



# GLOBAL ENTREPRENEURSHIP MONITOR

NORTHERN IRELAND 2004

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## Foreword

Entrepreneurship is internationally recognised as a key driver of economic growth and development and is reflected in current European, National and regional level strategies. In Northern Ireland the Economic Vision identifies the need for

***'a high-value-added, highly skilled, innovative and enterprising economy which enables us to compete globally, leading to greater wealth-creation and better employment opportunities for all'.***

The Invest NI Corporate Plan (2005-2008) has presented the high level priorities for the Agency over the period as:

- Being Entrepreneurial
- Being Innovative
- Being International

This GEM report is the third consecutive year of applying this model to research the level of entrepreneurial activity in Northern Ireland and to indicate attitudes to entrepreneurship. Invest NI, along with its partners and co-funders, the Department of Enterprise Trade and Investment, Enterprise Northern Ireland and Belfast City Council, welcomes the findings of this report and view it as a valuable resource to inform both policy development and implementation.

Whilst acknowledging that the targets we have set to increase the volume and quality of those involved in entrepreneurship are ambitious, I believe they are realistic and achievable. In 2004, Invest NI assisted over 3400 new business starts and continued to promote entrepreneurship through a series of targeted initiatives to young people, females and areas of economic disadvantage. During the first phase of the 'Go For It' campaign and Start a Business Shows more than 10,000 people have registered an interest in taking forward new business ventures.

The challenge remains to make Northern Ireland an exemplar location to start and grow successful businesses. In particular we need a greater number of businesses operating in global markets. This report indicates we have consolidated the progress that has been made since the establishment of Invest NI and GEM provides us with a valuable benchmark to review and evaluate progress.

A handwritten signature in black ink that reads "Terri Scott". The signature is fluid and cursive, with a long horizontal stroke extending from the end.

**Professor Terri Scott**  
**Managing Director**  
**Entrepreneurship & Clients**  
**Invest Northern Ireland**

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## ACKNOWLEDGEMENTS

We would like to thank Invest NI as key sponsors of GEM Northern Ireland for their continued support. This year we also welcome Belfast City Council (BCC) and Enterprise Northern Ireland (ENI) as additional sponsors of the survey. They have aided the development of a fascinating sub-regional dimension to GEM NI.

We would also like to acknowledge the enormous amount of work undertaken by Dr. Rebecca Harding from the London Business School and The Work Foundation in leading and co-ordinating the GEM UK project and continuing to expand the regional dimension to facilitate rigorous comparative analysis. Dr Marc Cowling (The Work Foundation), provided the Northern Ireland team with technical support and we would like to record our appreciation and thanks to him. In addition, the inputs from the GEM Global team were critical in providing the international comparative dimension of the project.

The GEM UK survey was conducted by IFF Research. The regional dimension to this survey is crucial and we are very grateful to have the help and support of our colleagues in Scotland (Dr Jonathan Levie and Professor Sara Carter), Wales (Professor David Brooksbank and Professor Dylan Jones-Evans) and the Republic of Ireland (Paula Fitzsimons and Dr Colm O’Gorman) in furthering this research. A more detailed report comparing the GEM results for Northern Ireland with those of Ireland will be published later in 2005 with the support of InterTradeIreland, Enterprise Ireland, Forfas and Invest NI. The Small Business Service (SBS), DTI and the Treasury have all made important contributions to the development of the GEM UK project.

Above all, we would like to thank the key experts who so generously gave up their time to be interviewed and surveyed along with the 5,000 individuals across Northern Ireland who participated in the Adult Population Survey in 2004.

### **Professor Mark Hart**

(Small Business Research Centre, Kingston University)

### **Maureen O’Reilly**

(Economic Research Institute of Northern Ireland)

March 2005

## EXECUTIVE SUMMARY: NORTHERN IRELAND 2004

### Overview

- The Global Entrepreneurship Monitor (GEM) is a unique measure of entrepreneurial activity in a global context. In 2004, 34 countries worldwide participated in GEM.
- GEM UK is the single largest country study of entrepreneurship within the GEM global project. In 2004, 24,000 adults from across the UK were surveyed about their participation in and attitudes towards entrepreneurship. The UK sample includes 5,000 individuals from Northern Ireland, the most sizeable of any regional sample within the UK.
- Recognising the importance of GEM as a key internationally comparative tool in understanding the levels and types of entrepreneurial activity within Northern Ireland, the 2004 study has been co-sponsored by Invest NI, Belfast City Council and Enterprise Northern Ireland.

### How Entrepreneurial is Northern Ireland?

- In 2004, 5 per cent of the adult population (aged 18 to 64) in Northern Ireland are engaged in entrepreneurial activity. This compares to 6.3 per cent for the UK. As with the UK, the 2004 level of entrepreneurial activity in Northern Ireland consolidates the increase since 2002. In terms of TEA, Northern Ireland retains its rank position of 9th out of the 12 UK regions in 2004.
- Entrepreneurial activity in Northern Ireland is higher than countries such as Germany and Italy and on a par with the Netherlands, Spain and Denmark. However, the TEA is less than half that of the United States. Entrepreneurial activity in Ireland is 7.7 per cent in 2004, higher than most EU countries including Northern Ireland although the TEA has fallen over the last two years.

### Who are the Entrepreneurs?

- Females are less than a third as likely to be entrepreneurs as males in Northern Ireland. The level of female entrepreneurship in Northern Ireland is the lowest of all UK regions and the gap between males and female entrepreneurship is one of the widest.
- The proportion of men and women in Northern Ireland involved in entrepreneurship as a result of perceived opportunities is lower than in the UK. Necessity entrepreneurship is however higher in Northern Ireland for both.

- Entrepreneurial activity in Northern Ireland is highest among those aged 35 to 44. Around 7 per cent of the population in this age group are involved in the start-up process.
- Graduates are more likely to be entrepreneurs than any other qualifications group in Northern Ireland. However, female graduates record one of the lowest TEA rates of all UK regions.
- In Northern Ireland, as in the UK, entrepreneurial activity increases as income increases. However, Northern Ireland has one of the lowest levels of entrepreneurial activity of all UK regions in the high income group and is among the top half in terms of entrepreneurial activity among the lowest income group. Those in the low income group are more likely to be engaged in entrepreneurial activity through necessity compared to the high income group.

### What do we know about new business?

- Business Services is a key sector for start-ups, particularly nascent entrepreneurs (start-up businesses in the gestation period). As in the UK, 1 in every 4 businesses which are in the process of being set up are in this sector.
- The Construction sector dominates new owner-manager businesses (operating for less than 42 months) in Northern Ireland. Northern Ireland owner-managers are less likely to be involved in Financial and Business Services than the UK.
- The average employment size of start-ups in Northern Ireland is slightly larger than the UK and their growth aspirations bigger. On the other hand, the size of owner-manager businesses in Northern Ireland is smaller on average. Estimated employment growth potential by owner-managers generally tends to be less optimistic than start-up businesses.
- The average annual (median) turnover for Northern Ireland start-ups in 2004 is £32,000 compared to £40,000 for the UK. Northern Ireland start-ups anticipate more limited turnover growth potential over the next three years.
- While the average annual turnover of owner-manager businesses in the UK and Northern Ireland are the same in 2004, turnover has fallen by 15 per cent over a three year period in Northern Ireland while remaining largely unchanged in the UK.
- In terms of export orientation, Northern Ireland's rank position in the UK regions is relatively good. This should be viewed in the context of Northern Ireland's close proximity to the Republic of Ireland market and the restrictive size of the local market.
- Businesses in Northern Ireland in general compare favourably with UK businesses in terms of the GEM measure of "innovation".

### Attitudes to Entrepreneurship

- Individuals in Northern Ireland are more negative about their own entrepreneurial capacity than those in the UK as a whole - fewer see good opportunities and fewer feel that they have the skills to start a business. However, they do perceive entrepreneurial activity to be of high status, a good career choice and that media coverage is favourable. In fact, attitudes toward entrepreneurs in Northern Ireland are more positive than the UK as a whole.
- People in Northern Ireland - especially women - are clearly not translating these aspirations into genuine entrepreneurial activity due to a lack of perceived opportunity for new venture creation, the absence of the necessary skills to be successful combined with a 'fear of failure' - Northern Ireland suffers more from these constraints than any other region in the UK.
- In general, the climate for entrepreneurship appears more positive in Ireland compared to Northern Ireland. Individuals in Ireland are more likely to know an entrepreneur than those in Northern Ireland. They are also more likely to perceive that there are good start-up opportunities and are less likely to state that fear of failure would prevent them from setting up in business. However, a similar proportion of men in both Northern Ireland and Ireland believe they have the skills to start up in business. Cultural support towards entrepreneurship is also generally higher in Ireland than Northern Ireland.
- There have been some small changes in the overall profile of attitudes to entrepreneurship in Northern Ireland between 2003 and 2004 - there has been some increase in the proportion of individuals reporting that there are good start-up opportunities in the next 6 months and that they have the necessary knowledge and skills to start a business.
- Fear of debt emerges as the single most important barrier for men and women in Northern Ireland to setting up their own business or moving into self-employment.

### Access to Finance

- Almost half of individuals believe there are adequate sources of external start-up funding available in Northern Ireland, a similar proportion to the UK.
- The average (median) costs of start-up in Northern Ireland are £14,000 compared to £15,000 for the UK. Average start-up costs in Northern Ireland are around 25 per cent higher for men than women.

- Entrepreneurs in Northern Ireland meet 55 per cent of start-up costs themselves (66% in the UK).
- Bank overdraft is the main source of start-up finance outside of personal investment. In Northern Ireland, a greater proportion of entrepreneurs are likely to use bank overdraft facilities and government sources to fund their start-up costs. The use of government funding is higher in Northern Ireland than most other UK regions with the exception of Scotland and the North East.
- Key reasons for failing to access finance in Northern Ireland include high finance costs, fear of debt, the business being too small and the nature of the business. Fear of debt is a particular issue in Northern Ireland.
- Almost two-thirds of individuals in Northern Ireland state that a lack of external finance would prevent them from setting up in business, one of the highest of all UK regions. Women are more likely to perceive finance as a deterrent than men.
- The UK already records one of the lowest levels of informal investment across the GEM participating countries. At less than 1 per cent, informal investment activity in Northern Ireland is the lowest recorded of all UK regions. Despite this, on average investments in Northern Ireland are twice as large.
- Informal investments in Northern Ireland are largely restricted to relatives of the investor or friends/neighbours. In the UK investments are made to a wider range of individuals including work colleagues and strangers.

### **Entrepreneurial Activity across Northern Ireland**

- The GEM NI sample in 2004 was boosted through sponsorship from Belfast City Council (BCC) and Enterprise Northern Ireland (ENI) to enable a more rigorous sub-regional analysis to be undertaken. Northern Ireland has been disaggregated into six sub-regions representing the five Invest NI sub-regions with the Eastern region further divided to separate out the Belfast City Council area.
- The level of entrepreneurial activity varies across Northern Ireland with a clear east/west pattern emerging. The level of entrepreneurial activity is highest in the Western region (6.6%) and lowest in the Belfast City Council area (3.7%). This pattern is broadly similar to that observed for VAT registration data over the last ten years.

- There are clear sub-regional variations in entrepreneurial activity by gender. The highest levels of female entrepreneurial activity are to be found in the Eastern 'outer' sub-region with a rate of 3.2 per cent. The lowest level is in the North West (1.1%).
- The gap between male and female entrepreneurship within the sub-regions of Northern Ireland also varies markedly. Even in the Western sub-region, which exhibits the highest level of overall entrepreneurial activity in Northern Ireland, women are only 16 per cent as likely as men to be engaged in running their own business. The gap is smallest in the Eastern 'outer' sub-region and the Belfast City Council area: 47 per cent and 40 per cent respectively.
- There are also large variations in entrepreneurial activity by age group across the 6 sub-regions. The relatively high levels of entrepreneurial activity in the Western and Southern sub-regions are clearly associated with above average levels of entrepreneurial activity in the 25 to 34 age group.
- Individuals in the Western sub-region are significantly more likely than elsewhere in Northern Ireland to indicate that entrepreneurs have a high status and that setting up a business is a good career choice.

### **Conclusions**

- The Global Entrepreneurship Monitor (GEM) adult population survey for 2004 has confirmed that entrepreneurial activity in Northern Ireland has increased since 2002.
- Northern Ireland ranks 9th out of the 12 UK regions, a position that has been unchanged since 2003. The gap between Northern Ireland and Ireland has continued to narrow.
- Northern Ireland records one of the lowest levels of female entrepreneurship among the regions and the gap between males and females is the widest.
- There is a clear East/West differential in entrepreneurial activity across the sub-regions of Northern Ireland. Entrepreneurial activity is highest in the Western region and lowest in the Belfast City Council area, a pattern that reinforces evidence from the VAT registration statistics over the last decade.

- Cultural support for entrepreneurship is high in relation to other UK regions. People in Northern Ireland perceive entrepreneurship to be of high status, a good career choice and feel that media coverage is favourable. These positive attitudes are most strongly felt in the Western region.
- However, generally people in Northern Ireland appear more negative about their own entrepreneurial capacity than in the UK as a whole. Fear of failure is a particular barrier and fewer people feel they have the skills to set up in business. These negative self perceptions are most strongly felt by women. Therefore the problem lies not necessarily with improving perceptions of entrepreneurship but with providing individuals with the requisite skills and confidence to take up the challenge.
- Fear of debt is the single most important barrier for men and women in Northern Ireland to setting up their own business. Further, almost two-thirds of individuals in Northern Ireland state that a lack of finance would prevent them from setting up in business, one of the highest figures for all UK regions.

### Policy Implications

- The research team has found a much greater degree of optimism among the experts in 2004. There is a largely positive endorsement of government policy towards entrepreneurship through the Accelerating Entrepreneurship Strategy and a belief that, albeit slowly, changes are being felt.
- However, there is recognition that to transform attitudes, values and beliefs the pace of change will be necessarily slow. Indeed, the importance placed by the experts on the education system in contributing to that change highlights that it is important to take the longer term view.
- Specific suggestions for improvements to government programmes were suggested by the experts surveyed:
  - ✦ There needs to be more factually based messages about entrepreneurship, in particular through the promotion of role models.
  - ✦ Support mechanisms need to be more visible and better integrated.
  - ✦ A decrease in bureaucracy is required to reduce the burden on business.
  - ✦ The time taken to process applications needs to be much faster.
  - ✦ The ability to spin-out new businesses/entrepreneurs from existing business should be explored.
  - ✦ More innovative approaches to networking should be developed.

- More generally, the experts highlighted the following areas for continued improvement:
  - ✦ More young people need to be exposed to the benefits of starting a business. If culture is to be changed then the starting point should be education. While the seed should be planted at primary school there is a need to embed business understanding and skills in the curriculum at secondary level with a stronger focus on building on entrepreneurial competencies within Further and Higher Education. In general, entrepreneurship education needs to be more targeted, structured, integrated and less ad hoc.
  - ✦ There is a need to find ways of increasing innovation and research and development. While progress is being made to strengthen greater links between the business community and the universities, continuing development is required.
  - ✦ More needs to be done to encourage business owners to consider the benefits of private equity participation. Smaller investment funds are required and the role of non-executive directors should be expanded.

