



Global Entrepreneurship Monitor

Northern Ireland Summary 2008

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GEM UK: Northern Ireland Summary 2008

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The Global Entrepreneurship Monitor (GEM) is an international project involving 43 countries in 2008 which seeks to provide information on the entrepreneurial landscape of countries. Many studies have shown that that entrepreneurship is an important driver for economic growth, competitiveness and job creation. The results of the GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. This is the sixth year that Invest NI, supported by the Department of Enterprise, Trade and Investment have participated in GEM and the fourth year that the Belfast City Council has boosted the sample to provide analysis and evidence for its economic development strategy for the city. The sample size in Northern Ireland was 2,999 adults aged over 16 years of age in 2008.

Main Findings

- The level of early stage entrepreneurial activity (TEA) in Northern Ireland was 4.8 per cent in 2008 compared to 4.9 per cent in 2007. The TEA rate for the UK as a whole in 2008 was 5.5 per cent. The gap between Northern Ireland and the UK remains consistent at around four-fifths (87 per cent) – although it has narrowed since 2002, when the NI TEA was 67.6 per cent of the UK average.
- Northern Ireland still remains in a group of UK regions with the lowest level of early stage entrepreneurial activity in 2008. However, the regional differences in 2008 are much narrower than in previous years and the rate in Northern Ireland is not statistically significant from other regions.
- The proportion of the non-entrepreneurial population reporting that there are good opportunities for start-up in their local areas in the next 6 months has fallen sharply in Northern Ireland since 2007 – almost twice that reported in the UK and the largest fall in any of the regions. On the other hand, Northern Ireland residents appeared to maintain start-up expectation rates, and skills perception has remained steady albeit lower than elsewhere in the UK. Once again, people in Northern Ireland in 2008 are significantly more likely to state that ‘fear of failure’ would prevent them from starting their own business.
- In 2008 the level of entrepreneurial activity in Northern Ireland is 44 per cent of that in the US (TEA rate 10.8 per cent) and 63 per cent of that in Ireland (TEA rate 7.6 per cent).
- The level of *high-growth expectation early-stage entrepreneurial activity* (HEA) in Northern Ireland is 0.5 per cent which is significantly lower than in the UK (0.7 per cent) - pooled data over the 2002-08 period.
- Female entrepreneurship in Northern Ireland is still low (2.3 per cent) by UK and international standards while the level of entrepreneurial activity for males is more than three times greater at 7.4 per cent.
- For the first time since 2002 young adults (25-34 year olds) in Northern Ireland have above UK average levels of entrepreneurial activity (7.9 per cent). However, once again those aged 55 years and over in Northern Ireland are significantly less likely to be engaged in early stage entrepreneurial activity than their counterparts elsewhere in the UK.
- Graduates in Northern Ireland are less likely than all but two other regions in the UK (i.e. Scotland and the North West) to be involved in early-stage entrepreneurial activity.

Background

Invest NI, in partnership with the Department of Enterprise, Trade and Investment, Enterprise Northern Ireland and Belfast City Council sponsored the Northern Ireland component of the Global Entrepreneurship Monitor (GEM UK) research project. Stimulating entrepreneurship remains an important challenge for government in Northern Ireland and Invest NI has taken the lead in ensuring that it is embedded within its core activities. This is the seventh year in which Invest NI has participated in GEM and we are beginning to see the results of that commitment as we now have one of the largest databases on entrepreneurial intentions of any region of the UK for the period 2002-2008. Where appropriate, we draw upon this pooled dataset of c160,000 respondents for the UK (c20,000 in Northern Ireland) to provide trend analysis. Participation in the GEM project is providing valuable evidence regarding the level of early stage entrepreneurship within Northern Ireland.

The results from GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. It also enables comparisons to be made with the other regions of the UK and other countries participating in GEM. Overall, GEM's unique ability to provide information on the entrepreneurial landscape of countries in a global context makes its data a necessary resource for any serious attempt to study and track entrepreneurial behaviour.

It is important that we better understand the determinants of early

stage entrepreneurship, because there is evidence to suggest a connection between higher rates of entrepreneurship and overall economic prosperity.

How GEM Measures Entrepreneurial Activity

GEM creates an index of early stage entrepreneurial activity (known as TEA) using the following approach:

- A telephone survey of a random sample of the adult population is conducted between May to September.
- The TEA index is the sum of those respondents classified as nascent¹ entrepreneurs and new firm entrepreneurs².
- In addition the GEM survey asks all respondents about their attitudes to entrepreneurial activity.

