



# Global Entrepreneurship Monitor



**Northern Ireland Summary  
2009**

## GEM UK: Northern Ireland Summary 2009

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The Global Entrepreneurship Monitor (GEM) is an international project involving 54 countries in 2009 which seeks to provide information on the entrepreneurial landscape of countries. Many studies have shown 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. The sample size in Northern Ireland was 3,000 adults aged over 16 years of age in 2009 as a result of support from Invest NI, Belfast City Council and Enterprise Northern Ireland.



## Main Findings

- As the economy was struggling to emerge from the recession in the third quarter of 2009 the level of total early-stage entrepreneurial activity (TEA) in Northern Ireland was 5.2 per cent which was slightly higher than 12 months earlier – the difference was not significant. The TEA rate for the UK as a whole in 2009 was 5.8 per cent which was broadly the same as 12 months earlier (5.3%).
- Northern Ireland is now ranked 9<sup>th</sup> in a group of UK regions and nations in 2009. However, the regional differences in 2009 are much narrower than in previous years and the rate in Northern Ireland is not significantly different from other parts of the UK.
- Female entrepreneurship in Northern Ireland remains low and at 2.4 per cent is now significantly lower than in the UK (3.7%). The level of entrepreneurial activity for males has risen from 7.4 to 8 per cent. The female/male ratio is now less than a third (30%) which is the same as in 2008 and the lowest in the UK.
- There is now a slightly lower proportion of 18-24 year olds who are engaged in early-stage entrepreneurial activity in Northern Ireland (2.3%) compared to the UK average (3.4%). This is a fall of around half a percentage point in Northern Ireland since 2008. There has been a 4-fold rise in TEA rates in the 55-64 year olds since 2008 but there has been a corresponding fall in the proportion of 35-44 year olds engaged in early-stage entrepreneurial activity.
- Graduate TEA rates in Northern Ireland are no different than those for non-graduates and at 5.2 per cent is lower than in the UK overall (8.5%).
- The proportion of the non-entrepreneurial population in Northern Ireland reporting that there are good opportunities for start-up in their local areas in the next 6 months has fallen further but not as much as between 2007 and 2008.
- Future start-up expectation rates in Northern Ireland has fallen slightly compared to 12 months ago.
- Around a third of early-stage entrepreneurs and one in ten established business owner-managers in Northern Ireland thought there were more opportunities for their business as a result of the global slowdown.
- Almost one in six entrepreneurs (nascent; new business owners and established business owners) in Northern Ireland in 2009 were more positive about their prospects for growth than they were before the global slowdown.



## Background

Invest NI, in partnership with Belfast City Council and Enterprise NI, sponsored the Northern Ireland component of the Global Entrepreneurship Monitor (GEM UK) research project. Stimulating entrepreneurship remains an important challenge for the region and Invest NI has taken the lead in ensuring that it is embedded within its core activities. This is the eighth year in which Northern Ireland 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 2002-2009. Where appropriate, we draw upon this pooled dataset of ~180,000 respondents for the UK (~23,000 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<sup>1</sup>.

The results from GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. They also enable 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 and September.
- The TEA index is the sum of those respondents classified as nascent<sup>2</sup> entrepreneurs and new firm entrepreneurs<sup>3</sup>.
- 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

<sup>1</sup> A more detailed report on the GEM UK 2009 findings for Northern Ireland and Belfast will be available in May 2010.

<sup>2</sup> 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.

<sup>3</sup> The second phase is the first 42 months after the new venture begins to pay wages. 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.



of a nation, or region, to be entrepreneurial.

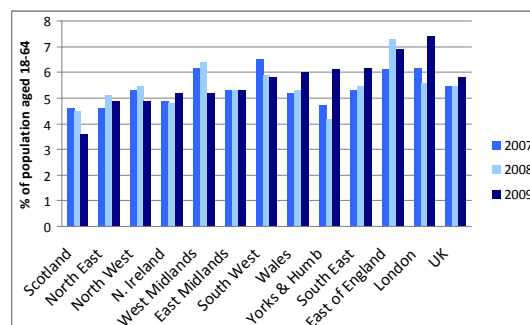
One way of distinguishing between different types of entrepreneurial activity is the extent to which the activity is based on necessity (i.e. there are no better alternatives for work) or opportunity (where entrepreneurs may be exploiting the potential for new market creation).