## SECTION 1 BACKGROUND TO GEM

### 1.1 What is GEM?

The Global Entrepreneurship Monitor (GEM) is a unique measure of entrepreneurial activity in a global context. The project started in 1999 with 10 countries. Now in its sixth year, the project has expanded to include 34 countries worldwide. There are 16 EU Member States participating in GEM 2004, 22 OECD countries and all members of the G7.

At the core of the GEM project is an adult population survey. The key research questions at the centre of this are:

- How much entrepreneurial activity is taking place in each country?
- Why do levels of entrepreneurial activity differ between countries/regions?
- What are the links between entrepreneurial activity and economic growth and productivity?

These research questions have an important bearing on the policy debate on entrepreneurship in developed and developing countries across the world.

The GEM survey further investigates issues such as the demographic profile of entrepreneurs, the economic impact of their business ventures (e.g. type of start-up and market orientation) and attitudes towards entrepreneurship.

Apart from the statistical results on the level and nature of entrepreneurial activity in participating countries, the GEM project also seeks to understand in some detail the nature of the conditioning factors for entrepreneurship in each country and region. This is done through a series of expert interviews with the objective of identifying what governments can do to affect the level of entrepreneurship. Each national or regional expert is asked to identify the three most significant factors that limit entrepreneurship in their country or region, three factors that contribute to entrepreneurship and finally three suggestions about what could be done to increase the level of entrepreneurial activity. These entrepreneurship framework conditions encompass areas such as financial support, government policies and programmes, education and training, commercial and professional infrastructure, research and development transfer, market openness and/or barriers to entry, access to physical infrastructure and cultural and social norms.

The GEM research programme is jointly co-ordinated by London Business School and Babson College in the USA.

### 1.2 How does GEM measure entrepreneurial activity?

It is important to set out what exactly is being included in the various measures on entrepreneurial activity within the GEM survey. The task is to identify:

1. **Nascent ventures:** these are the firms that would be called **start-ups** by most analysts. Anyone in the survey who said they were actively involved in creating a new business that they would own all or part of and had not paid any salaries or wages to anyone for more than three months fell into this category.
2. **Baby businesses:** these are the more established, owner-manager, businesses that have been running for between 4 and 42 months and have not paid salaries for longer than that.

Adding together people in each of these two categories, and avoiding double counting by allocating individuals to only one of these categories, a Total Entrepreneurial Activity (TEA) index can be created which is then used to compare countries and regions.

GEM also distinguishes between two types of entrepreneurship:

1. **Necessity entrepreneurship:** These are the people who believe they have no better choices for work.
2. **Opportunity entrepreneurship:** These are the people who perceive a business opportunity and take advantage of it, either independently or from paid employment.

The GEM 2004 Executive Report, which outlines the scope of entrepreneurial activity across the GEM participating countries, is available from [www.gemconsortium.org](http://www.gemconsortium.org). The GEM conceptual model is outlined in detail in this report.

### 1.3 Background to GEM UK 2004

GEM UK is the largest single country study of entrepreneurship within the GEM global project. With the increasing participation of regional teams including Northern Ireland, the study has grown from a survey of 16,000 adults (aged 18 to 64) across the UK in 2002 to 24,000 in 2004. The Northern Ireland component of the sample is 5,000 in 2004 boosted by additional sponsorship from Belfast City Council (BCC) and Enterprise Northern Ireland (ENI). In overall terms, this relatively large and representative sample ensures that regional results of entrepreneurship across the UK can be viewed with statistical confidence.

The GEM UK survey uses identical methodologies to those used in the GEM Global study although there are additional questions on finance and social enterprise which are only asked in the GEM UK study. A more detailed Technical Note on the GEM UK survey can be found in Appendix 1 at the end of the report.

The GEM UK report was authored by Rebecca Harding (London Business School and The Work Foundation) and was published in January 2005. This report is also available from [www.gemconsortium.org](http://www.gemconsortium.org). Throughout the GEM NI report reference is made to the UK aggregate and regional results where appropriate.

## **SECTION 2 ECONOMIC AND POLICY OVERVIEW 2004**

### **2.1 The Economic Context**

The Northern Ireland economy has performed relatively well during a period of global uncertainty<sup>1</sup>. Of particular note has been the strong performance of Northern Ireland's labour market. Unemployment (5.1%) has fallen over the year and although higher than the UK (4.7%) and Ireland<sup>2</sup> (4.4%) remains significantly below the EU 15 average of 8.0 per cent. Latest job figures demonstrate the highest employee jobs figures on record with increases in employment and self employment over the 12 months to November 2004. At the same time, manufacturing output has increased marginally while manufacturing productivity has continued its upward trend.

However, the downward trend in manufacturing employment has continued. There is some indication of a loss in competitiveness against a rising cost base relative to competitors. The economic activity rate for Northern Ireland (72%) remains the lowest of all UK regions. The high dependency on the public sector for jobs and investment continue.

### **2.2 The Policy Context**

There has been a growing recognition over the last decade that entrepreneurship is a key driver of economic growth and governments worldwide have responded by placing entrepreneurship at the top of their economic policy agendas. The European Union's 2004 Action Plan<sup>3</sup> sets out its agenda for entrepreneurship with the key aim of "boosting entrepreneurship as part of its strategy to transform its economy and build its future economic and competitive strength". Half as many people in the EU GEM countries are involved in entrepreneurial activity than in other OECD countries and wide variations exist within EU Member States. At a UK level, the Small Business Service (SBS), an agency of the Department of Trade and Industry, published its Action Plan for Small Business in January 2004 with the key aim of "making the UK the best place to start and grow a business".

Entrepreneurship is embedded in economic policy development in Northern Ireland. The recently published "Economic Vision for Northern Ireland"<sup>4</sup> sets out government's vision for the Northern Ireland economy over the next decade as "a high value-added, highly skilled, innovative and enterprising economy which enables us to compete globally leading to greater wealth creation and better employment opportunities for all". It identifies four key drivers of improved economic performance: innovation, skills, infrastructure and enterprise.

<sup>1</sup> Source: DETI, PWC "Northern Ireland Economic Review & Prospects, 2004"

<sup>2</sup> Refers to the Republic of Ireland only

<sup>3</sup> "Action Plan: The European Agenda for Entrepreneurship" March 2004

<sup>4</sup> Economic Vision for Northern Ireland, Department of Enterprise, Trade and Investment, February 2005

Invest NI's Draft Corporate Plan<sup>5</sup> outlines the focus of their economic development efforts on three key economic drivers: being entrepreneurial, being innovative and being international. The "Accelerating Entrepreneurship Strategy AES"<sup>6</sup> (2003) provides the framework for promoting entrepreneurship in its widest sense and to raise the volume and quality of business starts in the region. Key priorities include:

- Changing attitudes and perceptions about entrepreneurship throughout Northern Ireland society;
- Encouraging more people from all backgrounds to take the first step and think positively about establishing a business venture;
- Placing a clear emphasis on building a strong team, capable of guiding the business success;
- Providing a flexible and innovative system of support for people from all backgrounds who have the ideas and potential to become entrepreneurs and create wealth;
- Developing an infrastructure that enables new business ventures to progress and grow rapidly, particularly globally trading, knowledge-based projects;
- Using electronic media to disseminate information, advice and best practice and to ensure effective tracking of business proposals as part of an enhanced speed of response for entrepreneurs seeking support.

To date a number of key actions have been implemented under the AES strategy. The most visual one has been the "Go For It" campaign utilising television and other broadcast media to develop a major promotional brand for entrepreneurship. There have also been a number of "Start a Business" shows across Northern Ireland bringing together under one roof information/support/advice to participants. In addition special initiatives have been developed which target under-represented groups with a particular focus on women and young people. There is also a separate focus on global start-ups, recognising the specific requirements of this group.

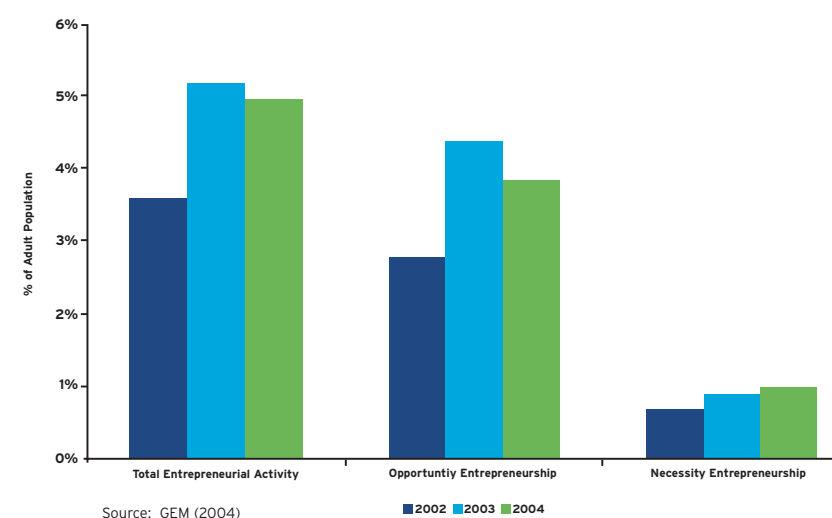
Understanding the structure and dynamic of entrepreneurial activity in Northern Ireland underpins policy. In addition, it is important to have some mechanism to assess the impact of the AES over time. As in the EU and UK, Invest NI views the Global Entrepreneurship Monitor (GEM) as a key tool in achieving those aims.

## SECTION 3 ENTREPRENEURIAL ACTIVITY IN NORTHERN IRELAND 2004

### 3.1 How Entrepreneurial is Northern Ireland?

The Total Entrepreneurial Activity (TEA) index highlights that entrepreneurial activity in Northern Ireland has increased since 2002 (Figure 3.1). TEA in 2004 is 5.0 per cent compared to 5.2 per cent in 2003 maintaining the increase on the 2002 TEA (3.3%).

**Figure 3.1: Entrepreneurial Activity in Northern Ireland, 2002 - 2004**



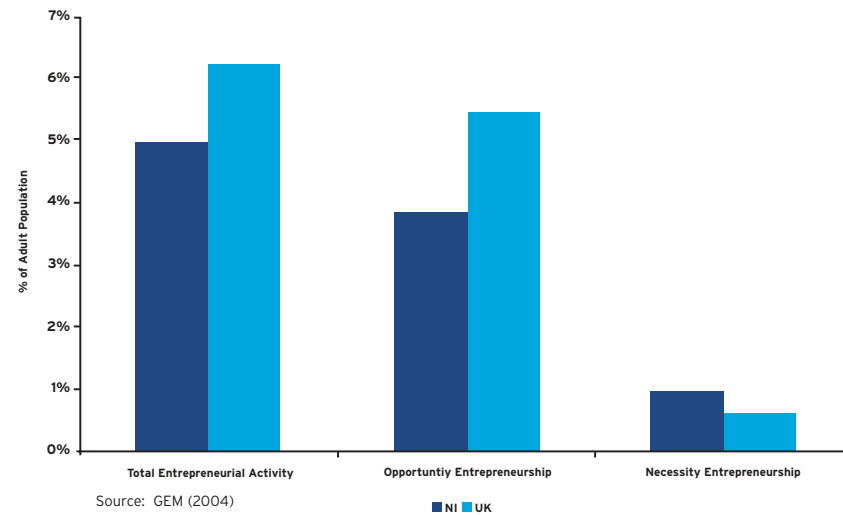
**How does this level of entrepreneurial activity compare with the UK?**

The TEA for the UK in 2004 is 6.3 per cent (Figure 3.2). As in Northern Ireland, the UK TEA is largely unchanged in 2004 (6.4% in 2003 to 6.3% in 2004).

GEM focuses on two composite measures of TEA: **opportunity** and **necessity** entrepreneurship. In Northern Ireland, some 80 per cent of all entrepreneurial activity is to take advantage of opportunities that are available while the remaining 20 per cent is borne out of necessity. Necessity entrepreneurship accounts for 10 per cent of entrepreneurial activity in the UK and 13 per cent in Ireland.

Most of the gap in entrepreneurial activity between Northern Ireland and the UK is accounted for by the lower level of opportunity entrepreneurship in Northern Ireland (Figure 3.2). Necessity entrepreneurship is in fact slightly higher in Northern Ireland in 2004.

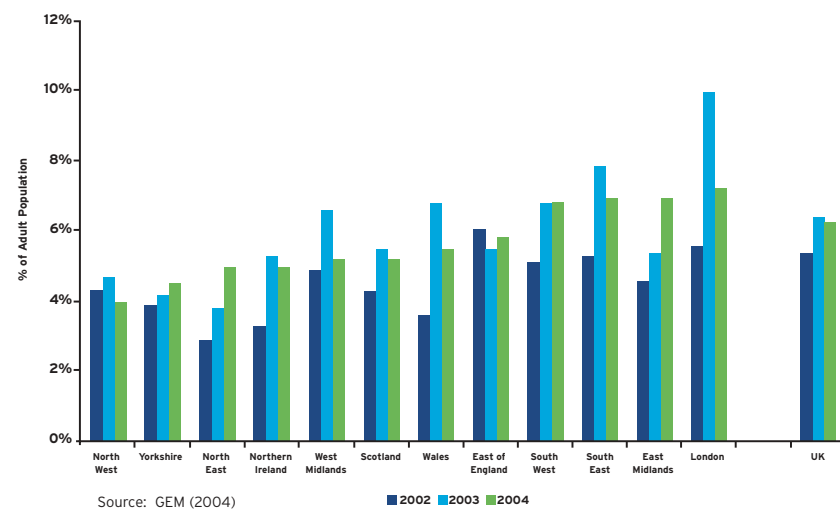
**Figure 3.2: Entrepreneurial Activity in Northern Ireland and the UK, 2004**



Within a UK regional context, Northern Ireland retains its rank position of 9th out of the 12 UK regions in 2004 (Figure 3.3). The TEA is highest in London at 7.3 per cent and lowest in the North West at 4 per cent. The TEA recorded by Wales, Scotland and Northern Ireland is largely the same (5.5%, 5.2% and 5.0% respectively).

