

# Inspire Entrepreneurship

# 5

While the rate of new business start-up in Ireland has increased in recent years, there are a number of issues that need to be addressed if the quantity and quality of start-up enterprises is to continue to meet the country's economic needs. This chapter deals with those issues.

## 5.1 Benefits of entrepreneurship

The economic and social benefits of entrepreneurship have been repeatedly demonstrated by research, in terms of employment, wealth creation, stimulating innovation, and regional development.<sup>70</sup>

In their report, the Enterprise Strategy Group (ESG) recognised these benefits, stating, 'Given the significant contribution entrepreneurial behaviour can make to economic development, specific initiatives to promote entrepreneurship should be supported'.<sup>71</sup> The ESG report also placed major emphasis on the need to grow the base of indigenous firms in Ireland, in order to balance and complement the contribution of foreign direct investment to the economy.

## 5.2 What is an entrepreneur?

The Small Business Forum adopts a broad definition of 'entrepreneurs' as individuals who orchestrate, operate and assume risks for a business venture.

Entrepreneurship can occur in any sector and type of business; it applies to the self-employed and to firms of any size; and it applies throughout the various stages of business development. Entrepreneurship is relevant for all types of business, technological or otherwise, and for different ownership structures, such as family businesses, firms quoted on the stock exchange, and not-for-profit organisations engaged in economic activities.<sup>72</sup>

70 EU Green Paper Entrepreneurship in Europe, January 2003, [http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2003/com2003\\_0027en01.pdf](http://europa.eu.int/eur-lex/lex/LexUriServ/site/en/com/2003/com2003_0027en01.pdf); EU Action Plan; The European Agenda for Entrepreneurship, February 2004, [http://europa.eu.int/comm/enterprise/entrepreneurship/promoting\\_entrepreneurship/doc/com\\_70\\_en.pdf](http://europa.eu.int/comm/enterprise/entrepreneurship/promoting_entrepreneurship/doc/com_70_en.pdf)

71 Ahead of the Curve – Ireland's Place in the Global Economy, Enterprise Strategy Group, July 2004

72 Adapted from the definition in the EU Paper Entrepreneurship in Europe, January 2003

## 5.3 Business start-ups in Ireland

In Chapter 1, we noted that the level of early stage entrepreneurship in Ireland is strong and continues to be one of the highest in Europe. Global Entrepreneurship Monitor research in 2005 indicates that Ireland has reversed the downward trend of recent years and is moving towards a rate of new business start-up that is equal to the most entrepreneurial of the OECD countries.<sup>73</sup>

Two weaknesses have been identified, however:

- A significantly lower percentage of women in Ireland set up new businesses than in the most entrepreneurial OECD countries; and
- The vast majority of start-up businesses in Ireland remain small.

Further, while the numbers who have recently set up new businesses (new firm entrepreneurs) are high, the main difference between Ireland and other highly entrepreneurial countries is that the number of individuals in Ireland who are at an advanced planning stage of setting up new businesses (nascent entrepreneurs) is much lower. This poses a threat to the continued high levels of entrepreneurship in Ireland.

Most Irish start-ups are one-person operations, and never grow beyond this size. Most are in the transformative sectors<sup>74</sup> and in consumer services.<sup>75</sup> The person starting the business is typically male, aged 30+ and skilled in one (often technical) area.

## 5.4 Key Drivers of Entrepreneurship

The rise in entrepreneurial activity in Ireland in recent years has been driven primarily by perceptions of opportunity.<sup>76</sup> The cultural and social environment for entrepreneurship in the country has also improved in recent years, particularly for male entrepreneurs. According to GEM research, early stage entrepreneurs are now more confident in their own skills and abilities, and are more aware of other successful entrepreneurs.

As perception of opportunity is the key driver of entrepreneurship in Ireland, the current levels of entrepreneurial activity might not be sustained if domestic macroeconomic activity were to slow. Specific initiatives need to be taken if we are to embed and reinforce the recently developed strong entrepreneurial spirit in Ireland for the future.