The following presents a summary of the headline results, and key themes arising from the GEM survey in 2009 and the analysis of the eight years of GEM data (2002-09).

## Total Early-Stage Entrepreneurial Activity (the TEA Index)

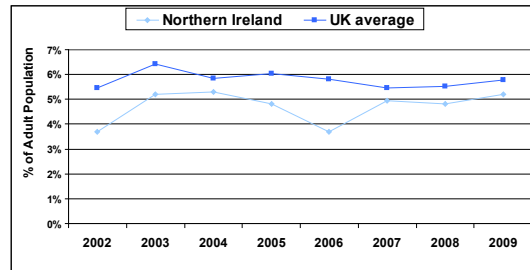
Figure 1 shows the level of total early-stage entrepreneurial activity (TEA) for the UK regions between 2007 and 2009. The rate of early-stage entrepreneurship in Northern Ireland for 2009 rose slightly since 2008: from 4.8 to 5.2 per cent. This rise is not statistically significant. In comparison, the TEA rate for the UK was 5.8 per cent in 2009 which was almost identical to the previous two years.

Overall, a TEA rate of 5.2 per cent in Northern Ireland equates to around one in every twenty adults or just over 57,000 individuals equally divided between those individuals in the very early stages of starting a business (nascent entrepreneurs 2.9%) and those who had a new business which was between 3 and 42 months old (2.5%). We note that rate of new business owners (NBOs) in Northern Ireland is slightly higher in 2009: rising from 2.1 per cent to 2.5 per cent (not significant), while the nascent entrepreneurial rate stayed the same (i.e., 2.9% in 2008). This is slightly different to the UK overall where the nascent rate has fallen while there has been a corresponding increase of 10 per cent in new business owners. In Northern Ireland the rise in NBOs was 19 per cent.



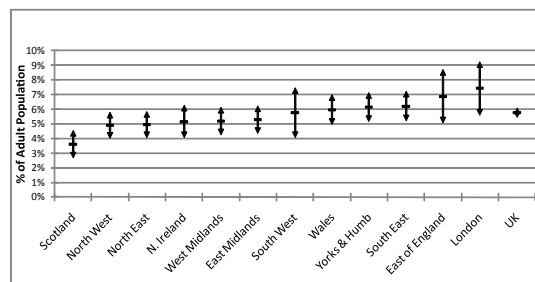
**Figure 1: Total early-stage entrepreneurial activity (TEA) in the UK Regions in 2007, 2008 and 2009** (Source: GEM APS)

Looking at the 2002-2009 period we observe a slight rise in the rate of early-stage entrepreneurial activity in Northern Ireland as the economy continued to suffer from the economic downturn and is just above what it was in 2002 (Figure 2). The level of early-stage entrepreneurial activity in Northern Ireland has tracked the UK trend very closely in recent years – and the observed gap in 2009 is not statistically significant.



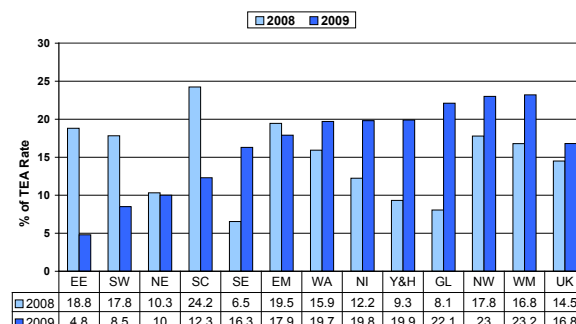
**Figure 2: Total early-stage Entrepreneurial Activity in Northern Ireland and the UK (2002-09).** (Source: GEM APS)

Northern Ireland is now ranked 9<sup>th</sup> of the 12 UK regions and nations. However, it is important to note that the distribution of TEA rates across the UK regions in 2009 was narrower than in 2002 and there was only one statistically significant difference in the regional TEA rates in 2009 – Scotland is significantly lower than the level of entrepreneurial activity in Wales, Yorkshire & Humberside, South East, East of England and London (Figure 3).



