

**Hawaii International Conference on Social Sciences
June 12-15, 2003
Sheraton, Waikiki Hotel, Honolulu, Hawaii, USA**

TOTAL ENTREPRENEURIAL ACTIVITY AND SOCIETAL FACTORS

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**Keywords: Entrepreneurial Activity
Societal Variables**

ABSTRACT

How entrepreneurial is a country and what societal factors account for its entrepreneurial vigor? Governments and community leaders have long advocated that entrepreneurial activity stimulates job creation and economic development. What are the social, economic, cultural, and political factors that could account for a country's level of entrepreneurial activity?

To answer the question, the study employed the Total Entrepreneurial Activity (TEA) as a measure of indigenous entrepreneurial activity in a country. TEA levels for countries have been annually measured by the Global Entrepreneurship Monitor (GEM) since it was launched in 1999 with ten countries taking part during that year. GEM conducts standardized surveys of the adult population in each country to find out the extent to which the citizens and residents are engaged in starting and operating new businesses of less than 42 months. These nascent companies were considered to be highly vulnerable to failure.

The study generates three types of TEA: "Opportunity-based," "Necessity-based," and "Total". Opportunity-based TEA reflects the voluntary nature of participation (pursuit of a business opportunity for personal interest). Necessity-based TEA reflects the involuntary nature of participation (pursuit of a new business because of no other choices for work). Total TEA is the sum of Opportunity-based TEA and Necessity-based TEA.

The 2002 study had 37 participating countries that range from developing to developed economies and span the regions of Asia, Europe, North America and South

America. Societal and psychological variables from world datasets were obtained, and correlations with TEA levels run to establish linkages between societal factors and citizen psychological profiles. The TEA levels for the 37 countries in the GEM 2002 study were found to be predicted by affluence, income inequality, women status, and total unemployment rate. Specifically, lower levels of affluence predicted higher levels of necessity-based entrepreneurship. Interestingly, countries where women experienced less favorable status had higher levels of TEA. We also found that countries with higher levels of unemployment rate, and quality of life also had lower opportunity-based TEA. The countries with greater income inequality were found to have higher levels of necessity-based entrepreneurship. The paper will discuss how these societal factors could impact on entrepreneurial activity.