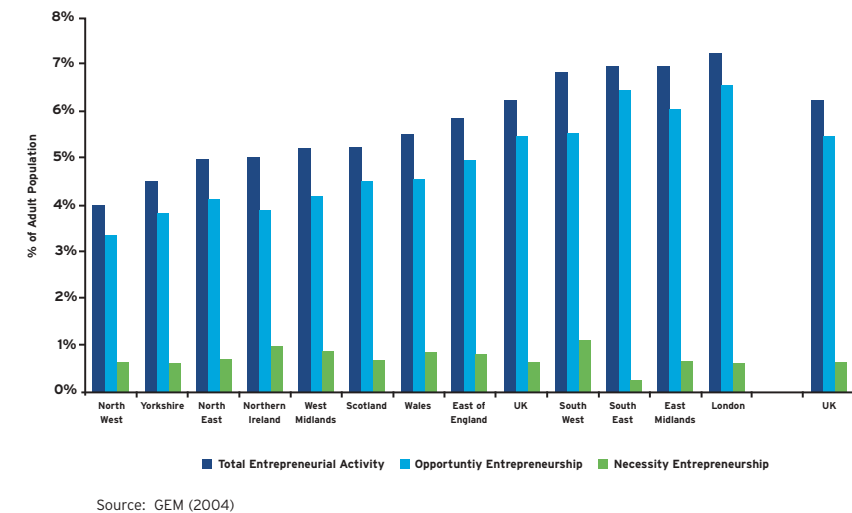
TEA fell in 7 of the 12 UK regions between 2003 and 2004, the most sizeable fall being in London. The East Midlands and North East experienced the most sizeable increases in TEA during 2004. The gap in TEA between the highest and lowest regions halved over the year, from just over 6 per cent in 2003 to just over 3 per cent in 2004.

**Figure 3.3: Entrepreneurial Activity by UK Region, 2002-2004**



As Figure 3.4 clearly demonstrates, differences across UK regions in terms of the level of entrepreneurial activity are predominantly related to opportunity entrepreneurship. Necessity entrepreneurship has been relatively stable with the highest levels being recorded in the South West and Northern Ireland. The implication, therefore, is that it is the variation in both the ability and/or desire of individuals to respond to opportunities for new ventures and the existence of those opportunities themselves which would appear to determine a region's level of entrepreneurial activity. This obviously raises a whole raft of issues around the observed TEA in a region.

**Figure 3.4: Opportunity and Necessity Entrepreneurship by UK Region, 2004**

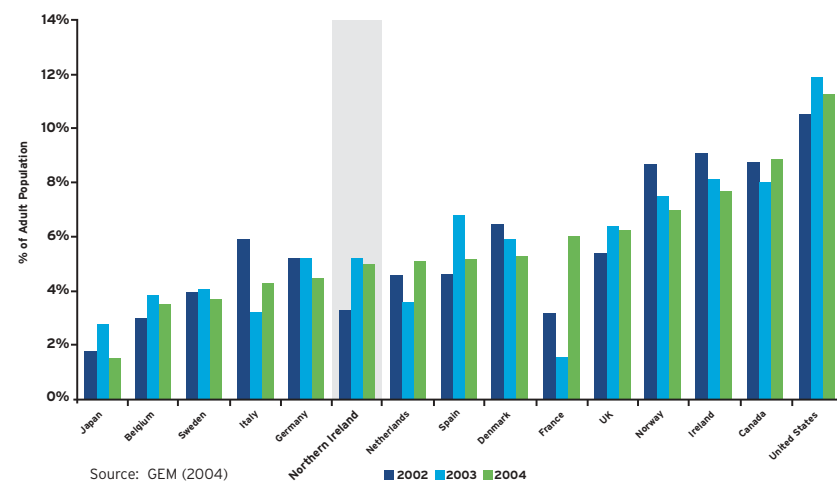


The regional variations in opportunity entrepreneurship reflect this complex set of relationships. Nevertheless, the predominance of opportunity entrepreneurship in the Total Entrepreneurial Activity (TEA) index across all the regions of the UK represents an important characteristic of the stock of nascent ventures and 'baby businesses'. In short, the individuals involved can be regarded as 'willing volunteers' rather than 'enforced conscripts'.

### 3.2 Northern Ireland in a Global Context

Uniquely, GEM offers an ability to present a measure of Northern Ireland entrepreneurship within a global context. Figure 3.5 presents data on the level of entrepreneurial activity across participating countries in the European Union and the remaining G7 nations.

**Figure 3.5: Entrepreneurial Activity in Selected Countries, 2004**



The level of entrepreneurial activity in Northern Ireland is higher than a number of EU Member States including Germany and Italy. Northern Ireland ranks alongside a small group of countries including the Netherlands, Spain and Denmark. However, in 2004 entrepreneurial activity is more than half that of the United States (TEA is 11.3%) and lags behind Canada by almost 4 percentage points. With a TEA of 7.7 per cent, Ireland ranks third highest in terms of entrepreneurial activity for the countries outlined in Figure 3.5.

Entrepreneurial activity has increased in overall terms in Northern Ireland over the last two years. This is also the case for just over half of the selected countries. The most notable increase has been in France where the TEA has almost doubled (3.2% to 6.0%). Ireland has experienced one of the most notable declines (9.1% to 7.7%).

### 3.3 Business Churn

Business churn, in other words, the sum of the numbers of businesses that are started and closed, can be used as a measure of the overall dynamism of the market for entrepreneurship. The environment is believed to be buoyant if business churn is increasing. Further, if the net effect on stocks in a region is increasing then there are more start-ups than there are failures which is another positive trend. The rate of business churn and the net effect on business stock is presented at a regional level in Table 3.1 for 2003 and 2004.

**Table 3.1: Churn and Business Stock at a UK Regional Level. 2003-2004**

	Start-ups (1) (independent + job related start up)		Closures (2)		Total Churn (= 1+2)		Net Effect on Stock (= 1- 2)	
	2003	2004	2003	2004	2003	2004	2003	2004
East Midlands	5.5	6.6	3.5	1.9	9.0	8.5	2.0	4.7
East of England	7.3	4.3	2.6	1.8	9.9	6.1	4.7	2.4
London	10.7	8.4	2.1	2.1	12.8	10.5	8.6	6.3
North East	5.0	4.5	0.5	0.8	5.8	5.3	4.8	3.8
North West	5.9	4.2	2.1	1.4	8.0	5.6	3.8	2.9
<b>Northern Ireland</b>	<b>6.6</b>	<b>4.7</b>	<b>1.3</b>	<b>1.2</b>	<b>7.9</b>	<b>5.9</b>	<b>5.3</b>	<b>3.5</b>
Scotland	6.0	6.1	1.3	1.6	7.3	7.7	4.7	4.5
South East	7.8	7.7	2.4	2.3	10.2	10.0	5.4	5.4
South West	7.6	6.8	2.4	2.3	10.0	9.2	5.2	4.5
Wales	7.6	6.5	2.5	1.7	10.1	8.1	5.1	4.8
West Midlands	7.5	5.5	1.7	2.3	9.2	7.8	5.8	3.3
Yorkshire & Humberside	5.9	4.7	1.9	1.6	7.8	6.3	4.0	3.0
<b>UK</b>	<b>6.9</b>	<b>6.5</b>	<b>2.1</b>	<b>2.0</b>	<b>9.3</b>	<b>8.6</b>	<b>5.1</b>	<b>4.5</b>

\*figures subject to rounding  
Source: GEM (2004)

Overall, 3.3 per cent of the population in Northern Ireland are involved in independent start-ups and 1.4 per cent are involved in job-related start-ups which means that 4.7 per cent of the population are in the process of starting or have started a business in 2004. In addition, 1.2 per cent of the population have closed a business in the last 12 months. This creates a business churn rate of 5.9 per cent (all start-ups plus all closures). The net effect on stock is a 3.5 per cent increase which is slightly below the UK average of 4.5 per cent. Alongside the North East, Northern Ireland records a low level of business closures.

The figures outlined in Table 3.1 suggest a less dynamic environment for start-ups across the UK in general during 2004. With only a few exceptions, business churn and the net change in stock fell across most regions including Northern Ireland. However, it is difficult to make further comment with data over a two year period. The figures should be observed over the longer term in order to make any meaningful commentary on trends.

### 3.4 Summary

The headline evidence from the GEM 2004 survey indicates that:

- In 2004, 5 per cent of the adult population (aged 18 to 64) in Northern Ireland are engaged in entrepreneurial activity. This compares to 6.3 per cent for the UK.
- As with the UK, the 2004 level of entrepreneurial activity in Northern Ireland is largely unchanged over the previous 12 months and consolidates the increase since 2002.
- Most of the gap in entrepreneurial activity between the UK and Northern Ireland is due to fewer individuals identifying or taking advantage of opportunities to start-up in business rather than a difference in the proportion going into business out of necessity.
- In terms of TEA, Northern Ireland retains its rank position of 9th out of the 12 UK regions in 2004.
- Entrepreneurial activity in Northern Ireland is higher than countries such as Germany and Italy and on a par with the Netherlands, Spain and Denmark. However, the Northern Ireland TEA is less than half that of the United States. Entrepreneurial activity in Ireland is 7.7 per cent in 2004, higher than most EU countries including Northern Ireland although it has been in decline over the last two years.
- As in the UK, there is a less dynamic environment for start-ups in Northern Ireland in 2004. Northern Ireland churn rates and net change in stocks are both lower than in 2003.

## SECTION 4 CHARACTERISTICS OF ENTREPRENEURS AND THEIR BUSINESSES

### 4.1 Introduction

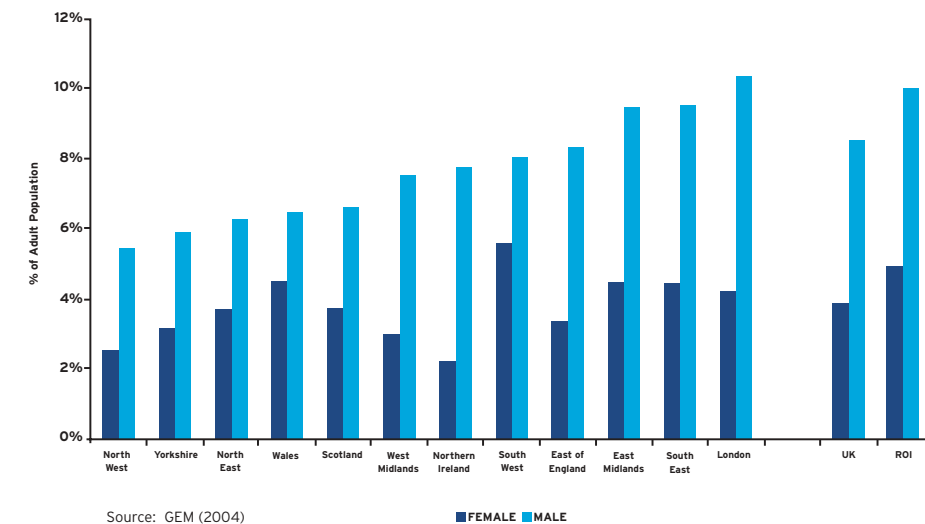
Entrepreneurship is driven by people and assessing the characteristics of the entrepreneur can provide an interesting insight into what makes one country or region more entrepreneurial than another. GEM focuses on the impact that demographic characteristics such as gender and age have on the level of entrepreneurial activity as well as factors which influence individuals' attributes including education, income and work status. Further, GEM allows some insight into the types of new businesses being established in Northern Ireland identifying their potential contribution to the Northern Ireland economy.

### 4.2 Who are Northern Ireland's entrepreneurs?

#### Gender

Females are less than a third as likely to be entrepreneurs as males in Northern Ireland. In 2004 the female TEA is 2.3 per cent while the TEA for males is 7.8 per cent. Female TEA has fallen from 3.5 per cent in 2003 while the male TEA has increased from 7.1 per cent. As a result, the gap between male and female entrepreneurship has widened in Northern Ireland in 2004 while in the UK it has narrowed. This is because the UK TEA for males has fallen (8.9% to 8.5%) while for females it is largely unchanged (3.8% to 3.9%).

Figure 4.1: Entrepreneurial Activity by Gender, 2004

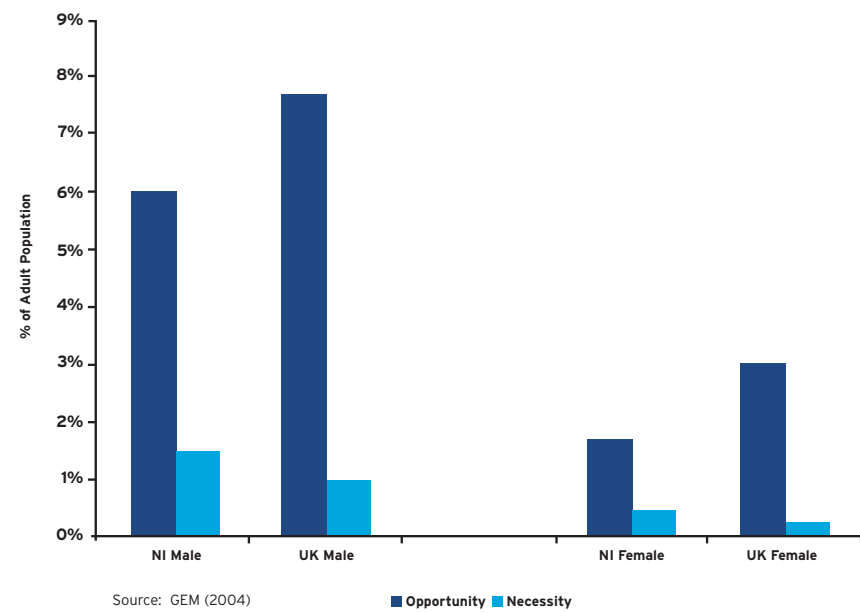


The level of female entrepreneurship in Northern Ireland is the lowest of all UK regions. Further female entrepreneurial activity is 30 per cent of the male figure in Northern Ireland. The gap in TEA between males and females is now one of the widest among the regions (Figure 4.1).

The proportion of females in Ireland (5.0%) who are engaged in entrepreneurial activity is more than twice as high than in Northern Ireland (2.3%). While it is also the case that a higher proportion of males are engaged in entrepreneurial activity in Ireland, the gap in TEA between males (North and South) is smaller than for females. In 2004 the male TEA in Ireland is 10.4 per cent compared to 7.8 per cent in Northern Ireland (Figure 4.1).

As with the overall level of entrepreneurial activity, it is possible to examine whether the participation in entrepreneurship by men and women is as a result of opportunity or necessity. As Figure 4.2 clearly demonstrates, the proportion of males and females in Northern Ireland involved in entrepreneurship as a result of perceived opportunities is lower than in the UK. Alternatively, necessity entrepreneurship is higher in Northern Ireland for both. Opportunity entrepreneurship among women is lower in Northern Ireland than any other UK region and necessity entrepreneurship is also one of the lowest. While males in Northern Ireland have one of the lowest levels of opportunity entrepreneurship across UK regions they also have one of the highest levels of necessity entrepreneurship.

