

# Towards Developing an Entrepreneurship Policy for Ireland

September 2007



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# Executive Summary

## Background

Entrepreneurship is one of the cornerstones of a modern, fully developed economy and the lifeblood of thriving local communities. The Small Business Forum recognised this and recommended that the Government should adopt a national entrepreneurship policy.

Arising from this recommendation, the Department of Enterprise, Trade and Employment asked Forfás to assist in drawing up an entrepreneurship policy statement. In doing so, Forfás worked with an advisory group<sup>1</sup> and the national coordinator for the Global Entrepreneurship Monitor (GEM), Paula Fitzsimons<sup>2</sup> in drafting this report which provides the background and supporting information to the national entrepreneurship policy statement. The Department of Enterprise, Trade and Employment is due to publish this national entrepreneurship policy statement shortly.

The intention of this work is to help shape a blueprint to drive entrepreneurship in a determined and coherent manner, similar to that which characterised the drive to attract foreign direct investment to Ireland, so as to harness the necessary resources - public and private - at national, regional and local level.

## An Entrepreneurial Society: an Achievable Vision

*Ireland will be characterised by a strong entrepreneurial culture, recognised for the innovative quality of its entrepreneurs, and acknowledged by entrepreneurs as a world-class environment in which to start and grow a business.*

A successful entrepreneurial culture can generate a range of strategic, economic, spatial, social and personal benefits for an economy. The above specific vision statement is centred on the entrepreneur and 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.*<sup>3</sup>

There is clearly a need to ensure that entrepreneurship becomes a significant driver of future economic growth, and that the many benefits associated with entrepreneurship contribute to the well-being of the people of Ireland in all parts of the country.

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<sup>1</sup> This advisory group comprised entrepreneurs, representatives of the Department of Enterprise, Trade and Employment, Enterprise Ireland, the County Enterprise Boards, the Small Business Forum and other experts in the field. The names and affiliations of the members of the advisory group are contained in Appendix 1.

<sup>2</sup> Paula Fitzsimons is an independent strategy and management consultant and national coordinator for the Global Entrepreneurship Monitor (GEM). She was appointed to assist in drafting a background report to inform the national entrepreneurship policy. In this, she was supported by Dr. Sander Wennekers, Manager of the Research Unit in Strategic Studies and Principal Investigator in the Research Programme on Entrepreneurship and SMEs, at EIM Business and Policy Research, in the Netherlands.

<sup>3</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006, 5.6.1, page 55.

## Establishing the Context

Putting entrepreneurship high on the economic and social policy agenda can help Ireland meet a number of key challenges.

- **The challenge to sustain growth:** Entrepreneurship is a major driver of innovation, competitiveness and growth.<sup>4</sup>
- **The challenge to deepen competitive advantage in a knowledge economy:** The more permanent source of competitive advantage in this new economy is based on capacities to create new firms and to innovate.
- **The challenge to strengthen the enterprise base:** Entrepreneurial activity strengthens the enterprise base not only through the creation of new businesses but also by stimulating improved performance in existing businesses.
- **The challenge to create vibrant regions:** Entrepreneurship drives regional development, delivers economic and social benefits to regions, and builds strong local communities.
- **The challenge to achieve social inclusion:** This is brought about when the opportunity of creating one's own business is offered to everybody, regardless of background or location, and when certain groups such as women and immigrants, who are under represented among existing business owners, become involved.

The current level of entrepreneurial activity in Ireland is seen to provide a very good starting point from which the country can progress to join the ranks of the elite group of the most entrepreneurial nations in the world.

Although entrepreneurship has a prominent role to play in a continuation of Ireland's outstanding economic performance, its success is not automatic.

## Developing a Conducive Environment for Entrepreneurship

The current environment in Ireland is shown to be highly conducive to entrepreneurial activity at present. The demographic profile of the population is very strong, as is the personal context of individuals, many of whom have confidence in their ability to successfully start and run a business. The culture is also highly supportive of entrepreneurs and their activity. The economy remains strong, with buoyant consumer demand. There is generally agreement that Ireland is characterised by a pro-business policy, which has been in place for many years and is supported by all the main political parties. The positive contribution of private sector initiatives and the enterprise development agencies in fostering and supporting a spirit of entrepreneurship is also generally acknowledged. Moreover, the sophisticated Foreign Direct Investment

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<sup>4</sup> "A positive and robust correlation between entrepreneurship and economic performance has been found in terms of growth, firm survival, innovation, employment creation, technological change, productivity increases and exports." Action Plan - the European Agenda for Entrepreneurship, European Commission, COM (2004) 70 final, 11 February 2004.

(FDI) sector provides a potential customer base for new entrepreneurs and a means of achieving indirect exports.

Based on various indicators, Ireland is only just behind the elite group of the most entrepreneurial countries in the world, both as regards performance and framework conditions. The challenge now is not to be satisfied but to keep investing in entrepreneurship as a key condition for a 'Golden Age' in Ireland.

With a view to building on these strengths and further improving the environment to achieve the world class environment for starting and growing new businesses as set out in the vision statement, a number of policy initiatives are outlined in this report. These involve tackling the barriers to entry, monitoring the environment and looking at financial requirements for entrepreneurs. Implementing the Small Business Forum recommendation to develop a knowledge base of information for entrepreneurs and supporting more entrepreneurs to internationalise are also identified as priorities. Addressing the key areas of focus of the Small Business Forum to harness culture and education and encourage entrepreneurial activity amongst women and immigrants are also examined in detail.

## Harnessing Culture and Education to Support Entrepreneurship

Two of the three specific platforms on which the Small Business Forum recommended that a national entrepreneurship policy should be built relate to culture and to education:<sup>5</sup>

- Enhancing the culture for entrepreneurship; and
- Reinforcing entrepreneurship in the education system.

Ideally, culture and education will be mutually re-enforcing and complementary in fostering a spirit of enterprise throughout Irish society, strengthening the motivation and capacity of entrepreneurs and potential entrepreneurs. In doing so, those aspects of the vision which relate to *Ireland being characterised by a strong entrepreneurial culture and recognised for the innovative quality of its entrepreneurs* can be achieved.

### Culture for Entrepreneurship

The impact of Irish culture on entrepreneurship has been assessed and although generally there is currently a very supportive environment for entrepreneurship, there are areas that remain to be further improved. Possible ways to develop a more supportive culture are outlined in the report. These include:

- **Involving the education system in re-enforcing positive perceptions** by introducing students to the concept of entrepreneurship, encouraging openness to investing in a new business, developing recognition of entrepreneurs and understanding that risk and failure are part and parcel of entrepreneurship.

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<sup>5</sup> The third was stimulating latent entrepreneurial potential, particularly among women and the immigrant community which is the subject of Section 5. Small Business is Big Business, The Report of the Small Business Forum, May 2006, Section 5.6, page 55.



- **Building on positive media interest and goodwill** in relation to entrepreneurs and their new businesses, recognising the need to encourage more informal investment and to foster respect for honest entrepreneurial endeavour even if not always successful.
- **Developing entrepreneurial *ambassadors*** amongst Government and political representatives, successful entrepreneurs, those within the financial and educational sectors and opinion leaders within communities to celebrate entrepreneurial endeavour whenever possible.

### Entrepreneurship and Education

The contribution of education to entrepreneurship goes much further than reinforcing a positive culture. It can also provide training to students on how to start a business and facilitate the development of important personal attributes and skills like creativity, initiative and self-confidence that are associated with entrepreneurs.<sup>6</sup> A range of education initiatives are currently being undertaken in Ireland, facilitating students to come into contact with entrepreneurs and entrepreneurial concepts and helping to create the necessary knowledge and skills to foster greater entrepreneurial activity.

While great progress has been made in developing a culture of entrepreneurship in schools and third level institutions, this report looks at a number of areas for further development:

- Improving recognition of entrepreneurship as a career choice, amongst students, parents and teachers.
- Making enterprise education a more formal part of the education system in Ireland as has been put forward by the National Council for Curriculum and Assessment (NCCA).
- Embedding entrepreneurship training in professional teacher training qualifications.
- Ensuring that entrepreneurship is part of the third level curriculum for students from non-business and business courses alike. Initiatives are being taken in this area and these should be mainstreamed and made campus wide.
- Linking the new knowledge developed by the researchers at third level to entrepreneurs who have the perception, skills and motivation to commercialise it.

A key aspect of education is the development of *entrepreneurial mindsets* which could help foster more entrepreneurs and drive up the rate of entrepreneurial activity. In this respect, the European Commission has established a broad action plan setting out principles, many of which are already being implemented in Ireland, while others may be useful in guiding future policy here. These include:

- Better integrating entrepreneurship programmes/ activities in the established curriculum for schools at all levels (primary, secondary, vocational) and integrating entrepreneurship across different subjects of study programmes at third level.
- Ensuring sustained funding/support for entrepreneurship education activities, and for the implementation of concrete enterprise projects in school.
- Adopting innovative methods to train teachers in entrepreneurship.

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<sup>6</sup> Report of EU Commission Conference “Entrepreneurship Education in Europe: Fostering Entrepreneurial Mindsets through Education and Learning” Oslo, 26-27 October 2006. This conference was a follow-up to the Commission’s Communication of the same title adopted in February 2006.

- Testing the entrepreneurial competences of students in evaluating programmes or course in entrepreneurship and accrediting the acquisition of those skills.
- Associating students with real companies and business people.

## Encouraging Entrepreneurial Activity among Women and Immigrants

The Small Business Forum recognised that there were a number of relatively untapped and underdeveloped sources of entrepreneurship in Ireland, namely women and the immigrant community. Its view was that by optimising the level of entrepreneurial activity in these sections of society, Ireland could become the most entrepreneurial country in the world.

The entrepreneurial potential that may exist among women and those newly arrived into the country has been investigated. The research looks at the factors that might influence their opting for entrepreneurship in greater numbers, thereby making a significant contribution to meeting the economy's future needs for dynamic, innovative entrepreneurs.

### Female Entrepreneurs

The numbers of women entrepreneurs in Ireland are compared internationally and the gender gap that exists in Ireland is examined. The report looks at the initiatives that have been taken in other countries to improve the participation rate of women. A number of current initiatives in Ireland are also outlined and it is recommended that the success of these various initiatives should be monitored and, where appropriate, should be further resourced.

A number of areas for improvement are identified with a view to making Ireland one of the most entrepreneurial countries in the world.

- Targeting of sectors where highly skilled women work, for example the health or education sectors.
- Promoting greater visibility for female entrepreneur role models.
- Strengthening social networks to allow female entrepreneurs gain access to resources, to more experienced entrepreneurs as mentors and to others who can assist.
- Helping women to integrate into networks which are frequently dominated by men and are often of an informal nature.
- Encouraging the private sector business associations to recruit more women members and assist in their full integration into the associations.
- Continuing support to successful women's business networks in the private sector.
- Harnessing the resources of the education system in order to build entrepreneurial capacity and confidence among young women.
- Encouraging a greater aspiration for growth amongst women entrepreneurs, particularly encouraging those attending Start your Own Business-type training courses to explore their growth potential from the outset.
- Encouraging finance institutions to provide microfinance to female entrepreneurs.

- Endorsing the introduction of a Women's Enterprise Day which will see women's achievements as entrepreneurs celebrated.
- Improved and less expensive childcare.<sup>7</sup>
- Monitoring the progress made in encouraging greater participation of women as entrepreneurs and other key areas of female entrepreneurship such as the personal context of women, their perception of relevant skills, fear of failure and role models.

### Immigrant Entrepreneurs

Immigrants are a rapidly growing group within the economy and evidence suggests that this is potentially a very entrepreneurial group. The problems faced by potential entrepreneurs, who are relatively recently arrived into Ireland are more acute than those faced by many other entrepreneurs due to greater difficulties with access to relevant knowledge, information and networks as well as difficulties in developing relationships with a bank or other financial institution.

In this respect, a number of current initiatives in place to support immigrant entrepreneurs are examined in this report, as are areas by which this potential could be further strengthened. To this end, it is recommended that the City and County Enterprise Boards should be clearly recognised as the first point of contact for those immigrant entrepreneurs considering setting up new businesses. The Enterprise Boards should direct their efforts in the first place at signposting and disseminating information and thereafter concentrate in particular on those immigrant entrepreneurs and their new enterprises that have the potential to be mainstreamed. In acting as the first point of contact, the Enterprise Boards should:

- Highlight their role for those considering starting a business to the media and other information points which are targeted at immigrants.
- Make various printed materials and related online material on starting a new business available in several languages.
- Act as a signpost and direct those making enquiries to sister organisations, if appropriate. The executives should also be aware of initiatives taking place in their county that are specifically aimed at this group of potential entrepreneurs.
- Widely promote the knowledge base, which was recommended by the Small Business Forum and which will contain business information for entrepreneurs, among the immigrant community when it becomes fully operational.

The various organisations active in this area will continue to have separate roles to play in the support of immigrant entrepreneurs into the future. At the same time, there should be close cooperation between the various agencies and other stakeholders active in the support of immigrant entrepreneurs to ensure that a seamless service is provided to this group of entrepreneurs, information and training are made available in an appropriate manner without duplication and that a smooth transition of entrepreneurs takes place along a development path with assistance appropriate to their needs. Furthermore, the need to improve research and statistics on immigrant entrepreneurship in Ireland is also recognised in the report.

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<sup>7</sup>So as to build on initiatives set out in the National Childcare Investment Programme.

## Implementing the findings

Creating an entrepreneurial society that fosters entrepreneurship, creates favourable framework conditions for business owners and invests in future entrepreneurs is a challenge in which all facets of society have a role to play.

Accordingly, the vision proposed to guide the national entrepreneurship policy has been deliberately framed to allow (potential) entrepreneurs, policy makers, educationalists, agency executives, providers of finance (including venture capitalists), those within the science and technological research community, the media and other key players in an entrepreneurial society to identify with it. It is therefore appropriate that all the key players are involved in its implementation.

In assisting in the implementation of the vision, a **National Entrepreneurship Forum** will have a key role to play in championing entrepreneurship. It will celebrate achievements and recognise progress while identifying remaining barriers and prioritising action. It will monitor progress toward the realisation of the vision through the achievement of a clear set of strategic objectives.

An **Annual Entrepreneurship Review** will assemble the relevant indicators to inform the deliberations of the National Entrepreneurship Forum.

To ensure that the concerns of entrepreneurs are brought to the heart of the system, it is recommended that a prominent entrepreneur be appointed as the chair of the National Entrepreneurship Forum and that consideration should be given to the merits of appointing an **entrepreneur in residence** to advise the public sector on the concerns of entrepreneurs and to liaise with the system to remove specific barriers.

The public sector for its part will be characterised by a responsive culture which champions entrepreneurship. Given the primary role of the Department of Enterprise, Trade and Employment in this area, a specific person should be designated with responsibility for entrepreneurship and for the coordination of entrepreneurship policy within and across Departments, across the agencies for which it has responsibility and across all aspects of the Department's business.

## Guiding Principles for a National Entrepreneurship Policy

The research in this report sets out the main ideas that should guide the development of a national entrepreneurship policy:

- The vision statement will be adopted and will be the touchstone upon which progress will ultimately be assessed.
- To be successful the policy must have the entrepreneur and the potential entrepreneur as its central focus.
- The goal will be to optimise the number of start-up businesses and in particular to maximise the number of start-ups aspiring to and achieving high growth.
- It will require a focus by all parties on the achievement of key strategic objectives:
  - Maintaining and further developing an environment that is conducive to entrepreneurship;
  - Ensuring a flow of future entrepreneurs by leveraging a positive culture and the resources of the education system;
  - Harnessing the entrepreneurial potential of women and immigrants within the population;
  - Strengthening the capabilities of entrepreneurs to improve their capacity and aspiration for growth;
  - Maximising the number of entrepreneurs with an international focus; and
  - Delivering policy and initiatives in a coherent manner across the public sector in a way that is conducive to entrepreneurship and which maximises the potential of ambitious entrepreneurs.
- The National Entrepreneurship Forum will be the focal point for the partnership of Government, entrepreneurs, other relevant stakeholders and all interested in developing and benefiting from an entrepreneurial society. The Forum will champion entrepreneurship and will drive the implementation of policy and the achievement of the key objectives.
- The policy will have strong Government endorsement and the commitment of Ministers to its successful implementation.
- A clear timeframe, targets and responsibilities will be set down for each of the key objectives and appropriate resources committed to their achievement.
- Progress will be monitored and reported as part of the *Annual Entrepreneurship Review*.

If developed and implemented in the manner proposed, a future national entrepreneurship policy will ensure that the possibilities that a truly entrepreneurial society presents will be delivered in a manner that brings benefits to all.

## Section 1: Establishing the Context

### 1.1 Introduction

The report of the Small Business Forum recommended that the *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.*<sup>8</sup> Arising from this recommendation the Department of Enterprise, Trade and Employment asked Forfás to assist in drawing up an entrepreneurship policy statement.

In carrying through this mandate, Forfás worked with an advisory group comprising entrepreneurs, representatives of the Department of Enterprise, Trade and Employment, Enterprise Ireland, the County Enterprise Boards, the Small Business Forum and other experts in the field.<sup>9</sup>

Paula Fitzsimons, an independent strategy and management consultant and national coordinator for the Global Entrepreneurship Monitor (GEM), was appointed to undertake consultancy in association with this task and to assist in drafting a background report to inform the national entrepreneurship policy. In this, she was supported by Dr. Sander Wennekers, Manager Research Unit Strategic Studies and Principal Investigator Research Programme Entrepreneurship and SMEs, at EIM Business and Policy Research in the Netherlands.

The intention is to help shape a blueprint to drive entrepreneurship in a determined and coherent manner, similar to that which characterised the drive to attract foreign direct investment to Ireland, harnessing the necessary resources, public and private, at national, regional and local level.

Section 1 of the report first describes the rationale for positioning entrepreneurship high on the economic and social policy agenda. This is based on the potential role that entrepreneurship can play in positioning Ireland to achieve its goal of a knowledge economy, built on a solid foundation of growth and innovation, whereby all parts of the country and all sections of society enjoy continuing and growing prosperity.

The nature and present level of entrepreneurial activity in Ireland is then set out in some detail, and its strengths and the areas that are less strong described, trends examined and comparisons made with European and with other OECD countries.

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<sup>8</sup> *Small Business is Big Business*, The Report of the Small Business Forum, May 2006, 5.6.1, page 55.

<sup>9</sup> The names and affiliations of the members of the advisory group are contained in Appendix 1.

## 1.2 Nature of the Economic Challenges Going Forward

There are a variety of interlinked challenges facing Ireland in the years immediately ahead.

Entrepreneurship can play a central role in assisting the country to continue to meet these challenges in a way that contributes to growth and prosperity.

- The challenge to sustain growth.
- The challenge to deepen competitive advantage in a knowledge economy.
- The challenge to strengthen the enterprise base.
- The challenge to create vibrant regions.
- The challenge to achieve social inclusion.

