

# Entrepreneurship in Ireland

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## **Executive Summary**

### **Introduction**

In line with their mandate to develop industry and enterprise in Ireland, Forfás, the National Competitiveness Council, Enterprise Ireland and the Department of Enterprise Trade and Employment commissioned this research aimed at identifying motivators and eliminating barriers to entrepreneurship that impact on the development of SMEs and the micro-enterprise sector in Ireland. The study was to be carried out with a view to making policy recommendations aimed at improving the environment for enterprise and at encouraging an increase in entrepreneurship.

The aims of the study were twofold:

1. To ascertain the key factors that drive entrepreneurs to establish sound businesses and to grow their business; and
2. To set out recommendations for optimising the conditions for such entrepreneurs.

The study was set in the context of a rapidly changing economic and business environment. The last 5 years have witnessed a period of high economic growth, increasing rates of new business formation, and an increasingly positive environment for new enterprise development and growth. International benchmarking studies are now indicating that Ireland no longer lags behind in its propensity to start new businesses or in a prevailing positive attitude towards business success and failure.

For the purpose of this study, entrepreneurs are defined as:

*‘those who create and grow new enterprises and demonstrate characteristics of risk-taking and innovation.’*

Overall, the study found that entrepreneurs in Ireland share many common background, business and personal characteristics and that their personal drive and commitment play a key role in assisting them to overcome the barriers and difficulties they face in establishing and growing successful businesses. We concluded from our analysis that many such entrepreneurs require additional supports at the initial start-up stage - both financial and advisory - particularly for businesses that fall outside the remit of Enterprise Ireland. We also found ‘a reluctance to grow’ among many of the entrepreneurs consulted in the course of the study and recommend that this area should be addressed if more growth-orientated indigenous businesses are to emerge in Ireland in the future. The study also highlights issues that particularly affect women entrepreneurs and entrepreneurs in the regions.

### **Methodology**

The study used a range of methodologies in order to address the objectives outlined above.

Initially the literature on SMEs in Ireland, within an internationally benchmarking context, was reviewed. The international literature on entrepreneurs was also

explored, with a particular focus on the internal characteristics of entrepreneurs and

on the factors that motivate them to establish and expand their businesses. Within this broad literature, issues impacting specifically on women entrepreneurs were highlighted. Drawing on the literature review, structured interviews were held with key informants involved in working with Irish entrepreneurs.

A key element of the study was to obtain the views of entrepreneurs on the issues being addressed by the study. In-depth personal interviews were held with 20 entrepreneurs. Those interviewed were also asked to complete a short questionnaire that covered topics such as family, educational and working background, as well as a number of attitudinal questions.

To complement the personal interviews, focus group meetings were held with groups of entrepreneurs. Again these groups reflected entrepreneurs at different stages of company development, in different sectors and in a range of locations. A number of the groups focused specifically on female entrepreneurs. Over 100 entrepreneurs and students of entrepreneurship were included in nine focus group meetings held in Dublin, Galway and Waterford.

## **Conclusions**

The key conclusions arising under each of the hypotheses tested in the study are presented below. These conclusions are largely based on our analysis and assessment of the views and experiences reported to us by the entrepreneurs consulted in the course of the study. However they also draw on the international literature and the on the views of the key informants that were interviewed prior to the meetings with the entrepreneurs themselves.

### *1. The desire to be an Entrepreneur is driven by a range of factors*

The study's findings show that a combination of personal, societal, business, economic and wider environmental factors are all at work in encouraging entrepreneurship. Important factors that have emerged are a family background in business, possession of relevant skills and knowledge, a strong interest in business, access to formal and informal supports, ability to access finance and to develop or buy in necessary complementary skills and experience, as well as possession of a marketable idea and a willingness to work hard.

While some of the factors driving entrepreneurs are 'external' and therefore can be influenced by public policy (e.g. access to finance or advice) others are intrinsic to the individual (e.g. interest in business, ability to exploit an opportunity, hard working). However some of the latter traits may be encouraged through the educational/training system in its broadest sense. From a public policy perspective, it is important to both identify the factors that are amenable to external supports and to prioritise such supports.

### *2. Successful Entrepreneurs share common characteristics and backgrounds*

A number of common personal characteristics and backgrounds were found among entrepreneurs. The analysis has highlighted the importance of a family background in business as an indicator of future entrepreneurial activity. It also indicates the



importance of previous and relevant business experience as an employee -often at a

management or technical level. It suggests that many of today's entrepreneurs have third level qualifications.

The personality traits of Irish entrepreneurs were found to be similar to their international counterparts- a need to achieve, a willingness to exploit a challenge, to persevere, to work hard and driven by self belief, but tempered with the ability to be flexible and to delegate to others when necessary.

A willingness to listen to advice and to recognise that they are not experts in every aspect of their business was also found to be a very important characteristic in turning a potential entrepreneur into a successful businessperson.

*3. Entrepreneurs that establish fast growing companies are those that are able to make the transition to complex organisations within the terms of their particular sector*

Some of the very factors that encourage entrepreneurship initially may work against growth. These include: not wanting to lose control, not being able to let go and wanting freedom. This leads in many cases to a 'reluctance to grow'. Our findings have highlighted that such a 'reluctance to grow' may arise for a variety of reasons, often influenced by the initial rationale for starting a business and by the extent of difficulties that have had to be overcome to reach an initial level of 'comfort'. Life style and ideas driven entrepreneurs tend to be less motivated to grow than those that are success or wealth driven. This supports the available data on Irish SMEs that indicates that many may not be reaching their full growth potential.

While such entrepreneurs cannot be 'forced' to grow they can be supported through the growth process by access to relevant training and expert support. 'High growth' entrepreneurs highlighted the importance of recognising the need to develop their organisational structure and to bring in the necessary functional expertise, if they were to grow successfully. This reflects the international findings that point to the importance of developing business skills and functional management expertise if a company is to grow.

*4. Women face additional issues in becoming Entrepreneurs*

The study identifies a number of additional difficulties experienced by women entrepreneurs. These include issues relating to family/work balance, lower confidence and self-esteem and negative attitudes on the part of some service providers. The findings clearly indicate that male views towards women in business are still perceived to be a barrier to female entrepreneurship in Ireland. The findings reflect the international literature which shows that the issues faced by women entrepreneurs are a complex combination of external, practical and attitudinal issues and internal, psychological issues.

***5. Entrepreneurs in the regions experience particular difficulties***

The findings indicate that there are both benefits and difficulties associated with a regional location for Irish entrepreneurs. Benefits frequently take the form of lifestyle choices- the quality of life being seen to be much higher in areas outside the major cities for such entrepreneurs and their families. The negative elements reflect the other side of this coin and relate mainly to access difficulties. Access to markets, to communication technology, to business expertise and to specialist State supports are seen to all create additional difficulties for such entrepreneurs. However, recruitment and retention difficulties may be less, if the appropriate staff are available. In this environment, the role of the enterprise development agencies is particularly important in proving entrepreneurs with support and advice, and in assisting them to access specialist support services that are often located in the Dublin area.

***6. The cultural climate for Entrepreneurs in Ireland has improved in recent years***

The cultural climate within which entrepreneurs operate in Ireland is seen by such entrepreneurs to have improved significantly in recent years. However attitudes of 'begrudgery', though diminishing, are still seen to exist. Non-acceptance of 'failure', both on the part of the financial institutions and the general public, is still perceived to be an issue by Irish entrepreneurs. These attitudes are somewhat at variance with recent international studies which indicate that the general public's attitude towards entrepreneurship in Ireland is now highly favourable. This issue needs to be explored further through larger surveys of the general public.

***7. Entrepreneurs benefit from being "nurtured/animated" to help them turn an innovative idea into a commercial business***

The study highlights the importance of external supports in turning innovative ideas into commercial businesses. Access to co-ordinated and easily accessible information on available services and supports for entrepreneurs, access to independent advice, mentoring, networking and partnering, were also seen as vital in assisting entrepreneurs to establish and grow successful businesses and to minimise failure and unnecessary delays and frustrations. The benefits of learning from other entrepreneurs and of being given an opportunity to explore potential new business ideas while still employed in a large organisation were highlighted as areas that should be explored further. The current situation regarding the non-availability of soft supports and seed capital finance for entrepreneurs with business ideas outside the existing designated sectors and criteria needs to be reviewed, if the aim is to increase the number of successful new business start-ups and to grow an increasing number of medium to large indigenous firms.

***8. Access to initial finance remains a key barrier to Entrepreneurs wishing to establish a business***

The study highlights the on-going difficulties many entrepreneurs' experience in accessing finance particularly at the early start-up phase. There is generally considered to be a dearth of risk capital in Ireland, particularly for relatively small sums at the initial start-up phase. Financial institutions are seen to be risk adverse,

willing to provide help only when the business is becoming established. Ways of sharing the risks involved in funding new start-ups need to be explored.

Funding through private equity is generally considered undesirable at the early start up phase as a relatively large share of the business at this stage would have to be released in order to raise the necessary funding, and because most VC funds are considered only to be interested in investments well above the 100,000 Euro level.

From a policy perspective, there is a need to investigate new methods of providing initial seed capital to entrepreneurs that involve greater sharing of the risks involved

and do not require large equity sales in return, particularly for enterprises outside Enterprise Ireland's remit.

*9. Relevant education can support more Entrepreneurship in Ireland*

There was strong agreement with this statement in principle. However, the Irish educational system was seen by the entrepreneurs to have played a very limited role in practice to date in this area. There was seen to be little direct focus on entrepreneurship within the Irish educational system at the present time – at all levels. Nevertheless it was recognised that there are a growing number of initiatives in this area.<sup>1</sup> Further actions are seen to be required aimed at promoting self employment as a career option and at fostering entrepreneurial traits within the educational system with a view to changing the prevailing climate that is seen to focus primarily on academic excellence and becoming a 'good employee'. (See Section 4.6 for views of students of entrepreneurship from the University of Limerick that participated in the study.)

*10. Public policy should be aimed at ensuring that the regulatory environment supports Entrepreneurship*

The need to continuously ensure that regulations do not reduce competitiveness or place unreasonable burdens on SMEs, the need to monitor all relevant new regulations to assess their impact on SMEs, to minimise red tape and to address the growing issue of rising insurance costs were all referred to as areas requiring further attention.<sup>2</sup>

*Recommendations: Entrepreneurship Level*

*1. Ensure the availability of co-ordinated, locally available, initial information and advice for all potential Entrepreneurs requiring such services*

While the enterprise development agencies are providing a range of supports for Irish entrepreneurs, particularly in the manufacturing and internationally traded sectors, there is a need for them to work more closely together to ensure the availability of co-ordinated, independent, and comprehensive information and advice for entrepreneurs in all sectors at the pre-start up stage.

We therefore recommend that the County Development Boards make arrangements for a co-ordinated approach to the provision of such a service at local

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<sup>1</sup> See Appendix A for a list of such initiatives.

<sup>2</sup> As these issues are currently being explored in other fora they are not pursued any further here in terms of specific recommendations.

level. In particular, the importance of having such services provided by persons with business experience and an in-depth knowledge of the SME sector is stressed. Such a service

should take advantage of existing structures and services, where possible, particularly in the area of information technology and the internet. It is vital that such services are pro-active and that structured plans are put in place for the continuing training and development of the personnel involved.

We also recommend that all the enterprise support agencies hold regular focus group meetings throughout the country, with their clients and potential clients to discuss their needs and concerns with a view to seeing how best these can be addressed. Perhaps the County Development Boards could decide how best to arrange such meetings.

Recognising the success and usefulness of the many networking activities already existing, we recommend that limited funds be made available through Enterprise Ireland and/or the CEBs to Chambers of Commerce, Representative Associations, academic institutions, etc., to encourage more networking among and between entrepreneurs, local colleges and businesses, as well as with specialist business advisers. This funding should be limited to situations where such events are otherwise unlikely to be held, due to lack of funding. (e.g. outside Dublin locations)

*2. Ensure the availability of high-risk seed capital for new entrepreneurs in all sectors of the economy*

A variety of funding is available to new business start-ups in Ireland. However, this study has revealed that new entrepreneurs across a wide variety of sectors still find it very difficult to access small amounts of high-risk seed capital at the early stages. There is generally considered to be a dearth of risk capital in Ireland, particularly for relatively small sums at the initial start-up phase. Financial institutions are seen to be risk adverse, willing to provide help only when the business is becoming established.

We recommend therefore that all existing sources of funding for new business start-ups be re-examined by the Department of Enterprise, Trade and Employment in order to identify how this funding gap might best be filled.

*3. Establishment of an Entrepreneurs Support Panel at regional level aimed at providing entrepreneurs at the start-up phase with access to specific and customised forms of business expertise*

Entrepreneurs starting out can benefit greatly from the advice and experience of those that have gone before them. Our study revealed that established entrepreneurs are willing to provide a helping hand to such new start-ups. We recommend therefore that the CEBs and EI, in co-operation with local business, financial and academic institutions, set up an Entrepreneurs Support Panel to co-ordinate such a service for new entrepreneurs in their area. The provision of such expertise could be in the form of partnering/mentoring/coaching. Local

entrepreneurs and local business experts on the proposed panel could provide such support on a pro bono basis or for a reasonable fee.

#### ***4. Development and implementation of an integrated strategy for women Entrepreneurs***

Many initiatives, aimed at increasing the number of women entrepreneurs in Ireland, are currently being implemented throughout Ireland. Our findings clearly show that many women entrepreneurs can benefit from support aimed at building confidence through networking, mentoring, etc., at building business and management expertise where this is lacking, and through assisting in achieving family/work balance. The findings also highlight the need for action aimed at addressing negative perceptions still found by some entrepreneurs to exist among funders and support agencies towards women entrepreneurs.

Recognising that Ireland is currently below average in the number of female entrepreneurs we recommend that:

- A specially funded programme, designed to attract and increase the number of female entrepreneurs, be set-up to be operated by the State's business development agencies – Enterprise Ireland, County Enterprise Boards, Leader, Shannon Development and Udaras na Gaeltachta. This specially funded programme should include funding for education and training, advertising, awareness issues, seminars and network building, feasibility grants and financial assistance.
- An Implementation Group, comprised of representatives from the Department of Enterprise, Trade and Employment, the Equality Unit, Department of Justice, Equality and Law Reform, the business development agencies and the private sector as appropriate be established to carry forward these recommendations.
- A national competition, sponsored by the Department of Enterprise, Trade and Employment, be set up for the best 'up-an-coming' female entrepreneur.

#### ***5. Introduction of a Development Programme for Growth Entrepreneurs***

Given our finding that many entrepreneurs demonstrate a 'reluctance to grow' their businesses, we recommend that a development programme for potential growth entrepreneurs be made widely available by the enterprise development agencies.

This programme would be aimed at supporting businesses that fall outside Enterprise Ireland's remit to grow their companies, to help overcome any reluctance to growth and to develop the skills necessary to run a growth business. A number of such programmes are currently being developed and tested by both CEBs and by private consultants. These programmes should be reviewed and assessed. The CEBs could then work with private providers to ensure the availability of such programmes within their areas at a reasonable fee. Building on our findings, we

believe that these programmes should focus on the skills and expertise required to overcome perceived barriers to growth in areas such as:

- Employment legislation;
- Human resource management;
- Planning skills;
- Team working;
- Time management;
- Delegation and succession planning;
- Accessing export markets;
- Accessing finance;
- Investing in R&D;
- Accessing external expertise;
- Business diversification.

Any such development programme for potential growth entrepreneurs should recognise the importance of skills development at the level of the enterprise in ensuring business growth and strengthening competitiveness. The availability of diagnostic and skill building tools in the workplace, such as benchmarking, may also help to improve efficiency and productivity, leading to growth opportunities.

*Recommendations: National Level*

Our research highlights the need to focus more attention on the promotion of entrepreneurship at a national level, both within the educational system and within wider society.

The following specific recommendations are made:

*1. Increasing the focus on entrepreneurship within the educational system*

We recommend that a more active approach be taken to the provision of information and practical experience, and to the encouragement of entrepreneurship, within the educational system. We consider that recent developments such as the applied and practical Leaving Certificate courses and the Transition year facilitate this. The enterprise promotion agencies, particularly the City and County Enterprise Boards which have a specific role in this area, should have the resources to prepare and assist in the delivery of attractive and content-worthy modules, programmes and experiences for pupils in the educational system. There is also an argument for the relevant Departments to develop a national strategy in relation to enterprise education. There are a number of non-Statutory organisations involved in preparation and delivery of appropriate programmes and award schemes aimed at encouraging entrepreneurship. We consider that these have an important contribution to make, not least in the delivery of their programmes in association with the relevant State educational and enterprise bodies.

We note and support the work being undertaken by the NDP in developing informational educational materials on the role of enterprise in the State.

We are also aware that a review of education and entrepreneurship is currently underway under the auspices of the EU, with the participation of the Department of

Enterprise, Trade and Employment. We recommend that this review take cognisance of the findings of this report.

*2. Creating a culture supportive of entrepreneurship*

While the educational system has a role to play in changing attitudes and in encouraging greater entrepreneurship in Ireland, this is a long-term process. In the shorter term, greater emphasis should be placed on promoting entrepreneurial awareness among the general public, highlighting achievements and successes, and emphasising the key role that entrepreneurs play in creating sustainable employment and wealth within the economy. At local level, we know that the CEBs are involved in such promotion work. To contribute to building awareness, to highlight entrepreneurial issues and to encourage debate at national level we recommend that this study be published and given the widest circulation.

We also recommend that existing, privately run, and proven award schemes aimed at encouraging entrepreneurship operating at the different levels-from primary school to high growth entrepreneurs - be reviewed to ensure that they are widely known and accessible, and receive maximum publicity. Consideration should also be given to State support for such schemes - particularly at primary and secondary school level - on a public/private partnership basis, aimed at ensuring their widespread availability.

*3. Ensuring that Enterprise Policy in Ireland focuses on fostering entrepreneurship and innovation*

We recommend that initiatives to promote entrepreneurship and innovation be central elements of any new policy that might result from the Department of Enterprise, Trade and Employment's current review of enterprise policy.

*4. Ensuring adequate availability of statistics to allow analysis of trends in the SME sector*

While Ireland participates in a number of international benchmarking studies on trends in the SME sector, the primary source of data on company births and deaths in Ireland is VAT registrations. We recommend that discussions be held with the CSO and the Revenue Commissioners to explore ways in which this data could be made more accessible and useful to researchers involved in analysing trends in this area. This should include reviewing the actions required to ensure that these statistics are available by gender. This should include reviewing the actions required to ensure that these statistics are available by gender.

**An understanding of the reasons behind these trends is vital to our understanding of the way the SME sector is evolving in Ireland.**





## **Section 1 Introduction**

### **1.1 Study Background**

In line with their mandates of developing industry and enterprise in Ireland, Forfás, the National Competitiveness Council, Enterprise Ireland and the Department of Enterprise Trade and Employment commissioned this research aimed at identifying motivators, and eliminating barriers to entrepreneurship, that impact on the development of SMEs and the micro-enterprise sector in Ireland. The study was to be carried out with a view to making policy recommendations aimed at improving the environment for enterprise and at encouraging an increase in entrepreneurship.

Particular aspects of entrepreneurship that effect the start up and development of business ventures are explored in the study. These include:

- ◆ the educational backgrounds/attainment of entrepreneurs;
- ◆ family issues associated with entrepreneurship;
- ◆ the gender of entrepreneurs;
- ◆ entrepreneurs' motivation to start businesses;
- ◆ attitudes to wealth creation;
- ◆ attitudes to self-employment;
- ◆ preferences for ventures in specific sectors and previous experience in those sectors;
- ◆ national attitudes/cultural issues with regard to entrepreneurship;
- ◆ attitudes to failure.
- ◆ attitudes to employing people;
- ◆ attitudes to growing and developing a business; and
- ◆ attitudes to exporting/internationalisation.

The remainder of this section of the report outlines the objectives of the study and the methodologies applied. It also highlights the issues to be explored arising from the literature available to date, and spells out the specific hypotheses to be tested in the study.

## **1.2 Aim of Study**

The aims of the study were twofold:

1. To ascertain the key factors that drive entrepreneurs to establish sound businesses and to grow their business; and
2. To set out recommendations for optimising the conditions for such entrepreneurs.

The study was set in the context of a rapidly changing economic and business environment. The last five years have witnessed a period of rapid economic growth, increasing rates of new business formation and an increasingly positive environment for new enterprise development and growth. International benchmarking studies are now indicating that Ireland no longer lags behind in its propensity to start new businesses or in a prevailing positive attitude towards business success and failure. (See Section 4.1)

However, while much work has been done on trends in the development of SMEs (Small and Medium sized Enterprises) in Ireland, little research has been carried out to date on the entrepreneurs, the individuals that drive this sector in Ireland and on those that take the risks or exploit the opportunities involved in establishing and growing such businesses. In recognition of this fact, and building on the earlier work on the SME sector, the focus of the current study is on:

- The Entrepreneur rather than the Enterprise;
- Motivation/Barriers as perceived by the Entrepreneur;
- The environment within which the Entrepreneur functions;
- The role of Education in supporting Entrepreneurship;
- The particular issues facing Women Entrepreneurs and Entrepreneurs in the Regions; and
- Attitudes to Entrepreneurship in Ireland.

## **1.3 Definitions**

A wide range of definitions exist to cover the term entrepreneur in the literature, many influenced by the disciplinary background of the researchers involved. The OECD report concludes that:

*'The character traits that distinguish entrepreneurs are many and varied and have been the subject of detailed inquiry. Psychologists note less attractive features such as the need for control, mistrust of others and a desire for approval. No list of attributes is suitable in all cases and many of the characteristics mentioned are themselves multifaceted. Many of the behaviors associated with Entrepreneurship can be taught. Others may be difficult to emulate. The key consideration is that Entrepreneurship is scarce. Even if elements of entrepreneurial behavior can be*

*taught, not everyone will learn with the same proficiency. Nor, as yet, have many societies attempted to encourage Entrepreneurship systematically. As with other inputs to economic activity, the scarcity of entrepreneurial ability endows it with value.' (OECD 1998)*

For the purpose of this study, entrepreneurs are defined as:

*'those who create and grow new enterprises and demonstrate characteristics of risk-taking and innovation.'*

#### 1.4 Summary of Statistical Information Available on SMEs in Ireland in an International Context.

The vast majority of entrepreneurs commence their entrepreneurial careers as owner/managers of SMEs. It is therefore interesting to examine recent information on the performance of Irish SMEs in an international context and to highlight key areas of interest as identified in international benchmarking studies<sup>3</sup>. Key findings emerging from these studies are:

- 1) Despite the average size of Irish SMEs being in excess of the EU average, the proportion of total employment accounted for by such businesses is lower in Ireland than the EU average. The Review of Entrepreneurship in Ireland (Gorman and Dylan, Jones-Evans, 2000) recommended that Ireland needs to increase the number of businesses to (a) revitalise the small firm sector and (b) broaden and strengthen the indigenous enterprise base as a source of future employment.
- 2) The Global Entrepreneurship Monitor (GEM) 2001 study found that 7.2 percent of the Irish population were engaged in the process of trying to start a new business and of those, 3.2 percent have high growth potential as perceived by their owners. This places Ireland above the average for the 29 countries surveyed in terms of their owner's growth expectations. However, the European Observatory for SMEs finds that Ireland is below the European average for growing companies. This indicates that a number of Irish SMEs may not be reaching their full growth potential.
- 3) Ireland has a relatively low level of female entrepreneurship.
- 4) Funding emerges as the major problem for entrepreneurs. Although some recent studies into the supply of venture capital have found a significant improvement in Ireland these improvements must be seen in context. The bulk of the investment has gone towards the IT sector and the awards have been larger than most small Irish firms could command.
- 5) Public opinion on entrepreneurship in Ireland again backs up the belief that lack of finance is a major barrier to entrepreneurs.