**Figure 4.2: Opportunity and Necessity Entrepreneurship by Gender, NI and UK, 2004**



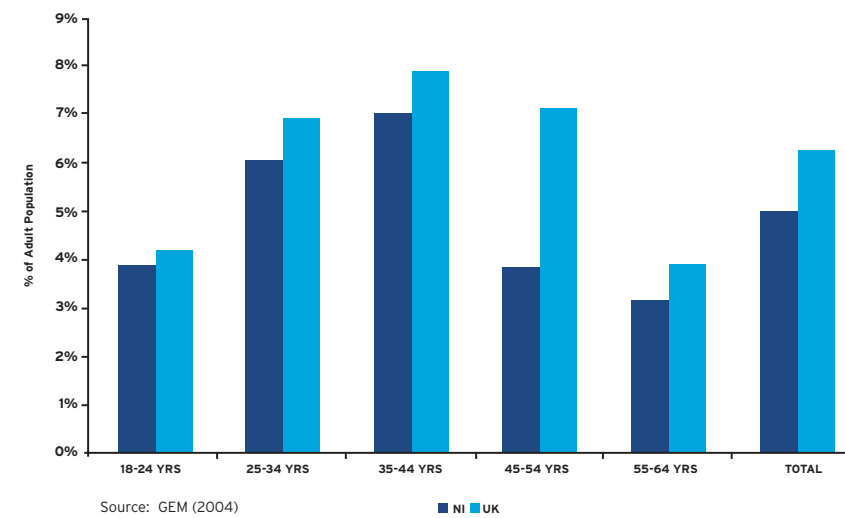
Across the GEM countries, there are almost twice as many men who are active entrepreneurs as women. Further, in no country in the GEM project are there more women who are active entrepreneurs than men.

#### Age

TEA varies significantly for different age groups. Entrepreneurial activity in Northern Ireland is highest for those aged 35 to 44. Around 7 per cent of the population in this age group are involved in start-up activity.

Entrepreneurial activity in Northern Ireland is lower than the UK across all age groups. The differences however are most pronounced in terms of those in the older age groups but particularly those aged between 45 and 54 where the level of entrepreneurial activity is just over half that of the UK (Figure 4.3).

**Figure 4.3: Entrepreneurial Activity by Age, 2004**

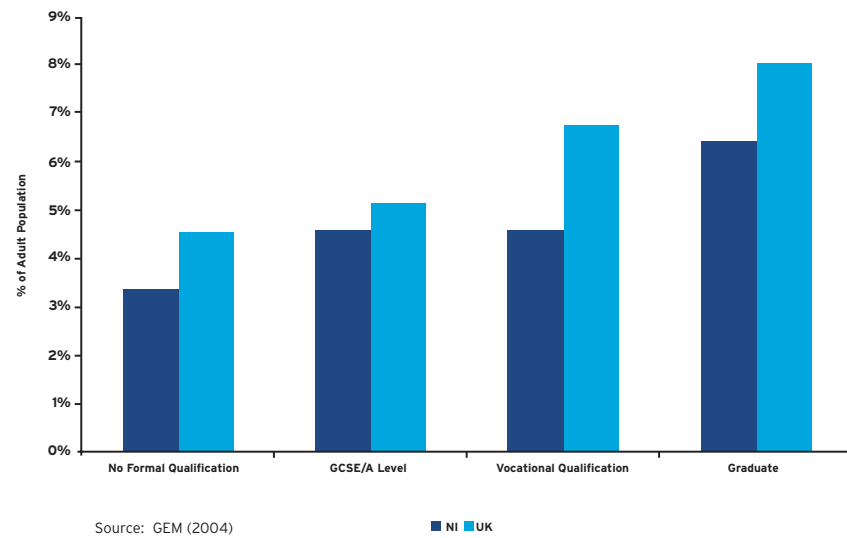


#### Educational Attainment

Rates of entrepreneurial activity differ significantly across educational groups (Figure 4.4). Graduates are more likely to be entrepreneurs than any other qualifications group in Northern Ireland. Entrepreneurial activity in Northern Ireland ranges from 3.4 per cent for those with no formal qualifications to 6.5 per cent for graduates.

Looking at the combined impact of gender and education, female graduates are about one third less likely to be entrepreneurs than male graduates. Female graduates in Northern Ireland record one of the lowest TEA rates of all UK regions even when one controls for age.

**Figure 4.4: Entrepreneurial Activity by Educational Attainment in NI and the UK, 2004**



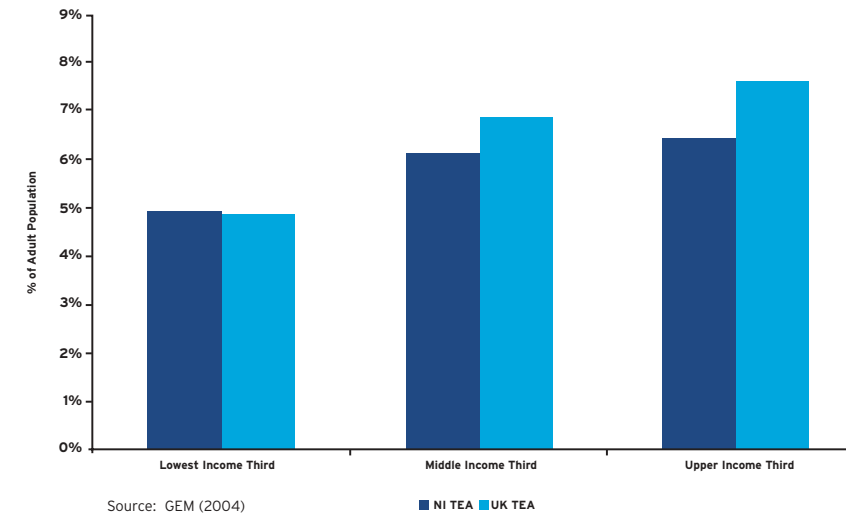
#### Income Level

The GEM survey allocates the adult population into three broad income categories relative to others in their own region/country. In Northern Ireland, as in the UK, entrepreneurial activity increases as levels of income increase (Figure 4.5). The TEA in the top third income group is 6.5 per cent compared to just under 5 per cent in the lowest income group.

The level of TEA in the UK relative to Northern Ireland is higher in both the middle and upper income groups and similar in the lowest income group. The highest income group in Northern Ireland appears less entrepreneurial than their UK counterparts while the lowest income group tend to be more entrepreneurial than those in the bottom half of the regional rankings.

In Northern Ireland, the level of necessity entrepreneurship falls as income levels increase. Just under 30 per cent of entrepreneurial activity in the lowest income group in Northern Ireland is as a result of necessity rather than opportunity compared to less than 1 per cent in the high income group.

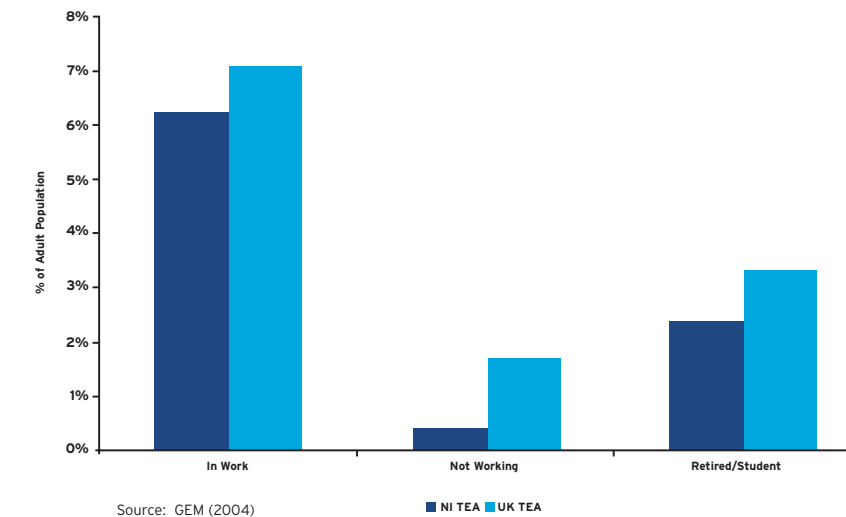
**Figure 4.5: Entrepreneurial Activity by Income Groups in NI and the UK, 2004**



#### Employment Status

Figure 4.6 highlights the level of entrepreneurial activity in Northern Ireland and the UK according to work status. Those who are coming from a position of employment are much more likely to be engaged in entrepreneurial activity than any other category. Less than 0.5 per cent of individuals in Northern Ireland who are not working are involved in entrepreneurial activity. This figure is just over three times higher in the UK.

**Figure 4.6: Entrepreneurial Activity by Employment Status in NI and the UK, 2004**



### 4.3 What do we know about New Businesses?

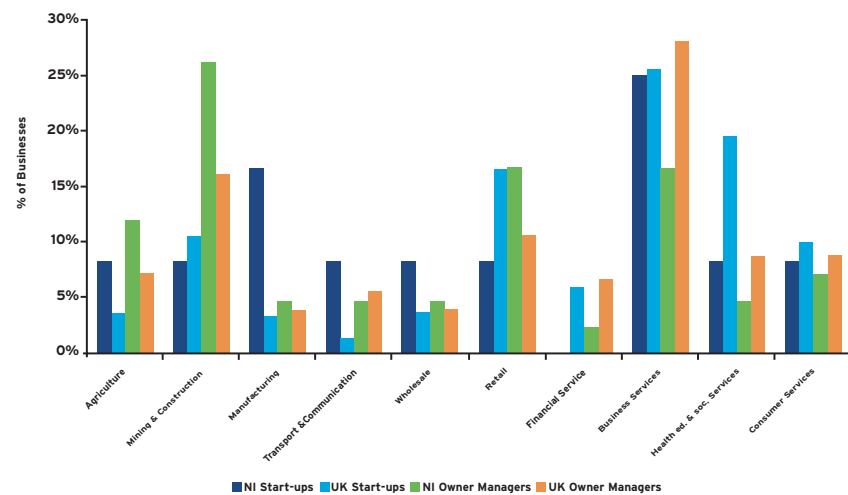
This section examines the types of businesses being planned or recently started up in Northern Ireland in 2004. What is of importance to a regional economy such as Northern Ireland is the ability of those engaged in start-up activity to make a significant contribution to the economic and social well-being of the community. The ultimate impact of these businesses will be determined to some extent by the growth aspirations of owner-managers combined with a range of internal and external conditioning factors. Of major concern to policy is the extent to which start-up activity can contribute to economic growth and wealth creation in the region.

Two types of businesses are identified through the GEM Survey. First, and most numerous, are the start-up (nascent) businesses in the gestation phase. Second is the pool of new owner-managed entrepreneurial firms who have been operating their business for less than 42 months.

#### Sector

Figure 4.7 shows the distribution of start-ups and new owner-manager businesses across sectors.

**Figure 4.7: Sectoral Breakdown of Entrepreneurial Activity in NI and the UK, 2004**



Source: GEM (2004)

What becomes immediately apparent is the importance of the Business Services sector, particularly in relation to nascent entrepreneurs. As in the UK, 1 in every 4 businesses which are in the process of being set up in Northern Ireland are in this sector. Interestingly, a further 15 per cent of start-ups in Northern Ireland are in Manufacturing. Mining and Construction dominates new owner-manager businesses in Northern Ireland which probably reflects the significant degree of activity in the Construction sector over recent times. It is worth noting that the Agriculture sector accounts for a greater proportion of start-up activity in Northern Ireland than in the UK.

#### Jobs

Most new businesses start from a very small base. The average anticipated size of start-ups in Northern Ireland equates to just over 4 jobs while the median number of jobs on start-up is 1.6 (Table 4.1). Start-ups anticipate a fourteen fold increase in jobs over a five year period although in median terms jobs are anticipated to increase by a factor of 3. These job creation figures compare favourably to the UK average. New ventures anticipating rapid growth account for a small proportion of the total. In 2004, just 5 per cent of start-ups in Northern Ireland expect to employ 100 or more in five years time.

**Table 4.1: Job Creation Potential of Start-up and Owner-manager Businesses, NI and the UK, 2004**

	Northern Ireland	UK
	Mean (Median)	Mean (Median)
Start-ups: now	4.4 (1.6)	3.4 (1.0)
Start-ups: 5 years	61.0 (5.0)	32.4 (4.0)
Owner-managers: now	7.5 (1.0)	32.6 (1.0)
Owner-managers: 5 years	12.6 (2.0)	54.3 (2.0)

Source: GEM (2004)

The size of owner-manager business in Northern Ireland is smaller, on average, than the UK. The mean number of jobs in Northern Ireland in 2004 is 7.5 compared to 32.6 for the UK. The median size of owner-manager businesses in Northern Ireland and the UK is the same. Estimated growth potential by owner-managers tends to be less optimistic (or perhaps more realistic) than start-ups. For both Northern Ireland and the UK, owner-managers anticipate increasing jobs by around two-thirds in the next five year period, in median terms by a factor of 2.

#### Turnover

The ability of entrepreneurial businesses to generate sufficient turnover to make a contribution to economic growth and wealth creation is of fundamental importance. The GEM survey asked start-ups and owner-managers about their current turnover, the projected turnover of start-ups in 3 years time and the turnover of owner-manager businesses three years ago. This provides some indication of how realistic the assessment of growth potential by new businesses really is. The key findings from the GEM 2004 survey are set out in Table 4.2.

**Table 4.2: Annual Turnover by Entrepreneurial Businesses in NI and the UK, 2004<sup>7</sup>**

	Northern Ireland		UK	
	Median £Stg		Median £Stg	
	Now	In 3 Years	Now	In 3 Years
Start-ups	32,000	54,000	40,000	90,000
	Now	3 Years ago	Now	3 Years ago
Owner-Managers	60,000	71,000	60,000	60,000

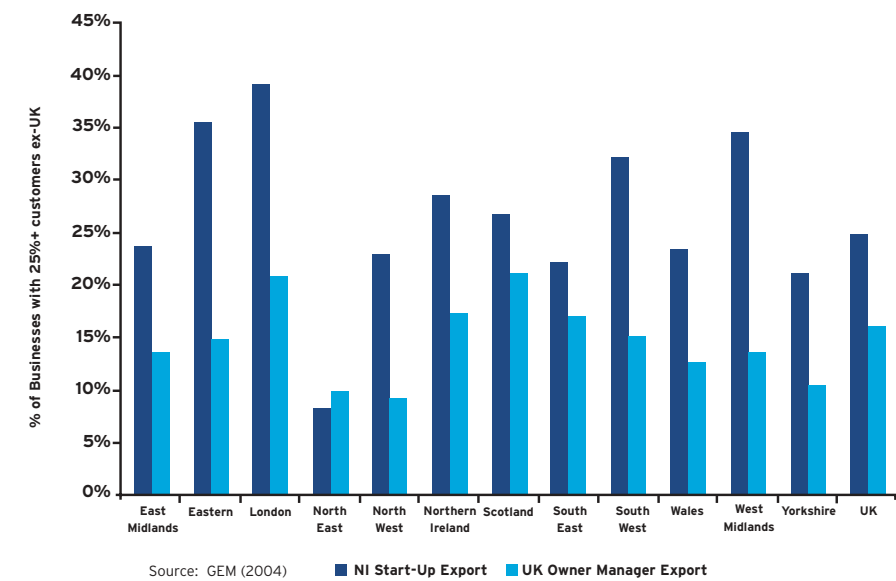
Source: GEM (2004)

The median turnover for start-up business in Northern Ireland is £32,000 in 2004 compared to £40,000 for the UK. Northern Ireland start-ups perceive there to be more limited growth potential over the next three years, anticipating an increase in turnover of just over two-thirds compared to a more than two-fold increase in the UK. Median turnover for NI and UK owner-manager businesses in 2004 is £60,000. On average, owner-managers in Northern Ireland have seen turnover fall by just over 15 per cent while no growth has been experienced by UK owner-managers over the same three year period. This again raises issues about differences in expectations among start-up compared to owner-manager businesses.