## 5.5 Existing Support for Entrepreneurs

The State, through the development agencies and through sponsorship of privately operated initiatives, provides a wide range of supports and initiatives to stimulate entrepreneurship.

At present, the Department of Enterprise, Trade & Employment is ultimately responsible for supporting entrepreneurs and start-up enterprises through a range of bodies and instruments including:

- Enterprise Ireland, which supports high growth potential start-up enterprises;
- The City and County Enterprise Boards, which support start-ups and enterprises with fewer than ten employees;
- The Community Enterprise Centres and Business Innovation Centres, which provide practical support and assistance to entrepreneurs at local level;

73 Global Entrepreneurship Monitor, Fitzsimons, P. and O’Gorman, C., April 2006

74 The transformative sectors include construction, manufacturing, mining, wholesale distribution, and the physical transportation of goods and people. In Ireland, most start-ups are in construction

75 Consumer services include retail, restaurants and bars, lodging, health, education, social services and recreation

76 The numbers of Irish adults perceiving opportunities for new business ventures increased in 2005 to 52%. Of the EU and OECD nations, only in New Zealand (57%) and in Denmark (66%) is the adult population more aware of opportunities for entrepreneurial ventures. Global Entrepreneurship Monitor, Fitzsimons, P. and O’Gorman, C., April 2006

- FÁS, which provides training to nascent and actual entrepreneurs; and
- BASIS, which provides online information on State supports.

In addition, a number of other Government departments are responsible for other aspects of policy relating to entrepreneurship, including:

- The Department of Education & Science, which is responsible for the delivery of entrepreneurship within the education system;
- The Department of Community, Rural & Gaeltacht Affairs, which is responsible for rural enterprise development through Údarás na Gaeltachta and the LEADER programme;
- The Department of Arts, Sport & Tourism, which is responsible through Fáilte Ireland for the development of tourism enterprises; and
- The Department of Finance, which oversees fiscal incentives for enterprise establishment and equity investment.

## 5.6 A National Entrepreneurship Policy

While it is clear from the above that the State operates and supports many initiatives aimed at inspiring entrepreneurship and supporting start-ups, these supports and initiatives are generally uncoordinated and do not amount to a coherent policy.

### 5.6.1 **Recommendation:** Inspire entrepreneurship

#### **The Small Business Forum recommends:**

Government should formally adopt a National Entrepreneurship Policy focused on optimising the number of start-up businesses, and in particular on maximising the number of start-ups aspiring to and achieving high growth.

This policy should build upon three specific platforms:

- Stimulating latent entrepreneurial potential, particularly among women and the immigrant community;
- Reinforcing entrepreneurship in the education system; and
- Enhancing the culture for entrepreneurship.

The range of existing initiatives aimed at stimulating entrepreneurship should be incorporated into this policy, to ensure a coherent, coordinated approach.

**Responsibility:** Department of Enterprise, Trade & Employment; Department of Education & Science.

#### *Stimulating latent entrepreneurial potential*

There are a number of relatively untapped and underdeveloped sources of entrepreneurship in Ireland, particularly women, returning Irish emigrants, and the immigrant community. By optimising the level of entrepreneurial activity in these sections of society, Ireland could become the most entrepreneurial country in the world.

Several actions could be taken to stimulate these sources of entrepreneurship:

- The State should review and, where appropriate, reinforce its current initiatives in the areas of relatively low entrepreneurial activity, such as the EMERGE initiative (aimed at ethnic minorities) and the 'Enterprising Women' network initiative operated by the City and County Enterprise Boards.
- The State should develop further initiatives to stimulate entrepreneurial activity in underrepresented cohorts. These initiatives should be predominantly non-financial and be delivered at a local level by the relevant State agencies and representative organisations.
- The representative bodies and the development agencies should make existing networking initiatives more accessible to female entrepreneurs, and facilitate female entrepreneur networks. Such networks should bring nascent or early-stage female entrepreneurs into contact with established female entrepreneurs, enterprise development agencies, and potential investors.
- The small business representative bodies, in conjunction with the enterprise support agencies, should publicise entrepreneur role models, and in particular establish case studies of successful female and immigrant entrepreneurs.
- The enterprise support agencies should establish a specific mentoring service by and for women.