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<sup>3</sup> See section 4.1 for a full review of available statistical information.

- 6) The other most striking feature to emerge from the public opinion statistics is that Irish people rate 'risk of failure as a burden to becoming an entrepreneur' lower than any other country in the EU. Ireland actually compares to the US in attitude towards risk.

The current study examines these issues from the point of view of the individual entrepreneurs concerned.

## 1.5 Key Findings from the Literature Review

A considerable body of International literature exists on factors motivating entrepreneurs<sup>4</sup>. Drawing on this literature we can identify a number of factors that are of relevance to the current study. The most recent literature leads to the conclusion that entrepreneurship stems from a combination of the person, the society and the culture within which they operate, plus the availability of business opportunities.

Entrepreneurs are seen by many to possess common personality traits. These are, a need for achievement, an internal focus of control, a risk taker and a desire for autonomy. However as Delmar, (2000) argues:

*"the individual characteristics leading to an entrepreneurial career are only activated when exposed to a favourable socialisation process, where an entrepreneurial career is seen as a viable possibility among others", where the socialisation patterns usually consist of 'a certain specific ability and sensitivity', 'environmental possibilities' and 'social support'"*

The international literature also points to the role of external supports in encouraging entrepreneurs and in improving their business performance. Views differ as to whether such support should consist of financial or soft supports and whether they should be focused on entrepreneurs with a proven record and an already identified potential for significant growth.

A key area addressed in the literature is the factors that drive entrepreneurs to grow their business. This is seen to arise from a combination of personal goals, organisational and business development skills, and external opportunity.

Research on female entrepreneurs has been carried out since the early 1980s. Again much of this has concentrated on the psychological and social factors driving women entrepreneurs. Later research has focused on whether women entrepreneurs experience particular difficulties in pursuing their careers. Women were found to have particular difficulties accessing capital and in establishing their credibility as business leaders.

The importance of training and business supports for women entrepreneurs is also highlighted in the literature. More recent literature points to issues relating to womens' lack of confidence in establishing businesses and to the particular demands placed on women in establishing businesses and dealing with other life responsibilities.

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<sup>4</sup> See section 4.2 for full review of the literature.

These issues are also explored in the current study.

## **1.6 Summary of State Supports Available to SMEs/Entrepreneurs**

Below the main type of supports currently provided by Enterprise Ireland and the County Enterprise Boards / CEBs to support entrepreneurs, new business start-ups and growth companies are listed.

### **Enterprise Ireland**

Enterprise Ireland deals with Irish manufacturing and internationally traded services companies employing ten or more people, and overseas natural resources companies. Enterprise Ireland also deals with new start-ups and companies that employ less than ten people provided that they can demonstrate significant potential to develop their business. Companies with significant potential are those that:

- are financed and promoted by experienced managers, entrepreneurs, academics or highly skilled technical graduates;
- operate in a growth product market or exploitable niche area;
- have credible projected annual sales of at least €0.95 million within 3 years;
- are projected to employ 10 people or more within 3 years, with longer term potential to significantly exceed these levels; and
- are targeting international markets.

Enterprise Ireland provides services in the following areas:

- Business Planning & Information;
- Research, Development & Design;
- Production & Operations;
- Marketing & Business Development;
- Human Resource Development;
- Finance for Growth.

Firms located in the Mid West or in any of the Gaeltacht areas are supported by Shannon Development or Údarás na Gaeltachta respectively. Firms employing less than 10 people are dealt with by their local County or City Enterprise Board.

### **County and City Enterprise Boards**

County Enterprise Boards support small business in Ireland. Their services include:

- Promotion and development of enterprise culture;
- Provision of business advice, information and mentoring;
- Delivery of management training and development programmes; and
- Grant aid and financial support for small business.

County and City Enterprise Boards generally deal with persons who wish to start their own business or individuals in business who wish to diversify or expand. The

**CEBs are restricted to assisting micro-enterprises i.e. enterprises with less than 10 employees. Priorities are determined on an area by area basis in accordance with a local enterprise plan which identifies local opportunities and weaknesses.**

**The main aim of the CEBs is to promote enterprise and job creation at local level and to assume responsibility for business areas not already covered by the other state industrial development agencies e.g. small firms, start up projects, service and tourism projects.**

**The full range of services provided to SMEs and Entrepreneurs by Enterprise Ireland, the County Enterprise Boards and other support agencies are listed in Appendix C.**

## **1.7 Hypothesis tested in the Study**

**Building on research to date, this study set out to test the following hypotheses:**

- 1. The desire to be an Entrepreneur is driven by a range of factors – background, personal, cultural, as well as business related;**
- 2. Successful Entrepreneurs share common characteristics and backgrounds;**
- 3. Entrepreneurs that establish fast growing companies are those that are able to make the transition to complex organisations within the terms of their particular sector;**
- 4. Women face additional issues in becoming entrepreneurs;**
- 5. Entrepreneurs in the regions experience particular obstacles;**
- 6. The cultural climate for Entrepreneurs in Ireland has improved in recent years;**
- 7. Entrepreneurs benefit from being “nurtured/animated” to help them turn an innovative idea into a commercial business;**
- 8. Access to initial finance (both equity and loan finance) remains a key barrier to entrepreneurship wishing to establish a business;**
- 9. Relevant education can support more entrepreneurship in Ireland; and**
- 10. Public policy should be aimed at ensuring that the regulatory environment supports entrepreneurship.**

## **1.8 Methodology**

**The study used a range of methodologies in order to address the objectives and the hypotheses outlined above.**

Initially, the literature on SMEs in Ireland within an internationally benchmarking context was reviewed. This review highlighted areas of interest to be explored in the current study. Then the literature on entrepreneurs was explored, with a particular focus on the internal characteristics of entrepreneurs and on the factors that motivate them to establish and expand their businesses. Within this broad literature, issues impacting specifically on women entrepreneurs were highlighted.

Drawing on the literature review, structured interviews were held with key informants involved in working with Irish entrepreneurs. These informants were in both the private and public sector and included enterprise support agency personnel, business representative associations and representatives from a number of organisations involved in providing financial support to entrepreneurs. These interviews ascertained the key informants' views on factors influencing entrepreneurship, attitudes to entrepreneurship in Ireland, and views on conditions required to foster entrepreneurship.

A key element of the study was to obtain the views of entrepreneurs on the issues to be addressed by the study. Consequently a list of entrepreneurs was drawn up, to be interviewed by one of the consultancy team. Those selected for interview reflected entrepreneurs at different stages of company development, in different sectors and in a range of locations. Efforts were made to ensure that a number of women entrepreneurs were included in the interviews. In depth personal interviews were held with 20 entrepreneurs. Those interviewed were also asked to complete a short questionnaire that covered topics such as family, educational and working background as well as a number of attitudinal questions.

To complement the personal interviews, focus group meetings were held with groups of entrepreneurs. Again these groups reflected entrepreneurs at different stages of company development, in different sectors and in a range of locations. A number of the groups focused specifically on female entrepreneurs. Topics covered at the focus group meetings covered reasons for becoming an entrepreneur, key characteristics of a 'successful' entrepreneur /enterprise at different stages, views on attitudes towards entrepreneurship, particular issues that affect women becoming entrepreneurs and entrepreneurs in the regions, and changes they would like to see in public policy aimed at optimising the conditions for such entrepreneurs. Over 100 entrepreneurs and would be entrepreneurs were included in nine focus group meetings in Dublin, Galway and Waterford.

Drawing on the above research, a series of conclusions and recommendations were developed aimed at enhancing the climate for entrepreneurship in Ireland.





## **Section 2 Study Findings**

### **2.1 Introduction**

This section of the report presents the main findings of the study. These findings are based on the interviews and focus group meetings held with over 100 entrepreneurs during the course of the study. As highlighted in the introduction to the report, these meetings focused on issues affecting their motivation to become an entrepreneur and subsequently to grow their business, the barriers and supports they met along the way, the factors that influenced their decisions to become entrepreneurs, as well as their views and attitudes towards entrepreneurship in general. Particular emphasis was placed on issues affecting women entrepreneurs and entrepreneurs in the regions.

The results are presented under the following headings:

1. **Background Factors & Personality Traits;**
2. **Gender Differences;**
3. **Perceptions of Entrepreneurs;**
4. **Motivating/Demotivating Factors;**
5. **Advice to others Planning to become Entrepreneurs;**
6. **Factors Affecting Women Entrepreneurs;**
7. **Factors Affecting Entrepreneurs in the regions;**
8. **Type of Entrepreneurs ;**
9. **Impact of the Wider Environment; and**
10. **Views on Optimizing Conditions for Entrepreneurs in Future.**

### **2.2 Background Factors and Personality Traits**

The literature review highlighted the role that both personality traits and personal, family and business backgrounds can play in influencing entrepreneurial behaviour. All entrepreneurs participating in interviews and focus groups were asked to provide information on their backgrounds<sup>5</sup>. This revealed that:

#### *Personal background*

- Over three quarters of the respondents have a family history of self employment;
- Over 40 percent have no dependants; and
- Over 90 percent had a post – leaving certificate qualification, a significant proportion having a third level qualification.

#### *Business background*

- Over two-thirds have previous experience or training in the area in which they had set up their business;
- Almost all described themselves as being highly absorbed in their business;
- Most had held management or technical positions in their previous employment;

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<sup>5</sup> Full details of the survey results are presented in Section 4.4

- Average employment levels in their business had increased from 2 to 29 and almost all planned to increase employment in the future.

*Personality Traits*

The most frequently ascribed traits were:

"need to achieve"  
"don't give up easily"  
"highly responsible"  
"like a challenge"

The most infrequently described traits were:

"Autocratic"  
"Rebellious of authority"  
"High self esteem"

Those interviewed described the key attributes needed to be an entrepreneur as the following:

Hard working  
Focused  
Passionate  
Tough  
Optimistic  
Innovative  
Driven by self belief  
Visionary  
Able to be flexible, delegate  
Enjoy achieving something

This analysis highlights the importance of a family background in business as an indicator of future entrepreneurial activity. It also emphasises the importance of previous business experience in a related area to the business in which the entrepreneur subsequently becomes involved-often at a management or technical level. It also indicates that today's entrepreneurs have educational qualifications, often to a relatively high level. The personality traits of Irish entrepreneurs are similar to their international counterparts- a need to achieve, to exploit a challenge, to persevere, to be hard working and driven by self belief, but tempered with the ability to be flexible and to delegate to others when necessary.

### 2.3 Gender Differences

The survey results also revealed significant gender differences:

- Women were more likely than men to be divorced or separated and tended to have fewer dependants;
- Women were more likely to be first born child, while men were more likely to be the third child;
- Men were more likely to have been employed in a large firm while women were more likely to have previous experience of self-employment;

- Men were more likely to have held technical positions in their previous employment;
- Men were much more likely to have been made redundant;
- Less women described themselves as having 'high self esteem' and being 'self confident' and 'likely to take risks';
- Less men described themselves as 'good mixers', or 'highly responsible';
- Women are more likely to have businesses in the services sector; and
- Men were more likely to plan to set up another business or to franchise their businesses.

These findings indicate a number of differences between men and women entrepreneurs in terms of both their background and the forces that drive them. Women are more likely to be without partners or dependants, to have less relevant experience in a large firm and to have been self-employed before. They are therefore less likely to have a 'natural' support system, either formal or informal. They are less likely than their male counterparts to describe themselves as being highly confident and are less driven by the desire to take risks or to diversify into other businesses. On the other hand, they are more likely to describe themselves as highly responsible.

These findings, while based on a small sample, indicate that men and women entrepreneurs may need slightly different types of supports. Women require a greater emphasis on networking and on mentoring, while men place a greater emphasis on developing their business on a sound footing.

## **2.4 Perception of Entrepreneurs**

Entrepreneurs had highly positive views on entrepreneurship and generally considered that entrepreneurs should be admired and encouraged. When asked to describe what they thought an 'entrepreneur' is, descriptions such a person with an idea, initiative and commercial ability, successful, risk taker, able to exploit an opportunity, someone successful in business and able to create something out of nothing, were used.

However a number felt uncomfortable with the term 'entrepreneur' considering that it did not adequately describe them.

When asked about the benefits of 'being their own boss' positive features were seen to be:

- Able to control and create the culture of the company;
- Able to control one's own destiny;
- Enjoying developing others;
- Able to put ideas into practice quickly;
- Freedom to explore new opportunities.

Disliked features related to:

- Long hours, lack of free time;
- Dealing with paper work, administration;
- Carrying all the burden;

- **Reacting to unexpected events/uncertainty;**
  - **Difficult staff and customers.**

Again, these perceptions indicate the importance of being driven by an idea, being free to pursue ones own destiny, and the need for support systems to ease the burden of responsibility and to deal with the more day to day responsibilities of running a business, which may have less appeal to the entrepreneur.

## **2.5 Key Motivating Factors at Start up Stage**

A range of factors motivate entrepreneurs at the pre start up / start up phase. These include both internal and external and push and pull factors. All participants emphasised the desire to test out an idea and take up a challenge. One of the main motivators was found to be 'greater freedom to adopt your own approach to work', 'to be in control without having to answer to someone else'. Many were frustrated in their current job, knew they could do certain things better than their current employer and wanted more control of their life. Often these factors were influenced by external factors such as redundancy, lack of job opportunities, exposure to a viable idea, availability of support, relevant experience, supportive family background, access to training and development, or the identification of a particular niche in the market. When the internal/external and push/pull factors came together, the decision to become an entrepreneur was taken.

Most participants highlighted the importance of having the support of family and friends and of having access to an informal mentor/adviser or role model. Most described themselves as optimistic by nature, being able to see through the bad times that invariably occur and highlighted the importance of having confidence in their potential to succeed. Many considered that personality was important and that such traits could be developed. Being able to work with a fear of failure and to focus on the positive side were seen as very important traits. Ability to communicate and listen to advice was also seen as important factors for entrepreneurs in turning their ideas into commercial realities.

Lifestyle issues were also perceived as important by many. These included ability to choose where to live and work, flexibility to work when and as much as one wished and generally having the wherewithal to control their own destiny. In some cases 'quality of life' was compared unfavourably with the ruthlessness of 'big business'.

Previous experience of working in a MNC was seen by many as useful. It facilitated the development of a range of business skills, provided experience of product development and gave access to a wide variety of contacts. The experience of being laid off when a MNC closes down often created a determination to become self-employed. Access to redundancy money was also seen as an important source of initial funding, providing a breathing space in which to pursue a business idea. However, some held the view that working for a large company induced a need for 'comfort', and that this need particularly affected recruitment of such staff into small firms.

The opportunity to earn more money was a key motivator for a small number of entrepreneurs. However many said that while money didn't drive them, earning more money allowed them the freedom to do other things. This in some instances

meant being able to invest in a new project. In other situations it allowed them to put something back into voluntary community initiatives.

Some entrepreneurs recognised that while they had a viable idea, they did not always have all the skills necessary to successfully execute it. In such cases they were motivated to find a partner who would complement their skills. In these partnerships, there appeared to be an understanding of each other's strengths and a respect for one another that might not always exist in larger companies where there is often seen to be more of a position of power and competition between individuals.

The attitude of people around the entrepreneurs, when they decided to start their own business also acted as a motivator. In general most found encouragement.

Customers also motivated a significant number of entrepreneurs in both the services and manufacturing sectors. There was evidence of a strong customer focus among these entrepreneurs that obviously created customer loyalty.

The low tax regime in Ireland was seen as a strong motivating factor and should therefore, in eyes of the participants, be retained.

## **2.6 Key Demotivating Factors at Start up Stage**

The biggest demotivator for most participants related to the difficulties encountered in accessing finance, accessing relevant information and advice, and to the costs involved in setting up a business.

Overall, participants agreed that accessing initial funding or seed capital was extremely difficult in Ireland. Many stated that funding was available only when you established yourself and thus represented a low risk. Most agreed that there is no risk capital in Ireland at start up stage. Financial institutions were seen as being too conservative, requiring personal guarantees, and to have little insight into the issues involved in setting up a business. Many commented that such institutions were only willing to provide support once the entrepreneurs had proved him/herself, but not at the beginning when their support was most badly needed.

Financial institutions were seen to be becoming more inflexible and to have lost the personal touch. Venture capitalists and other private funders were viewed as unwilling to provide the relatively small amounts required at start up phase and more interested in investing in established companies requiring significant level of investment. The requirement to "give away" equity at too early a stage in the entrepreneurs life when the company was worth very little was mentioned by a number of respondents. Sectoral differences emerged, with entrepreneurs in the IT sector required to seek external funding very early on to purchase equipment etc and to allow early access to international, especially the US markets.

Many queried the criteria and modus operandi of the State support sector. The limitation of Enterprise Ireland's support to manufacturing and Internationally Traded Services was questioned, as was Enterprise Ireland's focus on equity investment rather than on loans or grants particularly at the start-up stage. The extent to which Enterprise Ireland could be both an investment organisation and a support agency was queried. Bureaucratic needs, red tape and paperwork were highlighted as taking up a huge amount of time, which takes entrepreneurs away

from the core business. While some acknowledged that much of this work was necessary, they still felt that the time it took was considerable and that there appeared to be duplication, with forms being overly complex.

Issues relating to costs covered areas such as insurance - public liability, fire, etc where many start-ups were unable to obtain a quote. Accessing suitable premises was seen by some as a demotivating factor.

In relation to access of information and advice, many participants highlighted the difficulties they had initially experienced in identifying where and who to go to for support, what criteria was applied, and in participating in the application process. Many advisors were seen to have little relevant practical experience and thus to be very limited in the type of advice they could give and in their understanding of the risks involved in starting a business. Many participants referred to the potential benefits of being able to get support from other entrepreneurs further advanced than themselves. Some suggested that a willingness to act as such a source of support for other entrepreneurs should be a requirement when receiving State supports.

The strong focus on production of a detailed business plan at an early stage in the start up process was questioned. This resulted in more time being spent on the plan than in setting up the business and acquiring customers. It also often resulted in the production of very unrealistic and premature financial forecasts.

Many entrepreneurs, it emerged, have ongoing and significant cash flow problems, which create serious difficulties for them in turning their idea into a well-founded business. This causes them to live in on-going fear of bankruptcy accompanied by perceived difficulties in ever re-establishing themselves after a business "failure". Generally many felt that the difference between running a business and working through an idea was profound and often insufficiently understood or addressed at an early enough stage.

## **2.7 Key Motivators at Growth Stage**

Participants were asked what were the key factors that would motivate them to grow their business. The key motivators were identified as:

- Desire to remain entrepreneurial;
- "Hunger" for growth;
- Vision to become a brand leader / leader in their field;
- Willingness to let go and lose some control either by releasing equity/delegating authority and bring in partners, business development expertise;
- Luck – arrival of the big order.

Sectoral differences are also important in this context. For instance, IT companies have to reach a critical mass to survive while, biotech firms require a long lead in time to initial success. Many consumer services entrepreneurs are content to grow to a certain stage and then enjoy a good standard of living and more free time.

This is reflected in the way participants indicated that they would measure success in ten years times. Most focused on being financially independent, being happy,

having a good name, having a well spread client base and a good network of customers. Some are, however, driven to become a brand name. Others, while they would like their company to grow, would be happier moving on to other things.

The findings indicate a “reluctance to grow” as a feature of Irish entrepreneurial activity at the current time. The following section looks at perceived reasons for this given by the entrepreneurs themselves.

## **2.8 Key Demotivators of Growth**

Generally, participants views indicated a reluctance to grow among Irish entrepreneurs. The key characteristics that drive a start up situation can themselves impede growth – desire for control, independence and freedom. The experience of the set-up phase also often acts as a deterrent – having got over the initial fears of failure, difficulties accessing finance, advice, etc many entrepreneurs are not willing to go through the process again.

A wide range of factors were identified as acting as barriers to growth. These include business development issues, attitudinal issues and the differences involved in running a company in the serious growth phase.

**Business development issues related to:**

- Staff recruitment and retention;
- Employee legislation;
- Insurance costs;
- Need to change from a one-leader approach to a team approach;
- Small Irish market and difficulties accessing international markets and sub-suppliers (especially for a young company);
- Rapidly changing market conditions;
- Need to make substantial investments in market development;
- Investment required in research and development;
- Difficulties accessing finance;
- A willingness to be “bought out”.

**Attitudinal issues focused on:**

- Unwillingness to “let go”;
- Fear of failure on a grander scale;
- Hassle of more employees;
- Reluctance to become a business manager rather than an entrepreneur.

Managing people was seen as a common difficulty. A very large number of those interviewed acknowledged openly their lack of management experience/skills. Human resource issues such as handling difficult staff were seen to create difficulties as was getting ‘good people’ to join a small company. Employment legislation was also found to be burdensome.

Unwillingness to “let go” created delegation problems, with many entrepreneurs not trusting the commitment and competence of their staff to take on roles that had been held by themselves up to now. Many expressed reluctance at diluting equity, usually a necessity in the growth phase coupled with a general unwillingness to plan and implement exit strategies. Entering a “comfort zone”



after the initial struggle was mentioned by some as a barrier to growth. Coupled with the attitude of the entrepreneurs themselves was the perception that being very successful in Ireland was still frowned on.