#### Market Orientation

Another indicator of the growth potential of entrepreneurial businesses in Northern Ireland is the extent to which they are already engaging in export activity. The GEM survey measures this through the proportion of customers based outside the UK. Figure 4.8 shows that almost 29 per cent of start-ups and 17.5 per cent of owner-managers have 25 per cent or more of their customers outside the UK. Northern Ireland ranks 5th highest out of the UK regions after London, the East of England, West Midlands and South West in terms of the export activity of start-ups measured in this way.

**Figure 4.8: Export Orientation of Business in the UK Regions, 2004**



With the exception of the North East, start-ups appear to be more export orientated than owner-manager businesses across all other UK regions. Northern Ireland ranks third after London and Scotland in terms of the export orientation of owner-manager businesses. This should be viewed in the context of the close proximity of Northern Ireland to the Republic of Ireland and the restrictive size of the small local market.

## Technology and Innovation

The GEM survey attempts to gauge the extent to which start-up and owner-manager businesses are adopting new technology and engaging in innovation. It does so by asking questions on the newness of the product/service to the market, the number of competitors and the use of new technology. Together these measures combine to provide some overview of the degree of innovativeness in entrepreneurial businesses in Northern Ireland.

**Table 4.3: Innovativeness of Entrepreneurial Businesses in NI and the UK, 2004**

	Product Newness to Customer (%)	Number of Competitors (%)	Technology not available one year ago (%)
Start-ups			
NI	New to some: 26.7 New to all: 26.7	Many: 26.7 Some: 46.7	20.0
UK	New to some: 18.2 New to all: 26.0	Many: 43.1 Some: 40.9	20.5
Owner-Manager Businesses			
NI	New to some: 11.4 New to all: 18.2	Many: 50.0 Some: 40.9	13.6
UK	New to some: 10.5 New to all: 21.2	Many: 56.0 Some: 38.7	14.9

Source: GEM (2004)

Table 4.3 shows that businesses in Northern Ireland in general compare favourably with UK businesses in terms of the GEM measure of "innovation". For example, one-fifth of start-ups are using technology that they state was not available 12 months previously. This proportion has increased by 8 percentage points from 2003 and has also increased marginally for owner-manager businesses. In 2004 over half of start-ups and just under one-third of owner-managers state that their products/services are new to customers. This confirms the positive results highlighted in the GEM NI 2003 report.

## 4.4 Summary

The analysis of entrepreneurs and their businesses in Northern Ireland have highlighted the following key points:

## Who are Northern Ireland's Entrepreneurs?

- Females are less than a third as likely to be entrepreneurs as males in Northern Ireland. The level of female entrepreneurship in Northern Ireland is the lowest of all UK regions and the gap between male and female entrepreneurship one of the widest.
- The proportion of men and women in Northern Ireland involved in entrepreneurship as a result of perceived opportunities is lower than in the UK. Alternatively, necessity entrepreneurship is higher in Northern Ireland for both.
- Entrepreneurial activity in Northern Ireland is highest among those aged 35 to 44. Around 7 per cent of the population in this age group are involved in the start-up process.
- Graduates are more likely to be entrepreneurs than any other qualifications group in Northern Ireland. However, female graduates record one of the lowest TEA rates of all UK regions.
- As in the UK, entrepreneurial activity in Northern Ireland increases with income. However, Northern Ireland has one of the lowest levels of entrepreneurial activity of all UK regions in the high income group and is among the top half in terms of entrepreneurial activity among the lowest income group.

## What do we know about New Businesses?

- Business Services is a key sector for start-ups, particularly nascent entrepreneurs (start-up businesses in the gestation period). As in the UK, 1 in every 4 businesses which are in the process of being set up are in this sector.
- The Construction sector dominates new owner-manager businesses (operating for less than 42 months) in Northern Ireland. Northern Ireland owner-managers are less likely to be involved in Financial and Business Services than the UK.
- The average size of start-up is slightly larger than the UK and their growth aspirations bigger. On the other hand, the size of owner-manager businesses in Northern Ireland is smaller on average. Estimated growth potential by owner-managers generally tends to be less optimistic than start-up businesses.

- The average annual (median) turnover for Northern Ireland start-ups in 2004 is £32,000 compared to £40,000 for the UK. Northern Ireland start-ups anticipate more limited turnover growth potential over the next three years.
- While the average annual turnover of owner-manager businesses in the UK and Northern Ireland are the same in 2004, this has fallen by 15 per cent over a three year period in Northern Ireland while remaining largely unchanged in the UK.
- In terms of export orientation, Northern Ireland's rank position in the UK regions is relatively good. This should be viewed in the context of Northern Ireland's close proximity to the Republic of Ireland market and the restrictive size of the local market.
- Businesses in Northern Ireland in general compare favourably with UK businesses in terms of the GEM measure of "innovation".

## SECTION 5 ENTREPRENEURIAL CULTURE IN NORTHERN IRELAND

### 5.1 Introduction

As in previous years the GEM survey includes a number of questions which allow attitudes to entrepreneurship among the adult population to be examined from a number of perspectives including perceived opportunities for starting up in business, self-capacity to start up a business and an indication of the general cultural support for entrepreneurship in a country/region. Why is this important? It is argued that if a society contains more people with 'entrepreneurial values' more people will seek to become entrepreneurs. These 'entrepreneurial values' are proxied by a number of questions in the GEM study. Recent research on the GEM data for 2003 in the Netherlands has demonstrated the links between entrepreneurial attitudes and entrepreneurial activity (Bosma and Wennekers, 2004)<sup>8</sup>.

For these reasons, it is important to measure over time a set of attitudes towards starting a business and entrepreneurship in general. The GEM UK 2004 survey allows us to do this and builds on the results in previous years. However, the comparisons presented in this section are purely descriptive and although some simple 'correlations' with entrepreneurial activity (i.e., TEA) across the regions of the UK are presented, they should not be interpreted as having a direct causal link with levels of entrepreneurship. Further work is required to determine more precisely which aspects of culture impact on levels of entrepreneurship and in what way.

### 5.2 Attitudes in Northern Ireland: a UK comparison

Table 5.1 shows the attitudes of individuals<sup>9</sup> in Northern Ireland towards entrepreneurship and provides a comparison with the UK as a whole. The first four questions relate to individual perceptions about their own capacity to set up a business. Generally, respondents in Northern Ireland do appear to be more negative about their own entrepreneurial capacity than those in the UK as a whole - most importantly, fewer feel that they have the skills to start a business and a greater number regard the 'fear of failure' as a barrier to starting their own business. The differences between Northern Ireland and the UK are some 10 percentage points. However, similar proportions of individuals in Northern Ireland and the UK have personally known an entrepreneur in the past two years and see good opportunities for start-up in the next 6 months.

The last three questions largely focus on cultural support towards entrepreneurship. In general, the population of Northern Ireland perceive entrepreneurial activity to be of high status, a good career choice and that media coverage is favourable. The status of an entrepreneur in Northern Ireland is significantly higher than in the rest of the UK. Yet, the paradox that was first identified continues. People

<sup>8</sup> Bosma and Wennekers, "Issue and Challenges in the European Union", Global Entrepreneurship Monitor 2004 Executive Report.

<sup>9</sup> The responses reported in this section include both entrepreneurs (i.e., those involved in start-up activity and owner-managers) and non-entrepreneurs in the Northern Ireland and UK samples.

in Northern Ireland are clearly not translating these aspirations into genuine entrepreneurial activity due to a lack of perceived opportunity for new venture creation, the absence of the necessary skills to be successful combined with a 'fear of failure'.

**Table 5.1 Attitudes towards Entrepreneurship in Northern Ireland and the UK, 2004<sup>10</sup>**

	Northern Ireland (%)	UK (%)
I personally know an entrepreneur	25.3	27.6
There are good start-up opportunities	34.5	35.9
I have the skills to start a business	43.7	51.7
Fear of failure would prevent me from starting a business	43.0	32.9
Setting up a business is a good career choice	56.8	54.2
Entrepreneurs have a high status	77.0	71.3
There is good media coverage of entrepreneurship	58.6	55.4

Source: GEM (2004)

There are significant differences in attitudes towards entrepreneurship between the UK regions (Table 5.2). The pattern that was identified in previous years broadly persists in 2004. There is a clear difference in many of the entrepreneurial attitudes between the 'north' and 'south' of the UK. For example, individuals in the North West, North East and Yorkshire and Humberside are significantly less likely to know an entrepreneur than individuals in the East of England and London - the difference is around 10 percentage points. Northern Ireland is ranked 8th out of the UK regions in terms of knowing an entrepreneur. Although the proportion in Northern Ireland (25.3%) who know an entrepreneur remained unchanged between 2003 and 2004 the relative position has changed as it was ranked 5th last year.

When individuals were asked whether they possessed the knowledge and skills to engage in starting a business venture the gap between some of the 'northern' regions (including Northern Ireland) and London and the East of England is again around 10 percentage points. The proportion of individuals in Northern Ireland who believe they have the necessary knowledge and skills to start a business is the second lowest among the UK regions after the North East region.

There is a clear regional pattern concerning attitudes to risk as proxied by the question "would the fear of failure prevent you from setting up your own business?". Again, regions in the 'south' of England display the lowest proportions acknowledging 'fear of failure'. From this it emerges that individuals in Northern Ireland are more risk averse than in any other UK region - 2 out of 5 individuals

<sup>10</sup> The figures reported in this table differ slightly from those reported in the main GEM UK report. This is due to the application of a new weighting framework which has been refined since the analysis for that report was undertaken.

in Northern Ireland (43%) acknowledge that the fear of failure would be an obstacle to them starting a business.

The regional pattern is less marked when respondents were asked whether they considered starting a new business a good career choice or whether a successful new business was seen as a high status activity. Attitudes towards entrepreneurship as a career choice are most positive in Northern Ireland of all the UK regions as is the high status attached to setting up a new business. In addition, coverage of entrepreneurship in the media is among the strongest in Northern Ireland where 59 per cent of the population report that the coverage is good.

**Table 5.2: Attitudes towards Entrepreneurship: UK regions compared, 2004**

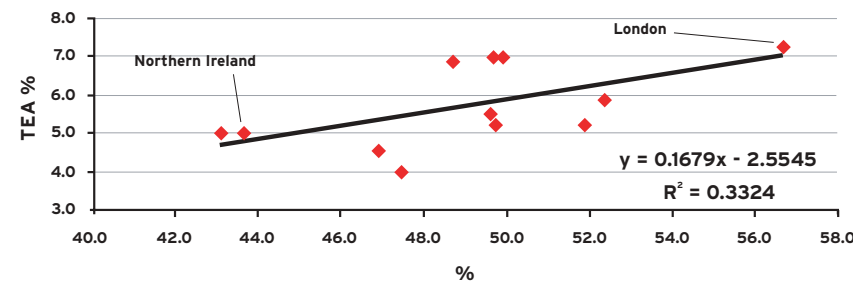
	Know entrepreneur	Good start-up opps	Have skills	Fear of failure	Entre is good career	Entre has hi status	Media coverage good
East Midlands	27.9	37.4	49.9	34.4	52.3	73.0	54.0
East of England	29.9	37.1	52.4	34.4	53.4	73.4	56.5
London	29.2	35.3	56.7	33.6	57.4	71.4	54.3
North East	21.3	29.0	43.1	35.2	53.3	72.6	59.2
North West	20.8	36.5	47.5	36.1	56.1	72.7	56.5
<b>Northern Ireland</b>	<b>25.3</b>	<b>34.5</b>	<b>43.7</b>	<b>43.0</b>	<b>56.8</b>	<b>77.0</b>	<b>58.6</b>
Scotland	29.0	36.5	49.7	37.1	52.2	74.5	58.5
South East	28.3	38.5	49.7	31.6	55.7	71.4	55.4
South West	27.3	33.9	48.7	30.0	54.0	66.5	53.8
Wales	24.5	35.6	49.6	35.7	52.2	74.5	60.1
West Midlands	28.6	34.9	51.9	33.4	49.4	69.6	52.9
Yorks & Hum.	21.9	35.9	46.9	33.6	57.5	71.9	56.1

Source: GEM (2004)

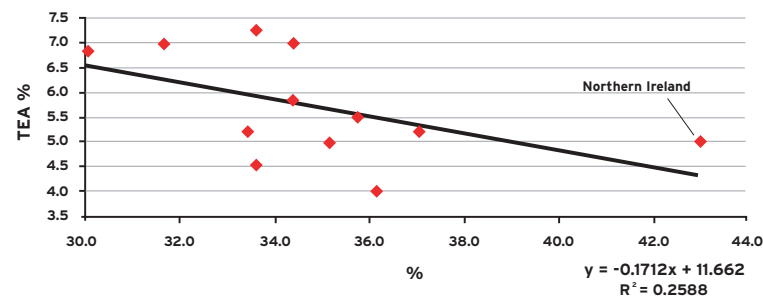
How do these attitudes relate to the actual level of entrepreneurial activity in the region? Figure 5.1 provides some indication by correlating the proportion of the adult population who state that they have the necessary knowledge and skills to start a business against the overall TEA rate for the region. The scatter-plot shows that there is some loose correlation between the overall TEA rate in a region and the proportion of the adult population who state that they have the necessary start-up skills. Similarly, for fear of failure there is some weak evidence to suggest that those regions with larger proportions of the adult population reporting that this would prevent them from setting up a new business have lower overall levels of entrepreneurial activity.

However, care needs to be exercised here as the data is presented without any causal link demonstrated. The attitudes held by individuals, and picked up in a very broad way through the GEM survey, are obviously mediated by many influences and it is too simplistic, for example, to suggest that increasing the knowledge and skill set of individuals will automatically increase the level of entrepreneurial activity in a region. Further work needs to be done in a multivariate context which seeks to explore these relationships between attitudes and entrepreneurial actions while controlling for other factors such as gender, age, employment status, income and education. For example, the proportion of the population who report that they have the necessary skills is related to age with younger age groups (apart from the 18-24 age group) having the highest proportions: 49 per cent in the 25-34 age compared to 40 per cent in the 55-64 age group. This work is currently ongoing with the 2003 and 2004 GEM datasets at the regional and national level (Hart et al., 2004).

