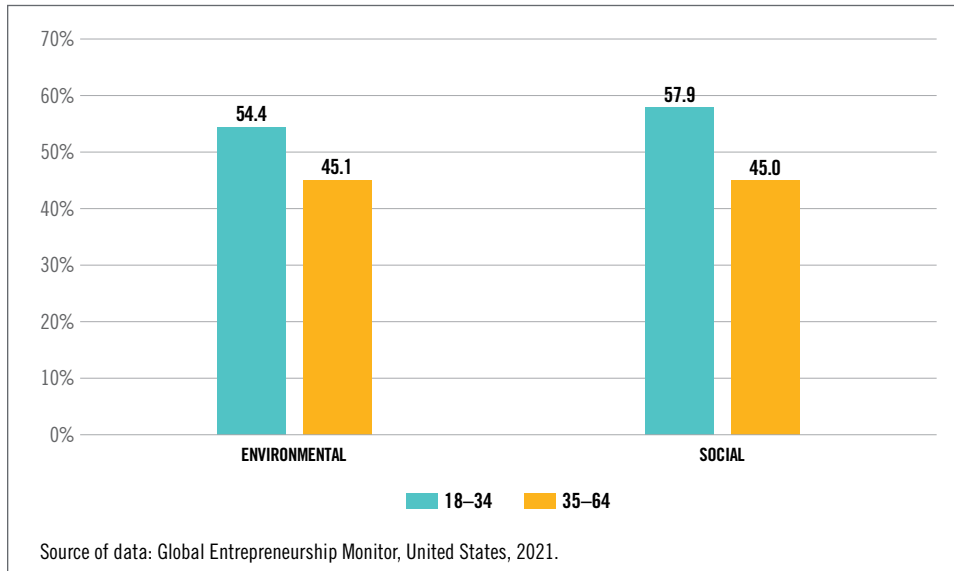
Among entrepreneurs, women were somewhat more invested in social action, perhaps because of a higher involvement in community activities (see Figure 40). However, among established business owners, men were more likely to take social action than women.

Figure 40: Percentage of U.S. Entrepreneurs and Established Business Owners who Maximize Social Impact of Business, by Gender, 2021



Similar to the results on environmental impact, younger entrepreneurs (18-34) were highly likely to take actions to maximize social impact and exert positive impact on communities (58%), while fewer older entrepreneurs (35-64) were so involved (45%). Figure 41 shows both environmental and social action by entrepreneurs, illustrating how younger entrepreneurs representing Generation Z and Millennials are more active in both environmental and social action than older entrepreneurs.

Figure 41: Percentage of U.S. Entrepreneurs who Minimize Environmental Impact and Maximize Social Impact, by Age Group, 2021

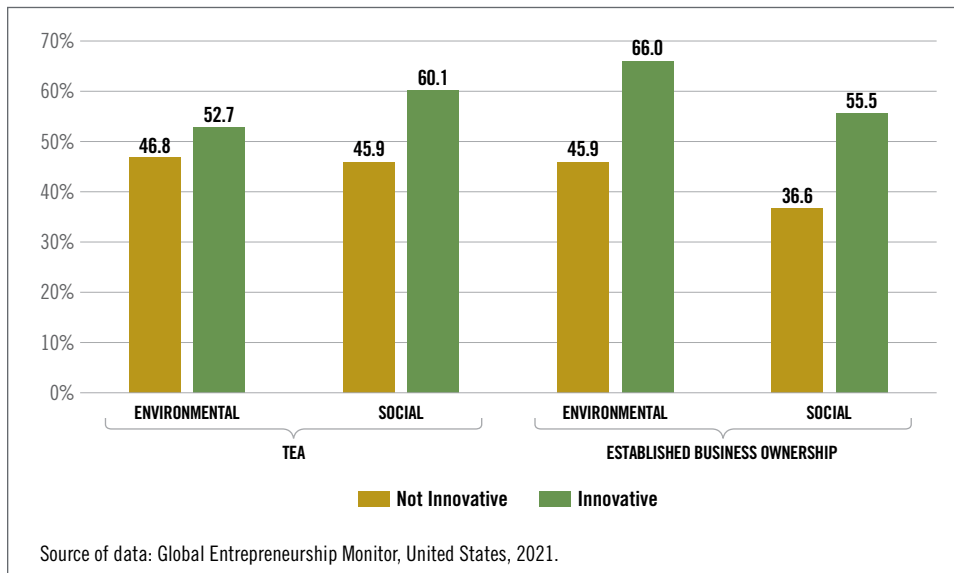


Examples of social entrepreneurship can be seen in those working on creating transparency in supply chains, to understand how each step in value-chain sourcing can be redesigned toward more equitable work practices. The social innovation entity Nest⁹ is providing a compliance and certification process to help companies design transparency beyond factory walls. This process ensures that centuries-old artisanal methods of working with materials are protected, and that ethical work and pay practices are followed. Nest is working to extend the capability of firms to make supply chains transparent.