These barriers to growth, it was considered, highlighted the importance of having external supports at an early stage – either in terms of mentors, non-executive directors etc. who can help the entrepreneurs to focus on wealth creation or share holder value rather than on the product or service involved. A number of participants agreed with the view that many Irish entrepreneurs are more “in love” with their idea, than in creating wealth and, as a result, often fail to see both the opportunities for threats to potential growth early enough. Others expressed an unwillingness to “walk away”, when all the signs showed that this was the appropriate strategy.

Overall it would appear that for many entrepreneurs the benefits of growth are not clearly seen and do not sufficiently outweigh the perceived costs – both financial and psychological. Factors such as getting enjoyment and satisfaction from what they do were seen as very important to entrepreneurs as their business developed.

The requirements of external funders, particularly VC funds for early growth and early success, were seen by some participants as working against long term growth.

A more measured growth rate, allowing adequate time to develop and test new products and markets and to develop staff and organisational structures was seen as necessary to support sustainable growth.

## **2. 9 Advice to Others Planning to become Entrepreneurs**

When asked what advice entrepreneurs would pass on to others the following comments emerged:

- Get independent advice and be willing to listen to it;
- Think and act big;
- Be as well financed as possible at the start;
- Buy in experience, skills you don't have;
- Work hard, recognise and accept the commitment required;
- Be straight with people;
- Get any necessary help and support required-don't hold back;
- Try to stay one step ahead of the market, keep focused on the customer/ on being different;
- Take chances after due consideration/trust your gut instinct;
- Develop or bring in HR skills;
- Don't be deterred by failure but learn from it;
- Be flexible – not everything will go to plan;
- Have a variety of views represented on your Board; and
- Recruit the best you can possibly afford.

It is interesting that, when advising others, the greatest emphasis is placed on recognising one's own limitations and not being afraid to seek help when its needed. However the other key area of advice relates to trusting one's own judgement, thinking big, remaining flexible, working hard and being one step ahead of the rest. Perhaps the truly successful entrepreneur is the one who knows

when to adopt each of these two approaches, when to listen to others and when to forge ahead using one's own gut instinct.

## **2.10 Factors Affecting Women Entrepreneurs**

Relatively low levels of female entrepreneurship in Ireland have been identified in the statistical analysis of SMEs.(See Section 4.1)

Our study found that Irish female entrepreneurs experience very similar situations to their male counterparts. However a number of significant additional barriers were referred to by the participants- both men and women.

The participants highlighted the initial negative attitudes of many, generally male officials and sub-suppliers, to women entrepreneurs. Generally these negative attitudes however, were found to diminish over time as women proved their abilities.

This view was also reflected in the fact that a number of the male entrepreneurs interviewed in the study tended to believe that it was more difficult for women to start a business than the women entrepreneurs did themselves.

While some of the women interviewed acknowledge a lack of personal confidence (and this did emerge in the comparative analysis of the attitudes of men and women entrepreneurs, presented above), the majority of those interviewed did not express this view. However issues of confidence were highlighted by the focus group participants and the need to actively focus on developing confidence through support of family and friends, use of mentors, involvement in networks was emphasised by these women. This is clearly a complex area and needs to be handled in a positive and supportive manner.

Participants also highlighted the particular difficulties faced by women entrepreneurs in reconciling work and family life. The need for good support systems - both personal and professional - was stated. The expenses incurred here were felt to be very high in Ireland (especially for good childcare) and required women entrepreneurs to be quickly successful if they were to combine entrepreneurship with family commitments. Some expressed the view that "women entrepreneurs don't have children" or that "women entrepreneurs must be prepared to put work before children" and that many women are not prepared to make these choices.

Women entrepreneurs, again because of family responsibilities, were seen by some participants to face particular difficulties in growing their business. For instance successful penetration of the US market by Irish IT firms requires lengthy visits by the CEO to the US. This can prove particularly difficult for women entrepreneurs with family responsibilities. It was considered that such women must place a lot of emphasis on planning their careers and planning exit strategies from their business.

As "being in control" and "having freedom" were recognised as important to all entrepreneurs, participants considered that opportunities for flexible working especially through exploring new technology should be maximised by women entrepreneurs.

More long-term issues resulting in lower levels of female entrepreneurship were seen by the focus group participants to be:

- The lack of female role models.
- The low proportion of women pursuing Science, Engineering and Technology qualifications, often the source of future entrepreneurial activity;

Women returners highlighted the lack of access to relevant education and training, lack of basic information, and of knowledge of key sources of such information, advice and financial support as barriers to them becoming entrepreneurs.

## **2.11 Factors Affecting Entrepreneurs in the Regions**

Most factors, motivating and demotivating entrepreneurs were found to be similar in all parts of the country. However, a number of additional factors were found to affect entrepreneurs in the regions.

Almost all entrepreneurs operating from regional centres emphasised that their choice of location was largely a life style choice and that operating from outside Dublin created additional difficulties because customers, decision-makers and expert support services were heavily concentrated in Dublin. However more remote locations sometimes made hiring staff and accessing CEB support easier.

According to these participants, the need to be able to access the Dublin market meant that access to state of the art communication facilities and quality transport systems were paramount in achieving business success. Currently such facilities are not available especially on the West Coast. Similar problems arise in accessing international markets. A number of participants stated that a Dublin "office" and a US "office" were essential, especially to access the US market. A number of the participants had established such offices through the use of shared office space in Dublin and considered that the State should support entrepreneurs to access such space.

A further issue, referred to by regionally based entrepreneurs, related to a local culture that often did not support or encourage new ideas. This meant that getting suppliers or customers to move to new providers was seen to be more difficult than it would be in a major urban centre.

## **2.12 Different Types of Entrepreneurs**

A requirement of this study was to segment entrepreneurs into different types. While most results were found to be common a number of different subsets did emerge. These were:

- Men and women entrepreneurs;
- Entrepreneurs in different type of locations;
- Entrepreneurs in different sectors; and
- Lifestyle, Ideas driven and success driven entrepreneurs.

Issues relating specifically to men and women entrepreneurs and to regionally based entrepreneurs have been discussed above. In relation to different sectors and type of entrepreneurs the following issues have emerged:

#### **Sectoral Variation**

The importance of providing sectorally relevant advice or financial support was highlighted by the participants, reflecting the different situations in specific sectors.

In the Manufacturing / Internationally Traded Services sectors the potential to develop MNC/Entrepreneurship/SME links was highlighted. The participants recommended that international best practice in this area be examined with a view to identifying a range of initiatives that could be tested in Ireland with MNC and State support.

Such initiatives could relate to encouragements that might be made available to MNC staff to develop their own business ideas in some form of co-operation with the MNC.

In the services sector, the participants saw the need for some form of State assistance at the start up stage and they expressed the view that existing Enterprise Ireland and CEB criteria are too narrow and too focused on export potential. The participants' view was that pre and start-ups in all sectors should have access to initial advice and non-financial support as they had the potential to become valuable source of employment in their local areas.

In relation to the IT sector specifically, the need to reach a critical mass quickly in order to penetrate international markets was highlighted. This, they stated, required a particular approach to funding start-ups in this sector. While it was recognised that VC funds have targeted this sector, it was considered that there remained a funding gap at the early high-risk stage of this type of company's life.

In relation to biotech sector, the need to understand the long-term high-risk nature of the sector and to provide appropriate responses to supporting the development of this sector was highlighted by the participants. In this sector, participants considered that further initiatives could be taken to encourage and support academics that were willing to develop the commercial potential of their products. This, they stated, could include raising awareness of commercialisation possibilities among academics, providing them with business training and supporting the patenting of products.

#### **Type of Entrepreneurs**

A key finding of the study has been the reluctance to grow of many Irish entrepreneurs. This would appear to be due in part at least to differences in initial motivation. Life style entrepreneurs and ideas driven entrepreneurs are often not driven by the desire to succeed per se or to grow into large organisations. Some would question whether these business people actually have remained truly entrepreneurial as defined, because after a certain stage they are less interested in risk taking and innovating and are unwilling to release the level of control required

to grow into large, sustainable organisations. Success or wealth driven entrepreneurs, on the other hand, are always willing to move on and are motivated by the challenge and risk of new ventures, new fund raising drives etc.

From the point of view of policy, it would appear that the emphasis should be on encouraging more life style and ideas-driven entrepreneurs to consider growing their enterprises or to diversifying into new products and services, and on easing the path to such an expansion. For the success or wealth-driven entrepreneurs, less direct supports of any kind are required. What they require is a regulatory and policy environment that does not unnecessarily impede risk taking. Such entrepreneurs can also act as role models and mentors to future generations of entrepreneurs.

## **2.13 Impact of the Wider Environment**

In looking at the wider environment three areas emerged as particularly significant:

- Supports available to entrepreneurs;
- The Educational System; and
- Attitudes to entrepreneurship in Ireland.

### **2.13.1 Supports available to Entrepreneurs**

Supports available to entrepreneurs were found to vary significantly by sector and agency. Generally, CEBs were seen to provide useful support at the start up phase. Enterprise Ireland was viewed favourably if 'you are in the right sector, meet their criteria and find the right person'. Lack of support for non-manufacturing and non-exporting enterprises was seen as a key weakness.

The type of support provided by Enterprise Ireland with its focus on equity backed support was questioned. The slowness of the application process was commented on, as was the strong focus on the 'business plan' at a very early stage of the start-up process.

Many entrepreneurs considered that they appeared to fall between 'the gaps' due to either their sector, size, focus or location. They believed that there is a need for a co-ordinated, independent and comprehensive source of advice at pre start up and start up phase in all regions, to be available to all entrepreneurs in all sectors. They also see a need for easier access to seed capital for such entrepreneurs.

### **2.13.2 Role of the Educational System**

In general, participants commented that the educational system currently played a very limited role in developing Irish entrepreneurial potential. However, it was considered to have the potential to play a more significant supporting role in the future, particularly in terms of fostering entrepreneurial talents. Key elements of this supporting role were seen to be:

- Drawing out the personality traits associated with entrepreneurship – self reliance, risk taking, communication and team skills;

- Promoting self employment as a long-term career goal and focusing on this area in the curriculum, especially in transition year and in career guidance advice;
  - Giving greater recognition to non-academic achievement;
  - Providing access for students to entrepreneurial role models;
  - Ensuring access to entrepreneurial award schemes;
- Provision of relevant entrepreneurial training at third level, including a focus on commercialisation of academic innovations.

### **2.13.3 Attitudes to Entrepreneurship in Ireland**

Participants were asked their views on current attitudes to entrepreneurship in Ireland, particularly in the light of very positive findings from recent international studies, which benchmark Ireland as being very pro-entrepreneurial.

This revealed that many entrepreneurs see Ireland as continuing to have a “begrudger” type attitude towards entrepreneurs. While this attitude is seen to be diminishing it is clearly seen to still exist. The extent to which this attitude discourages entrepreneurship is likely to be limited, however it may contribute to the reluctance to grow attitude found in this study.

Similarly the prevailing attitude towards business failure is still considered by the participants to be very negative, although again in the process of changing for the better. This view is at variance with the findings of international benchmarking studies, which place Ireland relatively low on this factor. This issue needs to be explored further.

It is recognised that these currently prevailing negative attitudes can only be changed over the longer term through greater education and awareness raising and through changes in culture. The importance of promoting a positive view of entrepreneurship in all areas of society was highlighted in this context.

### **2.14 Views on how to Create Conditions that will Optimise Entrepreneurship in Ireland**

Participants expressed a wide range of suggestions in relation to how to optimise conditions for entrepreneurship in Ireland. These can be grouped as follows:

#### **A. Start Up**

Pre start up stage

Start up stage

#### **B. Growth**

#### **C. Role of State Support Agencies**

#### **2.14.1 Pre Start up**

At the start up stage, participants highlighted the need for access to co-ordinated sources of initial, independent guidance, information and advice on the steps involved in starting a business and on the available sources of advice and financial assistance. They recommended that co-ordinated and independent sources of such

advice are required prior to approaching a potential funding source. The establishment of independent information “brokers” funded by the State but staffed by business people was seen as a key way of cutting down on the amount of time required to start up a business on a sound financial and business footing. The availability of such a service prior to the development of a business plan was considered necessary.

#### **2.14.2 Start up Stage**

A number of recommendations were made by the participants in relation to the start up stage. These were:

- To ensure the availability of seed capital fund to provide small amounts of initial high risk capital to businesses at the very early stages, before they are likely to obtain bank or Venture Capital funding or to fill a gap in their other funding sources. A number of options were proposed for the nature of this funding – grants, repayable loans, preference shares. Generally, it was considered that at this early stage such funding should not be in the form of equity finance as this would dilute the value of the company at a very early stage.
- The need to review funding criteria applied by the banking sector, particularly the continuing requirement for personal guarantees and to investigate ways in which the State might carry some of the risk involved;
- The urgent need to address the current insurance problems faced by entrepreneurs at the start up phase whereby many now cannot even obtain a quote for their business;
- Availability of State funding for the provision of independent entrepreneurial expertise and advice in a variety of formats. These included:
  - Availability of a mentor (to be chosen by the entrepreneurs themselves);
  - Partnering with other entrepreneurs that are at a more advanced stage in the business;
  - Access to expertise in business schools and colleges / information centres;
  - Provision of networking opportunities through business representative associations, chamber of commerce, etc;
  - Provision of more incubation units, possibly attached to information centres;
  - Access to local, national and international contact databases for customers and clients;
  - Access to an “office” address in Dublin and in overseas markets.

#### **2.14.3 Growth Phase**

Given the reluctance to grow identified by many of the participants, a major focus of the discussions was on how to optimise conditions for growth in Ireland. The participants made six main recommendations in this area:

1. Encourage more start ups and from this bigger pool, a number of “natural” growth companies will emerge;
2. Establish a Fast Growth Fund for identified companies in a wide variety of sectors with significant growth potential and likelihood of reaching their potential;
3. Provide advice to entrepreneurs on the stages of company development and related HR requirements and encourage them to prepare exit strategies. Such advice could, it was felt, be provided in a number of forms – one to one support, development programmes, networks, focus group meetings, etc;
4. Take into account the particular needs and barriers faced by different sectors, particularly in the so-called modern and traditional sectors. In the modern sector issues may be more related to funding while in the traditional sector issues such as quality of life, culture and attitudes may be the main barriers that need to be addressed;
5. Carrying out a media/advertising/awards campaign aimed at:
  - encouraging growth;
  - changing current sceptical attitudes to success seen to still exist in the Irish psyche, promoting positive role models;
  - promoting /celebrating success/achievement, highlighting the responsibilities involved and the benefits to all;
  - promoting idea of Irish MNCs.
6. Monitoring the success of the proposed initiatives, when introduced, in terms of increased growth and in relation to international standards in this area.

#### 2.14.4 Role of State Support Agencies

The following changes in the way State agencies currently support entrepreneurs were suggested:

- Provision of initial advice and soft supports to all start ups;
- All State agency staff to have relevant personal experience and expertise and thus be in a position to provide sound advice to entrepreneurs;
- Greater focus on non-equity type investment, especially at the very early stages of start up;
- Encouragement for greater risk taking and for more local flexibility within the agencies.

#### 2.15 Conclusions

In this section of the report we present the key conclusions arising from the analysis presented above, under each of the hypotheses tested in the study.



*1. The desire to be an Entrepreneur is driven by a range of factors – background, personal, cultural, as well as business related*

The study's findings show that a combination of personal, societal, business, economic and wider environmental factors are all at work in encouraging entrepreneurship. Important factors that have emerged are: a family background in business, possession of relevant skills and knowledge, a strong interest in business, access to formal and informal supports, ability to access finance and to develop or buy in necessary complementary skills and experience, as well as possession of a marketable idea and a willingness to work hard.

Both push and pull factors are at work. It is the coming together of these factors at an opportune moment that creates a successful entrepreneur.

These findings reflect the development of ideas in the international literature that it is a combination of factors rather than a particular sociological or psychological factor that stimulates and drives entrepreneurship.

An interesting factor that did emerge is that many entrepreneurs still battle with fear of failure, particularly in their earlier years. Given the international benchmarking studies that indicate the general public's increasing tolerance of such failure in Ireland, it would appear that such attitudes remain for more practical than cultural reasons. Given the financial difficulties and market development and sales efforts faced by most start up companies, the possibility of failure is very real.

However, it can be reduced through initiatives to assist entrepreneurs to access seed capital and to develop marketing and sales skills where required.

While some of the factors driving entrepreneurs are 'external' and therefore can be influenced by public policy (e.g. access to finance or advice) others are intrinsic to the individual (e.g. interest in business, ability to exploit an opportunity, hard working). However, some of the latter traits may be encouraged through the educational/training system in its broadest sense. From a public policy perspective, it is important to both identify the factors that are amenable to external supports and to prioritise such supports.

*2. Successful Entrepreneurs share common characteristics and backgrounds*

A number of common personal characteristics and backgrounds were found among the entrepreneurs that participated in this study. The analysis has highlighted the importance of a family background in business as an indicator of future entrepreneurial activity. It has also emphasised the importance of previous business experience in a related area to the business in which the entrepreneur subsequently becomes involved-often at a management or technical level. It also indicates that many of today's entrepreneurs have third level qualifications.

The personality traits of Irish entrepreneurs are similar to their international counterparts- a need to achieve, a willingness to exploit a challenge, to persevere, to work hard and driven by self belief, but tempered with the ability to be flexible and to delegate to others when necessary.

Perceptions of what it is to be an entrepreneur also highlight the importance of being driven by an idea, being free to pursue one's own destiny, coupled with the need to avail of support systems that ease the burden of responsibility and help to

deal with the more day to day responsibilities of running a business which may have less appeal to the entrepreneur.

The extent to which such individuals are willing and able to listen to advice and recognise that they are not experts in every aspect of the business is thus seen as vital in turning a potential entrepreneur into a successful businessperson. The key informants consulted in the course of this study, who work every day with entrepreneurs, highlighted the increasing importance of a team-based approach whereby the entrepreneur with the idea surrounds him/herself with a team that

possess the required complementary skills rather than acting as a solo operator. Potential funders increasingly require such an approach.

However, the basic entrepreneurial traits must be there if the necessary risks and challenges are to be taken. From a policy perspective, it is important therefore to ensure that such characteristics are nurtured and developed within the educational system and are valued within the wider culture and society.

*3. Entrepreneurs that establish fast growing companies are those that are able to make the transition to complex organisations within the terms of their particular sector*

Some of the very factors that encourage entrepreneurship initially may work against growth. These include not wanting to lose control, not being able to let go, wanting freedom. This results in a 'reluctance to grow'. Our findings have highlighted a 'reluctance to grow' among Irish entrepreneurs for a wide variety of reasons-personal/quality of life issues, being driven by their original idea rather than by business success, not wanting to go through the tough years that are seen as likely to occur again if the company expands, not wanting the responsibility of additional staff, etc. This supports the available data on Irish SMEs that indicates that many may not be reaching their full growth potential.

While such entrepreneurs cannot be 'forced' to grow, they can be supported through the perceived barriers by access to relevant training and expert support. This can in particular involve mentoring by other entrepreneurs who have successfully made the transition to high growth companies, many of whom we found were willing to 'give something back'. Such entrepreneurs highlighted the importance of recognising the need to develop their organisational structure and to bring in the necessary functional expertise required, if they were to grow successfully. This reflects the international findings that point to the importance of business skills and functional management in going through the stages of growth or life cycle of a successful company.

An ability to plan exit strategies/stages of development is seen as vital to ensuring that phased growth occurs. This, in turn, requires an ability to delegate and a willingness to bring in functional experts and external investors while retaining an entrepreneurial outlook.

Evolving skill requirements are summarised in the following table:

<b><u>Start Up</u></b> Able to access and listen to good advice Resourceful Determined Innovative Strong communication skills Market driven
<b><u>2 Years</u></b> More confidence Adaptable Developing business skills Planning
<b><u>Growth Phase</u></b> Able to let go – partially Delegating Hiring and managing staff Managing time Planning
<b><u>Acquisition Phase</u></b> Able to let go totally Negotiation Consultancy Focused on new opportunities rather than on the initial business idea

From a policy perspective if entrepreneurs are to be able to successfully grow their businesses, there is a need to ensure the availability of opportunities for such skill development.

As well as developing the necessary skills for successful growth, there is a need to take into account the differences in initial motivation referred to above. Life style entrepreneurs and ideas driven entrepreneurs are often not driven by the desire to succeed per se or to grow into large organisations. Success or wealth driven entrepreneurs, on the other hand, are always willing to move on and are motivated by the challenge and risk of new ventures, new fund raising drives etc.

From the point of view of policy it would appear that the emphasis should be on encouraging more life style and ideas driven entrepreneurs to consider growing their enterprises or to diversifying into new products and services, and to easing

the path to such an expansion. For the success or wealth driven entrepreneurs, less direct supports of any kind are required. What they require is a regulatory and policy environment that does not unnecessarily impede risk taking. Such entrepreneurs can also act as role models and mentors to future generations of entrepreneurs.

#### *4. Women face additional issues in becoming Entrepreneurs*

The study highlights the many similar conditions experienced by men and women entrepreneurs but also identifies a number of additional difficulties experienced by women entrepreneurs. These include issues relating to family/work conflict, lower confidence and self-esteem and negative attitudes on the part of some service providers. The findings clearly indicate that male views towards women in business are still perceived to be a barrier to female entrepreneurship in Ireland.

These findings reflect the international literature that shows that the issues faced by women entrepreneurs are a complex combination of external/practical and attitudinal issues and internal/psychological ones. External issues can be addressed by actions such as awareness-raising training for those involved with supporting women entrepreneurs, by support for family friendly work practices and childcare. Internal issues of lower confidence and self esteem can be addressed by actions aimed at changing cultural attitudes, addressing such issues within the educational system and through promoting positive role models and support systems for women entrepreneurs.

From a policy perspective this indicates a need to ensure that the educational system and wider cultural attitudes increasingly support female entrepreneurship, that family friendly work practices are encouraged and that any continuing misperceptions among those dealing with such entrepreneurs are addressed through the provision of relevant training and education. Steps to raise confidence levels are also required. These can include promotion of female role models, access to relevant mentoring and networking opportunities.

#### *5. Entrepreneurs in the regions experience particular difficulties*

The findings indicate that there are both benefits and difficulties associated with a regional location for Irish entrepreneurs. Benefits frequently take the form of lifestyle choices- the quality of life being seen to be much higher in areas outside the major cities for such entrepreneurs and their families. The negative elements reflect the other side of this coin and relate mainly to access difficulties. Access to markets, to communication technology, to business expertise and to specialist state supports are seen to all create additional difficulties for such entrepreneurs. However recruitment and retention difficulties may be less, if the appropriate staff are available.

The lack of specialist business services within the regions was considered to put regionally-based entrepreneurs at a serious competitive disadvantage and action was seen to be required where possible to minimise this barrier.