To meet these challenges there is a need to both sustain a high level of entrepreneurial activity in general and to maximise the number of new businesses that are innovative, in the broadest sense of that word, and that aspire to and are capable of significant growth. In other words, these interlinked economic challenges imply an 'entrepreneurial challenge'.

## 1.3 Role for Entrepreneurship in Meeting These Challenges

Entrepreneurial activity can make the following very real contribution to meeting these challenges:

- **The challenge to sustain growth:** The European Commission, among other policy institutions, recognises that entrepreneurship is a major driver of innovation, competitiveness and growth.<sup>10</sup> This view is based on a positive link between entrepreneurial activity and growth that has been systematically established.<sup>11</sup>
- **The challenge to deepen competitive advantage in a knowledge economy:** While investments in research and higher levels of human capital development are necessary conditions for growth in a knowledge economy, they are not sufficient if not accompanied by entrepreneurship, as it is through the formation of new firms that much of the knowledge spillover takes place, research and new knowledge is commercialised and economic growth brought about.<sup>12</sup> Accordingly, the more permanent source of competitive advantage in this new economy must be based on capacities to create new firms and to innovate, given that, with the growth of globalisation and information technology, firms can now migrate easily to lower cost locations.<sup>13</sup>

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<sup>10</sup> "A positive and robust correlation between entrepreneurship and economic performance has been found in terms of growth, firm survival, innovation, employment creation, technological change, productivity increases and exports." Action Plan - the European Agenda for Entrepreneurship, European Commission, COM (2004) 70 final, 11 February 2004.

<sup>11</sup> David Audretsch cites Carree 2002, Fritsch 1997, National Commission on Entrepreneurship 2001, Reynolds et al 2000, Carree, van Stel, Thurik and Wennekers 2002, and Thurik 1999 to illustrate this point. Entrepreneurship Policy and the Strategic Management of Places, David B. Audretsch, Chapter 2 in The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy, edited by David M. Hart, Cambridge University Press, 2003. Audretsch, D.B. and M. Keilbach (2006), Entrepreneurship, Growth and Restructuring, Discussion Paper No 1306, Jena: MPI.

<sup>12</sup> Entrepreneurship, Geography, and American Economic Growth, Zoltan J. Acs and Catherine Armington, Cambridge University Press, 2006, page 163.

<sup>13</sup> Entrepreneurship Policy and the Management of Places, David B. Audretsch, Chapter 2, The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy, edited by David M. Hart, Cambridge University Press, 2003.

- **The challenge to strengthen the enterprise base:** Entrepreneurial activity strengthens the enterprise base not only through the creation of new businesses but also by stimulating improved performance in existing businesses.<sup>14</sup> This also requires corporate entrepreneurship or intrapreneurship inside these incumbent firms. Accordingly, entrepreneurship and the creation of new businesses strengthen the enterprise base of the country both directly and indirectly.
- **The challenge to create vibrant regions:** Research has frequently illustrated the benefits, both economically and socially, of entrepreneurship, particularly in terms of driving regional economies and regional development.<sup>15</sup> The European Commission endorses this view.<sup>16</sup>
- **The challenge to achieve social inclusion:** The European Commission has identified that entrepreneurship can harness social cohesion when the opportunity of creating one's own business is offered to everybody, regardless of background or location.<sup>17</sup> In particular, it mentions women and ethnic minorities as groups that can benefit in this regard. The OECD also sees a role for entrepreneurship in encouraging social inclusion and in building strong local communities.<sup>18</sup>

The contribution that entrepreneurship can make is clear and rests on well-researched grounds.

In order to garner maximum economic benefit from the entrepreneurial activity of those living within the country, it is important that Ireland not only has a high level of entrepreneurial activity but that the maximum number of the new enterprises are innovative, with an intention to internationalise, and with a clear aspiration for significant growth.

#### 1.4 Current Level of Entrepreneurial Activity in Ireland

A variety of indicators have been selected to give an indication of the current level of entrepreneurial activity in Ireland. These are drawn from DKM consultants,<sup>19</sup> VAT registrations, Bank of Ireland, the FORA Index, and from the Global Entrepreneurship Monitor (GEM).

In reviewing the current level of entrepreneurial activity in Ireland, cognisance should be taken of the fact that, while it is not possible to arrive at an exact optimum rate for early stage entrepreneurship for Ireland,

<sup>14</sup> Speaking of the United States, David Hart notes that "new companies have made significant contributions to economic growth in the past decade, both directly and by stimulating their more established competitors". Citing the examples of traditional retailers and electronic commerce start-ups and of large pharmaceutical firms and biotechnology start-ups to illustrate his point, David Hart comments that "older firms are forced to adapt under the pressure of innovative rivals lest they be replaced". Entrepreneurship Policy, What It Is and Where It Came From, David M Hart, Chapter 6, The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy, edited by David M. Hart, Cambridge University Press, 2003.

<sup>15</sup> David Hart, in his introduction to a series of writings by eminent researchers in the area of entrepreneurship, notes that the contributors collectively assert that "the level and quality of entrepreneurship make a difference in the economic vitality of communities, regions, industries and the nation as a whole". Entrepreneurship Policy, What It Is and Where It Came From, David M Hart, chapter 1, page 4 The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy, edited by David M. Hart, Cambridge University Press, 2003.

<sup>16</sup> Green Paper Entrepreneurship in Europe, European Commission, 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) Action Plan: The European Agenda for Entrepreneurship, European Commission, 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)

<sup>17</sup> Action Plan: The European Agenda for Entrepreneurship, European Commission, 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) Joint Report on Social Protection and Social Inclusion, 6694/07, adopted by the Council (EPSCO) on 22 February 2007.

<sup>18</sup> OECD Observer, January 2005 <http://www.oecdobserver.org/news/fullstory.php/aid/1395/>.

<sup>19</sup> As part of their work for the Small Business Forum, DKM Economic Consultants produced a report on The Economic Impact of Small Business in Ireland in March 2006. It is available at [http://www.smallbusinessforum.ie/webopt/sbf\\_dkm\\_background\\_report\\_webopt.pdf](http://www.smallbusinessforum.ie/webopt/sbf_dkm_background_report_webopt.pdf).



research suggests that a country at Ireland’s stage of economic development should have an early stage entrepreneurship activity rate that is at least stable, if not increasing. This is necessary in order to avail of the innovation advantages and market opportunities presented by globalisation and by the information and communication technologies, which have reduced the importance of scale economies in many sectors.<sup>20</sup>

Drawing from a range of sources, DKM Economic Consultants estimate that the number of small businesses has grown by over 50% in the ten years to 2005 and that growth in numbers was stronger in the first five years (1995 to 2000), at 38% or 6.6% on average per annum compared to 14% or 2.6% per annum in 2000 to 2005.<sup>21</sup> This indicates a strong correlation between a period of exceptionally high GDP growth and an exceptionally high net increase in the number of small businesses. While still exceptional within Europe, the growth rate has moderated since 2000 as has the net increase in small businesses.<sup>22</sup>

VAT registrations show a more recent picture. While these registrations cannot give a comprehensive overview of all new businesses being started, given the turnover threshold levels that apply to registration, they are a good indicator, nonetheless, of what is happening in terms of entries and exits to a large body of registered businesses.

New VAT registrations show an overall increase year on year from 2002 to 2006. These figures indicate the importance of new registrations relative to the total population of active registered companies (net total registrations) during this period.<sup>23</sup> In 2006 however, the rate of increase of new registrations slowed and their importance as a percentage of all registered businesses, while still substantial, fell back slightly. (Table 1)

Table 1: Vat Registrations 2002- 2006 inclusive

	2002	2003	2004	2005	2006
Net total VAT registrations	193,378	206,485	224,419	245,343	271,399
New VAT registrations	25,046	27,857	32,189	36,035	37,632
New registrations as a % of net total registrations	13.0	13.5	14.3	14.7	13.9

Source: Revenue Commissioners

<sup>20</sup> Entrepreneurship at Country Level: Economic and Non Economic Determinants, Sander Wennekers, ERIM, 2006, Chapter 3, page 119, Why does the Self Employment Rate Vary Across Countries and Over Time? Zoltan Acs, David Audretsch and David Evans, discussion Paper No 871, Centre for economic Policy Research, January 1994. "The Relationship between Economic Development and Business Ownership Revisited, Martin Carree, André van Stel, Roy Thurik, and Sander Wennekers, Tinbergen Institute Discussion Paper, TI 2007,-022/3 page 8.

<sup>21</sup> The Economic Impact of Small Businesses in Ireland, Report commissioned by the Small Business Forum, January 2006 [www.smallbusinessforum.ie](http://www.smallbusinessforum.ie). The consultants estimate that the number of small businesses in Ireland in 2005 was approximately 250,000 (+/- 10%-15%) and that small firms represent 97%-98% of the total number of enterprises in Ireland.

<sup>22</sup> See Figure 3 Section 3.4 which illustrates the GDP growth rates over this period. Source: ESRI.

<sup>23</sup> The turnover thresholds, at which businesses were obliged to register for VAT during this period (2002-2006), were €27,500 for services and €55,000 for manufactured products. Accordingly, businesses trading below these thresholds were not required to register and are not captured in the numbers of registered companies. Moreover, a business registering for VAT for the first time may not necessarily be a new business, but is a business, regardless of age, which has now reached the relevant threshold. The figures also included re-registrations i.e. businesses that were previously registered for VAT. Companies from overseas that are registering for VAT in Ireland are also included in the figures. In certain circumstances, branches of the same company may have separate VAT numbers for each of its branches, although this is not always the case. Source: Revenue Commissioners.

As the level of firms deregistering is significantly lower than new registrations in each of the years 2002 to 2006 inclusive, the stock of registered business has been significantly increased each year during this period. (Table 2)

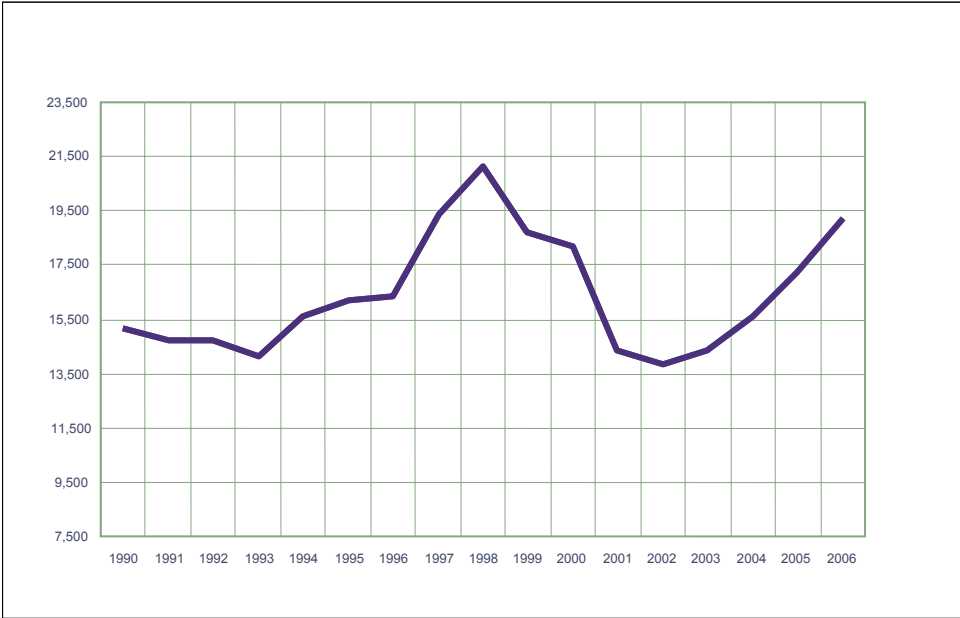
Table 2: VAT Deregistrations 2002-2006 inclusive

	2002	2003	2004	2005	2006
Net total VAT registrations	193,378	206,485	224,419	245,343	271,399
Deregistrations	15,585	16,361	16,375	17,756	14,565
Deregistrations as a % of net total registrations	8.1	7.9	7.3	7.2	5.4

Source: Revenue Commissioners

Another indicator of entrepreneurial activity is the level of new businesses that are being incorporated. The Bank of Ireland Barometer, in association with vision-net.ie, draws its information from the Companies Registration Office. It is interesting to note how the barometer mirrors the GDP pattern of growth over this period.<sup>24</sup> (Figure 1)

Figure 1: BOI Barometer of Incorporated Companies 1986-2006



Source: Bank of Ireland and vision-net.ie

<sup>24</sup> See Figure 3, Section 3.4 which illustrates real GDP growth for the years 1991-2006.

The latest results of a new entrepreneurship index developed by the National Agency for Enterprise and Construction in Denmark, Entrepreneurship Index 2006, places Ireland among the entrepreneurial elite, along with Canada, Korea and the United States.<sup>25</sup> This assessment is based on a range of entrepreneurial indicators related to start-up rates, growth rates of new enterprises and entrepreneurial framework conditions and assesses the relative performance of Denmark against these “top performing” countries. This is a very positive result and reflects very well on Ireland.

GEM is another index, based on an adult population survey, which offers an overview of early stage entrepreneurial activity in the country. It offers a means of comparing the proportion of the adult population that have recently set up new businesses (within the previous 42 months) or are actively attempting to do so. The standardised nature of the questionnaire used in the survey facilitates comparisons with some 40 other countries.

GEM research indicates that in 2006, the equivalent of 80,000 individuals in the adult population reported that they had set up a new business in the past three and a half years. When this figure is combined with those that indicated that they were actively attempting to do so, over 200,000 individuals or 7.35% of the adult population were new business owners<sup>26</sup> or were nascent entrepreneurs, actively engaged in planning a new business.<sup>27</sup>

This level of relative early stage entrepreneurial activity placed Ireland 7<sup>th</sup> within the OECD in a group with Greece, the Czech Republic, Spain and Canada. While the level of early stage entrepreneurial activity among the adult population in Ireland is less per capita than it is in the more entrepreneurially active of the OECD countries, namely Australia, Iceland, the US and Norway,<sup>28</sup> the level is higher than the average in the OECD or EU. (Table 3)

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<sup>25</sup> The Index is built on data for a range of OECD countries and identifies Danish strengths and weaknesses as an entrepreneurial nation. Furthermore, it is intended that the Index will allow for the continued monitoring of entrepreneurship framework conditions and entrepreneurship performance to determine if Denmark is meeting the Government's goal that by 2010 Denmark should be part of the European entrepreneurial elite in terms of start-up activity, and by 2015 that Denmark should have the highest share of growth entrepreneurs. See [http://www.foranet.dk/upload/4korr-554683\\_indh\\_001.pdf](http://www.foranet.dk/upload/4korr-554683_indh_001.pdf).

<sup>26</sup> In the 42 months prior to the adult population survey on which the findings are based. These are referred to as *new business entrepreneurs*.

<sup>27</sup> Referred to as *nascent entrepreneurs*.

<sup>28</sup> This is the first year that Norway had a higher TEA rate than Ireland.

Table 3: Early Stage Entrepreneurial Activity across participating OECD countries (% of the adult population)

Country <sup>29</sup>	TEA (total early stage entrepreneurial activity)	Nascent Entrepreneur	New Business Entrepreneur
Australia	11.96	7.33	5.72
Iceland	11.26	8.13	3.78
Norway	9.14	5.25	4.34
US	10.03	7.47	3.26
Greece	7.90	5.67	2.26
Czech Republic	7.85	6.41	1.98
<b>Ireland</b>	<b>7.35</b>	<b>4.46</b>	<b>2.93</b>
Spain	7.27	3.01	4.41
Canada	7.12	4.07	3.17
Latvia	6.57	4.03	2.65
Hungary	6.04	3.18	6.00
Turkey	6.07	2.20	4.01
UK	5.77	3.19	2.78
Netherlands	5.42	2.56	1.86
Denmark	5.32	2.88	2.75
Mexico	5.26	4.12	1.19
Finland	4.99	2.94	2.41
Slovenia	4.63	2.91	1.79
France	4.39	3.76	0.70
Germany	4.21	2.90	1.70
Italy	3.47	2.23	1.37
Sweden	3.45	2.23	1.39
Japan	2.90	1.59	1.37
Belgium	2.73	1.82	1.11
<b>OECD average</b>	<b>6.36</b>	<b>4.02</b>	<b>2.61</b>

Source: GEM 2006

Excluding those at the nascent stage, and focusing solely on those that have recently started new businesses, Ireland's level of start-up activity (2.93%) is ranked 9<sup>th</sup> and is nearer the OECD average of 2.61%.

<sup>29</sup> New Zealand was not included in GEM research in 2006 due to sponsorship difficulties. It is a country with a high level of early stage entrepreneurial activity, however. In 2005, for example, New Zealand had the highest TEA rate among the participating OECD countries with 10.0% of the adult population being new business entrepreneurs and 9.4% being nascent entrepreneurs.

Mirroring the slow down observed in the rate of new VAT registrations in 2006 as compared with 2005 and 2004, the number of individuals in Ireland in 2006, who indicated that they had recently set up a new business, was the lowest it had been for some time.<sup>30</sup> (Table 4)

Table 4: Ireland's New Business Entrepreneurs 2001-2006 inclusive (% of the adult population)

Year	New Business Entrepreneurs
2006	2.93
2005	4.73
2004	3.59
2003	3.76
2002	4.20
2001	4.88

Source: GEM 2006

In conclusion, the GEM data would suggest that Ireland has a relatively high proportion of early stage entrepreneurs among its adult population, but that this level is behind the most entrepreneurial of the OECD countries. Moreover, the decline noted in 2006 in the number of early stage entrepreneurs is significant and, if continued, would give cause for concern.

## 1.5 Framing the Context


This report provides the background and supporting information for a national policy for entrepreneurship along the lines set out in the Small Business Forum Report.<sup>31</sup>

This section has established the nature of the economic challenges facing Ireland in the years ahead and the key role that entrepreneurship can play in meeting those challenges. It described the current level of entrepreneurial activity in Ireland. This level provides a good starting point from which the country can move forwards and upwards to join the ranks of the elite group of the most entrepreneurial nations in the world.

Section 2 sets out the vision to direct this goal and explains the rationale behind the vision, the scope of an entrepreneurship policy which is centred on the entrepreneur and is achieved through a targeted approach 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*. The range of benefits, which can flow from the achievement of the vision are outlined and the importance of having a driver of implementation emphasised.

<sup>30</sup> The decline in 2006 was statistically significant, while the movement in previous years was not statistically significant, given the margin of error associated with the sample size of the adult population. The margin of error in 2006 was +/- 1.2%.

<sup>31</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006, Section 5 Inspire Entrepreneurship, pp 53-57.



