



Entrepreneurship in Northern Ireland in 2004: An Overview

Total Entrepreneurial Activity

- Total entrepreneurial activity index (TEA) for Northern Ireland is 5.0%. This means that around one in 20 adults (aged 18 to 64) in Northern Ireland are presently engaged in early stage entrepreneurial activity.
- This equates to roughly 52,000 adults currently active as entrepreneurs in Northern Ireland split almost equally between those planning new businesses and those who have set up a new business in the last 42 months.
- Northern Ireland maintains a relatively low position in the UK regional league table of entrepreneurial activity, ranking 9th out of the 12 UK regions. Relative to the 16 participating EU countries, Northern Ireland ranks in the middle alongside the Netherlands, Spain and Denmark. However, the TEA is less than half that of the United States.
- The TEA rate for Northern Ireland has shown little change since 2003 when it was 5.2% and maintains the increase on the 2002 TEA (3.3%).

The Entrepreneurs

- Women in Northern Ireland have one of the lowest levels of participation in entrepreneurial activity (2.3%) than is evident in other developed countries/regions. The gap between male and female entrepreneurship is particularly wide with women in Northern Ireland less than a third as likely to be entrepreneurs as males. The male TEA for Northern Ireland in 2004 is 7.8%.
- In Northern Ireland:
 - Entrepreneurial activity rates are highest among those with 'graduate' experience.
 - Entrepreneurial activity rates are highest among those aged between 35-44 and lowest in the age group 55+.
 - Although entrepreneurial activity rates increase as income increases, Northern Ireland records one of the lowest levels of activity among those earning high incomes relative to other UK regions.

The New Businesses

- Start-ups in Northern Ireland are spread across Consumer Sectors (34%), Transformative Sectors (33%), Business Services (27%) and Extractive Sectors (6%). The Construction sector dominates businesses recently started by *new firm entrepreneurs* (0-42 months).
- Most new businesses in Northern Ireland are very small. The majority do not anticipate employing any one other than the entrepreneur within the first five years.
- Some 15% of early stage entrepreneurs expect to employ at least 20 people within the first five years, while around 5% of new firm entrepreneurs already employ 20 or more.
- Northern Ireland early stage entrepreneurs are relatively focused on export markets compared to other UK regions, although to a lesser extent than is the case in Ireland. 7% of early stage entrepreneurs expect that at least half of their sales will come from outside of the UK market.

Finance for New Businesses

- One of the greatest perceived obstacles facing start-ups and small firms generally is access to finance.
- The average costs of start-up in Northern Ireland are Stg£14,000 (€20,800). Half of all entrepreneurs expect to start their new business with less than Stg£10,000 (€14,900). Around 55% of start-up costs are met by the entrepreneurs themselves.
- The sources of finance that entrepreneurs expect to use to fund the gap between their own resources and the money needed to start the new business are as follows: bank/financial institutions (71% of entrepreneurs); Government sources (21%); and immediate family (19%). The use of Government sources is relatively high among entrepreneurs in Northern Ireland compared to the average for the UK.
- There is a low level of informal investment in Northern Ireland. Of the adult population, only 0.9% are active as business angels. The rate of informal investment among the population in Northern Ireland has remained unchanged since 2003.

The Cultural Context for Entrepreneurship

- GEM data suggests that there is a supporting cultural context in Northern Ireland. Many experts however believe that 'culture' remains an impediment to increased levels of entrepreneurship.
- The GEM data outlines that:
 - 57% of adults in Northern Ireland consider that starting a business represents a good career choice.
 - 77% of adults in Northern Ireland consider that there is a high degree of status associated with successful entrepreneurial endeavour.
 - 59% of adults in Northern Ireland consider that there is good media coverage of entrepreneurship in Northern Ireland.

The Personal Social Context for Entrepreneurship

- Despite a supporting cultural context, individuals in Northern Ireland are more negative about their own entrepreneurial capacity – fewer see good opportunities (35%) and fewer feel they have the necessary skills to start up in business (44%).
- There are few role models in Northern Ireland. A relatively small number of adults (25%) know a recent entrepreneur.
- 'Fear of failure' as an inhibitor to entrepreneurial activity is much more prevalent in Northern Ireland (43% of adults) compared to, for example, the US (21% of adults).
- Just 6% of adults in Northern Ireland expect to start a business in the next three years. This is less than in the UK in general (9.5%), in Ireland (11%) and considerably less than the US (14%).

The Environment for Entrepreneurship

- The strong positive contributors to a supportive environment are as follows:
 - Government's commitment to promoting entrepreneurship focusing on stimulating and supporting the development of start-ups,
 - Allied to this, greater exposure of the education system to the importance of enterprise, and
 - Well developed physical infrastructure.
- Some of the shortcomings within the Northern Ireland environment that inhibit entrepreneurial activity are as follows:
 - Aspects of social and cultural norms, particularly, a relatively high fear of failure,
 - Related to this, the dominant role of the public sector in the NI economy, good social security system and employment regulations which prevent individuals from taking risks,
 - Despite progress, the education system is still not sufficiently geared towards entrepreneurship, and
 - The restrictive size of the local economy.

Recommendations

- The GEM Northern Ireland report outlines specific recommendations that include the following:
 - A greater focus on role models providing more factually based messages about entrepreneurship and in this context, more innovative approaches to networking.
 - Entrepreneurship education in NI needs to be more targeted, structured, integrated and less ad hoc. The role of the education system in enhancing entrepreneurial skills and motivation and exposing more young people to the benefits of starting a business needs to be further developed.
 - The need to find ways of increasing innovation and research and development reinforcing the link between university and business.
 - Difficulties surrounding access and availability of suitable finance – particularly the need 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.

This summary is based on the results of the 2004 GEM research in Northern Ireland, which was sponsored by Invest Northern Ireland. The GEM Northern Ireland research team, Mark Hart and Maureen O'Reilly, conducted the research as part of the GEM UK research project.