Furthermore, given the dearth of private specialist advice services for entrepreneurs in the regions, such entrepreneurs tend to seek such advice from the local enterprise support agencies. While many express satisfaction with the commitment of the personnel involved, others expressed the view that such regional offices were increasingly tending to simply carry out instructions from Head office and not to

have any local discretion in how they operated. The exact details of their requirements and concerns need to be reviewed further.

From a public policy perspective the possibility of assisting regionally based entrepreneurs to access the necessary business expertise and markets required to successfully run their businesses should be investigated.

It is also important that the enterprise support agencies put in place mechanisms to receive feedback on their services aimed at ensuring that such services are as relevant as possible to local needs.

*6. The cultural climate for Entrepreneurs in Ireland has improved in recent years*

The cultural climate within which entrepreneurs operate in Ireland is seen by such entrepreneurs to have improved significantly in recent years in Ireland. There is greater optimism, more confidence, more role models, more wealth within the country which all encourage entrepreneurship. However, attitudes of begrudgery, though diminishing, are still seen to exist. Non-acceptance of failure is still perceived to be an issue for entrepreneurs -both on the part of the financial institutions and the general public. These attitudes are somewhat at variance with the international surveys that now indicate that the general public's attitude towards entrepreneurship in Ireland is now highly favourable. It is not clear why this discrepancy exists. This points to the need for further surveys on such attitudes among the general public in Ireland, and to the need to promote the findings of such studies as widely as possible.

From a public policy perspective, there is a need to both assist in imbedding and publicising the more positive attitudes now emerging towards entrepreneurship as the economy grows more slowly and as people become less certain about the future.

There is also a need to address the remaining negative perceptions. This can best be done through promoting the benefits of entrepreneurship within the educational system, as well as more broadly throughout society, and by focusing on the contribution to employment and wealth creation made by entrepreneurs. It also involves addressing the "fear of failure" attitudes that stem from real financial difficulties and prevailing negative attitudes as referred to above.

***7. Entrepreneurs benefit from being “nurtured/animated” to help them turn an innovative idea into a commercial business***

The study highlights the importance of external supports in turning innovative ideas into commercial businesses. This was highlighted by all those consulted in the course of the study. Access to co-ordinated and easily accessible information on available services and supports for entrepreneurs, access to independent advice, mentoring, networking and partnering, were also seen as vital in assisting entrepreneurs to establish and grow successful businesses and to minimise failure and unnecessary delays and frustrations. The benefits of learning from other entrepreneurs and of being given an opportunity to explore potential new business ideas while still employed in a large organisation also highlighted as an area that should be explored further.

From a public policy perspective, existing state supports need to be reviewed to ensure that they are easily accessed by potential entrepreneurs throughout the country, that their services, and the criteria for accessing them, are clear, and that they are staffed by experts in business start-ups and expansion. The potential of learning from other entrepreneurs further down the line and of exploring potential new business ideas while still employed should also be fully explored.

The current situation regarding the non-availability of soft supports and seed capital finance for entrepreneurs with business ideas outside the existing designated sectors and criteria needs to be reviewed, if the aim is to increase the number of successful new business start-ups and to grow an increasing number of medium to large indigenous firms.

***8. Access to initial finance (both equity and loan finance) remains a key barrier to Entrepreneurs wishing to establish a business***

The study highlights the on-going difficulties many entrepreneurs’ experience in accessing finance particularly at the early start-up phase. There is generally considered to be a dearth of risk capital in Ireland, particularly for relatively small sums at the initial start-up phase. Financial institutions are seen to be risk adverse, willing to provide help only when the business is becoming established. Ways of sharing the risks involved in funding new start-ups need to be explored.

Funding through private equity is generally considered undesirable at the early start up phase as a relatively large share of the business at this stage would have to be released in order to raise the necessary funding, and because most VC funds are considered only to be interested in investments well above the 100,000 Euro level.

From a policy perspective, there is a need to investigate new methods of providing initial seed capital to entrepreneurs that involve greater sharing of the risks involved

and do not require large equity sales in return, particularly for enterprises outside Enterprise Ireland’s remit.

***9. Relevant education can support more Entrepreneurship in Ireland***

There was strong agreement with this statement in principle. However, the Irish educational system was seen by the entrepreneurs to have played a very limited role in practice to date in this area. There was seen to be little direct focus on entrepreneurship within the Irish educational system at the present time – at all levels. Nevertheless it was recognised that there are a growing number of initiatives in this area.<sup>6</sup> Further actions are seen to be required aimed at promoting self employment as a career option and at fostering entrepreneurial traits within the educational system with a view to changing the prevailing climate that is seen to focus primarily on academic excellence and becoming a 'good employee'. (See Section 4.6 for views of students of entrepreneurship from the University of Limerick that participated in the study.)

***10. Public policy should be aimed at ensuring that the regulatory environment supports Entrepreneurship***

The need to continuously ensure that regulations do not reduce competitiveness or place unreasonable burdens on SMEs, the need to monitor all relevant new regulations to assess their impact on SMEs, to minimise red tape and to address the growing issue of rising insurance costs were all referred to as areas requiring further attention.<sup>7</sup>

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<sup>6</sup> See Appendix A for a list of such initiatives.

<sup>7</sup> As these issues are currently being explored in other fora they are not pursued any further here in terms of specific recommendations.

## **Section 3 Recommendations**

### **3.1 Priority Issues Emerging**

The priority issues emerging from the study's findings and conclusions can be identified as follows:

#### **Entrepreneurship Level**

1. Accessing start up advice;
2. Accessing early stage finance;
3. Accessing on-going external support and advice;
4. Growing more women entrepreneurs;
5. Encouraging and supporting growth;

#### **National Level**

1. Increasing the focus on entrepreneurship within the educational system;
2. Creating a culture supportive of entrepreneurship;
3. Fostering entrepreneurship and innovation; and
4. Ensuring adequate availability of statistics to allow a comprehensive analysis of trends in the SME sector.

The following recommendations are made in order of priority aimed at addressing these issues. (Please note that the recommendations cover areas unique to small businesses and do not include broader issues already being addressed in other quarters, e.g. issues relating to insurance costs.)

### **3.2 Recommendations: Entrepreneurship Level**

- 1. Ensure the availability of co-ordinated, locally available, initial information and advice for all potential Entrepreneurs requiring such services*

While the enterprise development agencies are providing a range of supports for Irish entrepreneurs, particularly in the manufacturing and internationally traded sectors, there is a need for them to work more closely together to ensure the availability of co-ordinated, independent, and comprehensive information and advice for entrepreneurs in all sectors at the pre-start up stage.

We therefore recommend that the County Development Boards make arrangements for a co-ordinated approach to the provision of such a service at local level. In particular, the importance of having such services provided by persons with business experience and an in-depth knowledge of the SME sector is stressed. Such a service should take advantage of existing structures and services, where possible, particularly in the area of information technology and the internet. It is vital that



such services are pro-active and that structured plans are put in place for the continuing training and development of the personnel involved.

We also recommend that all the enterprise support agencies hold regular focus group meetings throughout the country, with their clients and potential clients to discuss their needs and concerns with a view to seeing how best these can be addressed. Perhaps the County Development Boards could decide how best to arrange such meetings.

Recognising the success and usefulness of the many networking activities already existing, we recommend that limited funds be made available through Enterprise Ireland and/or the CEBs to Chambers of Commerce, Representative Associations, academic institutions, etc., to encourage more networking among and between entrepreneurs, local colleges and businesses, as well as with specialist business advisers. This funding should be limited to situations where such events are otherwise unlikely to be held, due to lack of funding. (e.g. outside Dublin locations)

***2. Ensure the availability of high-risk seed capital for new entrepreneurs in all sectors of the economy***

A variety of funding is available to new business start-ups in Ireland. However, this study has revealed that new entrepreneurs across a wide variety of sectors still find it very difficult to access small amounts of high-risk seed capital at the early stages. There is generally considered to be a dearth of risk capital in Ireland, particularly for relatively small sums at the initial start-up phase. Financial institutions are seen to be risk adverse, willing to provide help only when the business is becoming established.

We recommend therefore that all existing sources of funding for new business start-ups be re-examined by the Department of Enterprise, Trade and Employment in order to identify how this funding gap might best be filled.

***3. Establishment of an Entrepreneurs Support Panel at regional level aimed at providing entrepreneurs at the start-up phase with access to specific and customised forms of business expertise***

Entrepreneurs starting out can benefit greatly from the advice and experience of those that have gone before them. Our study revealed that established entrepreneurs are willing to provide a helping hand to such new start-ups. We recommend therefore that the CEBs and EI, in co-operation with local business, financial and academic institutions, set up an Entrepreneurs Support Panel to co-ordinate such a service for new entrepreneurs in their area. The provision of such expertise could be in the form of partnering/mentoring/coaching. Local entrepreneurs and local business experts on the proposed panel could provide such support on a pro bono basis or for a reasonable fee.

***4. Development and implementation of an integrated strategy for women Entrepreneurs***

Many initiatives, aimed at increasing the number of women entrepreneurs in Ireland, are currently being implemented throughout Ireland. Our findings clearly show that many women entrepreneurs can benefit from support aimed at building confidence through networking, mentoring, etc., at building business and management expertise where this is lacking, and through assisting in achieving family/work balance. The findings also highlight the need for action aimed at addressing negative perceptions still found by some entrepreneurs to exist among funders and support agencies towards women entrepreneurs.

Recognising that Ireland is currently below average in the number of female entrepreneurs we recommend that:

- A specially funded programme, designed to attract and increase the number of female entrepreneurs, be set-up to be operated by the State's business development agencies – Enterprise Ireland, County Enterprise Boards, Leader, Shannon Development and Udaras na Gaeltachta. This specially funded programme should include funding for education and training, advertising, awareness issues, seminars and network building, feasibility grants and financial assistance.
- An Implementation Group, comprised of representatives from the Department of Enterprise, Trade and Employment, the Equality Unit, Department of Justice, Equality and Law Reform, the business development agencies and the private sector as appropriate be established to carry forward these recommendations.
- A national competition, sponsored by the Department of Enterprise, Trade and Employment, be set up for the best 'up-an-coming' female entrepreneur.

***5. Introduction of a Development Programme for Growth Entrepreneurs***

Given our finding that many entrepreneurs demonstrate a 'reluctance to grow' their businesses, we recommend that a development programme for potential growth entrepreneurs be made widely available by the enterprise development agencies. This programme would be aimed at supporting businesses that fall outside

Enterprise Ireland's remit to grow their companies, to help overcome any reluctance to growth and to develop the skills necessary to run a growth business. A number of

such programmes are currently being developed and tested by both CEBs and by private consultants. These programmes should be reviewed and assessed. The CEBs could then work with private providers to ensure the availability of such programmes within their areas at a reasonable fee. Building on our findings, we believe that these programmes should focus on the skills and expertise required to overcome perceived barriers to growth in areas such as:

- Employment legislation;
- Human resource management;
- Planning skills;
- Team working;
- Time management;
- Delegation and succession planning;
- Accessing export markets;
- Accessing finance;
- Investing in R&D;
- Accessing external expertise;
- Business diversification.

Any such development programme for potential growth entrepreneurs should recognise the importance of skills development at the level of the enterprise in ensuring business growth and strengthening competitiveness. The availability of diagnostic and skill building tools in the workplace, such as benchmarking, may also help to improve efficiency and productivity, leading to growth opportunities.

### **3.3 Recommendations: National Level**

Our research highlights the need to focus more attention on the promotion of entrepreneurship at a national level, both within the educational system and within wider society.

The following specific recommendations are made:

#### *1. Increasing the focus on entrepreneurship within the educational system*

We recommend that a more active approach be taken to the provision of information and practical experience, and to the encouragement of entrepreneurship, within the educational system. We consider that recent developments such as the applied and practical Leaving Certificate courses and the Transition year facilitate this. The enterprise promotion agencies, particularly the City and County Enterprise Boards which have a specific role in this area, should have the resources to prepare and assist in the delivery of attractive and content-worthy modules, programmes and experiences for pupils in the educational system. There is also an argument for the relevant Departments to develop a national strategy in relation to enterprise education. There are a number of non-Statutory organisations involved in preparation and delivery of appropriate programmes and award schemes aimed at encouraging entrepreneurship. We consider that these have an important contribution to make, not least in the delivery of their programmes in association with the relevant State educational and enterprise bodies.

We note and support the work being undertaken by the NDP in developing informational educational materials on the role of enterprise in the State.

We are also aware that a review of education and entrepreneurship is currently underway under the auspices of the EU, with the participation of the Department of Enterprise, Trade and Employment. We recommend that this review take cognisance of the findings of this report.

*2. Creating a culture supportive of entrepreneurship*

While the educational system has a role to play in changing attitudes and in encouraging greater entrepreneurship in Ireland, this is a long-term process. In the shorter term, greater emphasis should be placed on promoting entrepreneurial awareness among the general public, highlighting achievements and successes, and emphasising the key role that entrepreneurs play in creating sustainable employment and wealth within the economy. At local level, we know that the CEBs

are involved in such promotion work. To contribute to building awareness, to highlight entrepreneurial issues and to encourage debate at national level we recommend that this study be published and given the widest circulation.

We also recommend that existing, privately run, and proven award schemes aimed at encouraging entrepreneurship operating at the different levels-from primary school to high growth entrepreneurs - be reviewed to ensure that they are widely known and accessible, and receive maximum publicity. Consideration should also be given to State support for such schemes - particularly at primary and secondary school level - on a public/private partnership basis, aimed at ensuring their widespread availability.

*3. Ensuring that Enterprise Policy in Ireland focuses on fostering entrepreneurship and innovation*

We recommend that initiatives to promote entrepreneurship and innovation be central elements of any new policy that might result from the Department of Enterprise, Trade and Employment's current review of enterprise policy.

*4. Ensuring adequate availability of statistics to allow analysis of trends in the SME sector*

While Ireland participates in a number of international benchmarking studies on trends in the SME sector, the primary source of data on company births and deaths in Ireland is VAT registrations. We recommend that discussions be held with the CSO

and the Revenue Commissioners to explore ways in which this data could be made more accessible and useful to researchers involved in analysing trends in this area. This should include reviewing the actions required to ensure that these statistics

are available by gender. This should include reviewing the actions required to ensure that these statistics are available by gender.

An understanding of the reasons behind these trends is vital to our understanding of the way the SME sector is evolving in Ireland.



## Section 4 Annexes

### 4.1 Statistical Analysis of SMEs

#### 4.1.1 Introduction

This chapter examines available statistical information on Irish entrepreneurs and SMEs. Considered here are trends in the births and deaths of SMEs, the position of women entrepreneurs and that of entrepreneurs in general. The attitude of the general public towards entrepreneurship and the factors affecting entrepreneurial activity are also considered.

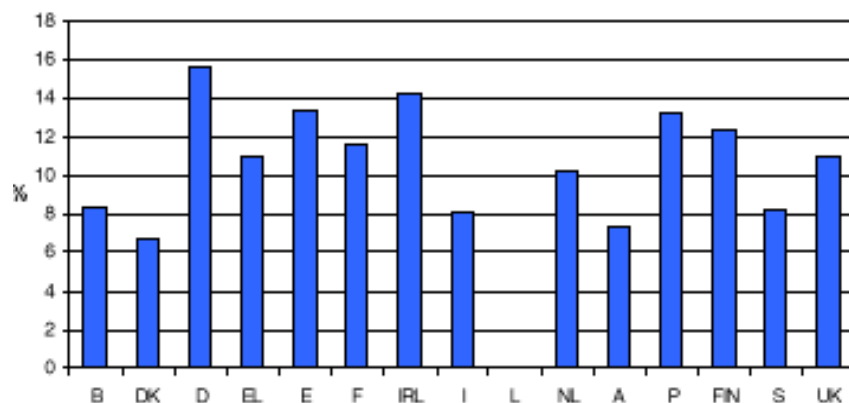
#### 4.1.2 Births and Deaths of SMEs

Currently there is no one comprehensive source of statistical information on small business births and deaths in Ireland. In the absence of a dedicated source this and other studies seeking information on births and deaths of Irish companies typically derive the data from information systems that have a mainly administrative function, e.g. VAT registrations and PRSI listings. These databases are thus subject to significant shortcomings.

The main database sources are the Company Registrations Office records, the Census of Industrial Production from the CSO and the Revenue Commissioners VAT registrations and employers register. The merits and demerits of the different sources of births and deaths data are discussed in a 2001 report by Fitzpatrick Associates<sup>8</sup>. They reach the conclusion that the Revenue Commissioners database combined with some private data base sources form the most reliable source of information on company birth and death rates. Other reports such as those produced by the European SME Observatory also use the Revenue Commissioners VAT registrations to estimate company birth and death rates in Ireland.

According to the VAT registration figures compiled by the European SME Observatory Ireland had one of the highest business birth rates in the EU during 1995-2000. Ireland's business death rate 1995-2000 was comparable with that of the rest of the EU.

Table 4.1.1: Gross Birth Rates 95-2000, in percent of total Enterprises



Source: The European Observatory for SMEs

<sup>8</sup> Small Business Failure in Ireland, Fitzpatrick Associates Economic Consultants, June 2001

The period 1995-2000 was a significant boom period in Ireland and it has been noted by many studies that periods of boom are often linked to increased business start-ups but that the succeeding slowdown periods are also linked with higher company deaths. It will be important therefore to monitor trends in the early 2000's to see if company birth rates continue at this relatively high rate.

#### 4.1.3 Review of Irish SMEs

This section considers the available statistics on Irish SMEs in areas such as the propensity to export and access to finance and compares them with the rest of Europe.

##### *Employment*

According to the previously mentioned 2001 European Observatory for SMEs study Ireland has an average SME size above that of the EU average. The EU average size of an SME is 4 with Irish SMEs averaging 5 employees. However 51 percent of Ireland's employment is accounted for by LSEs (Large Scale Enterprises) despite the breakdown of businesses being 99 percent SMEs to one percent LSEs. In the rest of Europe only 34 percent of employment is accounted for by LSEs with 66 percent accounted for by SMEs from approximately the same SME/LSE split.

According to the Entrepreneurship in Ireland<sup>9</sup> study in 1996 some 90 percent of Ireland's enterprises had less than 10 employees in 1996. This is roughly in line with the rest of the EU, yet these enterprises accounted for only 18 percent (see table 4.1.2) of total employment in Ireland whereas they accounted for 33 percent of total employment other EU countries.

This report concluded that:

*'Commenting on the employment contribution of the SME sector, the Task Force on Small Business argued that Ireland neither benefited from the strong economic contribution that medium sized enterprises make in northern European countries nor the large employment contribution that very small enterprises make in Southern European countries. This data continues to support this earlier assertion and indicates that Ireland needs to increase the number of businesses to (a) revitalise the small firm sector and (b) avoid an increasing over dependence on larger (usually multinational) enterprises for future employment growth'.*

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<sup>9</sup> Review of Entrepreneurship in Ireland, Colm O Gorman and Dylan Jones-Evans, 2000



**Table 4.1.2: Percentage share of enterprises and employment by size class (Ireland, EU) 1996.**

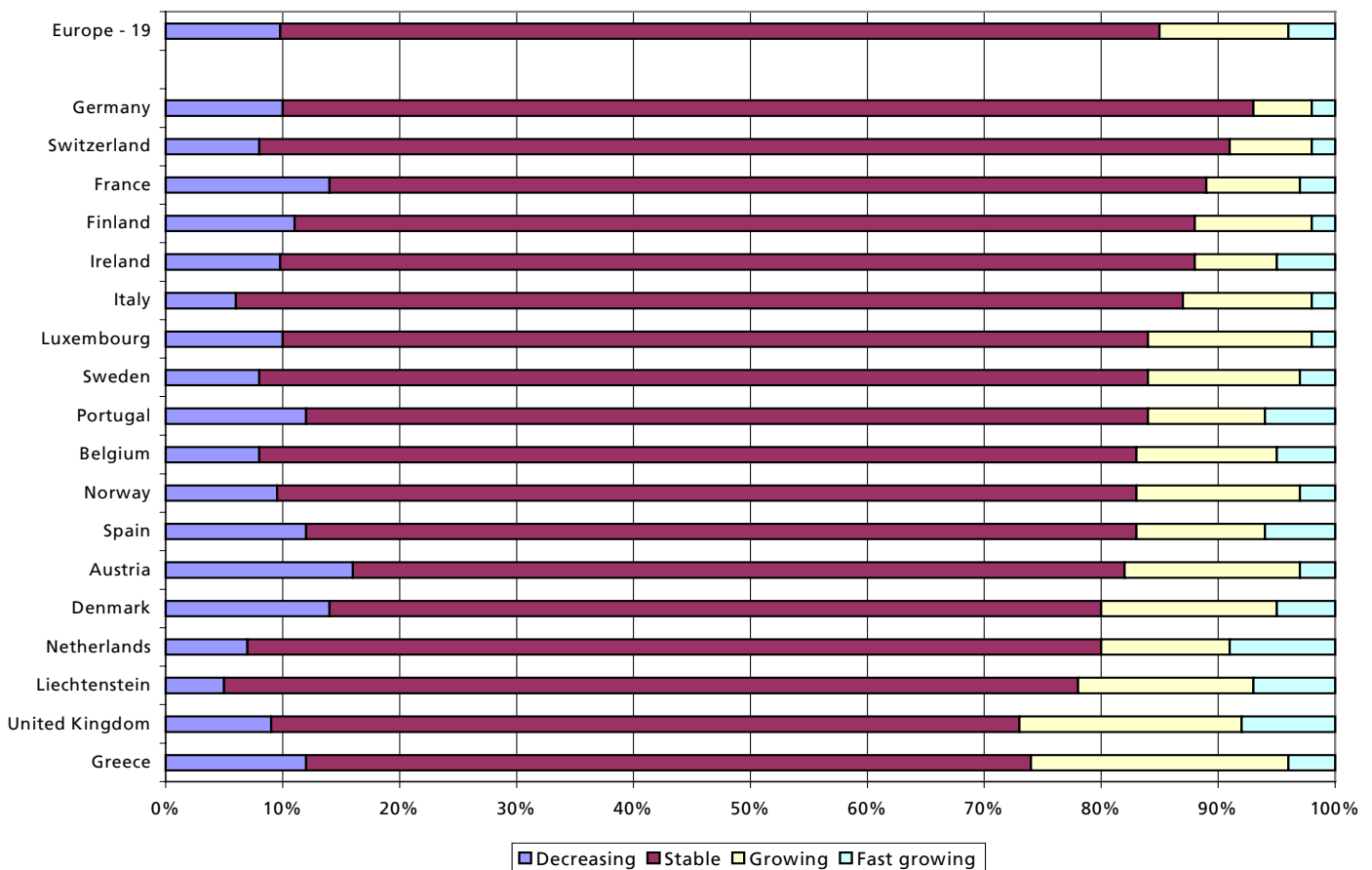
	Percentage share of enterprise by size class		Percentage share of employment by size class	
	Ireland	EU	Ireland	EU
Very Small <10	89.8	93.0	18	33
Small (10-49)	8.0	5.9	16	19
Medium (50-249)	1.6	0.9	14	14
Large (>250)	0.6	0.2	51	34
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: European Network for SME Research (1997).