The subsequent sections in this report focus separately on aspects that will exert a strong influence on the achievement of these objectives, namely the environment for entrepreneurship (Section 3), culture and education (Section 4), as education is a significant influencer of *entrepreneurial mindsets* and entrepreneurial capacity. The report then examines the potential from under-represented groups (Section 5), identifies the need to drive implementation and monitor progress in a manner conducive to entrepreneurship (Section 6) and concludes with a list of guiding principles that should direct the national entrepreneurship policy (Section 7). The imperative to develop strong regions and to have all parts of the country benefit from the activities of entrepreneurs pervades the whole.

## Section 2: An Entrepreneurial Society: An Achievable Vision

### 2.1 Introduction

This section sets out a vision for a truly entrepreneurial society:

**Ireland will be characterised by a strong entrepreneurial culture, recognised for the innovative quality of its entrepreneurs, and acknowledged by entrepreneurs as a world-class environment in which to start and grow a business.**

This is the goal that the national entrepreneurship policy is designed to accomplish. The rationale behind this vision is discussed and the focus and scope of an entrepreneurship policy and the manner in which it is differentiated from SME policy is then described. The section concludes by demonstrating the many and varied benefits that could flow from the attainment of this vision.

### 2.2 Rationale for the Vision

There is a need for a vision to underpin the national entrepreneurship policy that is sufficiently overarching to allow (potential) entrepreneurs, policy makers, educationalists, agency executives, providers of finance including venture capitalists, those within the science and technological research community, the media and other key players in an entrepreneurial society to identify with it.

It should be based on the premise of making Ireland one of the best places in the world to start and grow a business and should be sufficient to capture for the people of Ireland the many benefits that can flow from its successful implementation.

It should emphasise the importance of culture, put the entrepreneur centre-stage as the judge of the relative merits of Ireland as a conducive environment for new businesses and incorporate the key features of innovation and growth. The concept should be sufficiently broad to include innovative entrepreneurs in other locations considering Ireland as a possible location for their new business.

The successful achievement of this vision should bring about the following:

- A pervasive spirit of entrepreneurship within Ireland whereby *the entrepreneurial impulse becomes embedded in the social ethos*;<sup>32</sup>
- The aspiration to become an entrepreneur is a credible career option;
- The rate at which new businesses are started is appropriate to Ireland's stage of economic development and is to the fore of the most entrepreneurial of the developed countries; and

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<sup>32</sup> Words taken from Richard Florida describing the contemporary United States quoted in Entrepreneurship, Creativity, and Regional Economic Growth, chapter 3, of *The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy*, edited by David M. Hart, Cambridge University Press, 2003.

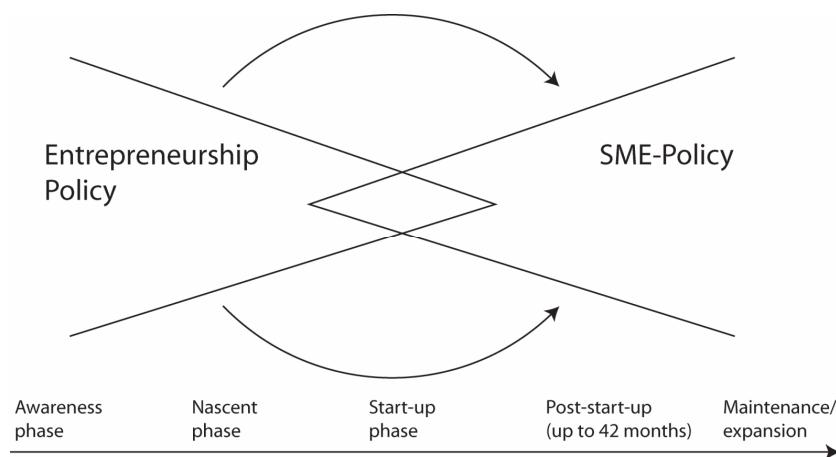
- The maximum number of innovative businesses are being created, which have the potential for significant growth and wealth generation, and are being started by entrepreneurs who wish to realise that potential.

Given the position from which Ireland is starting, it is considered that this vision is achievable.

### 2.3 Scope of Entrepreneurship Policy

Lundstrom and Stevenson have developed the figure below to illustrate the inter-related, but at the same time distinctive, policy domains of entrepreneurship and small and medium enterprise (SME) policy.<sup>33</sup>

Figure 2: The Interface between Entrepreneurship Policy and SME Policy



They explain that the overriding objective of SME policy is to strengthen existing businesses, while the main focus of entrepreneurship policy is to stimulate higher levels of entrepreneurial activity by influencing a greater supply of entrepreneurs.

Building on the research findings of these authors, an entrepreneurship policy should have the following characteristics:

- Be focused primarily on individuals, not firms;
- Support the needs of people as they move through the earliest stages of the entrepreneurial process from awareness to intent to pre-start-up to early post start-up;<sup>34</sup>
- Make extensive use of soft policy supports; and
- In its implementation, incorporate a broad set of institutional partners in the make up of the *support environment* (e.g. educators, the media and a diverse set of government ministries) which necessitates

<sup>33</sup> *Entrepreneurship Policy: Theory and Practice*, A. Lundstrom and L. Stevenson, International Studies in Entrepreneurship, Springer, 2005 pages 50- 60 inclusive.

<sup>34</sup> The authors define this as 42 months post start-up.



inter-ministerial, inter-governmental, horizontal approaches and strategies involving a range of Departments, regulatory bodies and other agencies.<sup>35</sup>

Accordingly, the focus of entrepreneurship policy is on the individual entrepreneur and the economic, technological, institutional, cultural, personal and local community context<sup>36</sup> in which he/she perceives an entrepreneurial opportunity,<sup>37</sup> and chooses entrepreneurship over employment in pursuing that opportunity. The nature and type of the new business that is started as a result of that decision is also important from a policy perspective as the goal is to maximise the number of innovative new businesses, which are capable of growth.

## 2.4 Centred on the Entrepreneur

The entrepreneur should be at the centre of the national entrepreneurship policy. It follows that the words *entrepreneur* and *entrepreneurship* will be frequently repeated. For the sake of clarity, therefore, it is appropriate here to distinguish between different interpretations of the word entrepreneur, which reflect different aspects that are covered by the term.

- **Occupational notion** which may be defined as 'working for one's own account and risk'. This would include starting a *new* businesses as well as management buy-outs and management buy-ins of an *existing* business and the transition point in a family business to a new generation within the family. Serial entrepreneurs are covered in this definition. This interpretation of the term embraces all sectors, all types of ownership structure and all sizes of venture, including the most common phenomenon of the self-employed sole trader.
- **Behaviour notion** refers to 'individuals pursuing opportunities without regard to the resources they currently control'. This interpretation is not confined to those that own the business, but also includes employees and others whose behaviour is innovative, opportunity seeking and is designed to bring about growth.

Both notions are clearly different but overlap in the area of new business formation.<sup>38</sup> Obviously the owner manager behaves in an entrepreneurial manner in creating the new venture but once created he/she may revert to a more managerial and less entrepreneurial style of behaviour. This brings us to a further refinement of the term.

- **Aspiration for growth and the creation of significant new wealth:** The word entrepreneur is frequently used to describe those that pursue growth as an integral part of developing a business from its inception.<sup>39</sup> They may be distinguished from the creators of lifestyle businesses, who have limited or

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<sup>35</sup> Many other authors agree with this approach and stress the horizontal nature that characterizes entrepreneurship policy. For example, David Hart argues that entrepreneurship policy ought to be an explicit focus of policy design, choice and implementation.

<sup>36</sup> Handbook of Entrepreneurship Research, edited by Acs and Audretsch, Kluwer Academic Publishers, 2003, Introduction pp 3-20.

<sup>37</sup> Scott Shane (2003), A General Theory of Entrepreneurship; the individual-opportunity nexus, Edward Elgar.

<sup>38</sup> Sternberg, Rolf and Sander Wennekers (2005), Determinants and effects of new business creation; investigations using Global Entrepreneurship Monitor data, Small Business Economics 24 (3), page 193.

<sup>39</sup> David M. Hart in commenting upon the characteristics of this type of entrepreneurship states that novelty and dynamism are its distinguishing elements and that the phrase "continuing to grow" is essential to the definition, even though it creates serious difficulties for measurement and analysis. The

no aspirations for growth and whose businesses have limited potential. Entrepreneurs of this type are particularly valuable as the positive impact of their activity vastly outweighs their small number.

- **Serial entrepreneur:** These are a growing phenomenon within Ireland and are entrepreneurs who have set up more than one new business.<sup>40</sup>
- **Social entrepreneur:** This category of entrepreneur belongs primarily to the behavioural notion of entrepreneurship. A social entrepreneur is someone who recognises a social problem and uses entrepreneurial principles to organise, create, and manage a venture to make social change. Social entrepreneurs and commercially focused entrepreneurs share many of the same characteristics. It is primarily the motivation that is different.

This report is concerned primarily with early stage entrepreneurial activity, while recognising that entrepreneurial behaviour linked to innovation, in the broadest interpretation of that term, is to be encouraged at all stages of business development by owner managers and by their employees.

There is also a clear recognition that innovative entrepreneurs with growth aspirations, while a relatively small group, are particularly important because of the impact of their activities.

## 2.5 A Targeted Approach

All new businesses are not the same. They may be differentiated by the growth ambitions of their entrepreneurs, their degree of innovativeness and by their international focus. These differences are often apparent from an early stage.<sup>41</sup>

The Entrepreneurship Index 2006 distinguishes between three groups of start up enterprises that are differentiated by their early growth patterns.<sup>42</sup> The first broad group of entrepreneurs has limited growth ambitions. They are often focused on local markets and typically produce an already known product or service. They are limited by the market size and by their preference to run the business themselves. The second two groups of entrepreneurs have growth ambitions and international intentions. The degree to which they achieve their growth aspirations differentiates them from each other.<sup>43</sup> The most successful represents entrepreneurs with global ambitions that offer new products or services to international markets and typically see rapid revenue and employment growth from the outset.

Given that it is extremely difficult to differentiate at an early stage between ambitious entrepreneurs based on their eventual growth trajectory, it is more typical to differentiate between entrepreneurs and their new

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Emergence of Entrepreneurship Policy: Governance, Start-ups and Growth in the US Knowledge Economy edited David M. Hart, Cambridge University Press, 2003, Chapter 1, Entrepreneurship Policy: What it is and where it came from, page 6.

<sup>40</sup> In 2006, for example more than one in four (28%) of the HPSU businesses supported by Enterprise Ireland started with the involvement of a serial entrepreneur- up significantly on previous years. The Donegal Enterprise Board also reports a relatively high instance of repeat entrepreneurs.

<sup>41</sup> This is not to suggest that this is always the case as growth may be linear or non-linear. An OECD working paper, cited in the Entrepreneurship Index 2006 Report, suggests that these differences may often be observed at an early stage. Vale S. (2006) The International Comparison of Start-up Rates, OECD working paper, Statistics Directorate, Paris.

<sup>42</sup> Entrepreneurship Index 2006 - Entrepreneurship Conditions in Denmark, National Agency for Enterprise and Construction, November, 2006, Page 67

<sup>43</sup> The less successful of the two groups of growth entrepreneurs are still expected to achieve employment numbers of between 50 and 100 and to be limited by solely by the market potential of their offering.

enterprises on the basis of those that have a degree of innovation and growth aspiration and those that have neither. This broad difference is often quite evident from the outset. *Entrepreneurial growth rarely happens accidentally: an explicit growth orientation, first and foremost a mindset, is needed.*<sup>44</sup>

In deciding the appropriate focus and emphasis that a national entrepreneurship policy for Ireland should adopt a recent report, prepared for the Finnish Ministry of Trade and Industry, is very informative. The authors differentiate between high growth enterprises and more general entrepreneurial activity and clearly state the case for Governments to adopt a specific high growth entrepreneurship policy rather than a more diffused, all encompassing policy. Their arguments are based on the much greater impact of high growth enterprises:

*The overwhelming majority of all new firms have only a very limited economic impact since the majority of new firms will neither innovate nor grow, nor even will they intend to do so... The overwhelming majority of new firms will never actually employ anyone other than the founder... Studies show that most new firms do not innovate in the sense of developing new products and technologies or conquering new markets. Most new businesses service a highly local market, most often focusing on small services or small scale trading with quite established or even "old-fashioned" products.*<sup>45</sup>

The report contrasts new enterprises of this limited type with new enterprises that go on to achieve significant growth and emphasises the impact of the latter on both the number and the quality of the employment created.<sup>46</sup>

An EIM study on the effect of early stage entrepreneurial activity on national economic growth, measured across a sample of 36 countries, found that ambitious entrepreneurship contributes more strongly to macro-economic growth than does entrepreneurship in general.<sup>47</sup>

A separate Finnish study concurs with these findings and suggests that the most growth oriented entrepreneurial entrants, who may number just 0.1-0.5% of all of those who start new businesses, account for 20% of the three year employment gains. While the 5-10% next most growth oriented entrepreneurial entrants account for 60% of the employment gains in their first three years.<sup>48</sup>

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<sup>44</sup> Action Plan: The European Agenda for on Entrepreneurship, European Commission, 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) Section 3.3 Gearing Entrepreneurs for Growth and Competitiveness, page 12.

<sup>45</sup> High Growth SME Support Initiatives in Nine Countries: Analysis, Categorisation and Recommendations, Report prepared for the Finnish Ministry of Trade and Industry, Erko Autio, Mathias Kronlund and Anne Kovalainen, MTI publications 1/2007 Industries Department. See introduction pages 9 and 10. This report can be downloaded from [www.gemconsortium.org](http://www.gemconsortium.org).

<sup>46</sup> The high growth study referred to in the earlier footnote references several empirical studies which confirm the importance of high growth firms for job creation. In particular, David Story's seminal 1994 research which demonstrated that 4% of new start-up survivors in the UK were responsible for 50% of jobs created by all new firms ten years later firms; both the preceding (early 1980s) and subsequent research by David Birch and his colleagues in the US which showed that 3% of the fastest growing firms, so called gazelles, generated over 70% of the new jobs created by new firms between 1992 and 1996; and the more recent research (2005) by Erko Autio, based on the GEM international data, which showed that high aspiration entrepreneurs represented less than 10% of the population of nascent and new entrepreneurs, yet were responsible for up to 80% of total expected job creation by all entrepreneurs.

<sup>47</sup> 'High Growth Entrepreneurs, Public Policies and Economic Growth', E. Stam, K. Suddle, S.J.A. Hessels and A.J. van Stel EIM Research Report H200608, 2006. See <http://www.eim.net/pdf-ez/H200608.pdf>.

<sup>48</sup> Where do Entrepreneurs come From?, Petri Rouvinen, ETLA, The Research Institute of the Finnish Economy, paper presented to OECD working group on SMEs & Entrepreneurship (WPSME) March 2007.

The impact of high growth firms is broader than employment creation, however. Through their strategic focus on maximising a perceived opportunity for commercial growth and wealth generation, high growth enterprises are by their nature, innovative in products, services, and/or markets and are a major contributor to the diffusion of technology and the commercialisation of research. Innovative firms of this nature also put pressure on existing established firms, as the latter are forced to adapt if they are to survive.

*The harder to measure other economic effects should be considerably more disproportionate, as it is almost solely the growth oriented entrants that influence market dynamics and induce structural change, as well as bringing about new (potential) competition to the more established players.*

Notwithstanding the fact that most new businesses are not highly innovative, the importance of innovation cannot be overstated if the new businesses are to be sustained and grow. Accordingly, this is an area on which there should be particular focus in a national entrepreneurship policy and entrepreneurs should be encouraged to increase the degree of innovation in their new ventures.

In referring to innovation, care should be taken not to define the word too narrowly. At times there is a tendency to equate innovation with R&D. This is too narrow an interpretation of the word. Innovation should be taken to mean new and/or improved goods and services, technical changes in production processes and new ways of organising production, marketing, distribution et cetera.

The Enterprise Strategy Group also emphasised the need for a broader understanding of innovation: *Not all product development and process advancement is technology-driven. Process improvements, design enhancement and changes in the composition and delivery of a product can be innovations. Non-technological innovation is of particular relevance in services, and achieving a competitive advantage in this area would enhance success in knowledge-based services in Ireland. Policy makers should consider new ways of supporting innovation in these areas.*<sup>49</sup>

This wider interpretation of innovation was echoed in the report of the Small Business Forum.<sup>50</sup>

Hence, the emphasis in a national entrepreneurship policy should be on maintaining and further improving the environment in which entrepreneurship in general can thrive throughout the country, while dedicating the greatest amount of resources in a targeted manner to support innovative and growth entrepreneurs, as the type of new businesses that they create gives the greatest return to the economy within a relative short timeframe.

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<sup>49</sup> Ahead of the Curve - Ireland's Place in the Global Economy, Enterprise Strategy Group Report, July 2004, page xvi.

<sup>50</sup> Small Business is Big Business, Report of the Small Business Forum, May 2006, Section 4.3, page 45.

## 2.6 Benefits

The EU's Green Paper on Entrepreneurship sets out a range of benefits that it perceives to be associated with entrepreneurship.<sup>51</sup> These benefits include contributing to job creation and growth, fostering social and economic cohesion particularly in less developed regions, being crucial to competitiveness and productivity improvements, unlocking personal potential, and satisfying a range of societal interests, through the delivery of wealth, jobs and diversity of choice for consumers.

The Enterprise Strategy Group (ESG) identified innovation and entrepreneurship as one of four basic requirements essential for international competitiveness and recognised the significant contribution that entrepreneurial behaviour can make to economic development.<sup>52</sup> Given its importance and potential contribution, the ESG stated their support for specific initiatives to support entrepreneurship.

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. This recommendation has been taken up by the Small Business Forum and is giving rise to the development of a national policy for entrepreneurship.<sup>53</sup>

Drawing on these indications of the benefits that are associated with entrepreneurship, it is possible to summarise a range of strategic, economic, spatial, social and personal benefits, which are achievable, if Ireland were to be characterised by a strong entrepreneurial culture, recognised for the innovative quality of its entrepreneurs, and acknowledged by ambitious entrepreneurs as a world class environment in which to start and grow a business. (Table 5)

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<sup>51</sup> Green Paper Entrepreneurship in Europe, "Why is entrepreneurship important?" European Commission, January 2003, pp 6-8. Available at [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).

<sup>52</sup> The other three requirements were cost competitiveness, infrastructural requirements and management capability. Ahead of the Curve, the report of the Enterprise Strategy Group, chapter 5, pp 90 - 111. See [http://www.Forfás.ie/publications/esg040707/pdf/esg\\_ahead\\_of\\_the\\_curve\\_chapter5.pdf](http://www.Forfás.ie/publications/esg040707/pdf/esg_ahead_of_the_curve_chapter5.pdf).

<sup>53</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006, 5.6.1, page 55.