The TEA index does not measure all entrepreneurial activity and is not based on a survey of business entities. It measures the characteristics of entrepreneurial individuals and the types of entities they establish. As such it is a unique and internationally comparative measure of the cultural propensity of a nation, or region, to be entrepreneurial.

One way of distinguishing between different types of entrepreneurial activity is the extent to which the

¹ The active planning phase in which the entrepreneur has done something during the past 12 months to help start a new business, a new business that he/she will at least part own.

² The second phase is the first 42 months after the new venture begins to trade. Entrepreneurs who at least part own and manage a new business that is between 4 and 42 months old and have not paid salaries for longer than this period are referred to as new firm entrepreneurs.

activity is based on necessity (i.e. there are no better alternatives for work) or opportunity (where entrepreneurs may be exploiting the potential for new market creation).

The following presents a summary of the headline results, and key themes arising from the GEM survey in 2008 and the analysis of the seven years of GEM data (2002-08).

Early Stage Entrepreneurial Activity (the TEA Index)

Figure 1 shows the level of early stage entrepreneurial activity (TEA) for the UK regions between 2007 and 2008. The rate of early stage entrepreneurship in Northern Ireland for 2008 is 4.8 per cent. This equates to around one in every twenty adults or almost 50,000 individuals which were divided equally between those individuals in the very early stages of starting a business (nascent entrepreneurs) and those who had a new business which was between 3 and 42 months old.

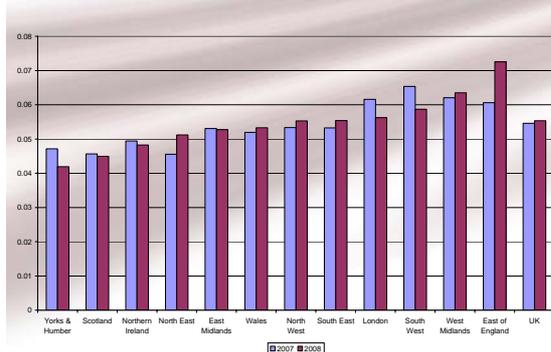


Figure 1: Early-stage entrepreneurial activity in the UK Regions in 2007 and 2008 (Source: GEM APS, 2008)

Looking at the 2002-2008 period we can now see a significant increase in early stage entrepreneurial activity in Northern Ireland from 3.7 per cent in

2002 (Figure 2). Therefore, apart from 2006, the level of early stage entrepreneurial activity in Northern Ireland has been around 5 per cent

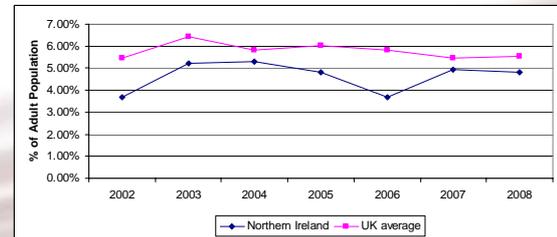


Figure 2: Early Stage Entrepreneurial Activity in Northern Ireland and the UK (2002-08). (Source: GEM APS)

Northern Ireland still ranks in the bottom three of the 12 UK regions, a position largely unchanged since 2002. However, it is important to note that the distribution of TEA rates across the UK regions in 2008 was narrower than in 2002 and there was only one statistically significant difference in the regional TEA rates in 2008 – Yorkshire and Humberside is significantly lower than the level of entrepreneurial activity in the West Midlands, East of England and the UK (Figure 3).

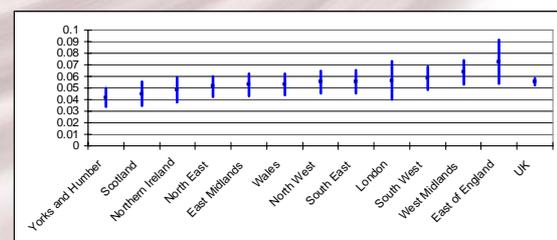


Figure 3: Early-Stage Entrepreneurial Activity in the UK Regions in 2008. (Source: GEM APS)

We can observe that Northern Ireland's lower TEA rate in 2008 is a function of the significantly lower levels of opportunity entrepreneurial activity in Northern Ireland (4.0 per cent) compared to the UK overall (4.4 per cent). This was an almost identical gap to that observed in 2007. Further, the gap in TEA between Northern Ireland and the UK had been narrowing since the project started and currently stands

at 87 per cent of the TEA for the UK (68 per cent in 2002).