As transparency of supply chains becomes more important to countries and businesses, customers, and communities, the goal becomes complete transparency of each product and service. GEM results show that social actions were more prevalent among innovative entrepreneurs and established business owners, with products and services new to customers, than among those without innovative offerings, as Figure 42 illustrates.

⁹ <https://www.buildanest.org>

Figure 42: Percentage of Innovative and Non-Innovative U.S. Entrepreneurs and Established Business Owners who Minimize Environmental Impact and Maximize Social Impact, 2021



Sustainability will require capability to trace individual products throughout product life from design to manufacture to distribution to use and then to re-use. The circular or regenerative economy calls for businesses to take responsibility for turning end-of-use components to a state that allows the components to be used in a new design. The ultimate goal is to eliminate waste.

A new segment of technology entrepreneurs is focusing on building the capability to trace products from creation through this cycle of use. Recent developments in blockchain, the embedding of virtual identity tags in fibers, and scanning technologies are making it possible to track use. The European Union has passed legislation requiring sustainable practices and traceability in fashion companies for all products.¹⁰ This is the beginning of global requirements for traceability. U.S. technology entrepreneurs are helping to make possible digital tracking and traceability.¹¹ “Extended producer responsibility”¹² is a concept that places environmental responsibility on the maker of products and services.

The results on this special topic indicate that the majority of entrepreneurs and established business owners believe that protecting the environment and addressing social value are a priority. Distinct differences can be seen in the prioritization of environmental and social actions among young entrepreneurs, and both entrepreneurs and established business owners who are introducing innovations.

¹⁰ <https://www.voguebusiness.com/sustainability/eu-moves-to-legislate-sustainable-fashion-will-it-work>

¹¹ <https://www.forbes.com/sites/forbesbusinesscouncil/2022/04/29/digital-traceability-is-key-to-sustainability-in-fashion/?sh=401d301e41d9>

¹² <https://www.oecd.org/env/waste/factsheetextendedproducerresponsibility.htm>

Going forward, entrepreneurs who are unencumbered by legacy industrial practices of the past and who are skilled in digital capabilities have a potential advantage in designing a sustainable economy. Innovation supports new values. Building new processes that incorporate sustainable design, production, distribution, and ultimately product re-use at end of life will require innovation and new ways of thinking. Improving environmental and social practices is on the entrepreneurial agenda. New opportunity spaces for entrepreneurs are opening to build the infrastructure of a circular economy. Entrepreneurs can take the lead in designing and implementing sustainable practices.



Debra Swersky
Founder, Stemwear

Stemwear is a fashion apparel brand designed to celebrate the differences we choose and adapt to the ones we don't. The company powerfully addresses diversity, equity, inclusion, and belonging through the design of its products. Stemwear's signature silhouette, a one-legged legging, started as a cover-up to a compression stocking, but quickly became a bold fashion statement for those looking to skirt the ordinary and a "no fuss" legging for unilateral amputees.

In the act of cutting a leg off a pair of ordinary leggings to cover the beige and "blah" the compression garment emblemized, Swersky invented a new fashion category defined by joyful defiance.

Conclusions

The GEM data in this report continue to illustrate the influence of COVID-19 on perceptions and behavior around entrepreneurship. Results reflect both detrimental effects—entrepreneurs having to navigate more challenges, businesses closing—and also opportunities to leverage the changes that such an environmental shock brings about. It is important to consider factors that can help business owners adapt and that can encourage people to start businesses. Examples shown in this report include government support and enablers like digital technologies, which entrepreneurs and established business owners leveraged in their product and service offerings.