**Figure 5.1: Total Entrepreneurial Activity (TEA) and Possession of Knowledge and Skills for New Business by UK Region, 2004**



**Figure 5.2: Total Entrepreneurial Activity (TEA) and Fear of Failure by UK Region, 2004**



Source: GEM (2004)

### 5.3 Women's Attitudes to Entrepreneurship

The gender gap in terms of the self-assessment of the ability to start up in business remains quite marked in Northern Ireland and is broadly consistent with that observed in the UK overall. As Table 5.3 shows, women are less likely to have personally known an entrepreneur in the past two years, less likely to believe there are good start-up opportunities and more likely to fear failure. There is a particularly stark contrast between men and women in the proportion who believe they have the necessary skills to start a business, just over half of men compared to a third of women.

**Table 5.3: Attitudes towards Entrepreneurship by Gender (NI and the UK), 2004**

	Northern Ireland		UK	
	Men (%)	Women (%)	Men (%)	Women (%)
I personally know an entrepreneur***	30.1	20.3	32.0	23.0
There are good start-up opportunities ***	40.0	28.8	39.4	32.1
I have the skills to start a business***	54.5	32.5	59.9	42.8
Fear of failure would prevent me from starting a business***	40.8	45.2	30.8	35.2
Setting up a business is a good career choice	57.3	56.4	53.4	55.2
Entrepreneurs have a high status	76.3	77.7	70.9	71.6
There is good media coverage of entrepreneurship	59.3	57.8	55.9	54.8

Source: GEM (2004)  
Note: \*\*\* significant at the 99.9% confidence level.

Women in Northern Ireland are more likely than women in the UK, and indeed in any other region, to report that fear of failure would prevent them from starting a new business venture. Fewer women in Northern Ireland compared to almost all other regions (except the North West and the North East) indicate that they have the requisite skills to start a business while similar proportions indicate that they personally know an entrepreneur and that opportunities for start-up are good. On the positive side, the comparison also reveals that similar proportions of women in Northern Ireland and the UK regard setting up a new business venture as a good career choice. However, men in Northern Ireland are much more likely than their counterparts in the UK to regard entrepreneurship as a good career choice.

Some interesting and dramatic differences in attitudes are revealed when comparisons are made between Northern Ireland and Ireland (Figure 5.4). In terms of their own capacity to set up in business, there are some stark differences between the two regardless of gender. Men and women in Ireland are much more likely to know an entrepreneur in particular and also believe that there are good start-up opportunities. However, a similar proportion of men in Northern Ireland and Ireland believe they have the skills to start up in business. Women in Northern Ireland are less likely to believe this to be the case than their Irish counterparts. Fear of failure is lower in Ireland regardless of gender, although the differences between women compared to men are not as marked.

**Table 5.4: Attitudes towards Entrepreneurship by Gender (NI and Ireland), 2004**

	Northern Ireland		Ireland	
	Men (%)	Women (%)	Men (%)	Women (%)
I personally know an entrepreneur	30.1	20.3	48.3	32.5
There are good start-up opportunities	40.0	28.8	48.9	36.9
I have the skills to start a business	54.5	32.5	56.1	40.5
Fear of failure would prevent me from starting a business	40.8	45.2	33.4	41.9
Setting up a business is a good career choice	57.3	56.4	66.3	64.6
Entrepreneurs have a high status	76.3	77.7	86.2	84.9
There is good media coverage of entrepreneurship	59.3	57.8	78.2	74.5

Source: GEM (2004)  
 Note: The NI figures have been rounded for comparative purposes

Cultural support towards entrepreneurship is higher in Ireland than Northern Ireland. A greater proportion of men and women in Ireland perceive setting up in business as a good career choice and that entrepreneurs have a high status. Differences between Northern Ireland and Ireland are most marked in terms of media coverage.

**5.4 Changing Attitudes in Northern Ireland?**

How have these attitudes to entrepreneurship changed in Northern Ireland over the last year? The interpretation of year-on-year fluctuations in attitudes are difficult and caution should be exercised. Indeed, it would be surprising if there were significant changes in the values, beliefs and behaviour in a 12 month period. The value of the annual GEM questions on attitudes will emerge over much longer periods of time. The evidence in Table 5.5 would suggest that there has been some marginal change in attitudes towards entrepreneurship in Northern Ireland since 2003. For example, there has been a relatively small increase in the proportion of respondents reporting more opportunities for new venture creation. The increase is slightly larger in the UK. Further, the differences between men and women in 2004 are consistent with the findings from the 2003 GEM survey.

**Table 5.5: Attitudes towards entrepreneurship in Northern Ireland and the UK: 2003 and 2004**

	Northern Ireland		UK	
	2003 (%)	2004 (%)	2003 (%)	2004 (%)
I personally know an entrepreneur	25.4	25.3	25.0	27.6
There are good start-up opportunities	31.8	34.5	34.8	35.9
I have the skills to start a business	41.7	43.7	47.7	51.7
Fear of failure would prevent me from starting a business	40.0	43.0	34.2	32.9
Setting up a business is a good career choice	59.2	56.8	52.2	54.2
Entrepreneurs have a high status	77.1	77.0	72.6	71.3
There is good media coverage of entrepreneurship	60.7	58.6	56.5	55.4

Source: GEM (2004)

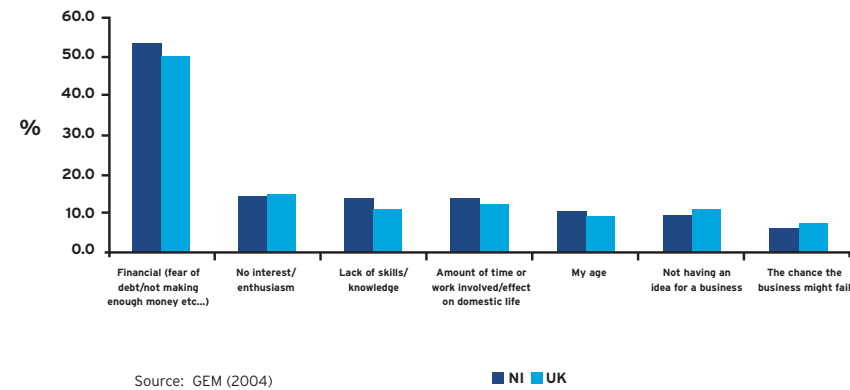
In Northern Ireland the proportion of the adult population reporting that they have the skills necessary to start a business has increased very slightly since 2003 but still remains at just over two-fifths of respondents. The proportion of individuals who cite 'fear of failure' as a reason for not starting a business has increased marginally in Northern Ireland. In the UK there has also been a slight increase in the numbers reporting that they have the requisite skills for business start-up while the proportion citing fear of failure as an obstacle to business start-up remains virtually unchanged at one-third.

**5.5 Entrepreneurship: Barriers and Motivations**

Further insights into the entrepreneurial culture in Northern Ireland can be obtained by examining barriers and motivations for new venture creation. Questions were included in the GEM survey for the first time in 2004 about the perceived barriers and motivations to entrepreneurship. Figure 5.3 reports on the barriers to entrepreneurship by those individuals<sup>11</sup> who responded 'no' to the question about recently considering setting up a business or whether it was something they might do in the future. Fear of debt is the single most important barrier to entrepreneurship for individuals in Northern Ireland (53.4%). The second biggest barrier is lack of interest/enthusiasm followed by a lack of skills or knowledge and then the amount of time required and the impact it would have on domestic life. One in ten respondents reported that age and the lack of a business idea as a barrier to starting a business or becoming self-employed. The pattern in Northern Ireland is almost identical to that for the UK as a whole.

<sup>11</sup> The number of respondents to this question was 410 in Northern Ireland.

**Figure 5.3: Perceived Barriers to Entrepreneurship in NI and the UK, 2004**



Identical proportions (i.e., 53%) of men and women cite fear of debt as the major barrier to business ownership and self-employment. In general there is very little difference between the barriers reported by men and women in Northern Ireland except in two respects. First, 13 per cent of women report that a barrier to entrepreneurship is the amount of time involved and the effect it would have on domestic life compared to 6 per cent of men. Second, a lack of a business idea is a more important barrier for women than men: 15 per cent compared to 11 per cent. Unlike the UK, where women are more likely to report their age as a barrier, there are no differences in the proportion of men and women citing their age as a barrier to setting up a new business or self-employment.

## 5.7 Summary

The key points to emerge from this analysis of attitudes towards entrepreneurship in Northern Ireland in 2004 can be summarised as follows:

- Respondents in Northern Ireland are more negative about their own entrepreneurial capacity than those in the UK as a whole - fewer see good opportunities and fewer feel that they have the skills to start a business.
- However, the population of Northern Ireland perceive entrepreneurial activity to be of high status, a good career choice and that media coverage is favourable.

- People in Northern Ireland - especially women - are clearly not translating these aspirations into genuine entrepreneurial activity due to a lack of perceived opportunity for new venture creation, the absence of the necessary skills to be successful combined with a 'fear of failure' - Northern Ireland suffers more from these constraints than any other region in the UK.
- In general, the climate for entrepreneurship appears more positive in Ireland compared to Northern Ireland. Individuals in Ireland are more likely to know an entrepreneur than those in Northern Ireland. They are also more likely to perceive that there are good start-up opportunities and are less likely to state that fear of failure would prevent them from setting up in business. However, a similar proportion of men in both Northern Ireland and Ireland believe they have the skills to start up in business. Cultural support towards entrepreneurship is also generally higher in Ireland than Northern Ireland.
- There have been some small changes in the overall profile of attitudes to entrepreneurship in Northern Ireland between 2003 and 2004 - there has been some increase in the proportion of individuals reporting that there are good start-up opportunities in the next 6 months and that they have the necessary knowledge and skills to start a business.
- Fear of debt emerges as the single most important barrier for men and women in Northern Ireland to setting up their own business or moving into self-employment.

## SECTION 6 ACCESS TO FINANCE

### 6.1 Introduction

One of the greatest **perceived** obstacles facing start-ups and indeed small firms generally is access to finance.<sup>12</sup> This is particularly true of the “riskier” start-up phase when the business concept is not proven and security is a major issue for the suppliers of finance (banks, venture capitalists etc.). A not insignificant amount of research has been undertaken to understand the existence and/or nature of the “equity gap” for start-ups.

GEM makes an important contribution to this debate. The adult population survey includes a number of detailed questions which focus on the financing of new business ventures.

### 6.2 Scale and nature of start up finance

#### Adequacy of Start-up Finance

Around 46 per cent of individuals believe there are adequate sources of external start-up funding available in Northern Ireland. This compares to 47 per cent for the UK ranging at a regional level from 30 per cent in Wales to 73 per cent in the East of England.

#### Costs of Start-up

The average (median<sup>13</sup>) costs of start-up in Northern Ireland are £14,000 compared to a UK average of £15,000.<sup>14</sup> Median start-up costs range from £7,000 in the West Midlands and Scotland to £20,000 in regions such as the South East, East of England, Wales and the North East. Average start-up costs are about one-quarter times higher for men than women in Northern Ireland.

Some 55 per cent of start-up costs in Northern Ireland are met by the entrepreneur themselves compared to around two-thirds for the UK as a whole. In Northern Ireland, the proportion of start-up costs invested by the entrepreneur is the same regardless of gender while in the UK female entrepreneurs contribute more of their own funds. This provides some indication of the initial financing requirements faced by entrepreneurs.

#### External Sources of Funding

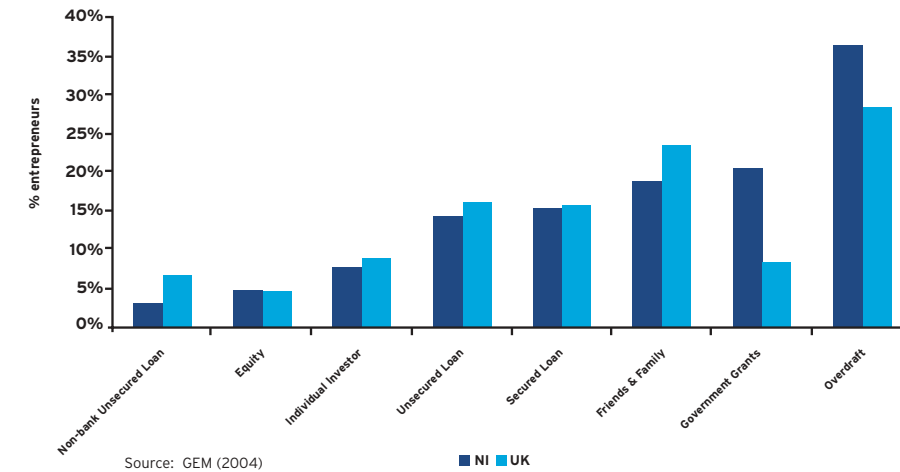
Figure 6.1 outlines the external sources of start-up funding for Northern Ireland and UK ventures.

<sup>12</sup> Improving access to finance is one of the key themes of the Small Business Service Action Plan for Small Business

<sup>13</sup> Unless otherwise stated all figures quoted are expressed as the median.

<sup>14</sup> The mean start-up costs in Northern Ireland were almost £112,000.

**Figure 6.1: Sources of Finance for Start-ups in NI and the UK, 2004**



The main sources used to finance start-ups in the UK outside of personal investment are through a bank overdraft and to a lesser extent from friends and family. In Northern Ireland, a greater proportion of entrepreneurs are likely to use bank overdraft facilities and government sources to fund their start-up costs. Around one in every five entrepreneurs in Northern Ireland, the North East and Scotland have used or propose to use government sources to fund their new venture. This is significantly higher than in all other UK regions.

The most likely source of external finance used to fund start-ups by both men (38%) and women (31%) in Northern Ireland is a bank overdraft. Men do appear more likely to access a wider range of sources including unsecured borrowings and equity finance.

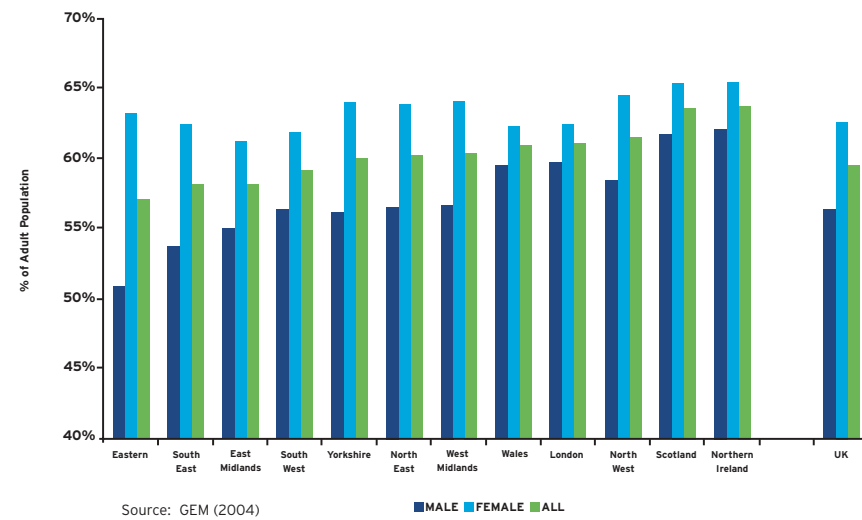
#### Failure to Access Funding

Key reasons for failing to access finance in Northern Ireland include high finance costs, fear of debt, the business being too small and the nature of the business. Fear of debt is a particular issue in Northern Ireland, the North East and North West.