Table 5: Summary of Potential Benefits for Ireland

<b>Strategic</b>	Contributing to the strategic positioning of Ireland as a knowledge economy, strengthening the base of Irish companies, complementing and leveraging the contribution of foreign direct investment
<b>Economic</b>	Contributing to real increases in productivity, innovation, competitiveness and employment creation
<b>Spatial</b>	Playing a significant role in urban regeneration, and in rural and regional development, while enriching the quality of life throughout the country and enhancing consumer choice
<b>Social</b>	Contributing to social cohesion through the engagement of the more marginalised individuals and groups within society through gainful entrepreneurial endeavour <sup>54</sup>
<b>Personal</b>	Means to greater material benefits (wealth and status) and as well as self-fulfilment (freedom, independence, challenge) through unlocking personal potential

## 2.7 Implementation

A vision has been proposed for the development of a dynamic entrepreneurial society within Ireland and the full range of benefits have been spelled out that could flow from the achievement of this aspiration. Against this backdrop, the following set of strategic objectives will facilitate that vision being realised.

- Maintain and drive an environment that is conducive to entrepreneurship.
- Ensure a flow of future entrepreneurs by leveraging a positive culture and the resources of the education system.

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<sup>54</sup> Three separate Development Programmes have been run in Ireland under the first and second rounds of the EU EQUAL Community Initiative which are focused on fostering greater social inclusion through entrepreneurship. The second of these rounds is due to conclude at the end of 2007. They are the Longford Equal Development Partnership, Emerge and Point2Enterprise. Each of the three has a different focus within the broad category of supporting social inclusion through entrepreneurship among particular groups. The three Development Partnerships have been focused respectively on women (Longford), ethnic minorities (Dublin, Cork and Galway) and more generally to improve the take up and success rate for self-employment amongst those experiencing inequality of opportunity within the labour market (Limerick). A key feature of EQUAL is the Development Partnership structure around which all projects are based. Development Partnerships are intended to bring together a range of actors and agencies with a range of perspectives, complementary fields of expertise and a variety of services that will facilitate the development of suitable and 'holistic' approaches to addressing the needs of target groups. It is intended to have an assessment made of the key learning points to emerge from these initiatives. [www.equal-ci.ie](http://www.equal-ci.ie).

- Harness the entrepreneurial potential of women and immigrants within the population.
- Strengthen the capabilities of entrepreneurs to improve their capacity and aspiration for growth.
- Maximise the number of entrepreneurs with international focus.
- Deliver policy and initiatives in a cohesive manner across the public sector in a way that is conducive to entrepreneurship and which maximises the potential of ambitious entrepreneurs.

There is clearly a need to ensure that entrepreneurship becomes a significant driver of economic growth in the future, and that the many benefits associated with entrepreneurship contribute to the well being of the people of Ireland in all parts of the country.

This will require Ireland to move up a gear if it is to be among the most entrepreneurial of the developed countries. This is necessary in order to maintain a high level of entrepreneurial activity and to maximise the number of innovative new businesses that aspire to and are capable of significant growth.

While Ireland is starting from a position of strength, this challenge is considerable and will require leadership and commitment by the whole of Government and action from a wide variety of influential actors across the public and private sector if it is to be achieved.

It is necessary to ensure that the national entrepreneurship policy goes beyond aspiration and contains within it the means of being actioned in a manner that brings clear benefits for all the people of Ireland. Accordingly, a champion body will be required to drive implementation. This is the thinking behind the proposed *National Entrepreneurship Forum* (Section 6). Moreover, progress in implementing the policy and its relative effectiveness must be monitored. The *Annual Entrepreneurship Review* is designed to meet this need (Section 6).

## Section 3: Developing a Conducive Environment for Entrepreneurship

### 3.1 Introduction

As Section 1 of this background report has illustrated, entrepreneurship is one of the cornerstones of a modern, fully developed economy and the lifeblood of thriving local communities. As a result creating an environment in which entrepreneurship flourishes and entrepreneurs abound is a common goal of policy makers in all developed countries and one which presents them with many similar challenges.<sup>55</sup>

Recognising that all entrepreneurial activity takes place within an economic and societal context, this section examines those facets of the environment which impact most particularly on potential entrepreneurs and on the early-stage entrepreneur who is establishing his/her new venture. The current situation within Ireland is assessed with regard to its relative support for entrepreneurial activity and those areas which require strengthening are highlighted and remedies suggested.

### 3.2 The Nature of the Objective

The recently launched National Development Plan emphasises the importance that the Government attaches to the nature of the environment for business in general: *The State's primary responsibility in relation to enterprise policy is to ensure that the broad environment and essential framework conditions continue to underpin and support the development of a sustainable enterprise sector.*<sup>56</sup> Within this broad scope of providing a pro-business environment, *in an entrepreneurial society, the goal is to create an enabling environment to facilitate the implementation of innovative ideas in new businesses.*<sup>57</sup>

The vision for the national entrepreneurship policy envisages that Ireland will be *acknowledged by ambitious entrepreneurs as a world-class environment in which to start and grow a business.* The means of achieving that status underpins the objective to build on the progress to date and further develop within Ireland a conducive environment for entrepreneurship.

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<sup>55</sup> This echoes the words of Barry Gardiner, MP, then Minister with responsibility for Enterprise, Trade and Investment in Northern Ireland, writing in the forward to Entrepreneurship on the Island of Ireland, Fitzsimons et al, June 2004, page viii.

<sup>56</sup> The National Development Plan 2007-2013 - Transforming Ireland a Better Quality of Life for All, Government Publications, January 2007, page 167.

<sup>57</sup> Entrepreneurship, Geography and American Economic Growth, Zoltan J. Acs and Catherine Armington, Cambridge University Press, 2006, Chapter 7, A Formulation of Entrepreneurship Policy, page 158.



### 3.3 Influencing Factors

A myriad of interlinking and separate factors influence the degree to which the environment may be described as conducive to entrepreneurship.<sup>58</sup>

- **Demographic and macroeconomic dimensions:** The most entrepreneurial of the developed countries have high population growth rates and high immigration rates (Australia, New Zealand, Canada and the US).<sup>59</sup> Entrepreneurial activity tends to be concentrated in the younger adult age groups across all countries regardless of relative wealth. The relative density of the population in different parts of the country is also shown to be a factor in the dispersal of instances of entrepreneurial activity, as regions with higher population growth rates have higher prevalence for early stage entrepreneurship.<sup>60</sup>
- **Cultural dimensions:** Culture is increasingly acknowledged as a factor which can contribute to building an entrepreneurial society, as it is an important determinant of career preferences and helps shape attitudes to risk-taking and reward.<sup>61</sup> Research confirms this perception and quantifies its effect: those who perceive the cultural context as very supportive are almost four times more likely to be engaged in a business start-up.<sup>62</sup>
- **Labour force factors:** As entrepreneurs tend to come primarily from those that are already in the workforce, the level of employment in the economy and the extent to which certain groups of the population, such as women and immigrants, are present in the labour force will have an influence on the number and composition of the cohort of entrepreneurs. In a developed economy, those with higher educational achievement levels and those from higher socio-economic groups tend to be the more entrepreneurial.
- **Human capital dimensions:** Perception of opportunity is important as is (belief in own) skills to successfully start and run a business, exposure to entrepreneur role models, and the degree to which fear of failure would inhibit entrepreneurial activity, as these have all been proven to be correlated with entrepreneurial activity. To these should be added the perceived likelihood of success and failure, and the psychological and social consequences of failure.
- **Dimensions of SME density and entrepreneurial dynamic:** Relevant to this dimension are the density of business owners and SMEs in the economy, women's participation in entrepreneurial activity and regional dynamics.

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<sup>58</sup> Lundstrom and Stevenson identify five separate broad areas that influence the level of entrepreneurial activity. These have been modified slightly and applied to Ireland. *Entrepreneurship Policy: Theory and Practice*, A. Lundstrom and L. Stevenson, International Studies in Entrepreneurship, Springer, 2005 pp 31-38.

<sup>59</sup> Wennekers, Sander, André van Stel, Roy Thurik and Paul Reynolds (2005), Nascent entrepreneurship and the level of economic development, *Small Business Economics* 24 (3), 293-309. Population growth serves as a proxy for the general attractiveness of a region, as well as an indicator of the growth of the local market for goods and services, and in the supply of both labour and potential entrepreneurs." *Entrepreneurship, Geography, and American Economic Growth*, Zoltan Acs and Catherine Armington, Cambridge University Press, 2006, page 147.

<sup>60</sup> *The Entrepreneurs Next Door: Characteristics of Individuals Starting Companies in America*, Reynolds et al, 2002.

<sup>61</sup> From Executive Summary of the Background Reports presented to the second OECD Conference of Ministers responsible for Small and Medium-sized Enterprises (SMEs) entitled *Promoting Entrepreneurship and Innovative SMEs in a Global Economy: Towards a More Responsible and Inclusive Globalisation*, Istanbul, Turkey 3-5 June 2004. This document may be downloaded from <http://www.oecd.org/dataoecd/5/24/31919590.pdf>.

<sup>62</sup> *Global Entrepreneurship Monitor 2003 Executive Report*, Reynolds et al. page 45. This report may be downloaded from [www.gemconsortium.org](http://www.gemconsortium.org). Also see Suddle, Kashifa, Sjoerd Beugelsdijk and Sander Wennekers (2006), *Entrepreneurial culture as determinant of nascent entrepreneurship*, SCALES-paper N200519, Zoetermeer: EIM [www.eim.net](http://www.eim.net).

- **Entrepreneurship policy dimensions:** Policy has an influence in a myriad of ways including ease of business entry and exit, exposure to entrepreneurship through education, positive supportive climate and infrastructure for entrepreneurship at local level, Government support for entrepreneurs, availability of capital needed to start and grow new firms, fiscal regime, public sector procurement, scope of public versus the private sector, knowledge transfer policy, entrepreneurial networks, and entrepreneurial advocates. More generally, various background conditions, which are influenced by policy, have relevance for entrepreneurship. These include labour market regulation, public sector R&D, public physical infrastructure, intellectual property legislation, and the general educational system (attainment levels, nature of curriculum, subjects studied, method of teaching etc.).

For practical reasons, entrepreneurial **finance** is included under entrepreneurship policy dimensions. Certainly policy has an impact on the availability of finance to new and growing firms and on the financial consequences of failure. Other aspects that are also pertinent include interest rates, the relative risk averseness of banks and their attitude to non secured lending, the availability of informal investment, the pervasiveness of business angel investors, the level and focus of venture capital and the expertise of its managers.

### 3.4 Current Situation

As will be evident from the paragraphs that follow, the environment in Ireland is already highly conducive to entrepreneurial activity. It is particularly strong in the demographic profile of the population, which continues to grow, in the personal context of individuals, many of whom have confidence in their ability to successfully start and run a business, and in the culture, which is highly supportive of entrepreneurs and their activity. The economy also remains strong, with buoyant consumer demand, despite the reservations being expressed about its fundamentals.

#### 3.4.1 Demographic and Macroeconomic Dimensions

The demographic profile of Ireland is very positive, as it is characterised by strong population growth, growth in immigration and returning emigrants. All of these are strongly re-enforcing of entrepreneurial activity, as is the age profile, with the average age of the population 35.6 years.<sup>63</sup>

In the longer term, however, the demographic projections indicate that the size and composition of Ireland's population will undergo considerable change over the coming decades. Most notably a substantial increase in the number of older people is expected to occur so that by 2050 the proportion of people aged 65 or over relative to the population of 15-64 year olds (the old age dependency ratio) will be in the order of 45%, nearly treble the 2004 figure of 16.4%.<sup>64</sup> It is relevant to note, however, that at present most other countries in the EU are already being confronted with such demographic handicaps for entrepreneurship, so Ireland has a comparative advantage here for at least another decade.

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<sup>63</sup> Source: Census 2006.

<sup>64</sup> The National Development Plan 2007-2013 - Transforming Ireland A Better Quality of Life for All, Government Publications, January 2007, Page 52.

Ireland experienced an 8.2% increase in population between April 2002 and April 2006. Population growth took place in each of the four provinces.

- The population of Leinster increased overall by 9.0% with all counties, apart from Dublin city, Dun Laoghaire-Rathdown and Dublin South, growing by more than the national average. The counties with the fast growing populations were Fingal (22.2%), Meath (21.5%) and Kildare (13.7%).
- The population of Munster experienced the least amount of growth (6.6%) during this period, with the populations of Cork and Limerick cities actually falling. This reflected a movement of people into the suburban areas within the adjacent counties.
- Within Connaught the greatest increase in population occurred in Galway city (11.2%) and county (10.0%) and in Leitrim (12.2%), while the population of the Province as a whole increased by 8.8%.
- Of the three Ulster Counties, the fast population growth was in Cavan (13.2%), with the other two counties growing at lower than the national average. Overall this small province grew by 8.3%.

Ireland’s population is expected to continue to grow at high levels to 2013, driven by a strong domestic performance and strong net migration.<sup>65</sup>

Since 1966, Ireland, in common with many developed countries, has been increasingly moving from having a largely rural population to a predominantly urban one. Sixty one percent of the population now lives in urban areas. This urbanisation trend is likely to continue. Entrepreneurship in the regions is particularly important given the fall in the numbers employed in agriculture (Table 6) and the proportion of these people who are now involved in the construction industry, which is not expected to sustain the current high levels of employment.<sup>66</sup>

Table 6: Employment in the Agriculture Sector (1998 to 2006)

Economic Sector (NACE Rev.1) 000s	Mar - May 98	Mar - May 99	Mar - May 00	Mar - May 01	Mar - May 02	Mar - May 03	Mar - May 04	Mar - May 05	Mar - May 06
Agriculture, Forestry & Fishing	136.0	137.3	132.9	122.5	124.0	116.6	117.0	113.7	114.5

Source: CSO

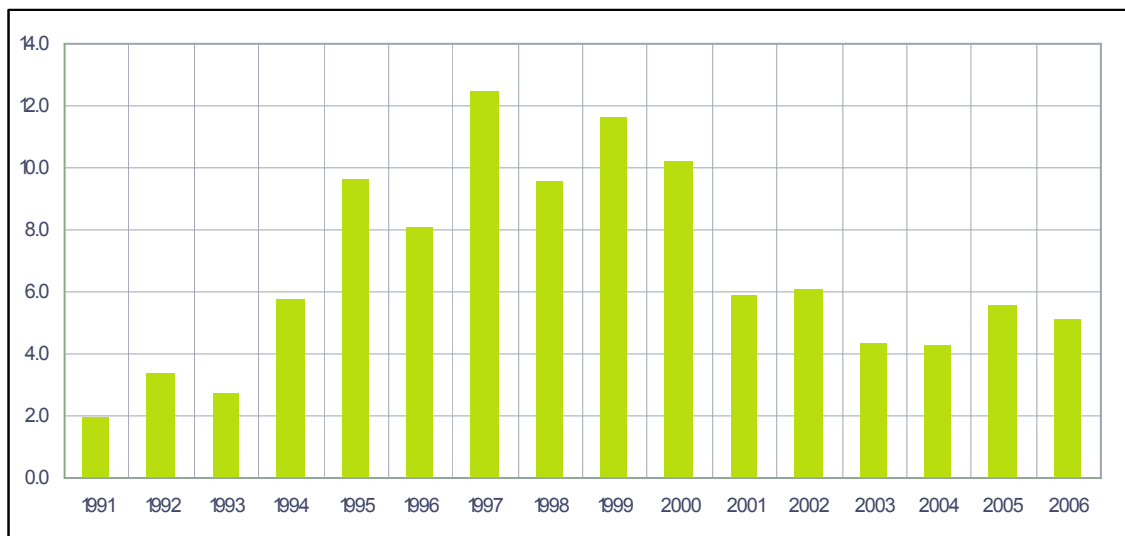
Entrepreneurship in Ireland, which has benefited from a period of unprecedented growth in the economy, may have to contend with slower macroeconomic growth on the domestic market in the years ahead. The ESRI Medium Term Review suggests that the economy has the potential to continue to grow at between 4%-5% a year to 2015, which is a considerably lower rate than was experienced in the late 1990s.<sup>67</sup>

<sup>65</sup> The National Development Plan 2007-2013 - Transforming Ireland A Better Quality of Life for All, Government Publications, January 2007, Page 61.

<sup>66</sup> From employing one in 12 workers in the economy in 1997 - roughly equivalent to the EU average - the construction sector now employs one in every eight workers.

<sup>67</sup> Medium Term Review 2005-2012, No 10, Fitzgerald John et al, ESRI, December 2005.

Figure 3: Real GDP Growth 1991-2006



Source: ESRI

As perception of opportunity is the key driver of entrepreneurship in Ireland, the current levels of entrepreneurial activity might not be sustained if domestic macro economic activity were to slow.<sup>68</sup> To put this in perspective, however, the ERSI is predicting a substantially higher rate of growth for Ireland over this period than is anticipated for the EU as a whole.

### 3.4.2 Human Capital Dimensions

Research has shown that the personal context of individuals has a bearing on their involvement in entrepreneurial activity. The key factors are the ability to perceive opportunities in their environment for new commercial ventures; their self-belief in their ability to successfully start and run a new business; and their contact in their personal networks with those who have recently set up a new business. Fear of failure while important is shown to be less powerful as an inhibitor to engagement in entrepreneurial activity, than the other factors are predictors.

In this regard the personal context of Irish adults is very positive relative to the EU and OECD averages.<sup>69</sup> Moreover, the great majority of Irish entrepreneurs (89%) are actively responding to perceived opportunities in their environment and make a positive choice to set up a new business.

As the level of entrepreneurial activity increases with educational attainment levels in a developed country, the improving situation in this regard within Ireland is very positive.

<sup>68</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006 page 54.

<sup>69</sup> Section 5 describes the personal context of the Irish adult population in more detail.

- The present level of students completing upper-secondary education (Leaving Certificate or equivalent) in Ireland is 85.3%, compared to an EU average of 76.7%.<sup>70</sup>
- The number of graduates and post graduates is increasing, with a 23% increase in the numbers leaving HEA funded institutions between the academic years 2000/2001 and 2004/2005.<sup>71</sup>
- Almost half of all PhDs awarded in 2004/2005 were in science disciplines (43%).<sup>72</sup>

Ireland has a dispersed Diaspora with well developed connections and a wealth of experience gained in other markets. The phenomenon of the returning emigrant/expat to Ireland has fuelled the growth of Enterprise Ireland's assisted High Potential Start-ups (HPSUs) being established outside the Dublin area - 50% of those returning to Ireland located in the regions in 2006.

Given their importance, the nature of the cultural and social norms which prevail in Ireland with regard to entrepreneurship are considered in more detail in Section 4.4.