**Factors Affecting Growth**

Ireland currently has a relatively low number of growing and fast growing enterprises. Table 4.1.3 shows that in Ireland 11 percent of firms are growing or fast growing, compared with an EU average of 15 percent. This compares with other countries such as Denmark where 20 percent of firms were described as growing or fast growing and Spain with 17 percent.

**Chart 4.1.3.: Employment growth 1999-2000 (Birch Growth Rates), by country (percentage of SMEs)**



Source: European Observatory for SMEs

### Other Factors Affecting Irish SMEs

Ireland has the joint highest percentage of SMEs that see skilled labour as a constraint to their business according to the European Observatory for SMEs. The lack of venture capital is seen as a barrier by many firms and more specifically the shortage of venture capital investment at the start up stage. Ireland rates low compared to other EU countries in terms of venture capital invested at the start up phase according to the European Venture Capital Association.

A recent survey by the Irish Small Firms Association highlights the twelve most negative factors impacting on the ability of small business to invest, develop, expand and create new jobs in 2002. The companies were asked to rank 1-12 their biggest problems and the results were as follows.

**Table 4.1.4: Top 12 Problems & Their Overall Impact on Business**

Problem Rating		TOPIC % Top Problem
1	Insurance Costs	21%
2	Labour Costs	15%
3	Late Payment from Debtors	8.9%
4	Inflation	8.4%
5	Skills Shortage	7.1%
6	Traffic	7%
7	Increasing Legislation	6.8%
8	Crime	6.8%
9	Red Tape	6%
10	Road/Rail Infrastructure	5.8%
11	UK Not Part of the Euro	4.2%
12	Early Payment of	3%
13	Corporation Tax	

Source: Small firms Association 2002

This study rates insurance and labour costs at the top of Irish SMEs problem list.

The Grant Thornton Business survey<sup>10</sup> found that Ireland has a higher than average percentage of SMEs with operations abroad at 49 percent compared to an EU average of 40 percent. This study also found that the percentage of SMEs that export in Ireland is in line with the EU average.

#### 4.1.4 Irish Entrepreneurs

This section reports on statistics regarding the factors that affect entrepreneurial activity such as access to finance and attitude to risk. When looking at entrepreneurs we will consider them as a group as a whole and then look at women entrepreneurs as a separate group.

##### Positive Factors

The recently completed Global Entrepreneurship Monitor 2001 (GEM) ranks Ireland 6<sup>th</sup> in terms of the overall entrepreneurial propensity of its adult population across 29 countries. The GEM study found that 7.2 percent of the Irish population were

<sup>10</sup> Grant Thornton, European Business Survey 2001

engaged in the process of trying to start a new business and that 3.2 percent of these start ups have high growth potential as perceived by the owners. This places Ireland above the average for the 29 countries surveyed. However the European Observatory for SMEs finds that Ireland is below the European average for growing companies. This indicates that a number of Irish SMEs may not be reaching their full growth potential.

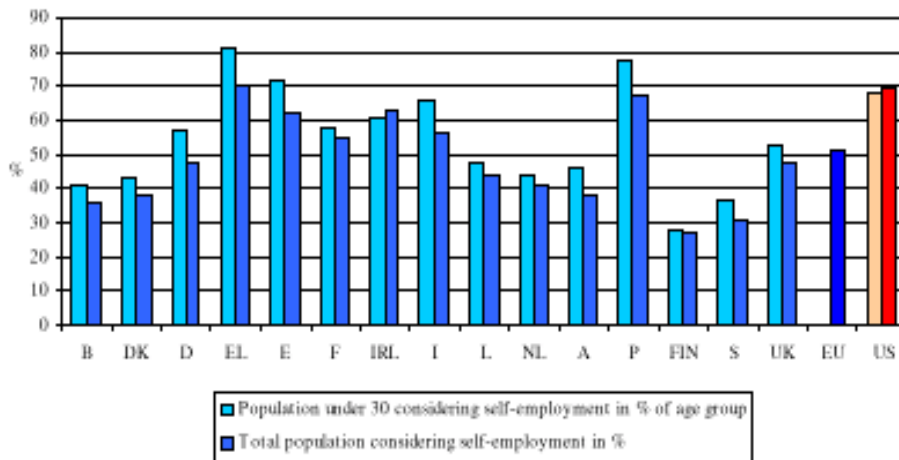
The GEM study indicates that:

- Over 160,000 adults are currently engaged in the process of starting a business;
- Approximately 110,000 adults currently partly or fully own and operate a business started since 1998;
- Almost 5,000 adults believe that the new venture, which they are currently planning, will employ more than 50 people after 5 years.

According to the European Commission Enterprise Scoreboard less Irish entrepreneurs see insufficient information as a barrier to becoming an entrepreneur than the EU average. Less Irish entrepreneurs see the economic climate as a barrier than the EU average. In addition the Scoreboard study finds that less Irish entrepreneurs see administrative procedures as a problem than the EU average, only 2 percent of those surveyed in Ireland saw it as a problem compared with 10 percent in Europe.

According to the Flash Eurobarometer survey on entrepreneurship Ireland has one of the higher propensities towards self-employment in Europe. The EU average is 51 percent where as 61 percent of Irish people have a propensity for self-employment with the US at approximately 70 percent for the same measure.

Table 4.1.5: Propensity towards Self Employment



Source: Flash Eurobarometer, September 2002

Irish entrepreneurs don't rate risk of failure highly as a barrier when compared with the EU average. According to the European Commission Scoreboard 2001 Ireland's entrepreneurs rated risk of failure lower than their European counterparts with only 26 percent of enterprises in Ireland rating it as a risk which is the lowest rate in Europe.

#### **Negative Factors**

The main factors inhibiting entrepreneurs overlap with some of those affecting SMEs. Irish entrepreneurs view skilled labour shortage as a major barrier. Access to finance is still a problem for Irish entrepreneurs. Seventy six percent of Entrepreneurs rate lack of financial support as a major problem according to the Enterprise Policy Scoreboard 2000.

Venture capital invested at the early stage is three times higher in the US than in Europe<sup>11</sup>. Ireland rates below the European average for venture capital invested at an early stage according to the European Venture Capital Association. Ireland's venture capital market is also concentrated on larger investments and at a later stage of development of a company.

A 2001 PricewaterhouseCoopers<sup>12</sup> report found that Irish venture capital investment fell 31 percent in 2001 with seed capital for start-ups falling by some 50 percent. This same report also found a heavy concentration of venture capital investment in the IT sector with 81 percent going into this area while the EU average was only 37 percent. This heavy investment in IT firms puts Ireland more in line with US investment trends, the US invested 78 percent of its venture capital in these firms. The average size of a venture capital investment in a technology firm in Ireland was €765000 and €1.3 million throughout Europe

Irish companies secured €255m in venture capital funding in the first half of 2002, according to Dutch financial data firm Windmill Reports. The first half figure is a €150m improvement on the same period in 2000 when just 13 companies were invested in, and according to Windmill Reports, the venture capital market in Europe is showing signs of improvement. The 35 successful Irish companies in 2000 were mainly in the technology/telecoms sector.

#### **4.1.5 Women Entrepreneurs**

Historically Ireland has had a low female labour market participation rate. Currently participation rates in Ireland for women are quite high among 20-34 year olds but participation rates are still relatively low in older age groups. The fall off of women in the labour market in the older age groups means that a smaller pool of women with business experience have traditionally been available from which female entrepreneurs can emerge. The situation may change in the future as the participation rates for younger women rise and they begin to remain in the labour market.

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<sup>11</sup> Venture Capital Association Yearbook, 2001

<sup>12</sup> Money For Growth - The Private Equity Market, An Irish Perspective, PricewaterhouseCoopers, 2002

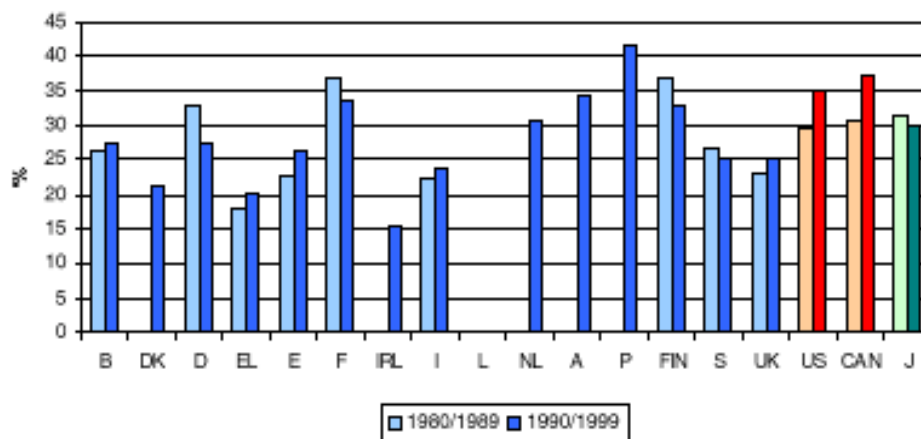
**Table 4.1.6: Labour Market Participation rates by Age and Gender**

Age group	15-19	20-24	25-34	35-44	45-54	50-54	55-59	60-64	65+	Total
<b>Males</b>										
1999	34.1	80.5	94	93.2	88.6	85.9	74.2	53.1	15.4	71.1
2000	34.3	79.1	93.4	93.6	87.7	86.7	73.8	55	13.6	71
2001	32.1	77.5	93.3	93.4	88.1	85.8	75.8	55.6	15.1	71.1
<b>Females</b>										
1999	27.3	72.1	76.2	62.3	50.1	45.1	34.4	19.5	2.7	47.1
2000	27.2	70.1	76.4	63.7	53.4	47.6	35.3	20.2	2.5	47.9
2001	24.4	69.5	77.3	64.7	55.7	49.2	37.1	20.6	2.7	48.6
<b>All persons</b>										
1999	30.8	76.3	85.1	77.6	69.5	65.5	54.5	36.2	8.2	58.9
2000	30.8	74.6	85	78.5	70.6	67.2	54.8	37.5	7.3	59.2
2001	28.4	73.5	85.3	78.9	71.9	67.5	56.7	38.1	8.1	59.7

Source: QNHS 2002, CSO

Ireland has one of the lowest percentages of female entrepreneurs in Europe. The EU Commission Enterprise Scoreboard rates us the lowest in Europe for female entrepreneurs as a percentage of total entrepreneurs.

**Table 4.1.7: Female Entrepreneurs as a percentage of Total Entrepreneurs**



Source: G. Baygan (2000): Improving Knowledge about Women's Entrepreneurship, Background Report, OECD (Data based on OECD (2000), Labour Force Statistics).

The information on women running SMEs places Ireland at the lower end of the European scale. There is a 75/25 split in favour of men according to the European Observatory for SMEs.

The GEM study indicates that women in Ireland have a Total Entrepreneurial Activity Index<sup>13</sup> of 6.8 and men of 16.2, this means 6.8 percent of women and 16.2 percent of men are currently entrepreneurially active. A man is therefore almost three times

<sup>13</sup> The Total Entrepreneurial Index is the sum of those currently trying to start a business and those who have done so in the previous 42 months.

more likely than a woman to be an entrepreneur in Ireland. This low level of female entrepreneurial activity places Ireland 21<sup>st</sup> out of the 29 countries that GEM surveys.

According to the National Foundation for Women Business Owners, the number of women owned firms is increasing at nearly twice the national rate in the US and Canada. Ireland has a very small female owned business sector which needs to be tapped in the same manner as the US and Canada. The bulk of the literature points out that women entrepreneurs tend to be affected by the same problems as entrepreneurs in general. However the SIA<sup>14</sup> study and others like it do point out the importance of flexible working conditions and other such factors as being important to women in business.

#### 4.1.6 Statistics on the General Public’s Attitudes

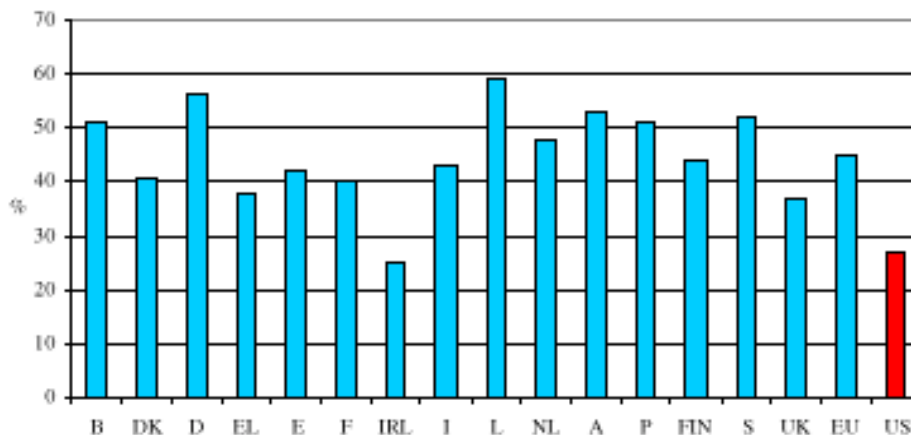
The attitude of the public towards entrepreneurs and entrepreneurial activity can have a significant bearing on the entrepreneurial population of a country. The European Commission wished to measure general public opinion regarding “Entrepreneurial activity” within the EU and by way of comparison with the US.

The Flash Eurobarometer survey provides information on the views of the European general public towards entrepreneurial activity. It provides information on the following categories:

- Propensity towards being an employee or setting up ones own business;
- Attitude towards risk;
- Perception of the availability of finance for starting a business;
- Perception of the availability of information on starting a business;
- Attitudes towards the economic climate for new Businesses;
- The support of family members for entrepreneurs.

Statistics in this area indicate that as can be seen from Table 4.1.8, Irish people are less risk averse than the EU average and are even comparable with the traditionally risk loving US citizens.

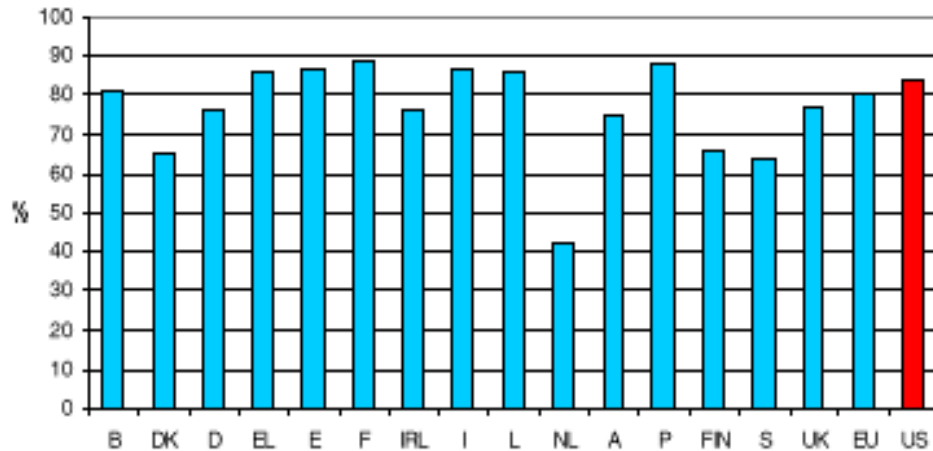
**Table 4.1.8: Those who rate Risk of Failure as a Barrier to Entrepreneurship**



Source: Flash Eurobarometer, September 2002

The availability of finance is still perceived by the general public to be the biggest barrier to becoming an entrepreneur across Europe with the European average for those who see lack of financial support as a problem being 80 percent. Seventy seven percent of those surveyed in Ireland identified lack of finance as a major barrier to becoming an entrepreneur, this is slightly lower than the EU average but is still very high, as is illustrated in Table 4.1.9.

Table 4.1.9: Percentage of those who see lack of Financial Support as a Barrier



Source: Flash Eurobarometer, September 2002

The administrative burden in Ireland is seen by the general public as less of a barrier to starting a venture than in most of the rest of the EU. The EU average is at 80 percent with Ireland at 65 percent.

Very often the support of a family member or of the family unit is integral in encouraging someone to become an entrepreneur. The Flash Eurobarometer found that Irish people are very willing to support family members if they wish to start a business. In Ireland in excess of 90 percent of people would support a family member if they wanted to start a business venture which is in line with the EU average.

A lower percentage of Irish people rate insufficient information and the cost of business registration as a burden than the EU average.

<sup>14</sup> Developing Women in Enterprise, SIA group, 2001

## 4.2 Review of Literature

### 4.2.1 General factors influencing Entrepreneurship

Over the last twenty years, entrepreneurial activities have witnessed a great deal of change. There has been a large increase in the number of small businesses, and a subsequent increase in the number of entrepreneurs. The concept of entrepreneur has also changed, from a perception that such individuals are highly different from the rest of the population to the ready recognition of role models such as Anita Roddick (The Body Shop) or Bill Gates (Microsoft Corporation). In addition much attention has been given to the topic of entrepreneurship over the last two decades as policymakers increasingly realise the true potential of entrepreneurship to generate wealth and create employment in virtually every sector and area of the economy. Because of this, a significant amount of international research has been undertaken to help understand why (and which) people become entrepreneurs, what steps are involved in the decision and process to set up and expand a business and what barriers they face in doing so, in order to promote even further the mushrooming of new business ventures.

This review of the literature highlights issues that are of interest in the context of the current study on entrepreneurship in Ireland.

#### Entrepreneurial Awakening

Becoming an entrepreneur is essentially creating a new business venture, buying out or inheriting a firm. The decision to proceed however is the end point of a long journey. This journey is conceptualised as the 'entrepreneurial awakening' by Duchéneau and Orhan, and is the product of a number of social, cultural and educational factors. According to Duchéneau and Orhan, entrepreneurial awakening refers to an 'enterprise culture' that will eventually lead to the creation of a new business venture, or the buying out of a business. There are however two different schools of thought on the topic: the economical point of view and the social point of view (Berger, 1991; Duchéneau and Orhan, 2000). The first viewpoint assumes that entrepreneurship is triggered by economic factors such as a redundancy for instance, and that the cultural and social environment has little effect. The second viewpoint however sees entrepreneurship as intrinsically linked to cultural and social factors, such as gender, ethnicity, or origin.

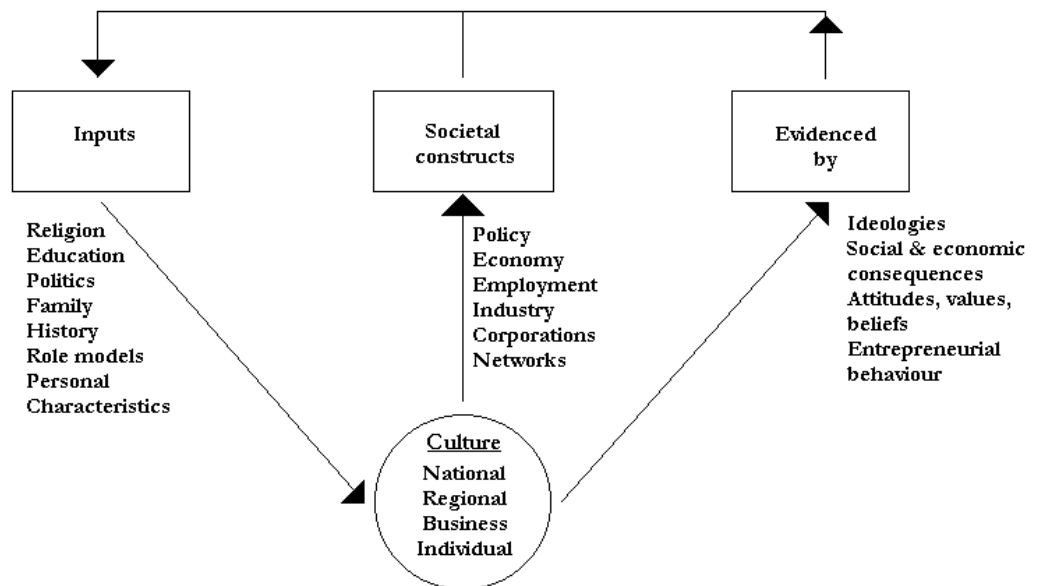
However, Alison Morrison for example argues that "the process of entrepreneurship initiation has its foundations in the person and intuition, and society and culture. As a result, this process is much more holistic than simply an economic function" (Morrison, 2000:98). She proposes a model of entrepreneurship initiation. She argues that "the initiation of entrepreneurship starts at the 'grass-roots' level where a range of inputs commences the mental and social conditioning of the populace" (Morrison, 2000:105). These inputs consist of religion, education, politics, family, history, role models and personal characteristics. She then reports that "Certain social, economic and institutional constructs surround the socially developed entrepreneur. Within them, entrepreneurs may assess the degree to which they are sufficiently robust to support the initiation of entrepreneurship" (Morrison, 2000:108). These factors consist of policy, economy, employment, industry, corporations and networks. Finally "inputs and social constructs combine



to provide the evidence – positive and/or negative – of entrepreneurial behaviour” (Morrison,

2000: ). This evidence consists mainly of ideologies, social consequences, economic consequences, and attitudes, values and beliefs. Overall, Morrison argues that this evidence will either encourage or discourage potential entrepreneurs. In this respect for example, in countries where there exists positive evidence, entrepreneurship will flourish, while the converse situation is also the case.

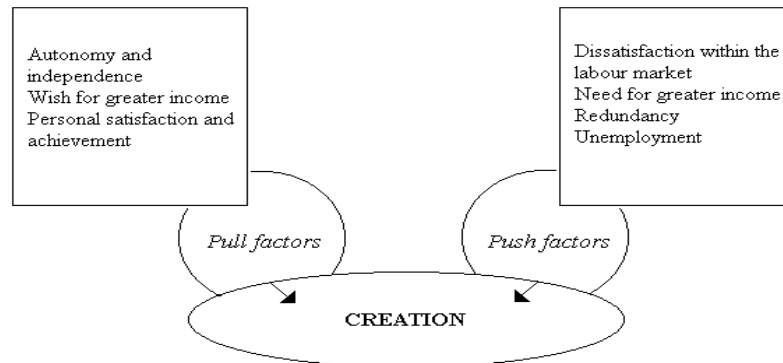
Figure 4.2.1: Summary model – key features associated with entrepreneurship initiation



Source: Alison Morrison (2000), p 106.