Entrepreneurship and start-up intentions increased in 2021. Growth in these indicators among young adults age 18-24 contributed to the results, a positive sign that many young people are starting their careers exploring entrepreneurship, developing capabilities and perceptions that will benefit society and themselves throughout their careers. Young adults have advantages they can leverage, for example technology and social media skills, and an understanding of youth and emerging markets. But they may lack advantages such as access to financial resources and a track record to demonstrate their capabilities. Colleges and programs that build skills and instill ambitions for entrepreneurship can help students experiment with ideas and gain experience and confidence, particularly in devising impactful solutions. Both learning and applying that learning are key; and this can occur in experiential courses, internships, accelerator programs, peer-to-peer collaboration, and mentoring with experienced business people and experts in the entrepreneurial ecosystem.

The United States is large and diverse, which means that entrepreneurs can operate in familiar markets and easily navigate conditions in the environment, compared to operating in unfamiliar regions of the world. The size of the United States means that small percentages of technology and innovative entrepreneurs may offer significant value on an absolute scale. It is critical to the economy and global competitiveness to promote and support technology and innovation, not only in large multinationals, but also by bringing novel ideas to fruition, allowing entrepreneurs to test their ideas and expand their scope domestically and internationally. This may require ongoing attention to relevant policies, targeted initiatives, and programs in the public and private sectors, as well as careful assessment of outcomes and continuous improvement.

This report reveals that most established business owners in the United States operate individually or with no more than five employees, and expect no additional hiring or job loss in the next five years. This could lead to questioning the assumption that small businesses account for most employment in the United States. Likewise, it could raise concerns about employment volatility during environmental shocks such as COVID-19. However, micro-entrepreneurs boost the overall number of jobs, touching the broad scope of business owner networks, suppliers, and outsourcing partners. Outreach and technology can enable value networks and shape careers for lifestyle preferences and new forms of businesses, adapting as needed to constraints such as social distancing during the pandemic.

Although entrepreneurial attitudes, self-perceptions, and participation rates increased in 2021, fear of failure continued to rise. COVID-19 may have affected individual risk perceptions, influencing respondents to state that they would be deterred by the risk involved in entrepreneurial activity. This could reflect the presence (and return) of good employment alternatives, but also trepidation about potential loss if a venture failed. Training in the principles of affordable loss and in Entrepreneurial Thought and Action^{®13} may be helpful, allowing people to leverage the resources they have at hand and take small, affordable steps to learn and adjust their approaches. Programs that apply concepts and iterative practice can teach capabilities and confidence. If starting a business seems unfeasible, people can pursue entrepreneurial ambitions in the companies they work for and in their communities. Entrepreneurial thinking can occur anywhere and benefit society in many ways.

The chapters on gender, race, and ethnicity show the importance of supporting entrepreneurs of all kinds. Women and people of color hold high regard for entrepreneurship, and they are starting businesses that benefit their communities and the wider economy. However, gaps remain between women and men and across races and ethnicities. For example, women are less likely than men to think it is easy to start a business and to believe they have the capabilities for starting. Black and Hispanic entrepreneurs have lower established business ownership rates and higher closure rates than White entrepreneurs. These points highlight the importance of identifying challenges and needs specific to underserved groups, and of designing initiatives that support their entrepreneurial efforts.

This report devotes a full chapter (Chapter 7) to Social and Environmental Sustainability. In the United States, there is high awareness among entrepreneurs and established business owners about their own environmental and social impact. Many are taking action to minimize the environmental footprint of their businesses and maximize their social value. This is particularly the case among young entrepreneurs and also among entrepreneurs and established business owners with innovative products and services. These entrepreneurs and business owners are likely to participate in groups advancing sustainability initiatives, and they serve as role models for the broader business community.

¹³ Entrepreneurial Thought and Action[®] is a proprietary methodology taught at Babson whereby entrepreneurial individual take action amid uncertainty, leveraging the resources they have at hand, bringing along co-creators, and shaping their opportunities through iterative experimentation and learning. <https://www.babson.edu/about/our-approach/teaching-and-research/entrepreneurial-thought-and-action/>

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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 Governors 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 35 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.



Jeffrey Shay, PhD, Professor of Entrepreneurship and the Executive Director for Academic Operations for the Arthur M. Blank School for Entrepreneurial Leadership at Babson College, serves on the Board of Directors for the Global Entrepreneurship Monitor (GEM) and is co-leader of the GEM United States team. Shay has held endowed positions at Washington and Lee University and the University of Montana and has taught entrepreneurship courses at other leading institutions such as London School of Economics, Peking University, and Cornell University. Focused on the intersection between international business, strategy, and entrepreneurship, his research has been published in premier journals and recognized through his receiving the Western Academy of Management's (WAM) Ascendant Scholars Award, the WAM Joan Dahl President's Award, and the North American Case Research Fellow Award. Shay has taught executive education for global organizations and provided case method training for academic institutions around the world.