When we look at TEA by place of birth across the UK we find that the rate of early stage entrepreneurial activity for people born in Northern Ireland falls slightly to 4.5 per cent (c.f., 5.4 per cent in 2007). Indeed, 5.0 per cent of individuals who were born in Northern Ireland but who are now living in GB were engaged in early stage entrepreneurial activity (c.f. 6.3 per cent for those born in the Republic of Ireland). This is a departure from the findings from the 2006 and 2007 GEM UK surveys. The implication, therefore, is that the 'boost' to regional entrepreneurial activity in GB by adults born in Northern Ireland has faltered since 2007.

The GEM survey also asks how long an individual has lived in the region and it is possible to identify in-migrants to the region. Across all the UK regions levels of early stage entrepreneurial activity for in-migrants are higher than for life-long residents. In Northern Ireland, for example the TEA rate for in-migrants was 5.9 per cent compared to 4.3 per cent for life-long residents. The distinction is even more pronounced between immigrants and life-long residents in Northern Ireland: 8.5 compared to 4.3 per cent. This further underlines the importance of the distinction between 'entrepreneurial people' and 'entrepreneurial places'.

Early stage entrepreneurship in Northern Ireland is 44 per cent of the US (TEA rate of 10.8 per cent) which is wider than that observed in 2007. It is now 63 per cent of Ireland's level of entrepreneurial activity (TEA rate of 7.6 per cent), a position which has consistently improved since 2002, when it was 36 per cent. Northern Ireland is also placed above some EU

countries including Belgium, Germany Denmark and Italy.

Who are the Northern Ireland Entrepreneurs

Gender: In 2008, the female level of entrepreneurial activity in Northern Ireland is 2.3 per cent compared to 7.4 per cent for males. This is the same as the level in 2007. Women are around one-third as likely to be entrepreneurs as males in the region. Looking at the 2002-08 period we observe that, since 2004, the level of female entrepreneurial activity has been relatively stable in both the UK and Northern Ireland (Figure 4). Therefore, the gap between the levels of female entrepreneurial activity in Northern Ireland and the UK has been consistent at around 63 per cent. Northern Ireland is still ranked bottom of the 12 UK regions in 2008 in terms of the rate of early stage entrepreneurial activity among women.

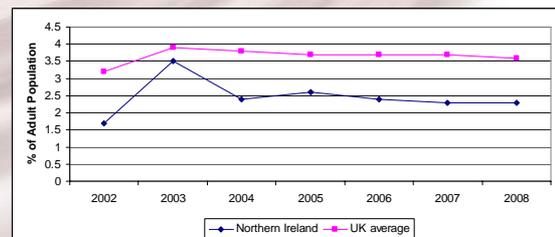


Figure 4: Early Stage Female Entrepreneurial Activity in Northern Ireland and the UK, 2002-2008). (Source: GEM APS)

Age: In Northern Ireland, 2.8 per cent of young people (aged 18 to 24) are engaged in early stage entrepreneurial activity compared to 4.1 per cent for the UK as a whole (Figure 5). This is a slight fall in both Northern Ireland and the UK for this age group since 2006: 3.2 and 4.3 per cent respectively although this change is not statistically significant.

Early stage entrepreneurial activity in Northern Ireland peaks for those aged 25-34 (7.9 per cent) while for the UK as a whole the highest levels are found among those aged 35 to 44 (7.1 per cent). This is the reverse of the 2007 results and represents an increase of 2.2 percentage points for this age group in Northern Ireland. Northern Ireland is now ranked 5th out of the 12 UK regions in terms of early stage entrepreneurship amongst the 25-34 age group.

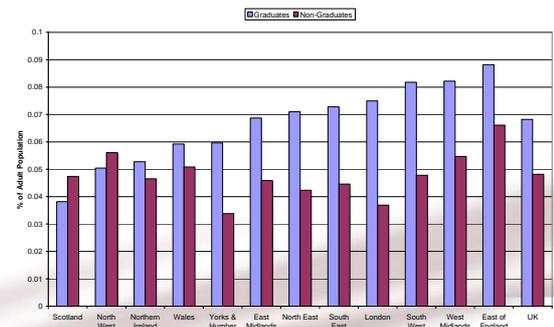


Figure 6: Early Stage Entrepreneurial Activity in the UK Regions by Graduate Status, 2008. (Source: GEM APS, 2008)