Another viewpoint very often found in the literature on the motivations of entrepreneurs is that of 'push'/'pull' factors (Buttner and Moore, 1997; Orhan and Scott, 2001; Duchéneaut and Orhan, 2000). 'Push' factors are essentially elements that are likely to drive people into entrepreneurship, such as for instance the need for greater income, or dissatisfaction with their current employment. 'Pull' factors are elements that encourage people to become entrepreneurs, such as the desire for autonomy and independence, the wish rather than the need for a greater income, for their own personal satisfaction and achievement, or simply because they saw an opportunity in the form of a gap in the market. It is usually agreed that motivations for people to enter entrepreneurship are a combination of 'push' and 'pull' factors, rather than for a single reason and that 'a pull/push model reflects most entrepreneurial motivations' (Duchéneaut and Orhan, 2000:90; Deakins and Whittam, 2000; Orhan and Scott, 2001).

Figure 4.2.2 : Push and Pull Model – The motivations behind new business ventures



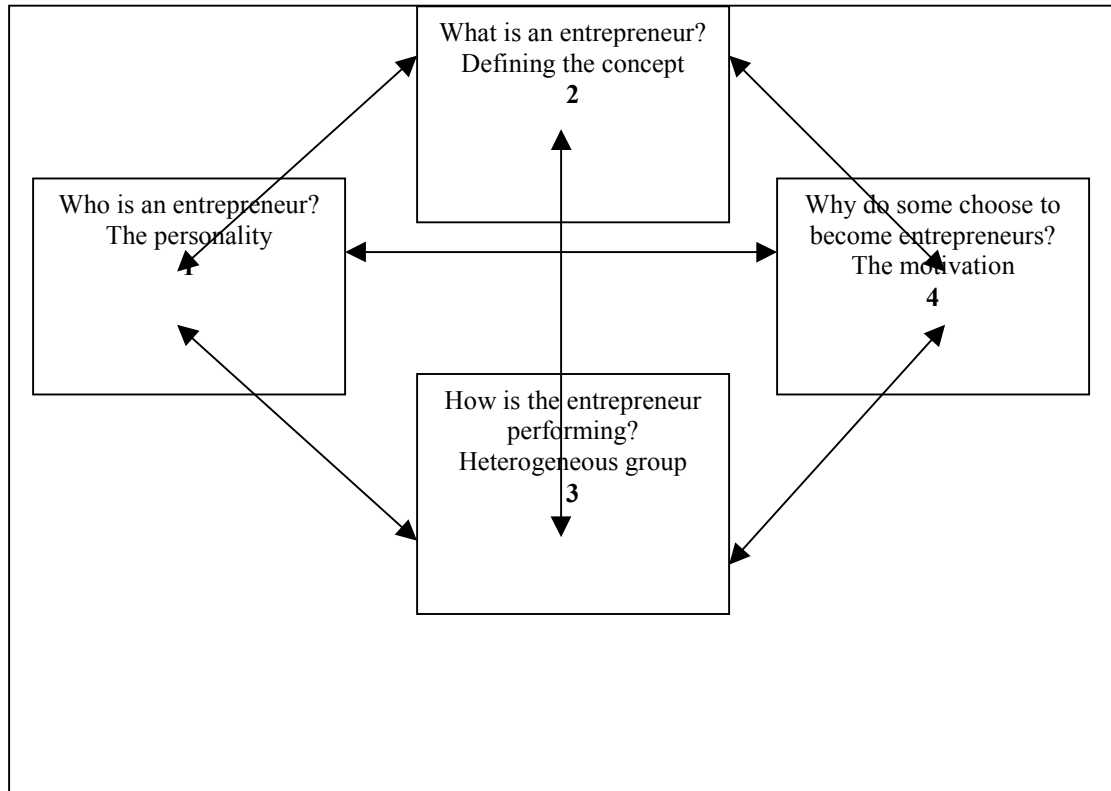
Source: Duchéneau and Orhan (2000), p 90.

#### Common Characteristics and Backgrounds

A large proportion of the literature on entrepreneurship focuses on the typical personality traits of entrepreneurs, because for example as Delmar notes: “it is often believed that a successful entrepreneur is the result of a special set of personal abilities and characteristics, rather than the result of either being in a favourable situation or pure chance” (Delmar, 2000:133).

Research into entrepreneurial personality started by trying to profile entrepreneurs (1) before focusing on the definition of an entrepreneur as a concept (2). This led to the assumption that entrepreneurs did not belong to a homogenous group and research therefore started to focus on the relationship between different personality traits and performance (3). Finally, because traits theory did not succeed satisfactorily in explaining entrepreneurial behaviour, research now tends to focus on developing cognitive motivation models (4) (Delmar, 2000).

Figure 4.2.3: Development of research in entrepreneurial personality theory



There exist five characteristics that usually describe entrepreneurs. An entrepreneur is a risk-taker, has a great need for achievement, believes in internal control (his/her behaviour leads to his/her achievement), is over-optimistic and has a great desire for autonomy (Delmar, 2000:141-144). However, such characteristics provide weak results and are highly criticised because “they do not take into account individual differences, and this is still the main objective of the field” (Delmar, 2000:145).

To address this problem, cognitive theories were developed (Taylor, 1998). The strong point of cognitive theories is that it makes it possible to establish a link between the personal traits of entrepreneurs and their personal situation. They are essentially theories based on the fact that each individual will select his/her own set of information amongst all possible knowledge and interpret it, which will in turn lead to an entrepreneurial behaviour. Therefore as Delmar argues “the individual characteristics leading to an entrepreneurial career are only activated when exposed to a favourable socialisation process, where an entrepreneurial career is seen as a viable possibility among others”, where the socialisation patterns usually consist of ‘a certain specific ability and sensitivity’, ‘environmental possibilities’ and ‘social support’ (Delmar, 2000:139).

### **The Impact of Networks and Support Agencies**

A large area of research into entrepreneurship concerns the relationship between nurturing entrepreneurs and the relative performance of their businesses. One aspect of nurturing entrepreneurs is related to government support agencies, which is an area highly criticised in the literature (Storey, 1993; Deakins and Whittam, 2000). On the one hand some studies find evidence that government support agencies will help new firms grow and therefore lead to the creation of new jobs (Birch, 1979; Deakins and Whittam, 2000), while on the other hand some other studies find evidence that only a small proportions of firms supported by agencies show sufficient growth to create a significant number of new jobs (Storey, 1994; Deakins and Whittam, 2000).

Furthermore, Deakins and Whittam (2000) argue that "There is strong evidence that, due to known high levels of turbulence in birth and death rates in new-firm formation, providing start-up support can be counter-productive" (Deakins and Whittam, 2000:125). Similarly, it was argued that "more than one-quarter of wholly new-firms [...] were either hairdressers or in the car-related trades... This would not seem to be a strong basis for the long-term development of the country's economy" (Storey and Strange, 1992:67, quoted in Deakins and Whittam, 2000). In other words, the literature on this topic highlighted the fact that because a large proportion of newly created businesses did not have the potential to either survive in the long-term, or create new jobs, government support agencies should focus on supporting companies with a given track record of significant growth rather than new business ventures.

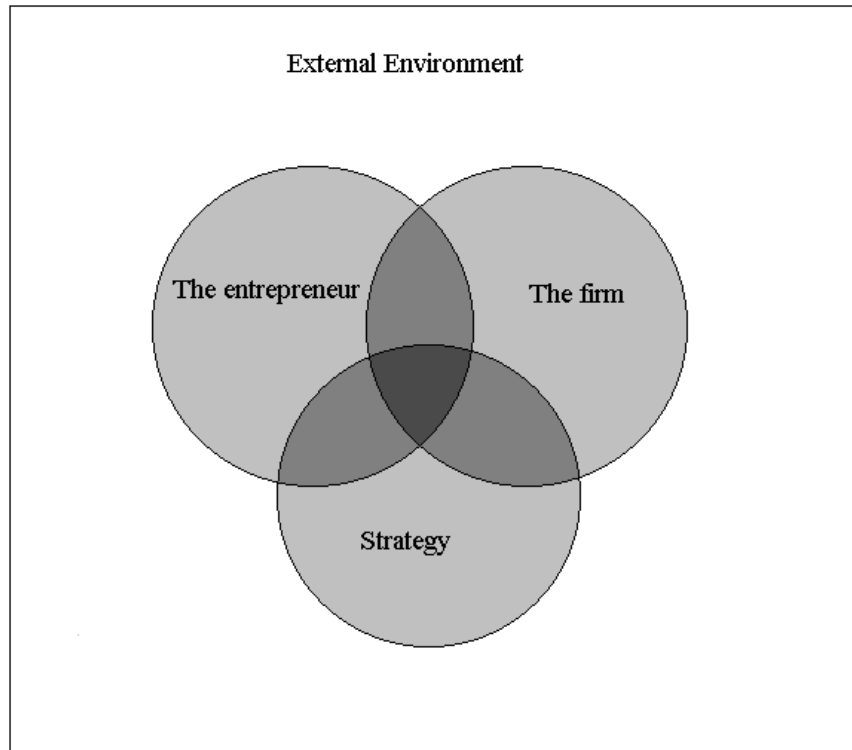
Another factor related to the support entrepreneurs receive found in the literature is mentoring. As Deakins and Whittam state "The impact [...] of the relationship between the 'new' entrepreneurs and business adviser – whether the adviser is agency employed or operating as a private consultant – is poorly understood" (Deakins and Whittam, 2000:126). It is however reported that this impact cannot be underestimated as it is vital in the start-up phases of any business.

Deakins and Whittam for instance argue that "Mentoring involves principles drawn from experiential and cyclical approaches of learning: the entrepreneur learns from experience but, with the mentor, learns 'how to learn' from that experience" (Deakins and Whittam, 2000:126). In addition they report that mentoring support was particularly effective because "clients had a clearer focus on achieving objectives; clients were more likely to use business planning; clients focused on profitability rather than just turnover or cash; new-start entrepreneurs were helped to learn, manage and cope with the change" (Deakins and Whittam, 2000:130).

### **Performance and Growth**

One area of research into entrepreneurship that has been thoroughly researched recently is dealing with the growth and development of businesses. Different theories have been developed in this field of research in order to explain firm's growth and performance.

Figure 4.2.4: Factors explaining growth

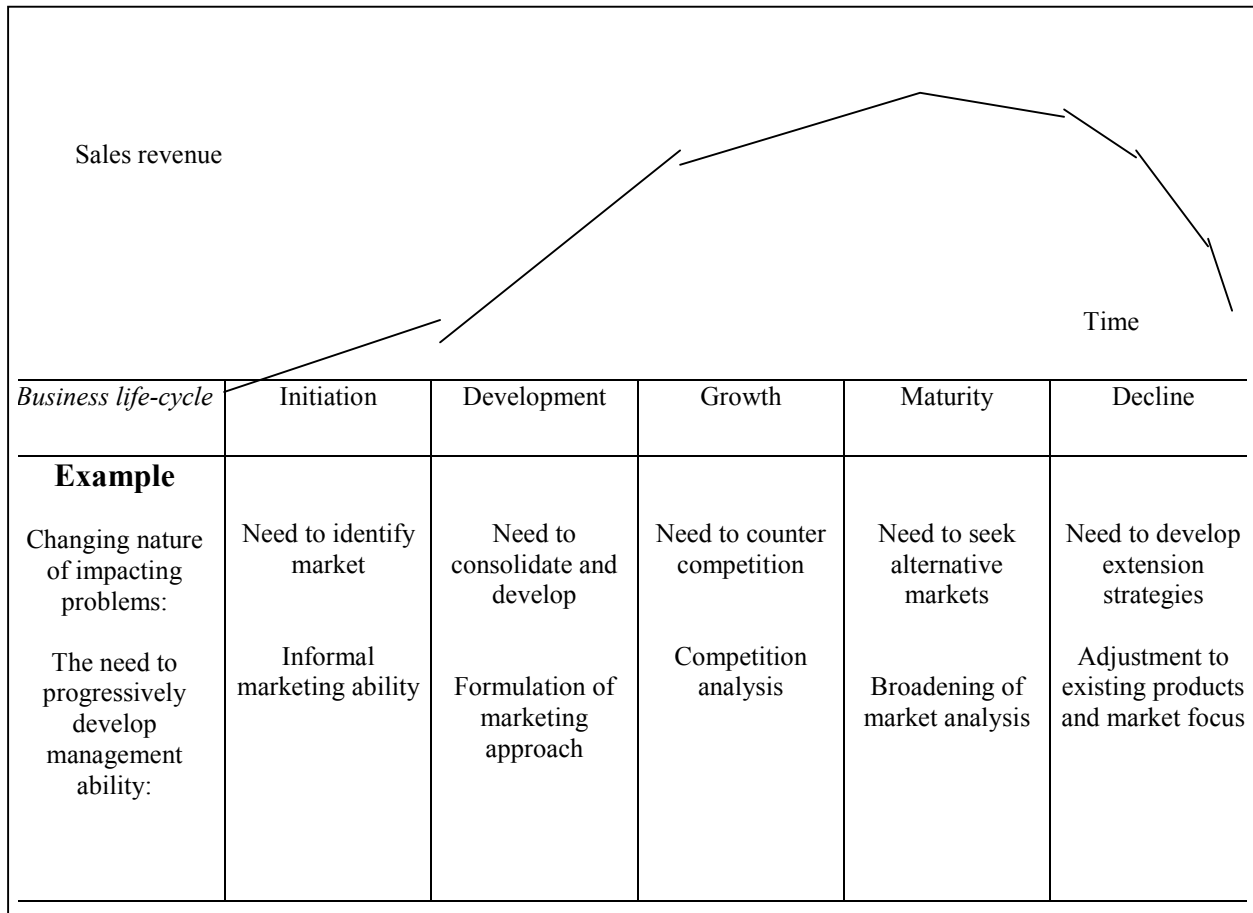


Source: Storey (1994), p 124.

The 'personality-dominated approach' (Gibbs and Davies, 1991; Smallbone and Wyer, 2000) puts the entrepreneur and his/her characteristics as the central factor to explain growth. For instance, "the entrepreneur's personal goals are likely to influence why a business was started in the first place, as well as the strength of the firm's growth orientation once it was established" (Smallbone and Wyer, 2000:411). This approach tries to establish a link between the characteristics of entrepreneurs and the growth of their businesses. However, while empirically these characteristics seem to have an impact, the effect they have was not found to be significant (Storey, Chell, Smallbone, Smallbone and Wyer, 2000).

Another such theory is called the 'organisational' approach. It essentially "emphasises the development sequence of a firm as it passes through a series of stages at different points in its so-called life-cycle" (Smallbone and Wyer, 2000:415). This approach however is criticised because it does not take into account the fact that there is no unique model of growth valid for every company, while at the same time ignoring the influence external environment can have.

Figure 4.2.5: An indicative 'stages of growth'/life-cycle model



In order to address these problems, the 'business management' approach was developed. The latter relies on "the importance of business skills and the role of functional management, planning, control and formal strategic orientations" (Smallbone and Wyer, 2000:417) which allow modifications to take place when necessary. However, a problem appears in this approach, in that it requires companies to be able to control their external environment, which is not always easily done by small companies.

#### 4.2.2 Female Entrepreneurship

Research on female entrepreneurship originated in the 1980s, initially triggered by an interest in the area of small business, and a sharp rise in the number of women registered as self-employed. Before those early studies, the contribution made by women entrepreneurs was not recognised and frequently ignored (Goffee and Scase, 1985; Carter, 2000; Moore and Buttner, 1997). Moore and Buttner note that "although the backgrounds, motivations, and previous experiences of male and female entrepreneurs are generally thought to be uniform, only recently have investigations of female entrepreneurship moved beyond studies of entrepreneurship and self-employment that were all male" (Moore and Buttner, 1997:14).

The first studies in the area of female entrepreneurship concentrated on discovering what characteristics were specifically associated with women entrepreneurs, whether treated as a homogenous group or not. Studies then started to concentrate more on management issues, and finally today's study focus is on improving the methodology and assessing the performance over time of women's businesses.

### Characteristics of Women Entrepreneurs

Early exploratory studies in the 1980s focused on profiling the characteristics of women entrepreneurs, usually finding more similarities than differences to men. While some studies developed typologies of women entrepreneurs (Goffee and Scase, 1985; Carter and Cannon, 1988; Cromie and Hayes, 1988), most studies treated them as a homogenous group (Carter, 2000, 2001). For instance, Goffee and Scase (1985) categorised women according to two factors: their attachment to conventional gender roles and their attachment to entrepreneurial ideals. This approach was highly criticised because it was argued that the attachment women had to these categories were not a matter of choice but rather dictated to them by the socio-economic reality of their life (Allen and Truman, 1988, Carter, 2000) and because it assumed that ownership was fixed in time and did not evolve (Carter and Cannon, 1992, Carter, 2000). Similarly, Hirsch and Brush (1986) conducted a study using 468 women entrepreneurs, and came up with a description of the typical woman entrepreneur. They found that she is "the first born child of middle class parents", that "after obtaining a liberal arts degree, she marries, has children, and works as a teacher, administrator, or secretary" and that "her first business venture in a service area begins after she is thirty-five" (Hirsch and Brush, 1986:14). Those early studies however were highly criticised for their exploratory nature (Curran, 1986; Carter, 1993; Rosa and Hamilton, 1994; Carter, 2000, 2001).

More recent studies tend to concentrate on social characteristics rather than personal characteristics (Marlow, 1997; Cromie, 1987; Carland and Carland, 1991; Catley and Hamilton, 1998). For instance, Rees states that "The social characteristics of people who set up *successful* small enterprises tend to have previous managerial experience, experience in the chosen market, the availability of capital, and significant levels of family support" (Rees, 1992:163).

### Setting-up: Motivations

At the time of the early studies into female entrepreneurship, the small-business literature focused primarily on the motivations of the owner to start a business. Studies of female entrepreneurship in the early stages tended to follow this pattern as well, influenced by the parallel work being conducted in the area of small business. Most of the studies dealing with the motivations of women entrepreneurs placed the desire for autonomy and independence, as well as the desire for personal satisfaction and achievement in first positions (Goffee and Scase, 1985, Marlow, 1997; Moore and Buttner, 1997; Duchéneaut and Orhan, 2000, Carter, 2000).

Motivations were later categorised using the concepts of 'push' and 'pull' factors, (Buttner and Moore, 1997; Orhan and Scott, 2001; Duchéneaut and Orhan, 2000). 'Push' factors are essentially elements that are likely to force women into

entrepreneurship, such as for instance the need for greater income, the need to be able to combine work and family, the general dissatisfaction with the labour market

and experiences of discrimination in work, or a case of last resort as in for example the death of a spouse. 'Pull' factors are elements that incite women to become entrepreneurs, such as the desire for autonomy and independence, the wish rather than the need for a greater income, for their own personal satisfaction and achievement, or simply because they saw an opportunity in the form of a gap in the market for example. It is usually agreed that motivations for women to enter entrepreneurship are a combination of 'push' and 'pull' factors, rather than for a single reason and that 'a pull/push model reflects most entrepreneurial motivations' (Duchéneaut and Orhan, 2000:90, Orhan and Scott, 2001).

#### Setting-up: Obstacles

In addition, obstacles identified in the literature were essentially obtaining access to capital and funding, lack of experience and training, and finally lack of credibility. In this respect, Carter (2001) highlights four areas where women encounter difficulties: "women may be disadvantaged in their ability to raise start-up finance", "guarantees required for external financing may be beyond the scope of most women's personal assets and credit track record", "finance for the ongoing business may be less available for female owned firms than it is for male enterprises, largely due to women's inability to penetrate informal financial networks" and lastly "female entrepreneurs relationships with bankers may suffer because of sexual stereotyping and discrimination" (Carter, 2001:34).

Overall, the SIA group report states that "women who own fast-growth businesses are more likely than men to depend on their business earnings and personal debts for business financing" (The SIA group, 2001:14). Another barrier to the access of credit is that women are more likely to seek smaller loans, because overall their businesses tend to be smaller, leading banks to "show relatively little interest in women owned start-ups due to its disinterest in small loans or micro-credits, given the high handling costs (The SIA group, 2001:17).

Furthermore, more recent studies investigating bank's lending policies (official as well as unstated), found that there was grounds to report that women were less likely to obtain capital (Fay and Williams, 1993; Coleman, 2000; Carter, 2001). However, Fay and Williams highlight that there is however no evidence of discrimination from the part of the banks, as the latter base their lending criteria on factors such as experience, education, or credit history, and that women tend in general to have less human capital than their male counterparts. In addition, Carter (2001) argues that it is only possible to demonstrate discrimination if the factors related to female and male entrepreneurs have been matched, and that this is not really technically feasible.

Also, lack of business knowledge and a lack of training was often reported in the literature: women tend not to have much if any work experience related to the area in which they set-up their business, while the opposite tended to be observed for men (Schwartz, 1976; Hirsch and Brush, 1993, Watkins and Watkins, 1986; Carter, 2000). This was reported to lead to more risks than necessary being taken, (Schwartz, 1976, Carter, 2000), and to have a negative impact on the start-up of their business (Watkins and Watkins, 1986, Carter, 2000). For instance, Sara Carter (1992) identifies a problem in the relationship between women entrepreneurs and



their employees. "Older women often successfully used an overtly matriarchal style, characterised by a unitaristic view of employee relations. [...]. Younger women,

inexperienced in management and lacking the age to develop a credible management style, struggled most" (Carter, 1992:155).

Lastly, establishing credibility towards the surroundings is reported as a major gender related obstacle. As Goffee and Scase state, "clearly many of the difficulties faced by female proprietors stem from the fact that they are seen to lack the credibility that men have as business owners. [...]. Bank managers, customers, employees and husbands do not always grant business women the same esteem and competence they accord to men" (Goffee and Scase, 1985:49). They argue that women are seen as being 'unusual' and that this feeling was most found in women involved with men. Similarly, Marlow reports that even though credibility is a problem encountered by both men and women entrepreneurs, women identified it as a gender related problem: for instance, "over half the female sample who mentioned credibility remarked that upon being addressed by potential customers and suppliers as the secretary, or the owner's wife, thus meeting the barrier of establishing authority as the actual firm owner" (Marlow, 1997:205).