#### Importance of Finance as a Deterrent to Start-up

Almost two-thirds of individuals in Northern Ireland state that a lack of external funding (outside of family and friends) would prevent them from starting up in business. Along with Scotland, this is the highest of all UK regions. The average for the UK is around 60 per cent. Women are more likely to perceive a lack of finance as a deterrent to business start-up compared to men. However, the gap between men and women in Northern Ireland is one of the smallest of all UK regions although both remain high.

**Figure 6.2: Proportion of the Adult Population Who Would Not Start a Business Due to Lack of External Funding, 2004**

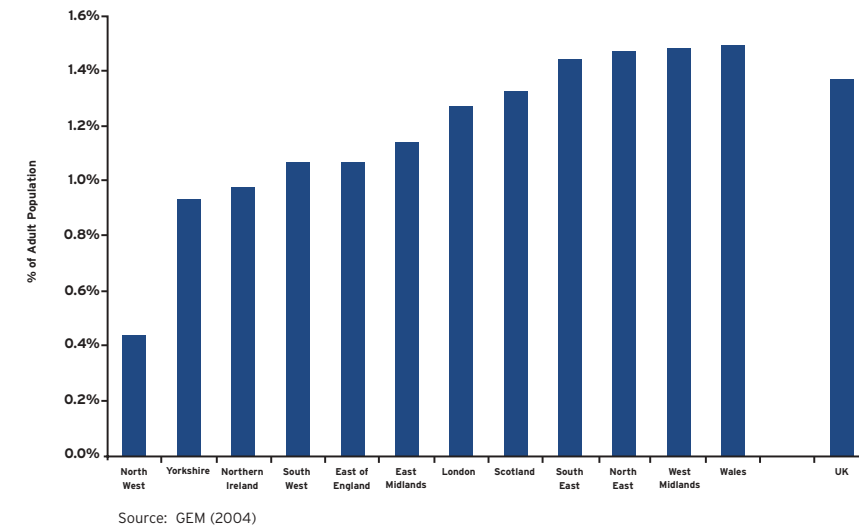


The issue of funding appears to grow less important with age. In Northern Ireland 71 per cent (69% UK) of young adults (aged 18-24) would be prevented from starting up in business due to a lack of external finance. This falls to 53 percent (47% UK) for those aged between 55 and 64.

### 6.3 Informal Investment

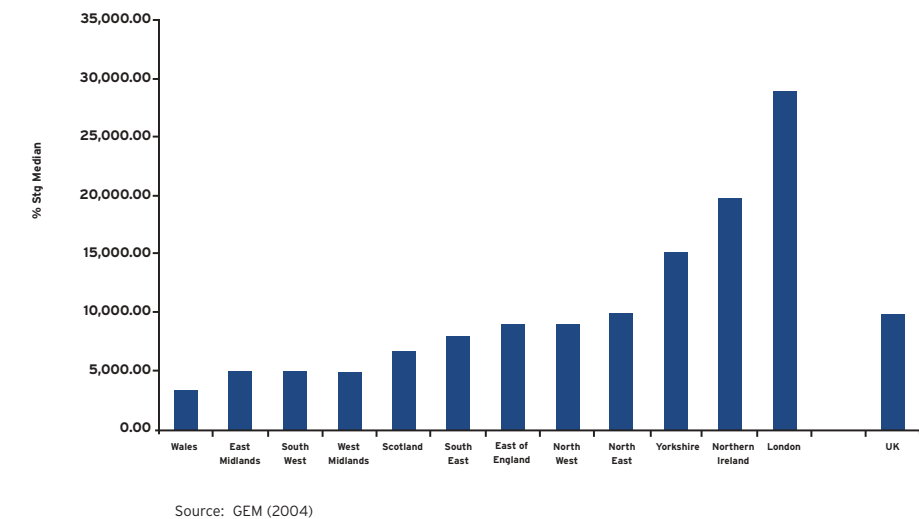
Levels of informal investment or business angel investment are generally low. In Northern Ireland less than 1 per cent of the population in 2004 state that they had personally provided funds for a business start-up other than their own. This compares to 1.4 per cent in the UK which has one of the lowest levels of informal investment of all the GEM participating countries. Informal investment is 2.5 per cent in Ireland and 4.3 per cent in the United States. The figures for Northern Ireland and the UK are marginally lower than in 2003.

**Figure 6.3: Business Angel Investors in the UK Regions, 2004**



Despite having one of the lowest levels of informal investors in the UK, on average investments in Northern Ireland are twice as large; almost £20,000 in Northern Ireland compared to £10,000 in the UK.

**Figure 6.4: Median Amount Invested by Business Angels in the UK Regions: 2004**



All informal investments in Northern Ireland are made to people who are either related to the investor or are a friend/neighbour. For the UK as a whole investments are made to a wider range of individuals including work colleagues and strangers.

## 6.4 Summary

In relation to access to finance, the GEM survey highlights the following key points:

### Scale and Nature of Start-Up Finance

- Almost half of the individuals surveyed believe there are adequate sources of external funding available in Northern Ireland, a similar proportion to the UK.
- The average (median) costs of start-up in Northern Ireland are £14,000 compared to £15,000 for the UK. Average start-up costs in Northern Ireland are around 25 per cent higher for men than women.
- Entrepreneurs in Northern Ireland meet 55 per cent of start-up costs themselves (66% in the UK).
- Bank overdraft is the main source of start-up finance outside of personal investment. In Northern Ireland, a greater proportion of entrepreneurs are likely to use bank overdraft facilities and government sources to fund their start-up costs. The use of government funding is higher in Northern Ireland than most other UK regions with the exception of Scotland and the North East.
- Key reasons for failing to access finance in Northern Ireland include high finance costs, fear of debt, the business being too small and the nature of the business. Fear of debt is a particular issue in Northern Ireland.
- Almost two-thirds of individuals in Northern Ireland state that a lack of external finance would prevent them from setting up in business, one of the highest of all UK regions. Women are more likely to perceive finance as a deterrent than men.

### Informal Investment

- At less than 1 per cent, informal investment activity in Northern Ireland is the lowest recorded of all UK regions. The UK already records one of the lowest levels of informal investment across the GEM participating countries.
- Despite having one of the lowest levels of informal investment in the UK, on average investments in Northern Ireland are twice as large.
- Informal investments in Northern Ireland are largely restricted to relatives of the investor or friends/neighbours. In the UK investments are made to a wider range of individuals including work colleagues and strangers.

## SECTION 7 ENTREPRENEURIAL ACTIVITY ACROSS NORTHERN IRELAND

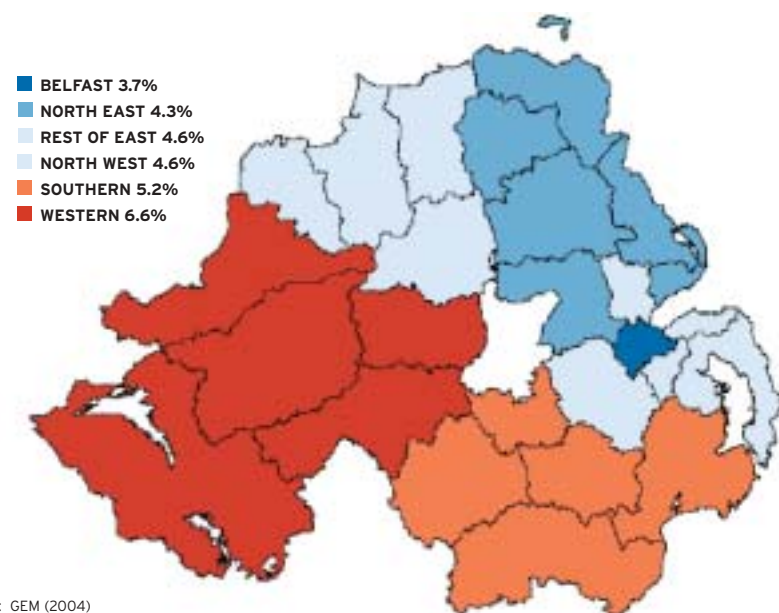
### 7.1 Introduction

The GEM NI sample in 2004 was boosted by Belfast City Council (BCC) and Enterprise Northern Ireland (ENI) to enable more rigorous sub-regional analysis to be undertaken. With an overall achieved sample of approximately 5,000 individuals it is possible to provide a commentary on the extent to which entrepreneurial activity varies across Northern Ireland<sup>15</sup>. Although more detailed analysis will be undertaken for both BCC and ENI, some of the headline findings for the 6 sub-regions are presented in this report: the five INI sub-regions with the Eastern region divided further to provide a discrete focus on the BCC area.

### 7.2 Entrepreneurial Activity by Sub-Region

The level of entrepreneurial activity varies across Northern Ireland with a clear East/West differential emerging. The Total Entrepreneurial Activity (TEA) rate for Northern Ireland as a whole is 5 per cent and within Northern Ireland this ranges from 3.7 per cent in the Belfast City Council area to 6.6 per cent in the Western sub-region. This pattern is broadly similar to that observed for VAT registration data over the last 10 years at District Council level.

**Figure 7.1: Total Entrepreneurial Activity by Northern Ireland Sub-Region (2004)**



Source: GEM (2004)

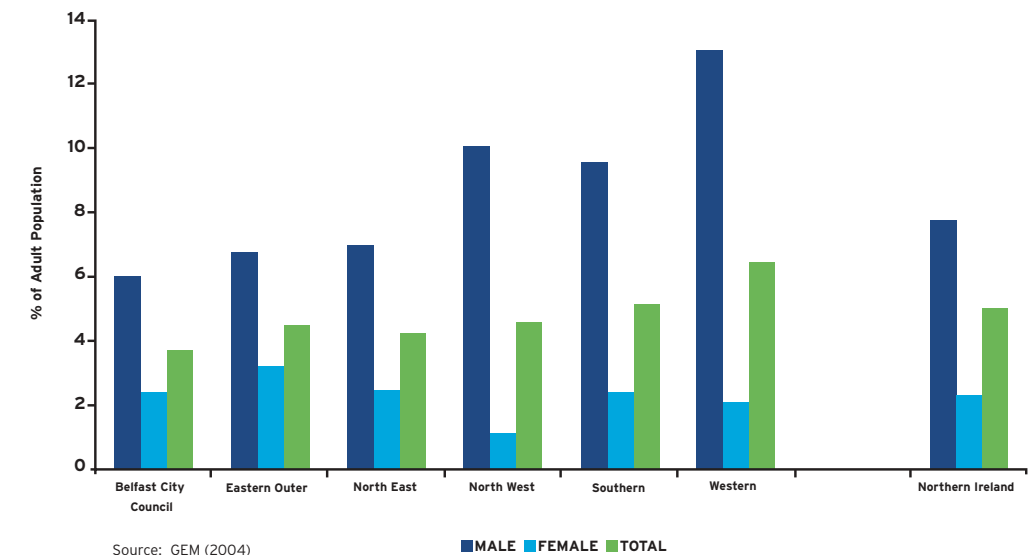
<sup>15</sup> The sample size for each of the 6 sub-regions was as follows: Belfast City Council 1,514; Eastern 'outer' 1,053; North East 549; North West 569; Southern 786 and Western 527.

### Gender

The level of entrepreneurial activity among men and women shows an even greater degree of variation across the 6 sub-regions (Figure 7.2). The highest levels of female entrepreneurial activity are to be found in the Eastern 'outer' sub-region with a rate of 3.2 per cent. The lowest level is in the North West (1.1%). The variation in male entrepreneurial activity is much greater across the sub-regions from a rate of 13.1 per cent in the Western region to 6 per cent in Belfast City Council.

The gap between male and female entrepreneurship within the sub-regions of Northern Ireland also varies markedly. In the North West the gap is most substantial with women only 10 per cent as likely to be involved in entrepreneurial activity as men. Even in the Western sub-region, which exhibits the highest level of overall entrepreneurial activity in Northern Ireland, women are only 16 per cent as likely as men to be engaged in running their own business. The gap is smallest in the Eastern 'outer' sub-region and the Belfast City Council area: 47 per cent and 40 per cent respectively.

**Figure 7.2: Total Entrepreneurial Activity (TEA) by Sub-Region and Gender, 2004**



Source: GEM (2004)

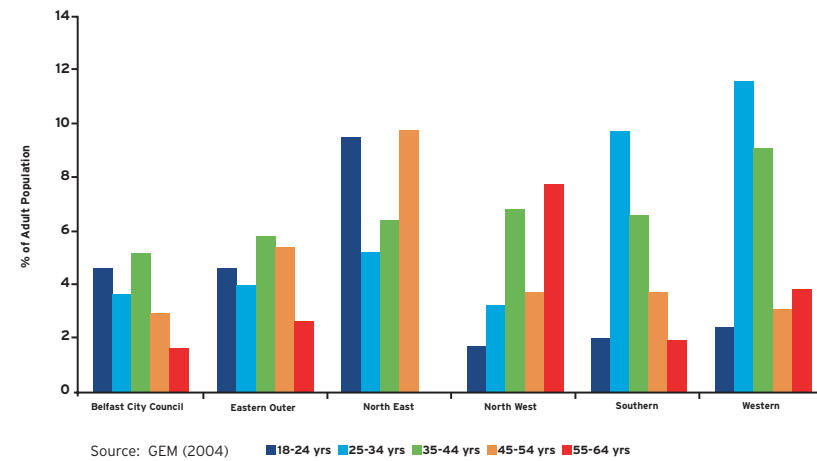
### Age

Figure 7.3 shows that there are large variations in entrepreneurial activity by age group across the 6 sub-regions. The relatively high levels of entrepreneurial activity in the Western sub-region are

clearly associated with above average levels of entrepreneurial activity in the 25 to 34 and 35 to 44 age groups. Similarly, in the Southern sub-region it is individuals in the 25 to 34 age group.

The highest levels of new business activity in the 18 to 24 age group are to be found in the North East, Eastern 'outer' and Belfast City Council areas. At the other end of the age spectrum the North West sub-region is associated with the highest level of entrepreneurial activity in the 55 to 64 age group.

**Figure 7.3: Total Entrepreneurial Activity (TEA) by Sub-Region and Age, 2004**



### 7.3 Entrepreneurial Attitudes by Sub-Region

An examination of attitudes to entrepreneurship across the 6 sub-regions reveals some interesting differences. The profile of attitudes is very varied and demonstrates the existence of sub-regional sets of values, beliefs and behaviour across Northern Ireland. Some points are striking. Most importantly, it would appear that the relatively high levels of actual new business activity in the Western sub-region are associated with very positive attitudes towards entrepreneurship. Individuals here are much more likely to report that they have the requisite knowledge and skills to start a business and regard entrepreneurs as having a high status in society and that setting up your own business is a good career choice.