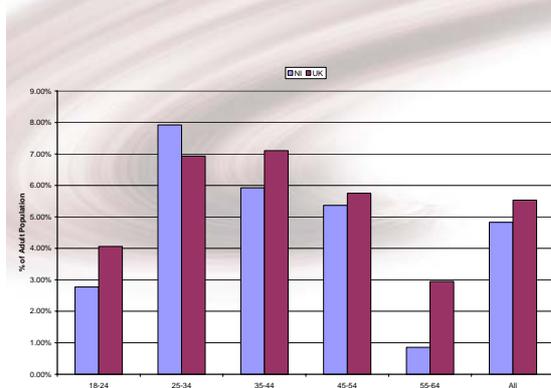


Figure 5: Early Stage Entrepreneurial Activity in Northern Ireland and the UK by Age, 2008. (Source: GEM APS, 2008)

Education: The average level of early stage entrepreneurial activity for graduates in the UK in 2008 is 6.8 per cent (7.2 per cent in 2007). There was a fall in the level of graduate entrepreneurship in Northern Ireland since 2007 from 5.9 to 5.2 per cent of graduates currently residing in the region (Figure 6). However, from a UK regional perspective Northern Ireland remains at the bottom of the regional rankings, along with Scotland (3.8 per cent) and the North West (5.0 per cent). These two regions are unique in having slightly higher TEA rates in the non-graduate resident population.

Entrepreneurial Attitudes and Perceptions

GEM has developed a number of attitudinal statements which provide a proxy for entrepreneurial potential in a country/region. They include knowing a person starting a business in the last 2 years, perception of good opportunities for start-up, self belief in possessing the relevant skills to set up in business and the importance of fear of failure as a deterrent to setting up in business.

It is increasingly being realised that GEM attitudinal data is best treated at the group rather than individual level, because individuals who are already entrepreneurs may feel compelled to provide positive answers in the APS. Here, in a departure from previous years, we report attitudinal data only for that portion of the population who are not already entrepreneurs.

In Northern Ireland, 24.6 per cent of individuals state that they know an entrepreneur, similar to the UK as a whole (Figure 7). What stands out again in Northern Ireland is that, as in previous years, fewer people believe they have the skills to set up in business compared to all other UK

regions. Fear of failure is once again significantly higher in Northern Ireland than any other UK region at 45.3 per cent. The differences between Northern Ireland and the UK for these two measures are large and statistically significant.

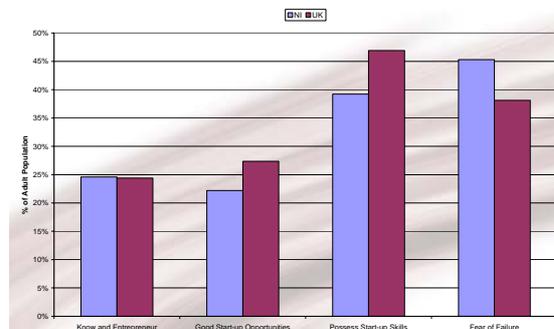


Figure 7: Entrepreneurial Attitudes and Perceptions in Northern Ireland and the UK (2008). (Source: GEM APS, 2008)

The perception of start-up opportunities in Northern Ireland is lower than the UK average (22.2 per cent and 27.4 per cent respectively) but almost half the level reported in 2007 (i.e., 39.1 per cent).

Between 2002 and 2007 the proportion of the adult non-entrepreneurial population reporting there were good start-up opportunities in Northern Ireland had increased by 14 percentage points: from 24.7 to 39.1 per cent. This mirrored the overall UK trend which registered an increase of 9 percentage points. However, the effects of the economic downturn on confidence since 2007 are now being clearly signalled as the proportion of respondents reporting good start-up opportunities in the UK and Northern Ireland has fallen to the levels reported in 2002 (Figure 8). The fall in Northern Ireland of 17 percentage points is almost double the fall in the UK overall (9 per cent).

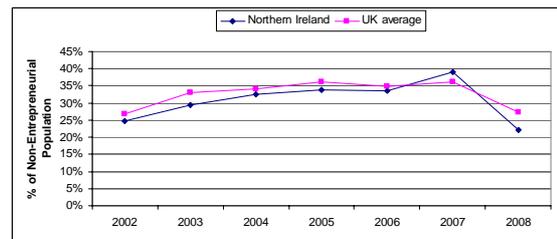


Figure 8: Perception of Start-up Opportunities in Northern Ireland and the UK, 2002-08. (Source: GEM APS)

Looking to the future, 4.8 per cent of adults in Northern Ireland expect to start a business within the next three years compared to 5.3 per cent in the UK (Figure 9). This difference, which is not statistically significant, is smaller than in 2007. Northern Ireland has tracked the trend in the UK over the period 2002-08 and, more importantly, the proportion of the non-entrepreneurial population reporting that they intend to start a business in the next three years has more than doubled from 2.2 to 4.8 per cent.