**Figure 3: Total early-stage Entrepreneurial Activity in the UK Regions in 2009.** (Source: GEM APS)

As the recession deepened in Northern Ireland, and the level of early-stage entrepreneurial activity increased slightly, the level of ‘necessity’ entrepreneurship increased slightly. This now stands at 19.8 per cent in 2009 which was slightly higher than that reported in 2008 (Figure 4). So one can conclude that given the increasing difficulties in the labour market since 2008 there appears to be a slight increase in ‘push’ factors influencing people to start a business in Northern Ireland. Northern Ireland is in a group of regions with the highest level of necessity entrepreneurship in 2009 – around 1 in 5 new ventures are being created out of necessity.



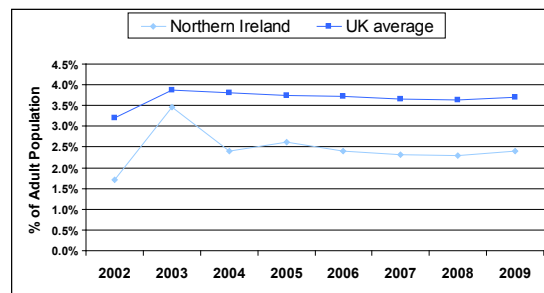
**Figure 4: Necessity Entrepreneurship in the UK Regions in 2008 and 2009.** (Source: GEM APS)



## Who are the Entrepreneurs in Northern Ireland?

**Gender:** In 2009, the female level of entrepreneurial activity in Northern Ireland is 2.4 per cent compared to 8 per cent for males. Women are now under a third as likely (30%) to be entrepreneurs as males in the region. The gap is almost the same as in 2008 due primarily to a marginal rise in the rate of male and female entrepreneurial activity (from 7.4% and 2.3% respectively). However, these changes in the male and female TEA rates since 2008 are not significant (Figure 5).

Northern Ireland is ranked bottom of all the UK regions and nations in 2009 for female early-stage entrepreneurial activity – as it was in 2008. The female TEA rate in Northern Ireland in 2009 is significantly lower than in the UK overall (3.7%). The regions with higher levels of female entrepreneurship are London (5.5%) the East of England (4.5%) and Wales (4.4%).

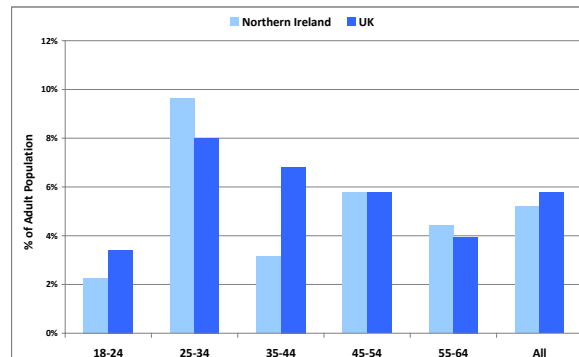


**Figure 5: Total early-stage Female Entrepreneurial Activity in Northern Ireland and the UK, 2002-2009.** (Source: GEM APS)

**Age:** In Northern Ireland, 2.3 per cent of young adults (aged 18 to 24) are engaged in total early-stage entrepreneurial activity compared to 3.4 per cent for the UK as a whole (Figure 6). This represents a slight fall 0.5 per cent since 2008 for this age group but it is not statistically significant.