### 3.4.3 Dimensions of SME Density and Entrepreneurial Dynamic

Ireland benefits from having a relatively high density of owner managers (Table 7)<sup>73</sup>

Table 7: Business Ownership Rate 2000 - 2005 inclusive

	Business ownership rate, excluding agriculture, in % labour force	Business ownership rate, excluding agriculture, in % population 15-64 yrs
2000	11	7.8
2001	n/a	n/a
2002	11	7.8
2003	n/a	n/a
2004	12	8.2
2005 <sup>74</sup>	12	8.3

Source: EIM (2007), Internationale Benchmark Ondernemerschap

The business ownership rate in Ireland is 'above average' compared to countries with similar per capita income and it follows a gradually rising trend. This is important as it increases the exposure to entrepreneurship throughout the population, which in turn increases the propensity to become an

<sup>70</sup> This is important not only for entrepreneurship but also to ensure successful entry into the labour market and to allow students access to the learning and training opportunities offered by higher education. Annual Report 2004, Department of Education and Science December 2005.

<sup>71</sup> Higher Education Key Facts and Figures, HEA funded institutions 04/05, August 2006 [www.heai.ie](http://www.heai.ie) These figures do not include the numbers graduating from the Institutes of Technology.

<sup>72</sup> Higher Education Key Facts and Figures, HEA funded institutions 04/05, August 2006 [www.heai.ie](http://www.heai.ie) These figures do not include the numbers graduating from the Institutes of Technology.

<sup>73</sup> EIM's Internationale Benchmark Ondernemerschap is commissioned by the Dutch Ministry of Economic Affairs. The data in columns 2 and 3 are internationally harmonized data based on OECD Labour Force Statistics. GEM research indicates a similarly relatively high level of business ownership and places Ireland fifth across the 24 participating OECD countries in terms of the proportion of the adult population that are owner managers of businesses that have been established for more than 42 months. (GEM 2006)

<sup>74</sup> Preliminary figures.

entrepreneur. This comes about by growing up in an entrepreneurial family, working for an entrepreneur, and knowing other entrepreneurs from personal and business networks.<sup>75</sup>

In common with many developed countries, Ireland has moved from having a largely rural population to a predominantly urban one. In 2006, approximately 61% of the Irish population was living in urban areas.<sup>76</sup> In the ten years to 2006, the urban population has increased by 460,000. Within Ireland, early stage entrepreneurship figures are not available on a regional basis. One might reasonably expect, however, that there would be varying levels of activity in different parts of the county given that in Northern Ireland there is almost a 100% difference in early stage entrepreneurial activity between the least entrepreneurial (2.5%) and the most entrepreneurial (5.0%) areas of the province, within an overall rate of 3.7% for Northern Ireland as a whole.<sup>77</sup>

New VAT registration figures are available, however, on a regional basis. These show an overall increase year on year over the last five years and are growing in all counties. Given all the caveats that accompany these figures, they offer an indication of strong economic activity throughout the country. (Table 8)

Table 8: Distribution of VAT registered Enterprises by NUTS II Regions

Region	Active registered businesses 2006		Increase in active registered businesses 2001-2006		Rate of new registrations as a percentage of 20-64 age cohort in the region	
	Number	% of total	Number	% of total	2002	2006
Dublin	75,232	29%	21,732	23%	1.07%	1.31%
Border	28,582	11%	9,740	12%	1.08%	1.40%
South West	38,694	15%	12,786	16%	0.96%	1.37%
West	24,765	9.5%	9,154	11%	1.01%	1.45%
Midlands	14,208	5.5%	5,076	6%	0.84%	1.42%
Mid East	31,880	12%	10,935	13%	1.20%	1.50%
South East*	27,182	10%	8,894	11%	0.93%	1.33%
Mid West*	20,639	8%	6,641	8%	0.93%	1.26%
<b>TOTAL</b>	<b>261,182</b>	<b>100%</b>	<b>84,958</b>	<b>100%</b>		

Source: Revenue.

\*Figures for North Tipperary and South Tipperary are not available separately so this figure relies on a 50/50 split for VAT registrations in the county

<sup>75</sup> Entrepreneurship Policy: Theory and Practice, A. Lundstrom and L. Stevenson, International Studies in Entrepreneurship, Springer, 2005 page 35.

<sup>76</sup> Defined as towns with 1,500 inhabitants or more Census 2006.

<sup>77</sup> This degree of detail is available for Northern Ireland as 5,000 adults were surveyed there (6 counties) for a number of years now as part of the GEM research, compared with the minimum 2,000 adults which are surveyed each year in Ireland (26 counties).

The Dublin Region accounts for the greatest concentration of active registered businesses (total net registrations) (29%) and the Midlands has the lowest concentration of active registered businesses (5.5%). The growth in new registrations (2001 to 2006) was by and large in proportion to the current distribution of registered business across regions. The most noticeable difference was in Dublin which had a lower share of new registrations than might have been expected relative to the existing base of registered businesses in the region.

It is interesting to note that in all regions the rate of new registrations has increased between 2002 and 2006 as a percentage of the population aged 20 to 64 years living in the region.

Between 1999 and 2006, the majority of Enterprise Ireland's HPSUs (58%) were approved for the Dublin area.<sup>78</sup> In recent times, Enterprise Ireland has been engaging in an increased number of specific initiatives and programmes, however, focused on encouraging entrepreneurs in regions around the country. 2006 was the first year for five years that the majority of new Enterprise Ireland-backed HPSU businesses were set up in regions outside of Dublin.<sup>79</sup> The phenomenon of returning emigrants to Ireland has fuelled the growth of HPSUs being established outside the Dublin area - 50% of those returning to Ireland located in the regions. Another major contributing factor was that several of the business approved as HPSUs in 2006 had benefited in their early stages of development from the support and advice from one of the regional County Enterprise Boards (CEBs).

The well developed FDI sector throughout the country presents commercial opportunities for new Irish companies to supply their needs for good and services. They also act as a conduit to a global network and facilitate indirect exports to global value chains.

#### 3.4.4 Policy Dimensions

In terms of policy influenced aspects of the environment, there is generally agreement that Ireland is characterised by a pro-business policy, which has been in place for many years and is supported by all the main political parties. This was further reinforced by the adoption by Government of the recommendations of the Enterprise Strategy Group and those of the Small Business Forum. The fiscal environment is characterised by low corporation, capital gains, and personal taxation regimes which increase the reward for successful endeavour.

Reflecting this position, starting a new business in Ireland is considered relatively easy according to the World Bank. In this respect Ireland is ranked 6<sup>th</sup> out of 175 countries in 2007. The fiscal regime is considered to be particularly conducive to doing business in Ireland and the relevant metric for paying taxes is in 2<sup>nd</sup> position.<sup>80</sup> Employing workers is perceived to be more problematical, however, and Ireland ranks only 83<sup>rd</sup> in this respect.

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<sup>78</sup> Table 18 examines Enterprise Ireland's HPSU approvals in more detail.

<sup>79</sup> Forty one were set up in the regions compared with 35 in the Dublin area.

<sup>80</sup> <http://www.doingbusiness.org/ExploreEconomies/?economyid=93>.

There are a range of Government Departments whose activities impact on entrepreneurs and influence the environment for entrepreneurship. These include in particular the Department of Enterprise, Trade and Employment<sup>81</sup>, the Department of Education and Science,<sup>82</sup> the Department of Community, Rural and Gaeltacht Affairs,<sup>83</sup> the Department of Arts, Sports and Tourism,<sup>84</sup> the Department of Justice Equality and Law Reform,<sup>85</sup> and the Department of Finance.<sup>86</sup>

There are also a range of agencies which offer information, advice and assistance to entrepreneurs.<sup>87</sup> There is much accumulated learning in the development agencies and a great willingness to foster a spirit of enterprise at local, regional and national levels. Heretofore, however, there has not been a national policy on entrepreneurship to focus the efforts of the various actors in the public sector and to ensure coherence in their implementation. This is the intention of the national entrepreneurship policy.

### 3.4.5 Finance

Finance is critically important for entrepreneurial activity. This subject was explored in some depth by the Small Business Forum and there is no need to reproduce much of that discussion here.<sup>88</sup> What may be worth emphasising, however, is the amount of money that entrepreneurs typically need to start a new business in Ireland, their contribution from own funds to meet that requirement, and the availability of informal investment to partially bridge the finance requirements of the new enterprise.

Most early stage entrepreneurs anticipate using relatively small amounts of money to start their new business, though most anticipate requiring additional funding from a third party. As can be seen from Table 9, the need for finance from external sources becomes greater as the financial requirements of the new enterprise increases and the entrepreneur is only able to find a smaller proportion of his/her requirements from personal resources.

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<sup>81</sup> The Department of Enterprise, Trade and Employment is ultimately responsible for supporting entrepreneurs and start-up enterprises through a range of bodies and instruments including Enterprise Ireland, The City and County Enterprise Boards, the Community Enterprise Centres and Business Innovation Centres, FÁS and Basis.

<sup>82</sup> The Department of Education and Science is responsible for the delivery of entrepreneurship education and training within the education system.

<sup>83</sup> The Department of Community, Rural and Gaeltacht Affairs is responsible for Udarás na Gaeltachta, the LEADER programme and Area Partnerships.

<sup>84</sup> The Department of Arts, Sports and Tourism is responsible through Fáilte Ireland for the development of tourism enterprises.

<sup>85</sup> The Department of Justice Equality and Law Reform is responsible for regulating residence and work visas for third country citizens and for the issuing of business permissions to these individuals. For non-nationals from countries outside of the European Economic Area (EEA), Business Permission must be sought and granted from the Department of Justice, Equality and Law Reform. A business permission is a written permission from the Minister allowing the person concerned to establish and engage in a business in Ireland for a certain duration. Specific criteria must be fulfilled to qualify for a business permission including the requirement that the proposed business must invest capital in excess of €300,000 into the State and employ at least two Irish or EEA nationals, although these can be waived when the individual has been a legal resident for at least five years. There have been only a small number of business permissions granted - 135 (2001), 104 (2002), 73 (2003).

<sup>86</sup> The Department of Finance is responsible for overseeing the fiscal incentives for enterprise establishment and equity investment such as the Seed Capital Scheme and Business Expansion Scheme. (BES).

<sup>87</sup> Forfás has undertaken a mapping exercise to look at all the supports offered for entrepreneurship. It is published online in tandem with this document and is available on the Forfás website [www.Forfás.ie](http://www.Forfás.ie).

<sup>88</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006, Section 4.1, pages 33-39 inclusive.



Table 9: Financial Requirements of Early Stage Entrepreneurs

	All early stage entrepreneurs	Entrepreneurs requiring less than €100,000 (64% of all entrepreneurs)	Entrepreneurs requiring more than €100,000 (36% of all entrepreneurs)
Total required (median) €	40,000	20,000	263,000
Entrepreneurs own investment (median) €	20,000	6,000	71,700
Entrepreneurs own investment (median) % of total	50%	30%	27%

Source: GEM 2006

‘Informal investors’ are a very important source of finance as they provide often small amounts of money, but of a critical nature, to early stage entrepreneurs. In 2006, the rate of informal investment activity in the adult population in Ireland was 1.74%. This means that approximately 48,000 people provided finance to early stage entrepreneurs. Informal investors are typically related to the entrepreneur. Only one in twenty informal investors provided finance to entrepreneurs that were unknown to them prior to the investment (Table 10).

Table 10: Informal Investor’s Relationship to Investee 2006

Close Family	48%
Other relative	12%
Work Colleague	10%
Friend or Neighbour	24%
Stranger	5%
Other	2%
<b>Total</b>	<b>100%</b>

Source: GEM 2006

When compared with other countries, it is apparent that the low level of informal investment in Ireland (1.74%) is out of sync with the relatively high level of entrepreneurial activity: Ireland is ranked 7<sup>th</sup> across the OECD in TEA, 9<sup>th</sup> in terms of new business entrepreneurs but only 17<sup>th</sup> in terms of levels of informal investors among its adult population. In the US, for example, the level of informal investment is 5.96%, in Iceland it is 5.83% and in Norway it is 4.04%. These are ranked in the first four countries in terms of early stage entrepreneurial activity in the OECD.

The *Halo* initiative is currently being rolled out nationwide, through the BIC network, with the support of Enterprise Ireland and InterTradeIreland, to encourage more business angels to emerge and to facilitate the matching of angels with suitable early stage ventures. This is a very welcome initiative. Further initiatives may be needed, however, to bring about a more pervasive informal investment culture.

### 3.4.6 Other Aspects

There are several aspects of Ireland's size and physical situation that create difficulties for entrepreneurs, as they impact on the availability of opportunities and easily accessible markets. The small size of the local market creates the imperative for businesses with growth aspirations to export at a relatively early stage of their development. The new businesses, seeking to build international markets from the outset must overcome the fact that Ireland is an island off an island on the edge of Europe. Moreover, the centre of that large market is moving further away, and the nearest export market trades in a different currency.

Other factors in the current environment negatively impact on the entrepreneur being able to start and run a business profitably. These include:

- Tight labour market;
- Rising cost base;
- Eroding competitiveness relative to competitors from other markets; and
- Increasing pressure on margins.

These factors are also experienced by longer established businesses. Accordingly, they have been discussed in detail in the Small Business Forum Report and are being addressed elsewhere.<sup>89</sup>

## 3.5 Further Improving the Environment

As is apparent from the paragraphs above, the environment in Ireland is very strong in very many respects and is highly conducive to entrepreneurship. The recommendations that follow are made with a view to building on those strengths and further improving the environment to achieve the world class environment for starting and growing new businesses, which is incorporated in the vision.

- **Annual monitoring of the environment:** There should be an annual monitoring of the environment as it impacts on entrepreneurs and the setting up of new businesses, as part of the *Annual Entrepreneurship Review* (see Section 6) and any impediments that may arise should be tackled in a timely manner.
- **Monitoring barriers to entry:** The ease of entry to existing and new markets is an important factor in understanding the level of entrepreneurship. The home market continues to be an important initial market for most new firms, even those that subsequently become international. A number of factors influence the ease of entry, for example regulations and the costs associated with market entry. Minimising the barriers to market entry and reducing the costs associated with start-up should lead to greater levels of market entry, both by new and by established firms.
- The Competition Authority plays an important role in enforcing Irish and EU competition law, in evaluating mergers and acquisitions, and in promoting competition in the economy. The mandate to promote competition is particularly important to entrepreneurs, as it should ease the cost and time

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<sup>89</sup> By bodies including the National Competitiveness Council, the Expert Group on Future Skills Needs and the Business Regulation Forum.

required to enter existing and new markets. The Report of the Enterprise Strategy group referred to the absence of meaningful competition in key aspects of some sectors of the economy, for example, telecommunications, transport, and certain professional services. Accordingly, ease of entry across various sectors of the economy should be monitored and reported upon as part of the *Annual Entrepreneurship Review*.

- **Support for more new and young businesses to internationalise:** The small size of the Irish market and its physical location is a given. Accordingly, every assistance should be directed at facilitating entrepreneurs to identify potential customers in export markets and to target these from the very earliest stages of their new business. The EU Action Plan supports this view and indicates that entrepreneurial growth can be triggered by actively supporting businesses in their efforts to internationalise.<sup>90</sup> With this in mind, more executives within locally based agencies, such as the City and County Enterprise Boards, should be trained to support their clients in sourcing the relevant market information that would be of assistance to them. Enterprise Ireland should work in partnership with these agencies by making more widely available that organisation's extensive market intelligence, knowledge of sectoral trends and, where appropriate, its overseas office network. Targets for first time exporters supported by the agencies should be set and reported as part of the *Annual Entrepreneurship Review*.
  
- **Monitoring the financial requirements of entrepreneurs and their ease of access to finance:** The financing requirements of early stage entrepreneurs should be monitored and the availability of finance, including informal investment and other sources of equity and debt finance should be monitored on an ongoing basis.<sup>91</sup> This should be done on behalf of the National Entrepreneurship Forum and reported as part of the *Annual Entrepreneurship Review* and any gaps in the availability of financing should be addressed. Appropriate coaching/training should be available, if requested, for entrepreneurs seeking finance.
  
- **Implement the knowledge base to facilitate access to comprehensive and timely information for entrepreneurs:** When the recommendation of the Small Business Forum<sup>92</sup> regarding the provision of an enhanced and tailored knowledge base is implemented, it should bring about improvements in the ease with which early stage and potential entrepreneurs can assess the necessary information to set up a new business. Its timely implementation and success in this regard should be monitored and reported to the National Entrepreneurship Forum as part of the *Annual Entrepreneurship Review*, and any shortcomings identified and tackled. The aim should be to ensure that all entrepreneurs can easily access the information that they need to start a new business.

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<sup>90</sup> Internationalisation does not only give access to a larger marketplace, operating in different markets can help in gaining competitive advantage over firms based in one country only. Action Plan: The European Agenda for Entrepreneurship, European Commission, February 2004, page 12. [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)

<sup>91</sup> In the context of the reviews of the Business Expansion Schemes and the Seed Capital Schemes, periodic financing surveys of agency clients have been undertaken by Forfás and the Department of Enterprise, Trade and Employment. The most recent was published in November 2006 and provides a valuable insight. This type of review does not happen on an annual basis, however.

<sup>92</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006, 5.6.1, page 55 Section 3.3.7, page 29.

## Section 4: Harnessing Culture and Education to Support Entrepreneurship

### 4.1 Introduction

Two of the three specific platforms, in which the Small Business Forum recommended that a national entrepreneurship policy should be built, relate to culture and to education:<sup>93</sup>

- Enhancing the culture for entrepreneurship; and
- Reinforcing entrepreneurship in the education system.

In some respects culture and education overlap, particularly with regard to the contribution of the education system to the development of *entrepreneurial mindsets*. Accordingly, this section examines culture and education and their complementary contribution to the development of an entrepreneurial society.

In the first instance, those aspects of Irish culture that impact on entrepreneurship are examined. Given the already very supportive nature of that culture, those areas that remain to be further improved are identified in order to further enhance the culture and social norms.

The contribution of education to entrepreneurship goes much further than reinforcing a positive culture, however. It can also provide training to students on how to start a business and facilitate the development of important personal attributes and horizontal skills like creativity, initiative, self-confidence among others that are associated with entrepreneurs.<sup>94</sup>

Education also creates a pool of educated people within society, some of whom may become entrepreneurs, others will become the skill and talent pool from which new and established businesses will draw their employees. This is a very important background condition which can influence the nature and potential of the new businesses that are formed.

Accordingly, the contribution of the education system in these various aspects is examined and means of further reinforcing entrepreneurship in the education system is explored.

### 4.2 The Nature of the Objective

Ideally, culture and education will be mutually re-enforcing and complementary in fostering a spirit of enterprise throughout Irish society, in all sections of the population, and in all parts of the country and in strengthening the motivation and capacity of entrepreneurs and potential entrepreneurs, so that those

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<sup>93</sup> The third was stimulating latent entrepreneurial potential, particularly among women and the immigrant community which is the subject of Section 5 of this report. Small Business is Big Business, The Report of the Small Business Forum, May 2006, Section 5.6, page 55.