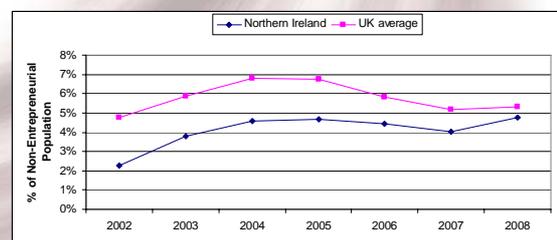


Figure 9: Future Start-up Expectations (within 3 years) in Northern Ireland and the UK, 2002-08. (Source: GEM APS)

Men are twice as likely as women to report that they intend to start a business in the next three years in Northern Ireland (Figure 10). In 2008 3.3 per cent of women in Northern Ireland are expecting to start a business in the next 3 years compared to 6.4 per cent of men. Only the West and East Midlands have a gap between males and females which is larger than in Northern Ireland. In the UK 7.0 per cent of males and 3.7 per cent of females reported that they expected to start a business in the next three years.

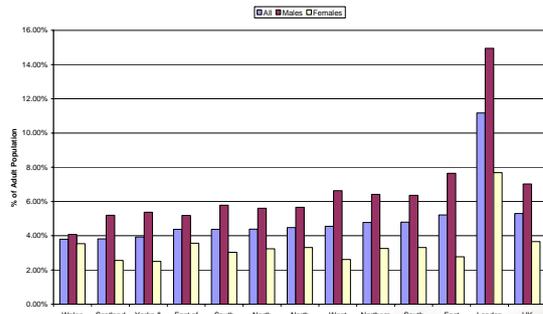


Figure 10: Future Start-up Expectations (within 3 years) in the UK Regions by Gender, 2008. (Source: GEM APS, 2008)

Growth Potential of Entrepreneurial Activity

Across the world, the majority of businesses expect little or no growth³. The GEM method enables the categorization of early-stage start-up attempts according to their growth ambition. GEM asks all identified early-stage entrepreneurs how many employees they expect to have within five years' time.

Initially, we focus on the prevalence of new and nascent entrepreneurs who expect their business will employ at least 20 people in five years' time. This is known as *high-growth expectation early-stage entrepreneurial activity*, or HEA. In the following analysis, seven years of GEM data (years 2002-2008) are combined to take a closer look at how growth ambitions differ among early-stage entrepreneurs in the UK regions.

In the UK, the HEA rate is 0.7 per cent which is significantly less than in the US and Ireland (Figure 11). The HEA rate for Northern Ireland is 0.5 per

³ Expectations of high growth are rare among nascent and new entrepreneurs. Only 70 per cent of all start-up attempts expected any job creation at all. Only 8 per cent of all start-up attempts expected to create 20 or more jobs.

cent. Overall, there is a great deal of variation across the UK regions with the lowest HEA rates found in the 'northern' regions and countries. Northern Ireland has a HEA rate significantly lower than in the UK overall as well as London and the South East.

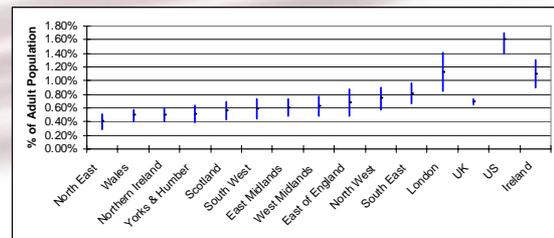


Figure 11: Prevalence Rates of High-Growth Expectation Early-Stage Entrepreneurship (HEA) in the UK Regions 2002-08 (Source: GEM APS)

GEM has another more restrictive growth potential variable which measures the percentage of all early-stage entrepreneurs who have created more than ten jobs and who expect more than 50 per cent growth in jobs in the next five years. The results for 2008 are illustrated in Table 1 for early-stage entrepreneurs (TEA) and established business owner-managers (EBO)⁴.