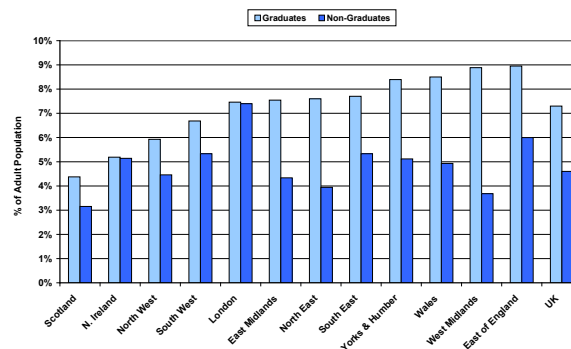
The regions with the highest levels of early-stage entrepreneurial activity in this youngest age group are London (7.6%) and Yorkshire & Humberside (5.6%). Early-stage entrepreneurial activity in Northern Ireland peaks for the 25-34 age group (9.6%) which is slightly higher than the UK as a whole (8%). The TEA rate for 35-44 year olds in Northern Ireland in 2009 is lower than in the UK overall: 3.1 compared to 6.8 per cent.

At the other end of the age spectrum there were no significant differences in TEA rates between Northern Ireland and the UK for those individuals aged between 55 and 64 years: 4.4 and 3.9 per cent respectively. This is in contrast to 2008 when the TEA rate for these older adults lagged significantly behind the UK rate. Northern Ireland has registered a four-fold increase in the TEA rate for this age group in the last 12 months from 0.9 to 4.4 per cent.



**Figure 6: Total early-stage Entrepreneurial Activity in Northern Ireland and the UK by Age, 2009.** (Source: GEM APS, 2009)

**Education:** The average level of total early-stage entrepreneurial activity for graduates in the UK in 2009 is 7.3 per cent (6.8% in 2008). The level of graduate entrepreneurship in Northern Ireland is 5.2 per cent of graduates currently residing in the region – the same rate as observed 12 months ago (Figure 6). There is a great deal of variation across the UK regions and Northern Ireland is ranked 11<sup>th</sup> – compared to 10<sup>th</sup> in 2008. However, the only significant difference in 2009 is between Scotland (4.4%) and the four regions of the East of England, the West Midlands, Wales and Yorkshire & Humberside. Finally, there is no difference in TEA rates between graduates and non-graduates in Northern Ireland which is unusual in the UK – except in London where TEA rates are already above average for all residents.



**Figure 7: Total early-stage Entrepreneurial Activity in the UK Regions by Graduate Status, 2009.** (Source: GEM APS, 2009)

## Entrepreneurial Attitudes and Intentions

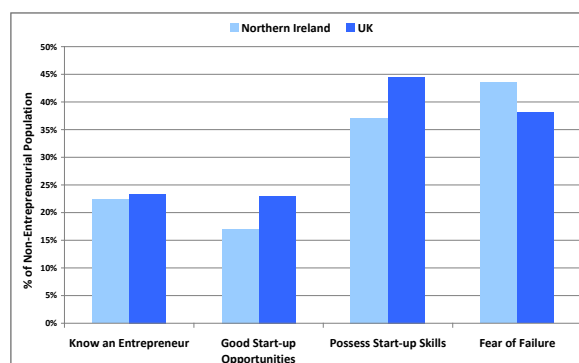
GEM has developed a number of attitudinal statements which provide a proxy for entrepreneurial potential in a country/region. They include knowing a person starting a business in the last 2 years, perception of good opportunities for start-up, self-belief in possessing the relevant skills to set up in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





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 Adult Population Survey (APS). Here, as in 2008, we report attitudinal data only for that portion of the population who are not already entrepreneurs.

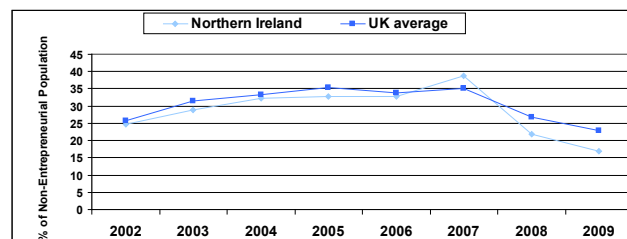
In Northern Ireland, 22.4 per cent of individuals state that they know an entrepreneur, which is similar to the UK as a whole (Figure 8). In Northern Ireland just over a third (37.1%) of non-entrepreneurs believe they have the skills to set up in business compared to 44.5 per cent in the UK overall. This is the lowest proportion in all the UK regions and nations and is significantly lower than the UK average. The proportion of the population reporting that the fear of failure would prevent them starting a business is significantly higher in Northern Ireland (43.5%) than in the UK overall – just under two-fifths (38.1%). This is a proportion that has not changed significantly throughout the recession.