<sup>94</sup> Report of EU Commission Conference "Entrepreneurship Education in Europe: Fostering Entrepreneurial Mindsets through Education and Learning" Oslo, 26-27 October 2006. This conference was a follow-up to the Commission's Communication of the same title adopted in February 2006.

aspects of the vision which relate to *Ireland being characterised by a strong entrepreneurial culture and recognised for the innovative quality of its entrepreneurs can be achieved.*

### 4.3 Influencing Factors

Three interlinked and inter-dependent factors, motivation, skills and opportunity, have a strong influence on individuals and their decision whether to choose an entrepreneurial career over paid employment.<sup>95</sup> Accordingly, the degree to which these three elements are present within the population and within different segments of that population will have a significant bearing on the degree of entrepreneurial activity that is taking place and is likely to take place in the future.

The manner in which entrepreneurs are regarded within a society, and the views about entrepreneurship, have a direct bearing on the numbers within the population that make a positive choice to become an entrepreneur. These influencing views and opinions are conditioned by culture and social norms. Within a developed society, where an individual generally opts for entrepreneurship through active choice rather than being forced into it through necessity, the media and education in turn have a significant influence in shaping culture that influences the individual's choice.

Within the education system, the strategic objectives and policy of the Minister and Department of Education and Science, manifested in the curriculum and in the assessment methods, are of central importance, as are the training, the teaching methods and the attitude of teachers.

As those within the education system are also members of society, culture plays an important role in creating an openness and predisposition among students, teachers and the parent body towards initiatives designed to create *entrepreneurial mindsets* and to impart the knowledge and skills relevant to entrepreneurial endeavour.

### 4.4 The Powerful Influence of Culture

Entrepreneurs are held in very high esteem in Irish society and this high regard is re-enforced by a very supportive media in which positive stories about entrepreneurs and their successful companies abound (Table 11). For example, there is very extensive media coverage associated with the Ernest and Young Entrepreneur of the Year and advertisements from a variety of companies feature entrepreneurs in a very positive light.<sup>96</sup>

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<sup>95</sup> These elements, first identified in the early 1990s and subsequently further refined, are both the level of the population as a whole (aggregate level) and in terms of specific groups (disaggregate level). Davidsson, P. (1991) Continued entrepreneurship: ability, need and opportunity as determinants of small firm growth, *Journal of Business Venturing*, 6, 405-429 Lundstrom, A. and L, Stevenson (2005) *Entrepreneurship policy - theory and practice*, international studies in entrepreneurship, New York, Springer.

<sup>96</sup> For example, recent advertisement campaigns by the Bank of Ireland, Vodafone, and the Irish Times feature entrepreneurs in a very positive way.

Table 11: Cultural Norms regarding Entrepreneurship of the Adult Population in Ireland Relative to EU and OECD Averages, 2006 (% of adult population which agree with the statement)

	Ireland (%)	EU average (%)	OECD average (%)
Entrepreneurship is considered a good career choice	70	60	53
Successful entrepreneurs are held in high regard	82	69	67
Positive stories in the media about successful entrepreneurs	84	52	56

Source: GEM 2006

Again these favourable opinions are far in advance of the averages across the EU and OECD. Ireland is ranked in first position across the individual countries in respect of positive media coverage, and third in terms of the high regard in which entrepreneurs are held. Moreover, entrepreneurship is perceived as a good career choice by almost three out of every four within the adult population. This was evident in 2006, as it had been in previous years.<sup>97</sup>

As culture by its nature is very slow to change, this supportive attitude has been reflected in the GEM adult population surveys each year since 2001. This amounts to a real competitive advantage for Ireland as many other countries, particularly in Europe, are starting from a much less positive situation and the task facing governments, of attempting to turn around negative attitudes towards entrepreneurship, is quite daunting. For example, in Finland individuals have a very low opinion of entrepreneurship as a desirable career choice. This is considered to be one of the significant underlying reasons behind that country's continued low level of entrepreneurial activity, despite concerted government initiatives to increase entrepreneurial activity.<sup>98</sup>

Fear of failure as a barrier to entrepreneurial activity is no more dominant in Ireland than it is across the OECD and among EU Member States. (Table 12)

Table 12: Fear of Failure in Ireland Relative to EU and OECD Averages, 2006 (Percentage of adult population)

	Ireland (%)	EU average (%)	OECD average (%)
Fear of failure would inhibit entrepreneurial activity	35	38	35

Source: GEM 2006

<sup>97</sup> Source: Irish Annual GEM Report for 2006, Paula Fitzsimons and Colm O'Gorman, September 2007.

<sup>98</sup> Finland National Summary 2005 written by members of the GEM national team from Finland and reproduced in the GEM Irish Annual Report, 2005.

While inhibitions of this nature would deter a much higher proportion of individuals within Ireland (35%) from becoming entrepreneurs than they would in the US (21%), Ireland is not markedly different in this respect from other highly entrepreneurial developed countries, such as Australia (35%) and Iceland (39%). Moreover, research has shown that fear of failure is less significant in an individual's personal context as a predictor of early stage entrepreneurial activity than are the other positive aspects. This is perhaps best illustrated by the fact that fear of failure is very low in the countries with the lowest rate of early stage entrepreneurial activity, i.e. Belgium (27%) and Japan (26%).

There is a very clear distinction in the personal context of those who are entrepreneurially active and those who have never been entrepreneurs. Those who are early stage or experienced entrepreneurs are much less inhibited by fear of failure than are those with no entrepreneurial experience. (Table 13)

Table 13: Fear of Failure in the Adult Population in Ireland 2006

	All adults (%)	Early stage entrepreneurs (%)	Established entrepreneurs (%)	No entrepreneurial involvement (%)
Fear of failure would inhibit entrepreneurial activity	35	12	15	38

Source: GEM 2006

This reinforces the view that if students and young people can be given an experience of entrepreneurial experimentation within a safe environment, their fear of failure would be greatly reduced subsequently.

Two separate elements in the environment, which are less conducive to entrepreneurial action, may be attributed in part to culture:

- The perception of failure in Ireland which does not resemble a badge of honour, as it is spoken about in the US; and
- The low level of involvement in informal investing in new businesses, even among family and friends.

It may be possible to address these issues through developing a more supportive culture in respect of each area.

- **Involving the education system in re-enforcing positive perceptions:** As was noted earlier, culture is notoriously difficult to change. Involving the educational system in bringing about a new way of thinking is the usual means suggested to bring about cultural change. But change through education is by its nature a lengthy process. Notwithstanding this time lag in effecting change, the education sector as a part of introducing students to the concept of entrepreneurship should encourage openness to investing in a new business, recognition that starting a new business is a risky venture and that entrepreneurs should be admired for the courage of their endeavour, even when their honest efforts are not successful.

- **Building on positive media interest and goodwill:** The media is a means of bringing about change in a society more rapidly than the educational system can alone. Accordingly, efforts should be made to build on the interest and goodwill of the media in relation to entrepreneurs and their new businesses, and should address on the one hand the need to encourage more informal investment and on the other to foster respect for honest entrepreneurial endeavour even if not always successful. This should be carried out on behalf of the National Entrepreneurship Forum and its effectiveness reported as part of the *Annual Entrepreneurship Review* (Section 6).
- **Developing entrepreneurial *ambassadors*:** Government and political representatives, successful entrepreneurs, those within the financial and educational sectors and opinion leaders within communities need to be convinced themselves of the importance of entrepreneurship and the value that should be attached to entrepreneurial endeavour. By their speeches and utterances they can give a powerful message which can further reinforce the supporting culture and social norms. They should be encouraged to do so and to celebrate entrepreneurial endeavour whenever possible. The members of the National Entrepreneurship Forum will also be encouraged to act as ambassadors for entrepreneurship whenever possible when going about their normal activities. In this way, the support of popular culture for entrepreneurship will be further reinforced.

#### 4.5 Education and Entrepreneurship

This section first examines the educational attainment and skills of Irish people in order to indicate the relative quality of the pool of skilled and talented people from which entrepreneurs and their skilled employees may be drawn.

Attention is then turned more specifically to those aspects of the education system which impact more directly on developing *entrepreneurial mindsets* and the attributes, skills and knowledge that are a necessary condition for successful venturing.

Higher educational attainment levels are needed to fuel the knowledge economy. Improvements in this area are taking place over a relatively short time frame.

Focusing on those within the population that have a third level qualification, it is apparent that one in four of those aged between 35 and 64 have a third level qualification. This is true for both men and women.

In the immediately younger age group (25-34), however, the numbers of men and women with third level qualification has been climbing very rapidly since 2000 and now 34% of men and 47% of women in this age group have a third level qualification. (Table 14)

Table 14: Persons aged 25-34 with third level qualifications 2000-2006 (% of 25-34 age groups)

Year	Men	Women
2000	27.5	30.5
2001	29.8	34.0

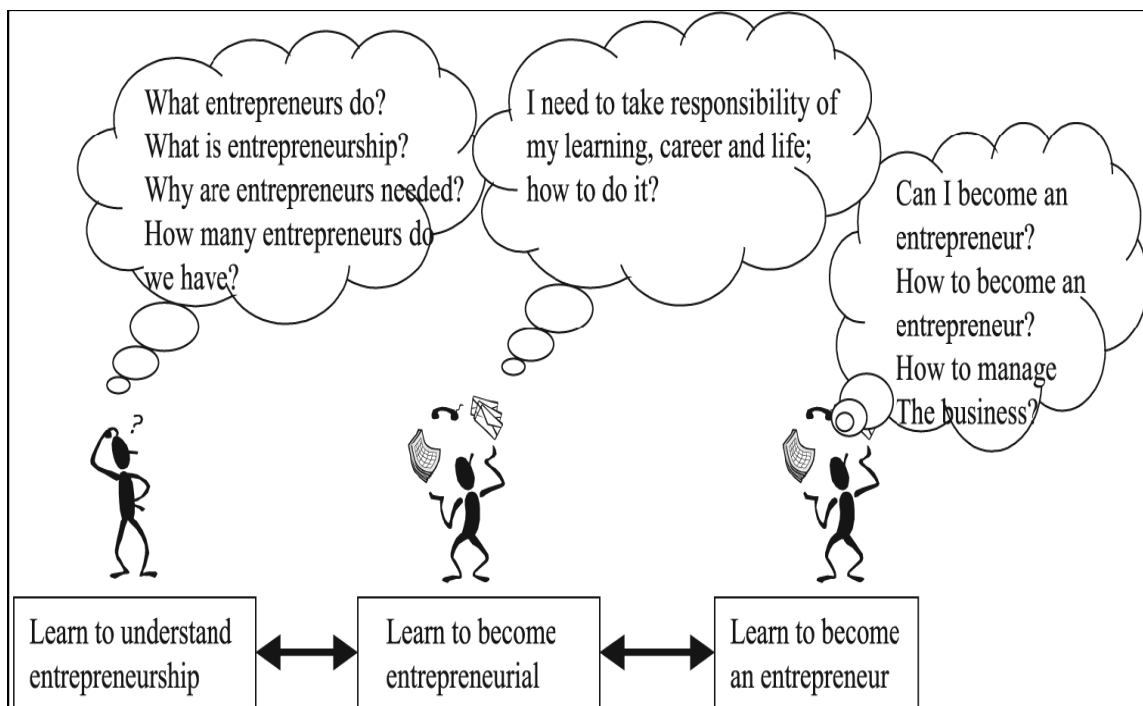


2002	31.3	37.7
2003	34.2	39.0
2004	36.0	42.7
2005	34.9	43.7
2006	33.7	46.9

Source: CSO, QNHS

The numbers of students still in the education system in the 18-24 age group indicate that this rising trend of higher educational attainment levels are likely to continue. This is a very welcome trend. It is important that all efforts are made to accelerate this trend even further and to focus efforts on retaining the greatest numbers of young people within the education for the greatest length of time. It would appear that this challenge is most pronounced in respect of young men, as a HEA report indicates that by the age of 19 only 45% of males are in full time education compared to 61% of females.<sup>99</sup>

By retaining a greater number of young people in the education system for longer, a rich vein of highly educated individuals is laid down. The challenge is to foster among these young people the drive and the interest to pursue an entrepreneurial career.



Source: Gibb (1999)

<sup>99</sup> HEA report compiled by Vivienne Patterson, forthcoming, reported in the Irish Times of June 4, 2007.

*Although a few exceptional individuals are born entrepreneurs, the development of an entrepreneurial attitude can be encouraged in young people, starting in school. Also, the relevant technical and business skills need to be provided to those who choose to be self-employed and/or to start their own venture - or might do so in the near future. However, entrepreneurship should not be considered just as a means for creating new businesses, but as a general attitude that can be usefully applied by everyone in daily life and in all working activities.*<sup>100</sup>

Education has been recognised as having a central influence on the interest, motivation and capacity of individuals to be entrepreneurs.<sup>101</sup> The European Foundation for Entrepreneurship Research (EFER) has asserted that education plays an essential role in shaping attitudes, skills and culture - from the primary level up. The considered view of EFER is that the earlier and more widespread the exposure to entrepreneurship and innovation, the more likely it is that students will consider becoming entrepreneurs in the future.<sup>102</sup>

Accordingly, if Ireland is to make the leap to being one of the most entrepreneurial countries in the world, characterised by a pervasive entrepreneurial culture and recognised for the innovative quality of its entrepreneurs, education must be central to the achievement of that vision.

#### 4.5.1 Second Level

A recent report carried out by researchers in the Centre for Entrepreneurial Studies in the University of Limerick identifies and evaluates the range of entrepreneurship education initiatives in place at second level, with a view to determining their success in creating the necessary knowledge and skills base to foster greater entrepreneurial activity.<sup>103</sup>

The report concludes that, in respect of the formal area of enterprise education at second level, the Department of Education has *contributed greatly in promoting enterprise to a vast range of students in second level schools.*<sup>104</sup> The various programmes available on the current curriculum within secondary schools are noted to have many common characteristics regarding enterprise education. For example, *all the programmes address enterprise education by emphasising the importance of teamwork, creativity and learning to understand and adopt entrepreneurial skills through the mini-companies or work experience.* The researchers conclude that *the promotion of enterprise within education at a national level has been good in recent years, as every age group has been catered for.*

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<sup>100</sup> This links back to the definition of the word entrepreneur which is discussed in Section 2.4 in which it is described as both an occupation and a mode of behaviour. See also European Universities' Research on the Promotion of Enterprise Education: an Irish Context, Naomi Birdthistle, Patricia Fleming and Briga Hynes, Centre for Entrepreneurial Studies, University of Limerick, 2006, page 36.

<sup>101</sup> David Hart notes that education policy can contribute to the context for entrepreneurship: "Education policy, for instance may influence the legitimacy of entrepreneurial ventures and the knowledge, skills and networks possessed by individuals and social groups" Entrepreneurship Policy, What It Is and Where It Came From, David M Hart, Chapter 1 page 8, of The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy, edited by David M. Hart, Cambridge University Press, 2003.

<sup>102</sup> EFER press release February 2006.

<sup>103</sup> European Universities' Research on the Promotion of Enterprise Education: An Irish Context, Naomi Birdthistle, Patricia Fleming and Briga Hynes, Centre for Entrepreneurial Studies, University of Limerick, 2006, page 36.

<sup>104</sup> Namely, the Junior Certificate business studies course, Transition Year mini companies, Leaving Certificate business studies option, the Leaving Certificate Applied, the Leaving Certificate Vocational Programme and Enterprise Encounter.

There are also a range of programmes and initiatives that are outside the formal curriculum, which facilitate students coming into contact with entrepreneurs and entrepreneurial concepts.

The University of Limerick report spells out the significant milestones in the evolution of entrepreneurship education programmes between 1981 and 2005 as follows:

- 1981** The Schools Industry Links Scheme (SILS) was created to promote business enterprise at second level schools.
- 1993** The establishment of the City and County Enterprise Boards who have been responsible for a range of initiatives in this area since their inception.
- 1995** Junior Achievement/Young Enterprise Ireland was established to link the classroom and business environment, and assists both primary and secondary schools to develop enterprise education.
- 1999** The Knowledge through Enterprise for Youth Programme (KEY) has assisted those between the ages of 14-16 from disadvantaged areas to develop enterprise skills through various workshops focused on developing entrepreneurship through learning.
- 2000** The Irish Times Business 2000 is an initiative set up in conjunction with the Leaving Certificate Business Course. It provides students with case study material relevant to the Leaving Cert Business programme.
- 2001** Business in the Community Schools Partnership (BITC) primarily focuses on the secondary school sector and fosters links with businesses.
- 2002** The Student Enterprise Awards, which replaced the Golden Vale Award Programme, encourages students to become involved in entrepreneurship after they leave school by having the experience of setting up their own small business while still at school. These awards are now sponsored by the CEBs.
- 2002** *Captains of Enterprise* was an initiative set up by Limerick Enterprise Board to encourage an increase of women to act entrepreneurially through consultation with students and entrepreneurs.
- 2003** Enterprise at School encourages students participating in the transition year, LCA and LCVP programmes to learn about entrepreneurship through on site lectures.
- 2004** Learning and Educating Together Programme (LET) was established under the KEY programme and has the same objectives. It is mainly focused at 12-13 year olds in an attempt to solve the issue of early school leavers in disadvantaged areas.
- 2004** The Celtic Enterprise Programme has a similar objective as the Student Enterprise Awards and competes at a regional level and provides enterprise career advice for participating students.
- 2005** Enterprise In Action is an initiative, which is being introduced to give students a basic understanding of the role of Irish business in the Irish Economic system.

Since 2005, other initiatives have been introduced which include the introduction of the NFTE initiative to Ireland aimed at school children and their teachers in disadvantaged areas, the distribution of profiles of the Ernst & Young Entrepreneur of the Year category winners, and a Celtic Enterprise initiative developed in association with Waterford Institute of Technology and designed to equip teachers with appropriate entrepreneurship teaching methods.

The Report highlights the impact of the involvement of the CEBs in this area: *The influence that the CEBs have had on enterprise education is overwhelming with over 10,000 students participating in CEB supported*

*programmes on an annual basis....The funding provided by the County Enterprise Boards assisted the majority of these initiatives to be successful.*

Ireland is proposed as a good example of entrepreneurship activities promoted by external organisations that are embedded in the curriculum, whereby state programmes co-exist with initiatives led by the private sector or by partnerships.<sup>105</sup>

The Department of Education and Science is already active in making further improvements in this area. The National Council for Curriculum and Assessment (NCCA), acting on behalf of the Department, has conducted a review of the senior cycle post-primary education in Ireland. Within the review, the NCCA has suggested that the senior cycle be structured along the following lines:

- The Leaving Certificate Vocational Programme in its current format should be discontinued. Link modules on preparation for the world and enterprise education should become short courses that may be accessed by a wider number of students.
- Transition Units should be developed - all students should undertake at least one transition unit - approximately 45 hours and will be taken at common level. Some areas include community participation, enterprise education, arts education, Information and Communication Technology, and study skills. This should be recognised on the Certificate and should comprise a matriculation requirement for entry to higher education.
- Short courses such as enterprise education, which should be developed in partnership with agencies, should be offered. They should be approximately 90 hours in length. They should be valued through the points system and should be outcome based.