Other points to note are the relatively low levels of 'fear of failure' reported in the Eastern 'outer' sub-region and the above average number of respondents acknowledging the good levels of media coverage highlighted in the North West and Western sub-regions.

**Table 7.1: Attitudes towards Entrepreneurship by Sub-Region, 2004**

	BCC	Eastern 'outer'	North East	North West	Southern	Western	NI
I personally know an entrepreneur	27.1	26.5	25.8	32.8	25.3	25.2	25.3
There are good start-up opportunities	37.0	35.2	34.2	37.5	40.8	37.2	34.5
I have the skills to start a business	43.3	45.4	45.3	42.5	49.3	47.4	43.7
Fear of failure would prevent me from starting a business	40.7	37.6	43.0	43.5	42.5	44.2	43.0
Setting up a business is a good career choice	58.2	48.7	58.6	58.4	58.5	66.1	56.8
Entrepreneurs have a high status	77.6	74.7	77.9	73.6	76.4	85.1	77.0
There is good media coverage of entrepreneurship	55.9	56.7	56.3	64.7	60.5	65.6	58.6
Total Entrepreneurial Activity (TEA)	3.7	4.6	4.3	4.6	5.2	6.6	5.0

Source: GEM (2004)

### 7.4 Summary

The sub-regional analysis of the GEM dataset for Northern Ireland reveals very clear differences in both the level of entrepreneurial activity and also attitudes towards entrepreneurship. It would appear that the observed differences in start-up activity are in some way related to a range of demographic characteristics, personal attributes and attitudes towards entrepreneurship. Further work on sub-regional differences will be undertaken in the coming year in conjunction with BCC, ENI and Invest NI.

## SECTION 8 CONCLUSION AND POLICY IMPLICATIONS

### 8.1 Overview of the GEM 2004 Results

#### Level of Entrepreneurial Activity

The Global Entrepreneurship Monitor (GEM) adult population survey for 2004 has confirmed that entrepreneurial activity in Northern Ireland has increased since 2002. This pattern of change has largely mirrored what is happening in the overall UK context and maintains Northern Ireland's rank position of 9th out of all UK regions. In an international context, entrepreneurial activity in Northern Ireland continues to be higher than a number of EU countries including Germany and Italy. The gap between male and female entrepreneurship is however one of the widest of all UK regions and Northern Ireland records one of the lowest levels of female entrepreneurship among the regions.

The GEM adult population survey was boosted in 2004 to 5,000 individuals as a result of additional sponsorship by Belfast City Council (BCC) and Enterprise Northern Ireland (ENI). For the first time therefore it has been possible to provide a robust sub-regional analysis of the GEM data. There is a clear pattern of variation in entrepreneurial activity across the Northern Ireland sub-regions with a marked east/west differential. Entrepreneurial activity ranges from 3.7 per cent in Belfast to 6.6 per cent in the Western sub-region. This pattern is similar to that observed from the VAT registration data at District Council level over the last ten years and provides an indication of the strong east /west dynamic in enterprise activity here. This wide variation across Northern Ireland is clearly related to a range of demographic characteristics, personal attributes and attitudes toward entrepreneurship which merit further understanding and analysis. The sub-regional analysis provides important insights into understanding the drivers behind entrepreneurial activity in Northern Ireland as a whole.

#### Attitudes to Entrepreneurship

Cultural support towards entrepreneurship in Northern Ireland is high in relation to other UK regions. People in Northern Ireland perceive entrepreneurial activity to be of high status, a good career choice and find media coverage of entrepreneurship is favourable towards it. These positive attitudes are most strongly felt in the Western region where the level of entrepreneurial activity is highest. However, generally people in Northern Ireland appear more negative about their own entrepreneurial capacity than in the UK as a whole. Fear of failure is a particular barrier and fewer people feel they have the skills to set up in business. These negative self perceptions are most strongly felt by women. Therefore the problem lies not necessarily with improving perceptions of entrepreneurship but with providing individuals with the requisite skills and confidence to take up the challenge.

Fear of debt is the single most important barrier for men and women in Northern Ireland to setting up their own business. Further, almost two-thirds of individuals in Northern Ireland state that a lack of finance would prevent them from setting up in business, one of the highest figures for all UK regions.

### 8.2 Encouraging Entrepreneurship in Northern Ireland: Expert Views

As part of the GEM approach to the annual investigation of the level and nature of entrepreneurial activity in participating countries and regions, the involvement of experts is actively sought. Their role is to provide the GEM research team with an annual assessment of the conditioning factors for entrepreneurship in their country or region against which the headline results can be better understood and policy developed. In 2004 a group of 18 experts in Northern Ireland were identified representing a wide range of organisations and businesses from the public and private sector, including education, finance, industrial and economic development and local economic development. The group of experts also included successful Northern Ireland entrepreneurs. The panel of experts was asked to comment on those factors which had a positive influence on entrepreneurship in Northern Ireland, those factors which limited entrepreneurship and to make suggestions about what could be done to increase entrepreneurship in Northern Ireland. The outcomes of each are highlighted below.

In terms of factors which have a positive influence on entrepreneurship in Northern Ireland, the following key points are noted:

- Government's commitment to promoting entrepreneurship has been very positively regarded. There is a well developed support/training network available in Northern Ireland with the existence of organisations such as Invest NI and Enterprise Northern Ireland (ENI). The "Go for It" campaign also received a positive endorsement from many experts. In addition, the wider expert survey highlighted that many experts believe that there are an adequate number of government programmes for new and growing business, that they are relatively well supported and are effective in what they were trying to achieve.
- There has been some shift towards entrepreneurship in the education system both within schools and universities. There is more exposure to enterprise through teaching methods. There is a good education/skills base from which to develop this although, as the limitations highlight, there is still more to do.
- The experts believe that, in general, the physical infrastructure is well developed in Northern Ireland. Transport networks are good and utilities are affordable. There is a view that technology has greatly facilitated the networking capacity of individuals and businesses locally.

- The current economic climate is believed by the experts to have a positive effect on entrepreneurship and has created both push and pulls factors. There are some significant areas for potential growth. The majority of experts agreed that good opportunities for new firms have increased considerably over the last five years.
- There is some sense that attitudes towards entrepreneurship are changing as visibility has improved through the media etc. The positive image of entrepreneurship was endorsed by the expert survey in terms of the high standing of entrepreneurs in society as competent, resourceful individuals.

Our panel of experts was asked to reflect upon those factors that **limit** entrepreneurial activity in Northern Ireland. A number of common themes emerge and they can be summarised as follows:

- The most prominent issue raised by individuals as a limit on entrepreneurial activity is the impact of social and cultural norms. Fear of failure is a strong negative influence in Northern Ireland. This is a powerful deterrent to those individuals thinking of setting up in business, a fact which is borne out by the adult population survey. Northern Ireland records one of the highest fears of failure of all UK regions. This is allied with a lack of self confidence about having the necessary skills to set up in business.
- The majority of experts believe that the culture in Northern Ireland does not support risk taking. The mentality here is an insular one. An over reliance on the public sector, good social security system and employment regulations all prevent individuals from taking risks. The "security" of employment acts as a strong barrier to enterprise and detracts from a desire to be entrepreneurial.
- While there has been progress, the education system in Northern Ireland is still not sufficiently geared towards promoting entrepreneurship as a viable career option. The perception is that it is much more focused on employment and the professions. The extent to which business experience is brought out through teaching is limited. Independent careers advice is critical. Again, the expert survey highlighted that most experts believe that teaching in primary and secondary education does not provide sufficient attention to entrepreneurship and new firm formation.
- Despite positive comments on publically funded programmes, some concerns still exist. There is a belief that there are too many leading to duplication and that they are not necessarily

appropriate to business needs. In addition, there is too much bureaucracy and the length of time taken to access support is excessive.

- The small size of the local economy is restrictive. The critical mass is simply not present from which to spin out new businesses.
- The banks in Northern Ireland are believed to be too conservative and parochial. They are not fully supportive of or understanding to business needs, particularly start-up businesses. There remain some gaps in finance provision.
- There is limited awareness of potential collaboration between business and the universities. The links between the two are tenuous.

The panel of experts were asked to outline what could be done to increase entrepreneurial activity. The following suggestions were made to the GEM research team:

- While in overall terms government programmes and initiatives developed to assist entrepreneurial activity in Northern Ireland were positively endorsed by the experts a number of further suggestions were made:
  - ✦ There needs to be more factually based messages about entrepreneurship, in particular through the promotion of role models.
  - ✦ Support mechanisms need to be more visible and better integrated.
  - ✦ A decrease in bureaucracy is required to reduce the burden on business.
  - ✦ The time taken to process applications needs to be much faster.
  - ✦ The ability to spin-out new businesses/entrepreneurs from existing business should be explored.
  - ✦ More innovative approaches to networking should be developed.
- More generally, the experts highlighted the following areas for continued improvement:
  - ✦ More young people need to be exposed to the benefits of starting a business. If culture is to be changed then the starting point should be education. While the seed should be planted at primary school there is a need to embed business understanding and skills in the curriculum at secondary level with a stronger focus on building on entrepreneurial competencies within Further and Higher Education. In general, entrepreneurship education needs to be more targeted, structured, integrated and less ad hoc.

- ✦ There is a need to find ways of increasing innovation and research and development. While progress is being made to strengthen greater links between the business community and the universities, continuing development is required.
- ✦ More needs to be done to encourage business owners to consider the benefits of private equity participation. Smaller investment funds are required and the role of non-executive directors should be expanded.

### 8.3 Concluding Remarks

The research team has found a much greater degree of optimism among the experts in 2004. There is a largely positive endorsement of government policy towards entrepreneurship through the Accelerating Entrepreneurship Strategy and a belief that, albeit slowly, changes are being felt.

However, there is recognition that to transform attitudes, values and beliefs the pace of change will be necessarily slow. Indeed, the importance placed by the experts on the education system in contributing to that change highlights that it is important to take the longer term view.

Therefore, longitudinal tracker studies of entrepreneurial activity in Northern Ireland have the ability to provide some indication of progress towards a more entrepreneurial society in Northern Ireland. The range of measures and indicators established by GEM provides a set of key metrics from which to measure that change.

## APPENDIX 1 TECHNICAL NOTE

### GEM UK 2004 Adult Population Survey

#### 1. Sample Size

The GEM UK survey was carried out by telephone during the Spring and early Summer of 2004 and achieved responses from 24,000 individuals across all regions of the UK. In Northern Ireland responses were obtained from 5,000 individuals and this represented one of the largest regional samples within the GEM UK survey. The minimum sample size in the other UK regions was 1,000 adults. The sample sizes in Scotland and Wales were both 2,000.

The sample was weighted to reflect the latest age and gender proportions across the UK regions. The unweighted and weighted data is presented in the table below.

**Table A1: GEM NI Sample 2004**

	Unweighted Responses	Weighted
<b>Gender</b>		
Males	3,112	310
Females	1,886	322
<b>Age</b>		
Less than 18	110	-
18-24 years	477	73
25-34 years	1,011	118
35-44 years	1,147	124
45-54 years	903	114
55-64 years	696	96
65+ years	654	108

Source: GEM (2004)

#### 2. Statistical Reliability

One of the key issues concerning the GEM Global and UK projects is the robustness of the international and regional comparisons. The accuracy of all survey results depends on the size of the sample. Unless the sample forms a large proportion of the overall population, (which clearly would not be the case with this survey) it is the sample size which counts, not its proportion of the total. Thus, to minimise standard errors in cases where different areas or other segments of the sample are to be compared, it was considered preferable to have equal samples in those areas or segments - i.e., region, gender and age.

Although the 'skew' of responses affects error margins, its impact is much smaller than that of sample size. The improvement in robustness gained by increments to sample size starts to drop off significantly as the sample size increases. Thus, in considering sample size, it is not so much the overall sample size that is at issue; - it is the size of sub-samples which is critical, and then the capacity of these sub-samples for further disaggregation.

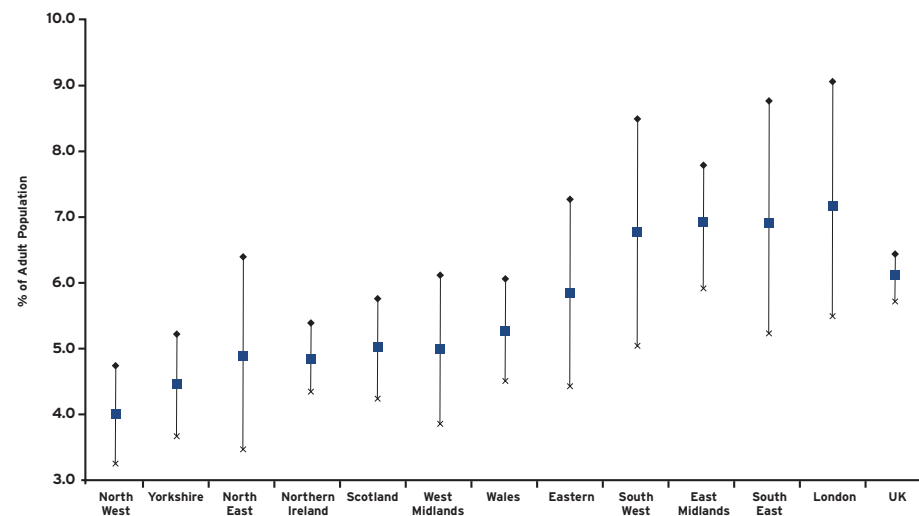
Generally, therefore, larger samples give greater capacity for sub-sample analysis. Equally, it is better to have larger sub-samples, where possible, to ensure that robustness is not lost.

In terms of the reliability of the GEM UK 2004 results it is important to report the confidence levels for the Northern Ireland Total Entrepreneurial Activity (TEA) Index. The overall TEA for Northern Ireland in 2004 was 5.0 per cent of the adult population. Therefore, with a sample size of 5,000 the following confidence limits at the 95% level can be estimated:

5.0 +/- 1.96 x (Std. Err.)  
 5.0 +/- 1.96 x 0.316  
 5.0 +/- 0.62

Therefore, in the context of the UK regional comparisons the 95% confidence limits for the Northern Ireland TEA can be said to lie in the range 4.4 to 5.6. Confidence levels for TES index for each of the 12 regions are set out in Figure A1.

**Figure A1: Confidence Limits for TEA in the UK Regions**



Source: GEM (2004)

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Further copies of the Northern Ireland GEM Report can be accessed through the Invest NI website @ www.investni.com or by writing to Paul Brush, Invest NI, Goodwood House, 44-58 May Street, Belfast BT1 4NN.

If you require this brochure in an alternative format (including Braille, disk, audio cassette or in minority languages to meet the needs of those whose first language is not English) then please contact: Invest NI's Equality Unit, Invest NI, Goodwood House, 44 - 58 May St, Belfast BT1 4NN Tel: 028 9023 9090.