**Figure 8: Entrepreneurial Attitudes and Perceptions in Northern Ireland and the UK (2009).** (Source: GEM APS, 2009)

The perception of start-up opportunities in Northern Ireland is significantly lower than the UK average (17% and 23% respectively) and still significantly lower than the level reported by respondents in Northern Ireland in 2007 (i.e., 39%).

Figure 9 shows, however, that the sharp fall between 2007 and 2008 in Northern Ireland was not repeated in the last 12 months although there has been a further small fall between 2008 and 2009.

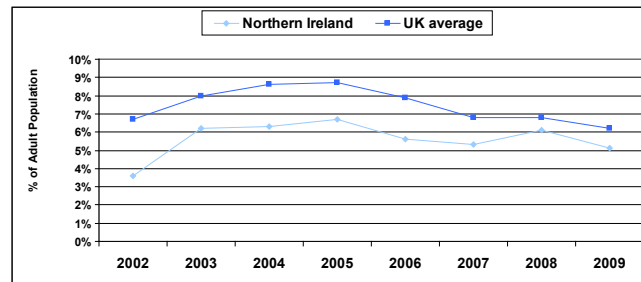


**Figure 9: Perception of Start-up Opportunities in Northern Ireland and the UK, 2002-09.** (Source: GEM APS)

Looking to the future, the proportion of adults in Northern Ireland who expect to start a business



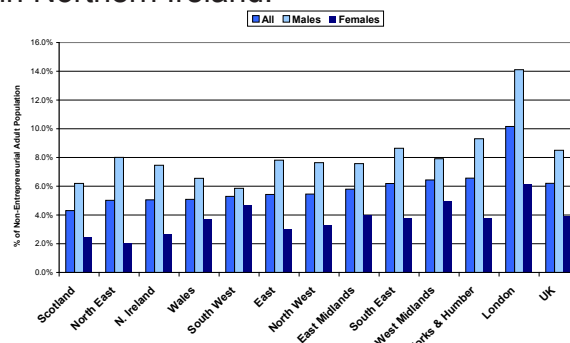
within the next three years has fallen slightly in 2009 compared to 12 months earlier: 5.1 per cent compared to 6.1 (Figure 10). This has mirrored the UK trend which saw a fall from 6.8 to 6.2 per cent. Both these declines in 2009 are not significant. There has been a steady fall in future start-up intentions in Northern Ireland since 2005 – prior to the onset of the recent economic downturn.



**Figure 10: Future Start-up Expectations (within 3 years) in Northern Ireland and the UK, 2002-09.** (Source: GEM APS)

Men are more likely than women to report that they intend to start a business in the next three years in Northern Ireland (Figure 11). In 2009, 2.7 per cent of women in Northern Ireland are expecting to start a business in the next 3 years compared to 7.5 per cent of men. Northern Ireland has one of the lowest rates of female future start-up intentions (marginally above the North East and Scotland) and the gender gap is much larger than in other regions.

In the UK 8.5 per cent of males and 3.9 per cent of females reported that they expected to start a business in the next three years. Only London recorded a significantly higher rate of future start-up intentions than respondents in Northern Ireland.