These recommendations indicate a clear intention to make enterprise education a more formal part of the education system in Ireland and if they are accepted they will embed the recommended changes through policy devised by the Department of Education.

While great progress has been made in getting entrepreneurship culture into second level schools by a variety of means, issues that still remain to be addressed include the following:<sup>106</sup>

- Entrepreneurship training is not embedded in professional teacher training qualifications.
- There is a notable lack of widely available in-service teacher training in suitable methods, appropriate to the teaching of entrepreneurship, as the approach is quite different to the usual more conventional approach.
- The fragmented organisation of entrepreneurship initiatives has resulted in a lack of consistency between the opportunities afforded to students in certain areas and from different backgrounds.
- The time allocated to the areas is insufficient.

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<sup>105</sup> European Universities' Research on the Promotion of Enterprise Education: An Irish Context, Naomi Birdthistle, Patricia Fleming and Briga Hynes, Centre for Entrepreneurial Studies, University of Limerick, 2006, page 37.

<sup>106</sup> These recommendations draw on the ideas of Dr. Naomi Birdthistle, University of Limerick.

- Students who have not taken a business studies option in Junior or Senior cycle may pass through the school system with little or no exposure to entrepreneurship.
- Parents and teachers, including career guidance teachers, have a great degree of influence on young people's career choices and the dominant push for high achievers is still towards the medical and legal professions.

#### 4.5.2 Third Level

At third level, individual colleges have been developing initiatives in the area of enterprise education. Below are some instances of specific initiatives:

- There are now four professors of entrepreneurship (UCD, DCU, UCC and UL).
- A range of subjects/courses are available at undergraduate (77) and postgraduate (11) level.<sup>107</sup>
- There are centres of enterprise/innovation/incubators on all third level campuses within the State system.
- The Enterprise Platform Programmes being run by the Institutes of Technology, with the support of Enterprise Ireland, are currently being reviewed and it is likely that all Institutes in the future will be funded to run these programmes, rather than their being confined to a select few, as in the past.
- Technology transfer officers are being appointed to facilitate the transfer into commercial ventures of research that is being carried out within the third level colleges.
- There is also a range of Enterprise Awards, various institutional enterprise initiatives and campus company programmes.

Accordingly, there is an increasing level of activity in the area and improvements are being made. Much of it, however, lacks coherence and general application. The reward system for faculty and researchers is still primarily through academic publications. While the teachers and researchers in the area have recently come together to establish INTRE (a cross border Network for Teachers and Researchers of Entrepreneurship), there is no dedicated journal in the area for them to share their ideas and research and no means to make these more accessible to policy makers and others interested in this area. There is also a dearth of good teaching resources.

Within the third level, educators should ensure that entrepreneurship is part of their curriculum for students from non-business and business courses alike. The OECD has noted that in tertiary level education, countries such as the US have reaped benefits from including entrepreneurship as a core element of non-business undergraduate and postgraduate courses, such as those in the fields of engineering, design, science etc.<sup>108</sup>

Given the imperative to increase the rate at which research is commercialised out of the third level institutions, it is particularly important that those within technical and scientific faculties are equipped with an interest in this field and are encouraged to identify possibilities for commercial exploitation, even if

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<sup>107</sup> Source: Dr. Thomas Cooney, Chairman of INTRE.

<sup>108</sup> SME and Entrepreneurship Outlook, OECD, 2005.

they do not wish themselves to translate the research into a new business venture. Initiatives are being made in this area and these should be mainstreamed and made campus wide.

Entrepreneurs who are graduates of the Enterprise Platform Programmes, run in association with the Institutes of Technology and supported by Enterprise Ireland, are becoming an increasing source of HPSU businesses. In 2006 this group accounted for 13 of the new High Potential Start-ups assisted. The number of business started by lecturers and students is significantly lower with just 3 projects coming from this source in 2006. This may reinforce the perception that academics do not necessarily make good entrepreneurs and the drive must be to link the new knowledge developed by the researchers to entrepreneurs who have the perception, skills and motivation to commercialise it.

The research world within academia is changing and previous perceptions may be outdated. Senior researchers are becoming accustomed to raising their own funds, to identifying and recruiting suitable members for their research team, to identifying appropriate collaborators and to promoting their research internationally. This environment is very competitive not just nationally but internationally. To be successful in this environment, academic researchers must develop many of the characteristics of an entrepreneur and perform many of the tasks associated with running a small business. With a greater exposure to entrepreneurship, more of these researchers may perceive the commercial potential associated with their research.

The objective of embedding innovation and entrepreneurship across faculties and at every level is as follows:

- To develop a culture of entrepreneurship within the campus;
- To develop *entrepreneurial mindsets* among faculty and students alike;
- To develop the capacity for opportunity recognition and necessary knowledge and skills;
- To create an environment that is conducive to entrepreneurial activity among students, researchers and faculty members;
- To develop the necessary confidence and personal skills among the student body through the manner of the teaching and learning experience;
- To maximise the creation of innovative new businesses based on the expertise and research available within the institution whether this is through spin-out or spin-in; and
- To actively build bridges of mutually learning and respect between the institution and business interests in the wider community.<sup>109</sup>

#### 4.5.3 Embedding Entrepreneurship in Education

Ireland is not alone in making the association between education and greater entrepreneurial activity. It is not surprising, therefore, that several countries in Europe, aspiring to make strides in achieving a greater level of entrepreneurship within their population, have developed initiatives in this area.

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<sup>109</sup> These recommendations draw on the ideas of Paul Hannon, National Council for Graduate Entrepreneurship, UK.

The European Commission has focused on the development of *entrepreneurial mindsets* as a key part of its strategy to foster more entrepreneurs and to drive up the rate of entrepreneurial activity in Europe. Education is seen to be central to the achievement of this objective.<sup>110</sup>

The Commission, seeking to develop a systematic approach across Europe on this topic, and to support Member States in their development of coherent national strategies, has recently published the Oslo Agenda for Entrepreneurship Education in Europe.<sup>111</sup> This agenda is the outcome of a conference and presents ideas tabled in Oslo by relevant stakeholders from 33 countries. While it does not represent the views of the European Commission, it presents a menu of concrete proposals from which those who have a role in promoting entrepreneurship in education can pick actions at the appropriate level. The Commission is promoting the Oslo Agenda, encouraging all relevant actors to emulate it where appropriate. The Commission itself will use it as a basis and as a source of inspiration for possible future actions to be launched at European level.<sup>112</sup>

Several elements of this Agenda have particular relevance for Ireland in developing a coherent entrepreneurship education policy.

- **Ensure political support for entrepreneurship education at the highest level.** Real progress will only be possible with a strong commitment from the national government and the relevant Ministers. (A1)
- **Launch national strategies for entrepreneurship education**, with clear objectives covering all stages of education. Such strategies should call for the active involvement of all relevant actors (public and private), and establish a general framework while defining concrete actions. These will range from the inclusion of entrepreneurship into the national curricula to providing support to schools and teachers. The overall goal will be to ensure that young people can progress coherently in acquiring entrepreneurial competences across all stages of the education system. (A4)
- **Create Steering Groups**, both at European and at national level, where all the different stakeholders involved in entrepreneurship education can be represented (public administrations, businesses, educational establishments, students, etc.). These Groups would have among their objectives that of setting targets for entrepreneurship education, taking into account its various elements, and that of reporting on progress achieved.<sup>113</sup> (A5)
- **Better integrate entrepreneurship programmes and activities in the established curriculum** for schools at all levels (primary, secondary, vocational), as a horizontal element in all fields of study (*entrepreneurial mindsets*) and as a subject in its own right (entrepreneurial skills). (B1)
- **Support the use of practice-based pedagogical tools** whereby students are involved in a concrete enterprise project (for instance in running a mini-company). Embed these activities as a recognised option in official school programmes, particularly at secondary level. (B4)

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<sup>110</sup> Action Plan: The European Agenda for on Entrepreneurship, European Commission, 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) and more recently the Commission's Communication on "Fostering entrepreneurial mindsets through education and learning", February 2006.

<sup>111</sup> [http://ec.europa.eu/enterprise/entrepreneurship/support\\_measures/training\\_education/doc/oslo\\_agenda\\_final.pdf](http://ec.europa.eu/enterprise/entrepreneurship/support_measures/training_education/doc/oslo_agenda_final.pdf).

<sup>112</sup> Simone Baldassarri, Head of European Commission Expert Group on Enterprise Education for Non- Business Students.

<sup>113</sup> This would be accomplished in Ireland through the proposed National Entrepreneurship Forum and form part of the Annual Entrepreneurship Review - Section 6.

- **Ensure sustained funding/support for entrepreneurship education activities**, and for the implementation of concrete enterprise projects in school. The termination of short-term project funding or the changing of funding mechanisms creates fragility to sustainable provision, unless this can become embedded within a coherent strategy. (B6)
- **Grant public funding for the establishment of Entrepreneurship Centres at universities** and the creation of a network between them. These Centres would have the missions - among others - of spreading entrepreneurship across different fields of studies within the institution; fostering the commercialisation of research and the exploitation of new business ideas; building links with businesses etc. (B7)
- **Adopt innovative methods to train teachers** in entrepreneurship. These would include case studies and other inter-active methods, such as involving teachers in real work on enterprise projects, or even in running themselves a mini-company. By acquiring direct experience, teachers will be more effective when using these methods with the students. (C2)
- As part of the final evaluation of a programme or course in entrepreneurship, **test the entrepreneurial competences of students** and offer them a certificate ("entrepreneurial driving license") acknowledging the acquisition of those skills. (D5)
- **Associate students to real companies and to business people**, in order to ensure a close relation with real business experience. Students should not be kept in isolation and far from the world outside the school, for instance when running a virtual firm or simulating a business plan. (D6)
- **Offer entrepreneurship education to disadvantaged groups**. In particular, young people at risk of social exclusion (low-income youth, school dropouts, adolescents in danger of long-term unemployment, refugees, etc.) may greatly benefit from this type of training. It can raise the motivation of those who learn best by doing, and who have difficulties in more traditional subjects. Some programmes addressing these target groups proved very successful both in terms of start-ups and of social integration.
- **Higher education establishments should integrate entrepreneurship across different subjects of their study programmes**, as it may add value to all degree courses (e.g. technical and scientific studies, but also humanities and creative studies). All faculties/disciplines should develop opportunities for students at every level to experience entrepreneurship. (D10)
- **Encourage students, graduates and researchers with commercially viable business ideas to develop them into companies**, by providing a range of support services within the institution (incubators, financing, mentorship, etc.). (D14)
- **Embed evaluation systematically into all programmes**. The most effective evaluation is **independent and comparative** (i.e. it should be run before the beginning of the programme and after its conclusion). (D15)

Several of the initiatives described in the Oslo Agenda are already being implemented in Ireland and are being held out as an example to others. In this regard, it is interesting to note that the European



Commission has recently singled Ireland out as one of the best examples of enterprise education in terms of the Transition year, Leaving Certificate Applied and Leaving Certificate Vocational Programmes.<sup>114</sup>

Looking to the example of other countries in determining the best approach, Ireland could do well to study what has taken place in Norway, as this country has been highlighted by an expert group in the area<sup>115</sup> and by an EU Commission sponsored conference<sup>116</sup> as an excellent example of the manner in which central government can adapt a global strategy for implementing entrepreneurship in education at all levels. Several aspects of the Norwegian strategy and the manner in which it has been developed and implemented have relevance for Ireland, if the objective of re-enforcing entrepreneurship in the education system is to be achieved.

- A cross-departmental group was established to ensure that a co-ordinated and comprehensive policy resulted from the revision of the original strategy.<sup>117</sup> Three different ministries were involved in the task of revising the strategy and further strengthening it.
- The development of a culture propagating entrepreneurship through the education system was adopted as an objective and seen as a key means by which the education system would contribute to value creation and innovation.
- The approach was implemented in a coordinated manner across all levels of the educational system from primary to university and college level, including adult education.
- Entrepreneurship was clearly identified as an educational objective and integrated across the syllabus.<sup>118</sup>
- Entrepreneurship competence was considered to involve both knowledge and skills (what and how) as well as personal qualities and attitudes: namely self-confidence and social competence, the willingness and the ability to take initiatives and assume responsibility, innovation and creativity, willingness to take risks and to solve problems.
- The transformation of ideas into practical and targeted activities at the heart of entrepreneurship was perceived to apply in a social, cultural or economic context.
- The policy is implemented as a partnership between the education sector and the remaining public sector and the business and industry sector. Collaboration with relevant players in the local community is also seen as important.
- Buy-in to the strategy by institutional owners/managers was seen as central.
- The responsibility for implementation of the strategy lies with the educational institutions themselves. The responsibility for coordination lies with the Ministry of Education and Research.

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<sup>114</sup> “Entrepreneurship in Secondary Education”, presented by Fiona Kindlon, Regional Development Officer, Second Level Support Service, was heralded as an example of best practice in entrepreneurship in national curricula at the Oslo conference.

<sup>115</sup> Final Report of the Expert Group “Education for Entrepreneurship” completed February 2004, <http://www.ja-ye.org/Main/download.aspx?dsid=1306dbe9-5c7c-4c07-b52f-a60d02b8d509>.

<sup>116</sup> Report of EU Commission Conference “Entrepreneurship Education in Europe: Fostering Entrepreneurial Mindsets through Education and Learning” Oslo, 26-27 October 2006. This conference was a follow-up to the commission’s Communication of the same title adopted in February 2006. [http://ec.europa.eu/enterprise/entrepreneurship/support\\_measures/training\\_education/oslo/oslo\\_flash.pdf](http://ec.europa.eu/enterprise/entrepreneurship/support_measures/training_education/oslo/oslo_flash.pdf).

<sup>117</sup> Entrepreneurship in Education, See opportunities and make them work! 2004-2008, Strategic Plan of Norwegian Government, available at [http://www.regjeringen.no/upload/KD/Vedlegg/Grunnskole/Strategiplaner/See\\_the\\_opportunities\\_and\\_make\\_them\\_work\\_2204-2008.pdf](http://www.regjeringen.no/upload/KD/Vedlegg/Grunnskole/Strategiplaner/See_the_opportunities_and_make_them_work_2204-2008.pdf).

<sup>118</sup> For example, a revised curriculum for primary and secondary education, introduced in August 2006, includes entrepreneurship in many of the syllabuses.

The European Foundation for Entrepreneurship Research (EFER) in welcoming the communication from the European Commission on Entrepreneurship Education asserted that entrepreneurship and innovation must be deeply integrated into the curriculum to ingrain a new entrepreneurial spirit and mindset among students in Europe and that it should not merely be bolted on by means of a few additional courses on the side of existing programmes.<sup>119</sup>

This approach of developing innovation and entrepreneurship through the education system is in accord with the recommendations of the Enterprise Strategy Group (ESG).<sup>120</sup> The ESG Report states that in a modern society, education should satisfy social, cultural and economic needs. With the economic perspective in mind, the Report recommended a range of measures to embed commercial awareness and entrepreneurship at all levels of the education system and so to enhance the perception of entrepreneurship as a real career option.

These recommendations were endorsed by the Small Business Forum which considered it essential that the Department of Enterprise, Trade and Employment and the Department of Education and Science should work together to bring about implementation of the recommendations of the ESG.<sup>121</sup> As this is broadly the approach also recommended in the Oslo Agenda for Entrepreneurship Education, it is recommended that a national strategy for entrepreneurship education be developed which adopts the spirit and tenets of the Oslo agenda tailored to the Irish context.

#### 4.6 Harnessing Culture and Education to Support Entrepreneurship

Culture and education are intrinsically inter linked and can be mutually reinforcing - education can help shape cultural values, while a positive culture will help increase the effectiveness of entrepreneurship educational initiatives. For educational initiatives to be effective not only is it important that the students are positively disposed, but their parents and teachers must also be of a similar disposition as they are in a position of influence. Hence the importance of developing *entrepreneurial mindsets* is not confined to the student body alone and is part of a virtuous circle.<sup>122</sup>

There is a willingness on the part of many of the relevant stakeholders to build further on the achievements in this area and that goodwill should be turned into positive action to implement the necessary changes identified.

It will be important that the relevant features of the culture and social norms are monitored and reported upon as part of the *Annual Entrepreneurship Review*. Similarly, progress to implementing further improvements in entrepreneurship education, within an agreed timeframe, and with a particular focus on those areas in which Ireland is less strong at present, should be monitored and reported upon each year to the National Entrepreneurship Forum.

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<sup>119</sup> [www.efer.nl](http://www.efer.nl).

<sup>120</sup> Ahead of the Curve - Ireland's Place in the Global Economy, enterprise Strategy Group Report, July 2004.

<sup>121</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006 Section 5.6, page 56.

<sup>122</sup> European Universities' Research on the Promotion of Enterprise Education: An Irish Context, Naomi Birdthistle, Patricia Fleming and Briga Hynes, Centre for Entrepreneurial Studies, University of Limerick, 2006.

## Section 5: Encouraging Entrepreneurial Activity among Under-Represented Groups

### 5.1 Introduction

In order to create an entrepreneurial society, there is a need to have a significant number of individuals of working age within the population deciding to take the entrepreneurial, rather than the employment route as a means of making a livelihood and developing a career.

The Small Business Forum recognised that there were a number of relatively untapped and underdeveloped sources of entrepreneurship in Ireland, namely women, returning Irish emigrants and the immigrant community. Its view was that by optimising the level of entrepreneurial activity in these sections of society, Ireland could become the most entrepreneurial country in the world. In line with this view, the Small Business Forum recommended that a National Entrepreneurship Policy should be built on three specific platforms: one of which was stimulating latent entrepreneurial potential, particularly among women and the immigrant community.<sup>123</sup>

The EU Green Paper also highlighted women and ethnic minorities as having considerable entrepreneurial potential, which is currently under developed. It identified the need to focus specifically on these under represented groups as one means of achieving Europe's entrepreneurial ambitions.<sup>124</sup>

Accordingly, this section focuses on the entrepreneurial potential that may exist among under represented groups, namely women and those newly arrived into the country. It examines those factors that might influence their opting for entrepreneurship in greater numbers, thereby making a significant contribution to meeting the needs of the economy for dynamic, innovative entrepreneurs in the years ahead.

The section on women examines their rate of participation as entrepreneurs, compares this with the situation in other countries and seeks to explain the reasons behind the wide gender gap in Ireland. It then looks at the initiatives that have been taken in other countries to improve the participation rate of women and suggests ways in which the situation in Ireland could be further improved with an eye to the goal of making Ireland one of the most entrepreneurial countries in the world.

The section on immigrants examines their growing number within the economy and the factors that might suggest that this is potentially a very entrepreneurial group. The additional barriers that they face in deciding to become entrepreneurs in Ireland is examined as are the current initiatives in place to support these efforts. Means by which these could be further strengthened are suggested. As the numbers of those newly arriving into Ireland is a fairly recent phenomenon, it may be some years before the full entrepreneurial potential of this group is evident.