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Caroline Daniels, MBA, PhD, is an Associate Professor of Practice at Babson College and founder and lead faculty of the Fashion Entrepreneurial Initiative. Dr. Daniels teaches courses in Strategy & Analytics, Future Trends, Entrepreneurship, and the Fashion Industry. She has a BLS in Literature from Boston University, an MBA from the Massachusetts Institute of Technology Sloan School, and a PhD from the London Business School. She has authored two books on globalization and information technology, several articles on transformation in business, chapters on entrepreneurship for educational texts, business cases, and many strategy and country reports for the Economist Intelligence Unit. She has been awarded the International Association of Management Consulting Firms Award for Literary Excellence and speaks at conferences. Her action research focuses on business model transformation, fashion, entrepreneurship, technology, environment, and climate change.



2021 National Experts Survey (NES)

The GEM 2021/2022 United States Report relies primarily on data from the 2,000 respondents to the Adult Population Survey (APS). The research team is also informed by a select group of participants who respond to the National Experts Survey (NES). Experts can include entrepreneurs, individuals in roles supporting entrepreneurship (e.g., lawyers, consultants, accountants, professors), government officials, utilities professionals, journalists, sociologists, psychologists, and professionals from many other areas whose work impacts or is impacted by entrepreneurial activity. These experts provide contextual insights on various facets that compose the entrepreneurial climate in a particular country (e.g., finance, government policies and programs, education and training, R&D transfer, commercial and physical infrastructure, internal market openness, and social and cultural norms). The GEM U.S. team would like to recognize the following individuals who served as experts for our 2021 report:

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Jesse Lakes	Chief Executive Officer/ Founder	Genius Link	Stuart Silverman	Chief Executive Officer/ Founder	New Way Marketing
Benjapon Jivasantikarn	Associate Director	Institute for Family Entrepreneurship at Babson College	Matt Newton	Chief Executive Officer	Everest Infrastructure Partners
Kelly Dyer	Chief Executive Officer/ Founder	SourceFuse	Jack Huffard	Co-Founder	Tenable Security
Jay Kayne	Director of the Entrepreneurship Institute (retired)	Miami University	Seth Bornstein	Executive Director	Queens Economic Development Corporation
Eric Pelnik	Head of Growth	Commonstock	Tom Cunnington	Partner	Cunnington and Cunnington
Peter Pizzo	Chief Financial Officer	ControlRad	Matt Bartini	CEO/Founder	Mayor Clothing
Elizabeth Isele	Chief Executive Officer/ Founder	Global Institute for Experienced Entrepreneurship	Jerome Katz	Professor	St. Louis University
Tim Gallagher	Chief Business Officer	PhosphoGam	Cory Alison	Chief Executive Officer/ Founder	KelCor
Dillon Myers	Co-Founder	OneClick.chat	Graham Novak	Partner	28th Street Ventures
Cliff Holekamp	Partner	Cultivation Capital	Les Charm	Partner	Leslie Charm and Associates
John Stump	Managing Partner	Weller Advisory Ventures	Edward Marram	Entrepreneur in Residence	Babson College
Donald Kuratko	Professor	University of Indiana	James Richardson	Associate Professor	University of Hawaii
Carol O'Kelley	Chief Marketing Officer	Axiom	Kathy Allen	Founding Director	USC Center for Technology Commercialization
Tim Brooks	Managing Director	Worldwide Technologies	Wally Meyer	Associate Professor	University of Kansas
Jim Hinds	Chief Executive Officer/ Founder	Clean Textile	Craig Benson	Former Governor	New Hampshire
Sanjay Mishra	Associate Professor	University of Kansas	Andrew Goloboy	Managing Partner	Goloboy CPA
Shelby Stephens	Founder	GrowthMatch.com	Elliott Berton	Associate Attorney	Sugarman & Associates
Ted Elliott	Chief Executive Officer	Copado	David Ure	Chief Executive Officer/ Founder	Innovate
Armen Hajinian	Professor	Milwaukee Technical College	John Altman	Professor	Miami University
Tim Lavelle	Director/Partner	Hawthorne Capital Partners	Mark H Rubin	President	Maric Incorporated
Peter Adler	Senior Adjunct Professor of Law	University of Massachusetts	Richard Becherer	Professor	University of Tennessee - Chattanooga

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