Carter and Allen (1997) argue that the performance of a business will be linked to the manner in which its owner chooses to balance home and work. Indeed, if the emphasis is put on their family life, businesses are likely to remain small, and conversely (Marlow, 1997). It is therefore argued that most women's businesses tend to remain small because "women continue to take full responsibility for the reconciliation of paid work and household labour, including housework, childcare and care of adult dependants" (Drew, 2000:87).

Another such obstacle identified in the literature is that women in business tend to lack confidence. "Lack of assertiveness in collecting debts was perceived by some respondents as a gender related problem. Similarly, [...], for many respondents undercharging often reflected a lack of confidence in both their products and their business skills."(Allen & Truman, *Women in Business*, p155.). The impact of this lack of credit, lack of capital, late payments and undercharging, it was argued had an important impact on the rate of growth of new businesses. Similarly, Carter argued that if "price-cutting was used by many proprietors as a market entry strategy, for many women undercharging reflected a lack of confidence in both their products and their business skills" (Carter, 2000:172).

#### Networks and Business Support Agencies

Finally, lack of support from networks and business support agencies was found to be a great difficulty, in addition to the lack of experience and skills (Rees, 1992, Marlow, 1997). Women entrepreneurs were largely found not to be targeted by such organisations (Marlow, 1997; Moore and Buttner, 1997), to the extent that Rees reports that for instance "one prominent [business] club in central Cardiff, a meeting place of senior private and public sector figures in Wales, refuses to allow women to become members" (Rees, 1999:55). As the SIA group report emphasises, "many women also network by joining female business networks. However these networks require that a reasonable number of women have already reached top positions in the organisation in question and are willing to offer support to women working their way up the ladder behind them" (The SIA group, 2001:12).

It is usually agreed in the available literature that not only was business networking a key element for the growth of women's owned businesses, but also that women as

a group had different needs than their male counterparts (Rosa and Hamilton, 1994; Brush, 1992; Katz and Williams, 1997). For instance, Carole Truman argues that women have different support needs because "women's life experiences contrast with those of men in terms of the education they receive, their involvement with their families, their levels of confidence, the social spaces which they occupy and the circles in which they mix" (Truman, 1993:130).

However, Katz and Williams (1997) in a study involving female/male self-employed and female/male managers, found that "Despite the centrality of social networking studies in entrepreneurship research, social networking, measured as weak-tie network linkage in formal organisations, is not a particularly powerful way of explaining gender difference. It has substantially more power using employment status, or a combination of employment status and gender" (Katz and Williams, 1997:195).

Overall, research in this area finds that "there is a great deal of similarity in the networking behaviour of men and women, although the sex composition of networks does vary by gender" (Carter, 2001:36).

### **4.3 Key Findings from Key informant Interviews**

#### **4.3.1 Introduction**

Interviews were held with the following key informants:

- Chambers of Commerce
- Enterprise Funders
- Enterprise Education and Training Experts
- Business Representative Associations
- Universities
- BICs
- County Enterprise Boards
- Enterprise Ireland
- Shannon Development
- Udaras na Gaeltachta

#### **4.3.2 Key Findings**

##### **Financial Issues**

The lack of initial small amounts of capital funding is seen as a real constraint on new start ups being established on a firm foundation. A number of funds are attempting to address this issue. Access to financial support is recognised as influenced by the quality of the business plan, track record, educational and business skills, as well as the energy, drive and leadership skills of the entrepreneur. Entrepreneurs that are aware of their weak points and are willing to listen to advice are much more likely to succeed. There is a need for a MD type person on the team to impress potential investors.

The taxation environment is now seen to be much more supportive.

##### **Solo Entrepreneurs**

The day of the solo entrepreneur with a great idea is limited. Many entrepreneurs are strong on technology or on the product/service itself but lack other skills. Such entrepreneurs, if they are to be successful, must now ensure that their enterprises have the full range of skills required-financial, production, technical, marketing, etc. Such skills can be acquired by the entrepreneur him/herself, or bought in through the recruitment of other staff or mentors or through the introduction of non-Executive Directors/ Chairpersons. The quality of the team is seen to be vital to success. No longer are accountants, bank managers etc. a regular source of objective advice for entrepreneurs, they are too busy, and their services are now streamlined.

Lone rangers are increasingly turned down by funders-no team, no structure, a poor business plan.

According to the key informants, turning a good idea into a commercial business often requires access to business consultancy and the recognition that other skills are required. This in turn is seen to reduce risk and fear of failure.

#### **Successful Entrepreneurs**

Key characteristics of an entrepreneur are seen to be: someone with a strong need to achieve, a risk taker, someone who wants to get things done, work for themselves, has a can-do mentality, drive, family background/support, tolerance of ambiguity, absolute belief in idea, able to convince others, never satisfied, bad team players, and having experience of a variety of roles in industry.

Successful entrepreneurs are recognised as those that are able to listen to advice, to the market, have a vision, see opportunities and have a 'road map'. Good time management skills are also seen to be important. Most successful entrepreneurs in their view, have business experience in a management role, something unique to offer, an ability to sell, to identify a competitive advantage, backed up by a good team with the range of skills required. Relevant business experience is seen to be very important before establishing one's own business.

Often views expressed were:

- Some entrepreneurs don't want to grow-can't be forced;
- Some entrepreneurs are largely lucky-right idea, right time;
- The job for life is no longer seen as an option. Young men in particular are more willing to take risks and have less fear of insecurity.

#### **Barriers**

The small size of the home market is seen as a key barrier that needs to be overcome if entrepreneurs are to achieve success and growth – thus the need to focus on internationalisation and on accessing international customers.

Regulation and red tape are recognised as onerous for small firms, delays in getting documentation from government departments is seen to put a huge stress on new emerging enterprises.

Lack of knowledge and presence of barriers (e.g. poor language skills, lack of education) in relation to accessing international markets is seen to militates against growth.

In their view the process involved in accessing state supports can be too slow and bureaucratic. The State shouldn't hand hold but can invest expertise and resources.

#### **Reasons for Failure**

Reasons for failure are seen to be lack of adequate finance, length of the administrative process-red tape, inability to anticipate problems and deal with them, unknown factors emerging.

### **Women Entrepreneurs**

Women entrepreneurs, it was said, are not often found in the wealth-creating sector but rather in traditional services.

It is recognised that women coming back into the workforce are an increasing source of flexible expertise for entrepreneurs-bookkeeping, sales etc.

There is a need for greater childcare support according to the key informants.

### **Regionally based Entrepreneurs**

Additional problems in the regions are seen to be poor infrastructure, difficulties accessing the market or accessing up to date technology. Problems in the BMW region are seen to be: smaller population, rurally based economy, high exit of graduates, weak infrastructure, culture of a 'getting a good job' still there – there is a need to change the culture, starting in schools and to build on natural resources.

Community-based entrepreneurship is seen to be an important factor in Ireland, particularly in disadvantaged and rural areas. Such entrepreneurship can act as a catalyst for local and community development-both economic and social. It is important to ensure that such sources of entrepreneurship have access to relevant education, training and development,

### **Attitudes to Entrepreneurship in Ireland**

Attitudes towards entrepreneurship, the key informants considered, have changed in Ireland, due to recent prosperity, and are now more positive. But such change is slow and needs to be encouraged. A negative attitude towards failure is seen to be still there. Often the image of an 'entrepreneur' is not very positive.

### **Action Required**

The key informants recommend the following actions:

- The need for an integrated statement of entrepreneurship policy in Ireland to guide activity in this area.
- The need to reformulate industrial policy in a post-grant, lower level of new MNCs environment. This will necessitate a greater focus on the development of indigenous industry, particularly SMEs and a strong pro enterprise stance by government. Entrepreneurs should increasingly be seen as a key means of creating wealth in the economy. This in turn requires a 're-education' of those working in the state system to clearly understand the issues facing entrepreneurs and owners of small businesses.
- The need for more incubator units-very important starting point for entrepreneurs.
- MNCs can play an important role in 'growing' potential entrepreneurs and in supporting them through sub-supply arrangements, partnerships, etc.

- Many entrepreneurs are stressed and need support but may not be willing to admit it publicly.
- A number of important Initiatives are taking place in education and need to be tracked, currently provision in this area is very fragmented. Colleges are an important source of future entrepreneurs. The school system does not support the idea of working for yourself.
- More can be done to support entrepreneurs to establish new enterprises on a firm foundation and to grow their firms. This is best done through public/private co-operation. Supports for on-going development are required.
- The internet is an increasingly important source of information on sub-suppliers, sourcing of products. There is a need to promote its usage to a greater extent.
- Consideration should be given to making MNC grant aid dependent on establishing local business connections with SMEs, providing development support for employees, and on fostering local entrepreneurship.
- Need to deal with the issue of planning permission.
- Non-HPSU companies should be able to access soft supports and training grants.

The State should concentrate on creating the right environmental conditions that are supportive of enterprise.

## 4.4 Findings from Questionnaire Survey on Entrepreneurs

### 4.4.1 Introduction

This chapter presents the results emerging from questionnaires completed by the entrepreneurs that attended the focus groups and interview sessions. The objective of this survey was to explore the personal and business background of the entrepreneurs concerned and to explore their attitudes to entrepreneurship. As a result, the survey covered the following number of areas:

- Respondents personal background and characteristics. This included gender, age, marital status and educational characteristics, as well as any family history of self employment;
- Employment history of the respondents. This covered areas such as the respondent's main role in their previous employment, as well as their reasons for wanting to leave;
- Business profile of the respondents. This examined the business sector which the respondents are engaged in, the length of time their business has been in operation and their future business plans;
- Personal characteristics and attributes of the respondents;
- Respondents views on the motivation and attitudes of entrepreneurs:

Seventy entrepreneurs responded to this survey.<sup>15</sup>

### 4.4.2 Personal Profile of Respondents

#### Age and Gender

Over one-third of the respondents are aged between 31-40. Table 4.4.2 shows that just over 65 per cent of total respondents are male.

Table 4.4.1: Age Group of Respondents

Age Group	Female (%)	Male (%)	Total (%)
<i>Under 25</i>	0.0	4.4	2.9
25-30	12.5	15.6	14.5
31-40	45.8	33.3	37.7
41-50	25.0	24.4	24.6
50-60	16.7	17.8	17.4
60+	0.0	4.4	2.9
<i>Total</i>	100.0	100.0	100.0

N=69

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<sup>15</sup> A further 40 students of entrepreneurship also attended a focus group meeting. The key findings from their focus group are presented in Annex 4.5.

Table 4.4.2: Respondents Gender

Gender	Total (%)
<i>Female</i>	34.8
<b>Male</b>	65.2
<i>Total</i>	100.0

N=69

#### 4.4.3 Marital Status and Number of Dependants<sup>16</sup>

Over two-thirds of the respondents are married, while just under a quarter are single. The main gender difference that exists is the higher proportion of females either divorced or separated. However, despite the high numbers of respondents that are married, over 40 per cent have no dependants. Nearly half of the respondents said they had between two to three dependants. There is a slight gender imbalance in the fact that female respondents with dependants tended to have a lower number than their male counterparts.

Table 4.4.3: Marital Status of Respondents

Marital Status	Female (%)	Male (%)	Total (%)
<i>Married</i>	58.3	74.4	68.7
Single	16.7	25.6	22.4
Divorced	8.3	0.0	3.0
Separated	16.7	0.0	6.0
<i>Total</i>	100.0	100.0	100.0

N=67

Table 4.4.4: Number of Dependants

Number of Dependants	Female (%)	Male (%)	Total (%)
0	45.8	42.2	43.5
1	12.5	2.2	5.8
2	29.2	13.3	18.8
3	12.5	24.4	20.3
4	0.0	11.1	7.2
5	0.0	4.4	2.9
6	0.0	0.0	0.0
7	0.0	2.2	1.4
<b>Total</b>	100.0	100.0	100.0

N=69

#### Education

A large number of respondents had attained some form of third level qualification. A high proportion of these had either a degree or masters qualification. The only gender difference appeared to be that a greater number of males reached master's level, while a larger proportion of females had a PhD.

<sup>16</sup> The majority of dependants are children.



**Table 4.4.5: Highest Level of Education/Qualifications Attained**

Level of Education	Female (%)	Male (%)	Total (%)
Leaving Certificate	9.1	7.0	7.7
Certificate Course	9.1	4.7	6.2
Diploma	9.1	11.6	10.8
Degree	22.7	18.6	20.0
Postgraduate Diploma	0.0	4.7	3.1
Masters	18.2	23.3	21.5
PhD	18.2	7.0	10.8
Other	13.6	23.3	20.0
<i>Total</i>	100.0	100.0	100.0

N=65

**Family History of Self Employment and Place of Respondent in Family**

Over three-quarters of the respondents have a family history of self employment. This proved to be the case for both males and females. The majority of respondents appeared to belong to large families with only just over 5 per cent being only children. A considerable number of females were born the first child in the family while for male's third child proved more significant.

**Table 4.4.6: Family History of Self Employment**

Yes/No	Female (%)	Male (%)	Total (%)
Yes	75.0	77.8	75.7
No	25.0	22.2	24.3
<i>Total</i>	100.0	100.0	100.0

N=70

**Table 4.4.7: Place of Respondent in Family**

Family Position	Female (%)	Male (%)	Total (%)
1 <sup>st</sup> and only Child	8.3	4.4	5.7
1 <sup>st</sup> Child	29.2	17.8	22.9
2 <sup>nd</sup> Child	8.3	17.8	14.3
3 <sup>rd</sup> Child	8.3	26.7	20.0
Other	45.8	33.3	37.1
<i>Total</i>	100.0	100.0	100.0

N=70

**Self Description in Relation to Business**

Table 4.4.8 provides information on the respondent's background and attitudes towards business. A very high number of the respondents professed to 'being strongly supportive of the free enterprise system' and to 'being highly absorbed in their business'. They also professed to 'having a high level of sensitivity to business opportunities and needs'. The main gender difference is that females expressed a greater 'need to prove that they could be successful'.

**Table 4.4.8: Would you describe yourself as:**

Description of Self	Female (%)	Male (%)	Total(%) Answering Yes
(1) Having a network of family and friends that are self employed	52.2	33.3	40.0
(2) Having previous experience or training in the area that I set myself up in business	68.2	67.4	67.7
(3) Being engaged in business activities from an early age	43.5	51.2	48.4
(4) Having a high level of sensitivity to business opportunities and needs	87.5	88.1	87.9
(5) Having a strong need to prove that I can be successful	91.7	67.4	76.1
(6) Being highly absorbed in my business	87.0	92.5	90.5
(7) Being strongly supportive of the free enterprise system	95.5	92.5	93.5

#### 4.4.4 Employment History of Respondents

A large number of the respondents had a wide ranging employment history. Many had been previously employed in a large firm or been an employee in the same sector as now. A greater proportion of females had previous experience being self employed in the same sector as now while a larger number of males had been previously employed in a large firm.

**Table 4.4.9: Previous Employment History**

Previous Employment History	Female (%)	Male (%)	Total (%)
Self employed in same sector as now	33.3	11.1	18.6
Employee in same sector as now	37.5	40.0	40.0
Employed in a small firm	33.3	37.8	35.7
Self employed in different sector	20.8	23.3	22.1
Employee in different sector	37.5	37.8	37.1
Employed in a large firm	29.2	51.1	42.9

N=70

Just over 40 per cent of the respondents had held managerial positions in their previous employment while around a quarter had held more technical roles. A significantly greater number of males were engaged in technical positions than females.

**Table 4.4.10: Main Role in Previous Employment**

Main Role	Female (%)	Male (%)	Total (%)
Managerial	45.5	39.0	42.2
Technical	13.6	34.1	26.6
Technical/Managerial	4.5	4.9	4.7
Marketing	4.5	12.2	9.4
Other	31.9	9.8	17.1

N=64

Nearly half of the respondents that were previously employed left to set up a business. A greater number of females left with no definite plans while more males left due to being made redundant or unemployed.

**Table 4.4.11 Reasons for Leaving Previous Employment**

Reasons for Leaving	Female (%)	Male (%)	Total (%)
Leave to set up a business	47.6	51.2	49.2
Leave with no definite plans	14.3	7.0	10.8
Made redundant/unemployed	4.8	30.2	21.5
Other	33.3	11.6	18.5

N=65

#### 4.4.5 Business Profile of Respondents

The business operations of the respondents are spread across a number of different areas. However, over one-quarter of the respondents are operating in the computer sector. There is a notable gender difference in the fact that over one-third of males are involved in the computer sector while one-quarter of females are engaged in the services sector.

**Table 4.4.12: Business Sector**

Business Sector	Female (%)	Male (%)	Total (%)
Design	12.5	11.6	11.9
Health	12.5	11.6	11.9
Computer	8.3	34.9	25.4
Manufacturing	8.3	9.3	9.0
Management	8.3	7.0	7.5
Education	12.5	0.0	4.5
Lifestyle	8.3	4.7	6.0
Property	0.0	7.0	4.5
Service	25.0	11.6	16.4
Other	4.2	2.3	3.0

N=67

The average number of current full-time employees is 27 while the same figure for part-time employees is just over 2. The average number of full-time employees at the start of the business was 1.5 while the number of part-time employees was 0.25.

**Table 4.4.13: Average Employee Numbers**

No. of Employees	Mean Total
No. of full-time employees now	27.4
No. of part-time employees now	2.13
No. of full-time employees at start	1.49
No. of part-time employees at start	0.26

Just under half of the respondents had started their business in the past two years, while around one-third had been in operation for a period of 3 to 10 years. A slightly larger proportion of males were in the early stages of their business than females.

**Table 4.4.14: Length of Business**

Business Length	Female (%)	Male (%)	Total (%)
0-2 years	40.9	50.0	46.8
3-10 years	36.4	32.5	33.9
11- highest	22.7	17.5	19.4

Over 85 per cent of the respondents indicated that they had plans to increase employment in the near future while just under two-thirds had plans to start or increase exporting. A significant gender difference appears to emerge here in that males seem to place a greater emphasis on establishing new businesses on franchising. None of the female respondents had any future plans to franchise their business.

**Table 4.4.15: Future business plans**

Do you plan to?	Female (%)	Male (%)	Total(%) Answering Yes
Increase employment	86.4	86.0	86.2
Start or increase exporting	58.8	66.7	64.4
Set up another business(es)	29.4	45.2	40.7
Franchise your business	0.0	18.6	13.8

#### 4.4.6 Personal Characteristics and Attributes

Table 4.4.16 provides a list of personal characteristics and attributes associated with entrepreneurs. The table is ranked in terms of the percentage of respondents stating that they strongly agreed with the statement made. The two most frequent descriptions of themselves as chosen by respondents were a 'need to achieve' and 'not giving up easily'. Other recurring attributes included being 'highly responsible', 'liking a challenge' and having an 'optimistic' outlook.

Although the 'top five' attributes were similar for both men and women, some variation did emerge which is worth highlighting. For example, women appeared to place a heavier emphasis on the 'need to achieve' and being 'highly responsible' as compared to men. In turn, the male respondents placed more importance on 'not giving up easily' and 'liking a challenge' than their female counterparts. Other significant differences include females having a lower rate of 'self confidence' and 'self esteem' and also being less 'trusting'. In addition, their also appears to be a contrast in the fact that women appear to be 'better at mixing' while men seem to have a greater preference for 'working on their own'.

**Table 4.4.16: Which best describes you? (Ranking of 1 out of 5)**

Ranking	Personal Characteristics	Female (%)	Male (%)	Total (%)
1	Need to achieve	64	55	58
2	Don't give up easily	50	61	58
3	Highly responsible	64	42	50
4	Like a challenge	32	57	49
5	Optimistic	41	42	42
6	Like to work on own	23	36	32
7	Like change	23	35	31
8	Good mixer	32	23	26
9	Good planner	27	23	25
10	Trusting	14	28	23
11	Self Confident	14	28	23
12	Quick to make decisions	18	23	22
13	Likes to take risks	9	27	21
14	Impatient	5	16	19
15	High self esteem	5	23	17
16	Rebellious of authority	14	9	11
17	Autocratic	5	5	5

#### 4.4.7 Motivation and Attitudes

Table 4.4.17 highlights some of the main motivational and attitudinal reasons for starting a business. The table is ranked in the order in which respondents agreed most strongly with the reasons given. The results indicate that the main motivation for wanting to start your own business is the desire for 'greater freedom to adopt your own approach to work'. This holds equally true for both men and women. The other main reasons given for setting up your own business include, 'wanting to make an idea or innovation happen', a desire to 'be your own boss' and the 'opportunity to challenge yourself'.

Some gender differences also emerge which are worth examining. For instance, a greater percent of the male respondents placed importance on 'being their own boss', 'wanting to make more money than they were earning before' and 'wanting to achieve a better position for themselves in society'. In contrast, the female respondents appeared to hold a higher regard for role models in persuading them to start their own businesses. The other notable difference was the fact that more males cited 'being made redundant' as a factor in them beginning their own enterprises, while more females pointed to 'being dissatisfied in their previous job

**Table 4.4.17: Agree strongly with the following statements**

Ranking	Motivation & Attitudes	Female (%)	Male (%)	Total (%)
1	Wanted greater freedom to adopt my own approach to work	75	73	74
2	Wanted to make an idea or innovation happen	50	50	51
3	Always wanted to be my own boss	30	50	44
4	Wanted to challenge myself	45	38	40
5	Wanted to make more money than I was earning before	14	36	29
6	Was dissatisfied in my previous job	30	17	21
7	Wanted to be at forefront of technological ideas	20	19	19
8	Wanted to lead and motivate others	10	19	18
9	Had been made redundant	0	24	17
10	Wanted to make a lot of money or have a very high income	15	16	16
11	Wanted to achieve a better position for myself in society	5	16	14
12	Wanted to follow the example of someone I admired	20	9	13
13	Wanted to develop a hobby or some other activity into a commercial enterprise	10	10	10
14	Thought I would get more respect working for myself	10	5	7
15	Wanted to continue a family tradition	5	2	3
16	Had been out of work for a period of time	6	2	3

#### 4.4.8 Attitudes Towards Entrepreneurship

Table 4.4.18 highlights some of the main attitudes towards entrepreneurship. The table is ranked so that the respondent's strongest supportive views are positioned at the top. The results indicate that the most prevalent attitude towards entrepreneurs appears to be one of support and admiration. The two most strongly held views of the respondents were that 'except in cases of fraud and malpractice, people who start and fail at business deserve a second chance' and that 'people who start their own business should be admired'. Other views that the respondents strongly agreed with were that they are the 'type of person who always tries to make organisations they belong to function better', that they consider themselves to be 'an imaginative and creative person' and that they would 'encourage a friend or relative to start a business'.