Around one-fifth of early stage entrepreneurs in Northern Ireland described themselves as having high job expectations compared to 15.2 per cent in the UK, 22.5 per cent in Ireland and 29 per cent in the US. The Northern Ireland proportion is almost identical to that reported in 2007 (19.6 per cent) and only Ireland in the European countries in the GEM Global survey in 2008 registered a higher share. The proportion of established business owners with high job expectation in Northern Ireland was

⁴ All three variables reported in Table 1 are currently being constructed in the GEM UK pooled dataset for the seven years 2002-08 and will be reported at a later date.

significantly lower than in the UK, Ireland and the US and represented a marked decrease since 2007 (5.6 per cent).

	High Job Expectation (% TEA or EBO greater than ten jobs and growth >50%)		New Product Market (% of all TEA or EBO)		High or Medium tech sectors (% of all TEA or EBO)	
	TEA	EBO	TEA	EBO	TEA	EBO
NI	20.8	1.0	27.2	0.0	11.7	6.3
UK	15.2	4.6	22.0	2.0	12.0	8.9
Ire	22.5	5.5	25.5	3.8	14.1	5.6
US	29.2	8.5	20.2	4.2	7.3	4.7

Table 1: Growth Potential of Entrepreneurial Activity in Northern Ireland, UK, Ireland and the US, 2008
(Source: GEM APS 2008)

The anatomy of early-stage entrepreneurial activity can also be examined through two other GEM variables. GEM assesses innovation in entrepreneurial businesses in a variety of ways. First, there are assessments of early-stage entrepreneurs and established business owner-managers concerning the novelty (or unfamiliarity) of their products or services relative to customers' current experience. A second way that GEM assesses the innovativeness of entrepreneurial businesses is by measuring the degree of competition faced by the business, or whether the owner-manager perceives that many, few, or no other businesses offer similar products or services.

Table 1 also shows the proportion of early-stage entrepreneurs and established business owner-managers who state they operate in new product markets⁵ The proportion of early-stage entrepreneurs who are engaged in a combination of new products and new markets in Northern Ireland is similar

⁵ Where the product is new to all or most customers and where there is little or no competition.

to that reported in 2007 and remains around a quarter (27.2 per cent) and is higher than in the other comparator countries. In essence, this index measures the percentage of early-stage entrepreneurs with novel product-market combinations. These entrepreneurs offer a product or service they believe is new to some or all customers and they also believe that there are few or no businesses offering the same product.

Finally, Table 1 indicates whether early-stage entrepreneurs and established business owners operate in "high" or "medium" technology sectors (according to OECD definitions). Northern Ireland has similar proportions of early-stage entrepreneurs in high or medium technology sectors as in the UK and Ireland, although significantly more than in the US.

Policy Observations

Developing enterprise and an enterprise culture remain key policy objectives within Northern Ireland and sits firmly within the corporate objectives of both Invest NI and DETI. The current economic downturn or crisis has presented a new and unanticipated challenge to policymakers seeking to develop an enterprise culture within the UK and its regions.

The crisis may have different effects on different *types* and *phases* of entrepreneurship, resulting in both negative and positive trends in activity. Entrepreneurship is thought to be one of the mechanisms that helps turn around recessions by reallocating resources in such a way that promising new activities replace obsolete economic activities. This, of course, is dependent upon the institutional

context found within each country and region.

The evidence from the GEM 2008 survey (May-September) about the effects of the developing economic crisis can be summarised as follows:

- The level of early-stage entrepreneurial activity in Northern Ireland, as in the rest of the UK remains unchanged in 2008 – Most individuals who planned to start a business just before the crisis emerged are unlikely to change these intentions, especially if they are driven by the wish to work independently.
- However, the perception of good opportunities for start-up has declined markedly throughout the UK in 2008 and Northern Ireland has followed that trend.
- On the other hand, Northern Ireland residents appeared to maintain start-up expectation rates, and skills perception has remained steady. This may be because nascent entrepreneurship requires some commitment, and the nascent entrepreneurs in our sample were committed before the downturn in general sentiment in late 2008.
- Fear of failure has consistently been higher in Northern Ireland than elsewhere in the UK but this remains at the same level as in 2007 – although it has increased marginally in the UK.
- There is no evidence to suggest that as the economic downturn intensified in the middle of 2008 there was any decrease in the level of innovative entrepreneurship in Northern Ireland.

Disclaimer

This report is based on data collected by the GEM consortium and the GEM UK team; responsibility for analysis and interpretation of the data is the sole responsibility of the authors.