**Figure 11: Future Start-up Expectations (within 3 years) in the UK Regions by Gender, 2009.** (Source: GEM APS, 2009)

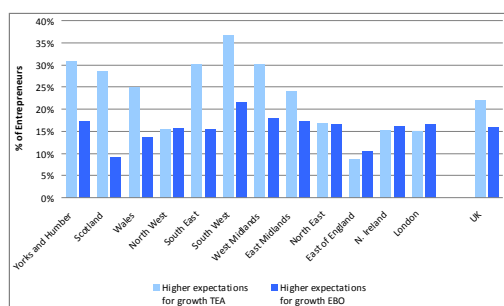
## Impact of Recession on Entrepreneurial Activity

In 2009 the GEM survey carried questions on the attitudes of entrepreneurs to start-up and growth in the recession. Whilst starting a business in the UK has got tougher for most people since 2007, around one in six (15.3%) early-stage entrepreneurs (nascent and new business owners) in Northern



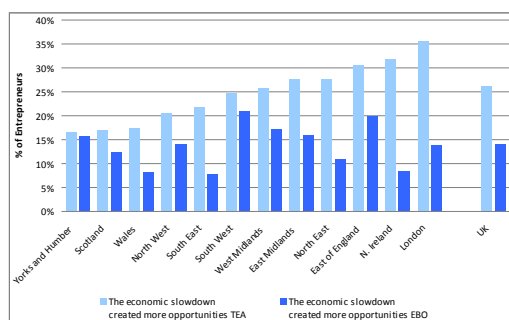
Ireland in 2009 were more positive about their prospects for growth than they were before the global slowdown (Figure 12).

Established business owners (EBOs) in Northern Ireland are just as positive as those involved in start-ups but again around one in six (16.1%) of these owner-managers were more positive about their prospects for growth. The comparable figures for the UK were 22 and 15 per cent respectively. These two groups of business owners have the potential to be the job and wealth creators of tomorrow.



**Figure 12: Prospects for Growth in the UK Regions, 2009.** (Source: GEM APS 2009)

In Northern Ireland, just under a third (31.8%) of early-stage entrepreneurs and 8.5 per cent of established business owner-managers thought there were more opportunities for their business as a result of the global slowdown (Figure 13). The comparable figures for the UK were slightly higher - 20 per cent and 14 per cent respectively.



**Figure 13: Opportunities in a Recession in the UK Regions, 2009.** (Source: GEM APS 2009)

Fewer than one in 10 (7.3%) of established business owner-managers in Northern Ireland thought that starting a business was less difficult than a year ago (Figure 14). Only one in seven (14%) of early-stage entrepreneurs in the region thought that starting a business was less difficult than a year ago. Overall, entrepreneurs in Northern Ireland are as optimistic as their counterparts in other UK regions. The comparable figures for the UK were 13 and 8 per cent respectively.

Obviously, the vast majority of entrepreneurs report that it is more difficult to start a business in 2009 than in 2008 but for a small group of business owners in Northern Ireland opportunities do exist for entrepreneurial actions. This is particularly the case for nascent and new business owners in the region.

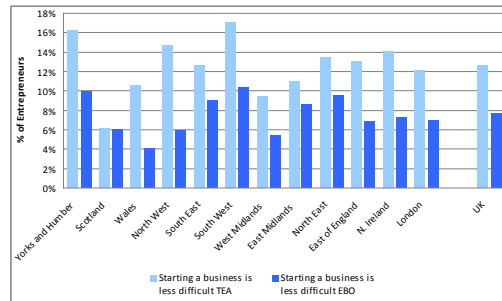


Figure 14: Ease of Starting a Business in the UK Regions, 2009. (Source: GEM APS 2009)

## Concluding Observations

Developing enterprise and an enterprise culture remain key policy objectives within Northern Ireland. 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 and nations.

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 2009 survey (conducted in the period May-September) can be summarised as follows:

- The level of total early-stage entrepreneurial activity in Northern Ireland has risen slightly since 2008.
- The decline in the perception of good opportunities for start-up in the local area has fallen further in 2009 but not as much as between 2007 and 2008.
- Almost one in six entrepreneurs (nascent and new business owners) and a slightly lower proportion of established business owners in Northern Ireland were more positive about their prospects for growth than they were before the global slowdown.
- Just under a third of early-stage entrepreneurs and less than one in ten established business owner-managers in Northern Ireland thought there were more opportunities for their business as a result of the global slowdown.



## 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.

**For further information on the GEM UK project, contact:**

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