#### *Reinforcing entrepreneurship in the education system*

There are currently a number of initiatives aimed at developing commercial awareness and fostering entrepreneurial mindsets among students at each level of the education system (for example, Junior Achievement, Student Enterprise Awards, and Shell LiveWire Awards). However, these initiatives are not operated on a widespread basis, and only a relatively small number of primary, secondary and third-level students participate in any of these initiatives.

While the secondary curriculum includes a number of business-related subjects, such as business studies, accounting and economics, these do not provide students with a broad suite of concepts and practical skills that are required for entrepreneurship, such as creativity, risk-taking, commercial awareness and communications skills. The Leaving Certificate Applied and Leaving Certificate Vocational Programme syllabi do cover some of these topics, but these syllabi are taken by relatively few students.

Mainstreaming entrepreneurship education across the education system would greatly increase the exposure of less entrepreneurially active cohorts of society, such as women, inward migrants, and individuals from socio-economically disadvantaged areas, to the possibility of entrepreneurship as a career option.

The Enterprise Strategy Group (ESG) report recommended a range of measures to embed commercial awareness and entrepreneurship at all levels of the education system, and to enhance the perception of entrepreneurship as a real career option. These include:

- Entrepreneurial skills should be included in the syllabus for the senior cycle and any necessary curricular changes made at primary and junior cycle level.
- Support should be provided for widespread operation of award schemes aimed at encouraging entrepreneurship in primary and secondary levels of education.

The Small Business Forum considers it essential that steps be taken to encourage entrepreneurship among the young through a number of measures:

- Full implementation of the Enterprise Strategy Group's recommendations relating to entrepreneurship. The Department of Enterprise, Trade & Employment should work with the Department of Education & Science to bring about implementation of the recommendations. Specific indicators should be established to monitor progress on the implementation of these recommendations.

- As a part of their education at teacher training colleges, secondary teachers should be equipped with the skills and knowledge to deliver commercial thinking and entrepreneurship courses.
- Responsibility should be allocated for promoting entrepreneurship and commercial awareness in second- and third-level education.
  - At second-level, the Business Studies Teachers Association of Ireland, through its members, should champion the introduction of appropriate modules in the school curriculum. Transition year provides an ideal opportunity for the implementation of such modules.
  - At third-level, the heads of Business and Entrepreneurship departments should champion the introduction of entrepreneurship modules for students completing courses across all faculties.

### *Enhancing the culture for entrepreneurship*

GEM research shows that there has been a significant improvement in societal attitudes to entrepreneurship and risk-taking in recent years. This has primarily been driven by rapid economic growth, which has opened up many new opportunities.

Nevertheless, fear of failure is a more pronounced deterrent to entrepreneurial involvement in Ireland than it is in the majority of OECD countries, even in those that are much less entrepreneurial. In this regard, Ireland is ranked 16th out of 25 participating countries.<sup>77</sup>

Furthermore, cultural attitudes to risk continue to inhibit individuals from leaving secure employment to become entrepreneurs. Although these attitudes are changing, there remains considerable scope for improvement.

A number of steps should be taken to promote entrepreneurship with the objective of improving attitudes to entrepreneurs, risk-taking and failure, such as:

- The small business representative bodies and the development agencies should promote the achievements of entrepreneurs, highlighting the economic benefits that entrepreneurs and small businesses confer on the economy, and illustrating the risks that successful entrepreneurs have borne before reaping rewards.
- The small business representative bodies and the enterprise development agencies should promote and support serial entrepreneurship. This could be done through case studies of serial entrepreneurs, illustrating the positive implications of venture failure and serial entrepreneurial activity.

<sup>77</sup> Approximately 38% of Irish people are deterred from entrepreneurship by fear of failure. In contrast, the rate is 23% in the US, 25% in New Zealand, and 29% in the Netherlands. Global Entrepreneurship Monitor, Fitzsimons, P. and O’Gorman, C., April 2006