There are also a number of gender differences which are worth looking at. The female respondents held a slightly higher regard for 'people who started their own businesses'. They also agreed more strongly with the view that 'when they have plans they are almost certain to make them happen'. On the other hand, the male respondents appeared to have a

**'much stronger belief in their own judgement' as well as seeming to 'enjoy the challenge of taking risks'.**

**Table 4.4.18: Agree strongly with the following statements**

<b>Ranking</b>	<b>Attitudes Towards Entrepreneurship</b>	<b>Female (%)</b>	<b>Male (%)</b>	<b>Total (%)</b>
1	Except in cases of fraud and malpractice, people who start and fail at business deserve a second chance	83	87	86
2	I admire people who start their own business	96	78	84
3	I'm the sort of person who always tries to make organisations I belong to function better	63	64	62
4	I am an imaginative and creative person	46	58	54
5	I would encourage a friend or relative to start a business	50	49	50
6	I consider myself to be a persuasive person	46	51	49
7	When I have plans I am almost certain to make them happen	50	36	41
8	If you try hard enough you can always get what you want in life	42	39	39
9	I would rather work for a small business than a large business	38	39	38
10	I usually trust my own judgement, even if those around me don't agree with me	25	40	34
11	I'm the sort of person who handles uncertainty well	29	34	32
12	I am not scared of being in debt	17	36	30
13	I enjoy the challenge of situations that many consider risky	17	36	29
14	When working in groups I prefer that someone else takes the leading role	8	16	13
15	I believe in public intervention in economic matters rather than leaving things to the free market	9	9	10
16	I would not feel comfortable speaking to a bank manager about getting a business loan	0	2	3
17	People who are highly successful in business often tend to have low morals or ethics	0	1	1
18	I have difficulties understanding people who constantly strive towards new goals even after they've achieved a lot of success	0	2	1



#### **4.4.9 Comparative Analysis with Northern Ireland**

##### **Motivation and Attitudes**

Table 4.4.19 compares the respondents in the Republic of Ireland with the respondents to a entrepreneurship study undertaken in Northern Ireland. Both sets of respondents agree that what motivated them most to start their own business was the 'greater freedom to adopt their own approach to work'. In fact, four of the top five reasons given are the same for both countries.

The major difference between the two is that a larger proportion of the respondents in Northern Ireland valued strongly 'wanting to achieve a better position for themselves in society'. They were also more motivated by the possibility of 'achieving higher earnings' as well as the opportunity of 'gaining more respect by working for themselves'.

**Table 4.4.19: Agree strongly with the following statements**

Ranking	Motivation & Attitudes	Rep. Of Ireland (%)	Northern Ireland (%) <sup>17</sup>
1	Wanted greater freedom to adopt my own approach to work	74	71
2	Wanted to make an idea or innovation happen	51	33
3	Always wanted to be my own boss	44	64
4	Wanted to challenge myself	40	57
5	Wanted to make more money than I was earning before	29	61
6	Was dissatisfied in my previous job	21	28
7	Wanted to be at forefront of technological ideas	19	17
8	Wanted to lead and motivate others	18	31
9	Had been made redundant	17	9
10	Wanted to make a lot of money or have a very high income	16	37
11	Wanted to achieve a better position for myself in society	14	41
12	Wanted to follow the example of someone I admired	13	24
13	Wanted to develop a hobby or some other activity into a commercial enterprise	10	25
14	Thought I would get more respect working for myself	7	36
15	Wanted to continue a family tradition	3	29
16	Had been out of work for a period of time	3	11

Source: Household Entrepreneurship Survey, Northern Ireland (n = 1,577).

#### **Attitudes Towards Entrepreneurship**

Table 4.4.20 compares the respondent's attitudes towards entrepreneurship in the Republic of Ireland with that in Northern Ireland. Yet again the results show that there are similarities between the two countries, with four of the top five ranked attitudes being the same for both.

The only major difference between the two sets of respondents is that those in Northern Ireland seem to have a greater fear of 'being in debt' and subsequently feel 'more uncomfortable about talking to a bank manager about getting a business loan'.

<sup>17</sup> These figures are not for public quotation at this time.

**Table 4.4.20: Agree strongly with the following statements**

Ranking	Attitudes Towards Entrepreneurship	Rep. Of Ireland (%)	Northern Ireland (%) <sup>18</sup>
1	Except in cases of fraud and malpractice, people who start and fail at business deserve a second chance	86	63
2	I admire people who start their own business	84	72
3	I'm the sort of person who always tries to make organisations I belong to function better	62	52
4	I am an imaginative and creative person	54	51
5	I would encourage a friend or relative to start a business	50	56
6	I consider myself to be a persuasive person	49	43
7	When I have plans I am almost certain to make them happen	41	45
8	If you try hard enough you can always get what you want in life	39	41
9	I would rather work for a small business than a large business	38	46
10	I usually trust my own judgement, even if those around me don't agree with me	34	51
11	I'm the sort of person who handles uncertainty well	32	39
12	I am not scared of being in debt	30	18
13	I enjoy the challenge of situations that many consider risky	29	38
14	When working in groups I prefer that someone else takes the leading role	13	17
15	I believe in public intervention in economic matters rather than leaving things to the free market	10	37
16	I would not feel comfortable speaking to a bank manager about getting a business loan	3	53
17	People who are highly successful in business often tend to have low morals or ethics	1	22
18	I have difficulties understanding people who constantly strive towards new goals even after they've achieved a lot of success	1	12

<sup>18</sup> These figures include those who are thinking of setting up a business and those who are not as well as those that have. Therefore we are not comparing an exactly similar populations in this table.

#### 4.4.10 Summary of Key Findings

##### Personal Profile of Respondents

The survey results indicate that:

- Over one-third of the respondents are aged between 31-40.
- Over 65 per cent of the respondents are male.
- Over two-thirds of the respondents are married, while just under a quarter are single. However, despite the high numbers of respondents that are married, over 40 per cent have no dependants. There is a slight gender imbalance in the fact that female respondents with dependants tended to have a lower number than their male counterparts.
- Over three-quarters of the respondents have some form of third level qualification.
- Over three-quarters of the respondents have some form of family history of self employment. This proved to be the case for both males and females.
- The majority of respondents belonged to large families with only just over 5 per cent being only children. A considerable number of females were born the 'first child' in the family while for male's 'third child' proved more significant.
- A very high number of the respondents professed to being strongly supportive of the free enterprise system and to being highly absorbed in their business. They also professed to having a high level of sensitivity to business opportunities and needs. The main gender differences appeared to be that females had a much greater need to prove they could be successful while males seemed to be engaged in business activities from an earlier age.

##### Employment History of Respondents

- Most respondents had a wide ranging employment history. Many had been previously employed in a large firm or been an employee in the same sector as now. A greater proportion of females had previous experience being self employed in the same sector as now while a larger number of males had been previously employed in a large firm.
- Just over 40 per cent of the respondents had held managerial positions in their previous employment while around a quarter had held more technical roles. A significantly greater number of males were engaged in technical positions than females.
- Nearly half of the respondents that were previously employed left to set up a business. A greater number of females left with no definite plans while more males left due to being made redundant or unemployed.

### **Business Profile of Respondents**

- Over one-quarter of the respondents, are operating in the computer sector. There is a notable gender difference in the fact that over one-third of males are involved in the computer sector while one-quarter of females are engaged in the services sector.
- Under half of the respondents had started their business in the past two years, while around one-third had been in operation for a period of 3 to 10 years.
- Over 85 per cent of the respondents indicated that they had plans to increase employment in the near future while just under two-thirds had plans to start or increase exporting. A significant gender difference appears to emerge in the fact that men seem to place a greater emphasis on expansion through franchising or setting up another business.

### **Personal Characteristics and Attributes**

- The two most important descriptions of themselves, as chosen by the respondents, were having a strong 'need to achieve' and 'not giving up easily'. Other recurring attributes included being 'highly responsible', 'liking a challenge' and having an 'optimistic' outlook.
- Females appeared to place a greater emphasis on the 'need to achieve' and being 'highly responsible' than males. The male respondents placed more importance on 'not giving up easily' and 'liking a challenge'.
- Other significant differences included females having less 'self confidence' and lower 'self esteem' and also being less 'trusting'. In addition, their also appears to be a contrast in the fact that women appear to be 'better at mixing' while men seem to have a greater preference for 'working on their own'.

### **Motivation and Attitudes**

- The main motivation given for wanting to start your own business is the desire for 'greater freedom to adopt your own approach to work'. This holds equally true for both men and women. The other main reasons given for setting up your own business include, 'wanting to make an idea or innovation happen', a desire to 'be your own boss' and the 'opportunity to challenge yourself'.
- The male respondents placed more importance on 'being their own boss', 'wanting to make more money than they were earning before' and 'wanting to achieve a better position for themselves in society'. In contrast, the female respondents appeared to hold a higher regard for role models in persuading them to start their own businesses. The other notable difference between males and females was the fact that men cited being made redundant as a factor in them beginning their own businesses while women pointed to being dissatisfied in their previous job.

### **Attitudes Towards Entrepreneurship**

- **The two most strongly held views of the respondents were that ‘except in cases of fraud and malpractice, people who start and fail at business deserve a second chance’ and that ‘people who start their own business should be admired’. Other views that the respondents strongly agreed with were that their the ‘type of person who always tries to make organisations they belong to function better’, that they consider themselves to be ‘an imaginative and creative person’ and that they would ‘encourage a friend or relative to start a business’.**
- **Female respondents held a higher regard for ‘people who started their own businesses’ as compared to males. They also agreed more strongly with the view that ‘when they have plans they are almost certain to make them happen’. On the other hand, the male respondents appeared to have a ‘much stronger belief in their own judgement’ as well as seeming to ‘enjoy the challenge of taking a risk’.**

### **Comparative Analysis with Northern Ireland**

**Overall, there is a high level of similarity between respondents in the Republic of Ireland and Northern Ireland. This is a highly significant finding given the much larger sample included in the Northern Ireland study. Both sets of respondents agreed that what motivated them most to start their own business was the ‘greater freedom to adopt their own approach to work’. In fact, four of the top five reasons given are the same for both countries.**

**The main difference between the two groups is that a larger proportion of the respondents in Northern Ireland valued strongly ‘wanting to achieve a better position for themselves in society’. They were also more motivated by the possibility of ‘achieving higher earnings’ as well as the opportunity of ‘gaining more respect by working for themselves’. The only other notable difference was that the respondents in Northern Ireland seemed to have a greater fear of ‘being in debt’.**

## 4.5 Ireland's Female Entrepreneurship Rate<sup>19</sup>

### 4.5.1 Current Position

Ireland currently ranks 21<sup>st</sup> out of 29<sup>th</sup> in our rate of female entrepreneurship (GEM). This contrasts with 6<sup>th</sup> for male entrepreneurship. Women in Ireland are 2.6 times less likely to start a business than their male colleagues. The rate of female entrepreneurship also contrasts with the position of women in other countries. In the U.K. women are starting businesses at twice the rate of men. The situation in the US and other developed countries is similar. In the US women owned 38% of all businesses in 1999 and that rate is rising.<sup>20</sup> The US economy has grown over the last 10 years in large part because of the level of new business start-ups – a significant part of these started by women. Thus there is a growth in female entrepreneurship in the rest of the world which Ireland is largely missing out on.

### 4.5.2 Differences between male and female entrepreneurs

Research on entrepreneurship has identified certain differences in the characteristics of male and female entrepreneurs. As with the wider gender studies, these entrepreneurial trait studies also highlight similarities in traits, such as the reasons for going the entrepreneurial route, family background, aspirations for the business etc. This review however, focuses on differences as a way of increasing our understanding of the reasons for the current low rate of female entrepreneurship in Ireland. Available research highlights the following differences<sup>21</sup>:

- **Age:** Women in Ireland appear to be starting businesses later than men. A higher proportion of women were over 30 when starting their business.
- **Type of Business:** Women in Ireland are more likely to start a service business whereas men are more likely to start a hi-tech business. This contrasts with the US experience where women have broken into the non-traditional sectors.
- **Education:** A greater number of males (23% m 18% f) reached master's level and more women have a PhD (18.2% f, 7% m).
- **Reasons for leaving previous employment:** Women are much less likely than men in Ireland to have chosen to start their own businesses as a result of being made redundant (30.2% men v. 4.8% females).
- **Future plans:** More men plan to set up another business (29.4% f 45.2% m) or franchise their current one (0% f 18.6% m).
- **Finance:** Women have less access to finance.
- **Drives:** Women often tend to go into a business or partnership with their husband/partner rather than starting their own business.

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<sup>19</sup> This annex draws on both desk research and the new research presented in this report. The consultant, Frances Stephenson, an Associate of Goodbody Economic Consultants who undertook the interviews with entrepreneurs carried out in the course of this study, and Jane Williams, a member of the NCC and of the study's Steering Committee, prepared this annex.

<sup>20</sup> Industrial Society Report "Unequal Entrepreneurs Why Female Enterprise is an Uphill Struggle?", 2001

<sup>21</sup> These findings are drawn from the current study, the SIA Group report on "Developing Women in Enterprise", 2001, the AIB "Women in Business" Task Force report and the Industrial Society Report "Unequal Entrepreneurs Why Female Enterprise is an Uphill Struggle? 2001

- **Confidence and Skills:** Depending on their background, women can be less confident than their male colleagues when starting a new business. This situation can often be effectively addressed through the provision of advice and training to strengthen existing skill sets.

#### 4.5.3 Issues faced by female entrepreneurs

The different studies show that women largely face the same issues as men in starting a new business:

- Securing funding;
- Developing marketing and management skills;
- Legal structures;
- Bureaucracy;
- Devising business strategies etc.,

However, women experience greater barriers than their male counterparts with certain aspects of new business start-up i.e.:

- **Credit Barriers:** The attitudes of some financial institutions to female borrowers often makes the financing of a new business more difficult for a woman than for an equivalent male.
- **Experience/Skill issues:** Women have been found in many instances, to have less line management experience and so many approach entrepreneurship with an expertise deficit.
- **Family responsibilities:** Women continue to carry the burden of responsibility for family matters such as childcare, care of the elderly, home responsibilities, etc. This 'double-jobbing' places a constraint on the time available and the flexibility of women considering a new business start-up.

#### 4.5.4 Potential causes for Ireland's lower rate of female entrepreneurship

Two issues are addressed here namely: why is there a lower rate of female than male entrepreneurship in Ireland and why does Ireland have fewer female entrepreneurs than other countries. The following factors are likely to contribute to this situation:

- **Social conditioning** – in Irish society, even more so than in other societies such as the U.S., women were often traditionally perceived as having a supportive rather than a leadership role. This perception may still be a barrier to female entrepreneurship, in that many women may not be encouraged to look at this route as a career and, if they do consider it, may not be encouraged to believe they can be successful. When they go for advice or funding they can sometimes meet officials with the same social conditioning who may be less encouraging as a result of being influenced by a social norm rather than by business realities.
- **Perceptions of the demands on entrepreneurs in Ireland** - the entrepreneur works long hours and devotes considerable time and energy to establishing and growing their business. This situation presents particular challenges for women who are also carrying family responsibilities.



- Traditionally low rates of labour force participation among married women in Ireland and the marriage bar – Only one generation of women have continued in the workforce in Ireland since this bar was lifted. A further generation, at least, is required to produce the critical mass necessary to develop the managerial skills and belief systems that drive the high levels of female entrepreneurship currently seen in the US and U.K.
- Glass tunnels – women in business – an essential training ground for entrepreneurship –often find their way into non-line responsibilities - areas such as Human Resources and Customer Care. This can result in women entering ‘glass tunnels’, both in terms of career advancement in larger organisations, and also in terms of lacking the multi-skilling and line management experience necessary for running a successful small business.

#### 4.5.5 Potential interventions

From a policy perspective, there are a number of viewpoints which could be taken. It is clear that an exclusive reliance on current market forces to increase the rate of female entrepreneurship in Ireland to the levels enjoyed in other developed countries will take a long time. However, there is much that the business organisations such as IBEC and the Chambers of Commerce can do in facilitating informal networking which is so important to success in new ventures. Network organisations such as Network, the ICA, First Tuesday etc can also play a role in raising awareness and opening up access to sources of advice and mentoring. Where women are outside the formal business networks, business organisations can intervene to facilitate this through their membership. State structures such as the County Enterprise Boards have begun to redress the imbalance in their client base through programmes of skill development and awareness directed at potential women entrepreneurs. Schools and colleges at all levels are also increasingly involved in developing entrepreneurial skills and awareness.

Finally, in order to more firmly establish the reasons for Ireland’s low rate of female entrepreneurship it is important to have accurate data to work with. Currently there is a lack of data about women entrepreneurs and this situation needs to be addressed.

#### 4.5.6 Recommendations

The following specific recommendations are made aimed at increasing the rate of female entrepreneurship in Ireland:

- A loan fund/seed fund for women entrepreneurs along the lines of the Springboard initiative in the US be established in Ireland to provide seed funding for entrepreneurial ventures started by women.
- A national competition, sponsored by the Department of Enterprise, Trade and Employment, be set up for the best ‘up-an-coming’ female entrepreneur.
- Discussions be held with the CSO and the Revenue Commissioners aimed at improving data on the SME sector to include a focus on the need to ensure the availability of gender disaggregated statistics.

#### **4.6 Perceptions of Students of Entrepreneurship**

A separate focus group meeting was held with students from the University of Limerick who were completing an entrepreneurship module on their course. These students were a combination of undergraduates and post graduates and of engineering and business disciplines. Just over 50% of those included indicated that they would prefer being self-employed than being an employee, given the option.

This focus group indicates that would be entrepreneurs share many of the key motivating or demotivating factors with actual entrepreneurs. It also demonstrated that taking an entrepreneurship module raises awareness of the real issues involved in running a successful business.

The key learning points for these students were:

- The need to think things through;
- The importance of having good contacts;
- The importance of being able to access the necessary finance;
- The importance of the business “plan” in accessing the necessary supports;
- The importance of focusing on the customer and on real market opportunities rather than on “the idea”;
- The need to have a strong commercial focus;
- The benefits of working on a multi-disciplinary team in developing a business idea;
- The value of previous work experience before starting your own business;
- Difficulties accessing the required information;
- The negative influence of fear of failure.

In terms of the module itself most participants considered it very useful but that it should be longer and should involve more exposure to real business situation.

In relation to motivating/demotivating factors these students expressed similar views to the entrepreneurs themselves. Key motivating factors were: being own boss, personal satisfaction, making my name, having control and a supportive policy environment for entrepreneurship

Key demotivating factors were: fear of failure, bankruptcy, hard work involved, small Irish market, difficulties accessing finance and business information.

Education was seen to have the potential to play an important role in encouraging more entrepreneurship. This role it was felt could involve:

- A greater focus on teaching business skills at 3<sup>rd</sup> level;
- Providing active supports to local entrepreneurs through the provision of information, advice, mentoring and the development of business skills;
- More student/business linkages – availability of student to do research, access to role models, working with campus companies;
- More focus on start your own business in career guidance;
- Development of a young entrepreneurship models similar to the Young Scientist model;

- **Provision of more incubation space.**



## **Appendices**

## **Appendix A**

### **Enterprise Education Initiatives**

#### **Primary School**

Junior Achievement Initiative  
Gaisce Awards  
Bí Gnóthach

#### **Secondary School**

Young entrepreneurs Scheme (YES) Project  
Young Enterprise Ireland Project  
Enterprise Encounter Project  
Topic on Enterprise on Business Studies Course  
Leaving Certificate Applied: Tasks include interviewing an entrepreneur, running a mini-business and writing business plans  
Junior Achievement Initiative  
Gaisce Awards

#### **Third Level**

Graduate Diploma in Entrepreneurial Studies, UCD  
BSc in Finance, Computing & Enterprise, DCU  
Graduate Diploma / Masters in Business Studies in Entrepreneurship Management, University of Limerick  
BSc in Computing with Enterprise Studies, University of Ulster  
National Diploma in Business Studies (Entrepreneurship), Dun Laoghaire Institute of Art, Design & Technology  
Student Enterprise Awards, Enterprise Ireland  
Gaisce Awards

#### **Continuing Education**

FÁS Start your own Business Course  
County Enterprise Board Start your own Business Course  
Gaisce Awards  
Campus County Development Programme, UCD and Enterprise Ireland

## **Appendix B**

### **Key Informants**

<b>John Dunne</b>	<b>Chamber of Commerce of Ireland</b>
<b>Gina Quinn</b>	<b>Dublin Chamber of Commerce</b>
<b>Pat Delaney</b>	<b>Small Firms Association</b>
<b>Mark Fielding</b>	<b>ISME</b>
<b>Desmond Fahy</b>	<b>Dublin BIC</b>
<b>Joe Grealey</b>	<b>Westbic</b>
<b>Bill Rafter</b>	<b>Waterford CEB</b>
<b>Clare Shine</b>	<b>Enterprise 2000 Fund</b>
<b>Tony Shields</b>	<b>Millenium Enterprise Fund</b>
<b>Martin Conroy</b>	<b>Shannon Ventures Limited</b>
<b>Pat Ryan</b>	<b>Campus Companies VC Fund</b>
<b>Eoghan Clear</b>	<b>First Step Limited</b>
<b>Padraig OhAolaín</b>	<b>Udara na Gaeltachta</b>
<b>Des Doyle</b>	<b>Enterprise Ireland</b>
<b>Patricia Fleming</b>	<b>University of Limerick</b>
<b>Colm Reilly</b>	<b>Irish Internet Association</b>
<b>Anna Gettings</b>	<b>Irish representative on EU Expert Group on Entrepreneurship and Education</b>
<b>Theresa Hogan</b>	<b>DCU</b>

## Appendix C

### Services Currently Provided by the State to Entrepreneurs and SMEs

	Enterprise Ireland	Údarás	County Enterprise Board	Business Innovation Centre	Area Partnership
<b><u>Financial</u></b>					
Employment Grants	✓	✓	✓		
Capital Grants	✓	✓	✓		
Training Grants	✓	✓	✓		
Feasibility Study	✓	✓	✓		
Rent subsidies	✓	✓			✓
Seed capital	✓	✓		✓	✓
Marketing grant	✓	✓	✓		
Technology Transfer	✓				
Loan Guarantees	✓				✓
Loans					✓
Management Development grant	✓	✓	✓		
<b><u>Non Financial</u></b>					
Business Plan support	✓	✓	✓	✓	✓
Bookkeeping and secretarial services					✓
Mentor	✓		✓	✓	✓
Business Advice	✓	✓	✓	✓	✓
Recruitment and training	✓	✓			
Management training	✓	✓	✓	✓	✓

Source: FitzPatrick Associates Economic Consultants, Small Business Failure in Ireland 2001.



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