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<sup>123</sup> Small Business is Big Business, The Report of the Small Business Forum, May 2006, Section 5.6.1 page 55.

<sup>124</sup> Green Paper Entrepreneurship in Europe, European Commission, January 2003, Section A: What does it take to produce more entrepreneurs? iv page 14. [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).

The barriers are considerably lower for Irish emigrants returning to Ireland after some time spent overseas. This group often have relevant international experience, well developed networks and frequently have access to finance/initial seed capital. Their return is often an opportune time to release entrepreneurial potential. Enterprise Ireland has recently targeted this group with some success and has found that returning emigrants are more open to locating a new business outside the Dublin area.<sup>125</sup> Enterprise Ireland plans to continue to target this group.

## 5.2 The Nature of the Objective

This objective is concerned to ensure that there continues to be sufficient numbers of new and emerging entrepreneurs in all parts of Ireland, and that the latent entrepreneurial potential of all those living in the country is harnessed.

## 5.3 Women and Entrepreneurship

Women tend to be under represented in the population of business owners both in established businesses and in those more recently started, relative to their numbers in the population as a whole. This is true in Ireland as it is in other countries.

What is particularly pronounced in Ireland is the gender gap between the level of men and women's participation rates in entrepreneurial activity. This is caused by the higher than average rate of entrepreneurial activity among men relative to the more average rate of entrepreneurial activity among women.<sup>126</sup>

GEM has reported a difference between the rate of entrepreneurship for men and women in Ireland in each of the years 2002 to 2006 inclusive (Table 15). The average rate of early stage entrepreneurial activity for this period was 12.0% for men and 4.8% for women.

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<sup>125</sup> Between 2003 and 2006, 26 HPSUs, promoted by returning emigrants, were approved as HPSUs by EI. Of these 16 set up their new businesses outside Dublin.

<sup>126</sup> Ireland ranks 3rd highest in the differences between men and women in terms of relative participation rates in early stage entrepreneurial activity (2.5 times) compared to the OECD average and has the 2nd highest difference between men and women in terms of relative participation rates in established business activity (3.6 times).

Table 15: Entrepreneurial Activity by Gender 2002-2006

	TEA Men	TEA Women
2002	12.4%	5.5%
2003	12.5%	3.7%
2004	10.4%	5.0%
2005	14.2%	5.5%
2006	10.5%	4.2%

Source: GEM 2006

While the gender gap in early stage entrepreneurial activity between men and women in Ireland has not narrowed in any real sense since 2002,<sup>127</sup> it is less than the very low level in more established businesses.<sup>128</sup> Given that women are less prevalent among the current group of established business owner managers and would have been even more so in the past, this is the origin of the role model gap for women. For example, in relation to a parent's occupation, research indicates that there is strong evidence to suggest that entrepreneurs tend to have entrepreneurial or self-employed *fathers*.<sup>129</sup> Similarly, an Irish study concluded that 46% of new firm founders had *fathers* who were self-employed at a time when only 27% of the population was self-employed.<sup>130</sup> Neither research mentioned the gender implications of their findings, the result of which was that daughters did not have the same gender role models as had their brothers.

When the level of early stage entrepreneurial activity among women in Ireland is compared internationally, the following is apparent:

- Ireland is roughly on a par with the OECD (4.2% compared to an average of 4.3%) and ranks 10<sup>th</sup> out of 24 countries in this regard.
- Ireland compares more favourable with the average across the EU, 4.2% as compared to an average of 3.5%, and is ranked 4<sup>th</sup> of the EU countries.

Given these facts, it may appear that the proportion of Irish women that are opting for an entrepreneurial career should not give undue concern. However, when Ireland is compared with the most entrepreneurial nations of which it would like to be one, then the participation rate of women in entrepreneurial activity is seen in a different light. In Australia for example the participation rate for women in entrepreneurial activity is almost 10% and in the US it is over 7%. This compares with a participation rate of just 4% for women in Ireland.

<sup>127</sup> Except in terms of the less active participation by men in entrepreneurial activity from time to time.

<sup>128</sup> The participation rate for men as owner managers in longer established businesses is more than three and half times (3.6 times) that of women (12.2% compared to 3.4%).

<sup>129</sup> Entrepreneurship, D Kirby, McGraw-Hill Education, 2003.

<sup>130</sup> Entrepreneurs and Industrial Change, P.N O'Farrell, IMI, Dublin, 1986.

As the personal context of individuals has been demonstrated to have a significant bearing on their likely involvement in entrepreneurial activity, it is useful to examine the personal context of women in Ireland and compare it with that of men in terms of the skill, opportunity recognition and motivation matrix.

As their educational attainment level rises, there is a significant increase in the proportion of women involved in early stage entrepreneurial activity. Those with postgraduate experience are as entrepreneurial as men with this level of educational attainment (Table 16). In the case of women, in particular, higher educational attainment is clearly linked with a higher incidence of entrepreneurial engagement.

Table 16: Education Attainment Level of Entrepreneurs by Gender 2006

	Men TEA Rate	Women TEA Rate
Some secondary	5.8%	0.8%
Secondary (Leaving Cert or equivalent)	11.1%	3.6%
Post secondary (Third Level)	13.6%	5.4%
Graduate experience (Postgraduate)	11.0%	11.2%

Source: GEM 2006

Given the correlation between high educational attainment and entrepreneurial activity for women, it is significant that the number of women with third level qualifications in the most entrepreneurial age groups is increasing very rapidly for women and is now well ahead of men in the same age group.<sup>131</sup> Moreover, in the younger age group (18-24) there are a significantly higher percentage of women who are students than there are men (41% compared to 30%). This suggests that there will be a larger pool of talented women within the population in the years to come with the confidence and the ability to become entrepreneurs.

Notwithstanding the changes that are occurring in the educational attainment levels of men and women, a greater proportion of men believe that they have the requisite skills and knowledge to start a new business and more men have role models in their personal networks. (Table 17)

Table 17: Personal Context by Gender, 2006

	Men responding YES	Women responding YES
Know a recent entrepreneur	45%	33%
Perceive opportunities	45%	43%
Belief in own skills	59%	43%
Fear of failure would inhibit	31%	39%

Source: GEM 2006

<sup>131</sup> See Table 14 Section 4.5.

GEM research demonstrates that the personal context is particularly important for women in terms of a positive link with entrepreneurial activity:

- Men that know an entrepreneur are twice as likely to be entrepreneurs compared to men who don't know a recent entrepreneur. Women who know an entrepreneur are five times more likely to be an entrepreneur.
- While the perception of local opportunities does not appear to impact on whether men become entrepreneurs, women who perceive opportunities in their local area are more than three times more likely to be entrepreneurs.
- Men who believe they have the skills and knowledge to start a business are nearly four times more likely to be entrepreneurial active. For women, no entrepreneurial activity is evident among women who believe they don't have the skills and knowledge to start a new business.
- Men who don't have a 'fear of failure' are nearly three times more likely to be entrepreneurs. For women, 'a fear of failure' is associated with very low levels of entrepreneurial activity. Women who say that 'fear of failure' would prevent starting a business are nine times less likely to start a business.
- Perception of positive media coverage about entrepreneurs is high for both men and women. It does not have an impact on rates of entrepreneurial activity among men. Women who believe that there is a great deal of media coverage about entrepreneurs are much more likely to be entrepreneurs.

These findings are very important. They underline the critical importance for women of having a self-belief in their ability to start and run a new business. Clearly without self-belief the likelihood of an individual woman opting for an entrepreneurial career is greatly diminished. Increasing women's capacity to develop entrepreneurial skills and self-belief may also have an influence on lessening their risk averseness as fear of failure is much more of an inhibitor to entrepreneurial action for women than it is for men.

As this is such a critical area of influence for women, the reinforcement of skill development within the education system would appear to be vital. It may not be sufficient to address this through specific skill training for women nascent entrepreneurs, as the number of women coming forward as nascent entrepreneurs will be greatly influenced in the first place by their perception of their ability to succeed as entrepreneurs.

This is not to say that women in Ireland are not starting from a strong base in this regard,<sup>132</sup> with much improvement evident in this area in recent times.<sup>133</sup>

As a much greater positive association can be observed among women with relevant media coverage and their being entrepreneurs, the visibility of female role models through a wide range of media could be expected to have a positive influence on social norms and their motivation to opt for an entrepreneurial career.

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<sup>132</sup> Relative to OECD and EU countries, men and women in Ireland are more likely to believe that they have the knowledge and skills to start a business. Men in Ireland are ranked 4<sup>th</sup> in the OECD and 2<sup>nd</sup> in the EU in this regard, while women are ranked 4<sup>th</sup> and 1<sup>st</sup> respectively.

<sup>133</sup> The proportion of women in the adult population in Ireland that believe that they have the necessary knowledge and skills to successfully start and run a new business has increased from 37% in 2004 to 43% in 2006.

Positive motivation and personal belief in own skills must be accompanied by the perception of opportunities in order to lead to entrepreneurial action. In this area, women in Ireland are particularly strong.

The same proportion of women and men in 2006 perceived opportunities for new business development.<sup>134</sup> This is a very interesting finding and shows a very considerable improvement in the perception by women of exploitable opportunities. In 2004, the figures were 37% of women to 48% of men.<sup>135</sup> So while the opportunity perception measure for men has remained broadly similar, there has been a significant improvement in that for women.

Women entrepreneurs are generally perceived to be less ambitious in terms of their new businesses than are men. This perception is becoming outdated as women are increasingly aspiring for growth. Over the last number of years, the proportion of women entrepreneurs who expect to remain as self-employed sole traders is reducing, while those who aspire for significant growth is increasing.<sup>136</sup>

Over the last six years, however, just 11% of Enterprise Ireland's assisted High Potential Start-ups (HPSUs) have had a female in the senior management team.<sup>137</sup> In this regard, Enterprise Ireland points to an improvement in 2006 on the previous year. As can be seen from Table 18, however, this is from a very low base and follows a period of very little involvement by women in these high potential growth companies. Accordingly, women are significantly under represented among Enterprise Ireland's High Potential Start-Ups (HPSUs).

Table 18: Women's Representation in HPSU Approved Businesses<sup>138</sup>

	1999	2000	2001	2002	2003	2004	2005	2006	Total
<b>Number of HPSUs approved by year</b>	41	57	57	54	61	65	75	76	486
<b>Women's inclusion as part of senior management team</b>	10	16	5	1	7	7	6	12	64

Source: EI

<sup>134</sup> Relative to the OECD and EU countries both men and women in Ireland are more likely to perceive opportunities in the local environment. Men in Ireland are ranked 9<sup>th</sup> in the OECD in this regard and 3<sup>rd</sup> in the EU, while women in Ireland are ranked 6<sup>th</sup> and 3<sup>rd</sup> respectively.

<sup>135</sup> GEM Irish Annual Report 2004, Paula Fitzsimons and Colm O'Gorman, June 2005, page 55. Report can be downloaded from [www.gemconsortium.org](http://www.gemconsortium.org).

<sup>136</sup> In 2004 33% of women early stage entrepreneurs expected to be self-employed with no employees. This proportion has decreased in 2006 to 24%. Hence, more women early stage entrepreneurs expect to become employers. Those with high growth ambitions have increased over this period from 8% to 11% of all women early stage entrepreneurs.

<sup>137</sup> Note that this is among the *senior management team* not among the entrepreneurs/owner managers. This may overstate the proportion of women involved as the numbers involved in the senior management teams is greater than the number of individual HPSUs approved.

<sup>138</sup> Figures supplied by Enterprise Ireland.



Research, carried out by the Centre for Entrepreneurship Research in Dundalk IT,<sup>139</sup> suggests that campus based incubation centres throughout the country are predominantly occupied by male entrepreneurs. This is also the case among those attending the Enterprise Platform Programmes (EPP) that are run in association with the Institutes of Technology and supported by Enterprise Ireland.

The reason for the low involvement by women entrepreneurs among the HPSU cohort of new companies supported by Enterprise Ireland, in the incubator centres or among those attending EPPs is related primarily to the fact that fewer women are involved in technology based new enterprises, which is the focus of these supports.

Men and women entrepreneurs indeed have different preferences for sectors of activity (Table 19). For example, a much higher proportion of women entrepreneurs (one in four) are involved in setting up new businesses associated with retail, hotels and catering, compared to just 14% of men.

Table 19: Nature of Activity: Men and Women Entrepreneurs (2002-2006)

Sector	Men	Women
Agr, For, Hunt, Fish	6%	6%
Mining, Construction	14%	6%
Manufacturing	9%	6%
Utilisation, Transport, Storage & Communications	10%	2%
Wholesale Trade	6%	2%
Retail Trade, Hotels & Restaurants	14%	24%
Financial Intermediation, Real Estate Activities	6%	2%
Business Services	21%	20%
Government, Health, Education, Social Services	3%	16%
Personal/Consumer Service Activities	10%	17%

Source: GEM 2006

These preferences are related to differences in the nature of qualifications and previous work experience between men and women. For example, 88% of employed women are currently working in services compared to 51% of men, while just 9% of women are employed in industry compared to 17% of men.<sup>140</sup> These differences are primarily responsible for many women entrepreneurs being outside the eligible sectors criteria for financial support from the development agencies.

<sup>139</sup> The research was carried out on behalf of the NDP Gender Equality Unit.

<sup>140</sup> Sector NACE C-E (other production industries) Moreover, 23% of employed men work in construction, compared to less than 2% of women. Source: CSO Quarterly National Household Survey Q1 2007.

There is growing recognition that the extent and nature of women's enterprise is inextricably linked to the labour market and to society at large.<sup>141</sup> Research undertaken by the SIA Group, for example, concluded that the labour market has a direct influence on women and on the type of enterprises that they create.<sup>142</sup>

Arising from this accepted link, there is a view that the growing participation of women in the workforce in Ireland is of relatively recent origin and will in time have a positive impact on women's entrepreneurial participation. This has some validity.

As a result of the strongly growing economy, employment in Ireland increased by 41% since 1997. The number of women that are employed in the workforce has increased by 50%<sup>143</sup> over that period with the result that women now account for 42.7% of the working population as compared to 40% in 1997.<sup>144</sup> The current rate of female participation<sup>145</sup> is 53.2% a significant and rapid increase on the rate in 1997, which was 45.8%. As a result female participation rates have significantly reduced the gap with male participation rates.

There is a significant difference in the broad occupational groups in which men and women are employed. Women continue to dominate the services sector and have increased the proportion of their number engaged in that sector: the services sector accounts for 88% of women employed in 2007<sup>146</sup> up from 80% in 1997.

A review of third level graduates' field of study indicates differences in skill development as many men and women take different courses at third level. Women far outnumber men in the arts, humanities, education, social sciences, law, business and health. Men are the more numerous in engineering, manufacturing and construction.<sup>147</sup>

Women have been increasing their representation in the most senior positions since 1997<sup>148</sup> and now represent 30% of manager/administrators (previously 23%), and 51% of professionals (previously 44%). Women have also increased their dominance in sales (54% to 63%) which is closely tied in to the fact that one in four of the new enterprises created by women are in retail related areas. (Table 20)

Table 20: Number of Males and Females Employed by Broad Occupational Group ('000) 1997 and 2007

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<sup>141</sup> See for example *Women's Business Ownership: Recent Research and Policy Developments*, Small Business Service, November 2006.

<sup>142</sup> Report to Enterprise Ireland Policy and Planning on Developing Women in Enterprise, The SIA Group, May 2001.

<sup>143</sup> Compared to an increase of 35% in the number of men in the working population.

<sup>144</sup> CSO Quarterly National Household Survey Q1 2007.

<sup>145</sup> The female participation rate is defined as the number of female persons in the labour force expressed as a percentage of the total female population aged 15 or over.

<sup>146</sup> Compared to 51% of men.

<sup>147</sup> Figures relate to 2004 Source: Department of Education and Science.

<sup>148</sup> Managers and administrators +52% and professionals +91%.

<b>Males</b>	<b>1997</b>	<b>2007</b>	<b>Females</b>	<b>1997</b>	<b>2007</b>
Managers and administrators	208.3	221.6	Managers and administrators	63.5	96.9
Professional	82.6	119.9	Professional	64.9	123.7
Associate professional and technical	53.9	76.1	Associate professional and technical	65.2	104.1
Clerical and secretarial	45.2	61.5	Clerical and secretarial	132.4	191.1
Craft and related	180.8	286.6	Craft and related	16.8	11.4
Personal and protective service	63.1	84.4	Personal and protective service	77.5	146.5
Sales	47.1	67.1	Sales	65.6	113.6
Plant and machine operatives	117.8	144.9	Plant and machine operatives	45.7	27.1
Other	81.0	125.8	Other	56.2	72.6
<b>Total males</b>	<b>879.8</b>	<b>1,187.9</b>	<b>Total females</b>	<b>587.9</b>	<b>887.0</b>

Source: CSO QNHS Q1 '07

As there is a strong correlation between a high level of educational attainment and entrepreneurial activity, particularly for women, the high and growing proportion of women in employment (33%) with third level qualifications is very positive.<sup>149</sup>

Given that women are less involved in entrepreneurial activity than are men in almost all countries to a greater or lesser extent, there has been much research conducted on the reasons behind this fact. There is a well founded view that women's lesser involvement may be due to the lack of entrepreneurial opportunities for women, either because of the nature of their working experience, the lack of role models, or the lack of cultural re-enforcement. In the Nordic countries, for example, women are much more likely to be employed in the public sector where they are less likely to gain working experience that prepares them for entrepreneurial activity. As a consequence, the case is made that fewer opportunities exist to become entrepreneurs in sectors where women are primarily employed.<sup>150</sup> This has a knock on effect on the number of female entrepreneur role models that are available.

There has been increased recognition of the economic and social importance of women's enterprise and a sustained level of interest in developing policies and frameworks to support its development.

- The United States is the country most often cited as the one in which positive action was taken early. Positive action over many years, manifested in legislative measures and a wide range of federal, state and local programmes, has greatly increased women's participation in entrepreneurial activity in the

<sup>149</sup> This compares with the lower level of 24% of men in the working population with third level qualifications. Source: CSO QNHS Q1 2007.

<sup>150</sup> *Entrepreneurship Policy: Theory and Practice*, A. Lundstrom and L. Stevenson, International Studies in Entrepreneurship, Springer, 2005 Chapter 6, page 237-238.

United States.<sup>151</sup> *The establishment of the Small Business Administrations' Office for Women's Business Ownership in 1979, coupled with long-term and consistent investment in research and advocacy, has led to the development of an effective political lobby around women's enterprise in the US.*<sup>152</sup>

- More recently Finland has been proactive in this area and has achieved a significant narrowing of the gender gap in a relatively short timeframe. Initiatives here were coordinated from the outset and a holistic approach adopted, targets set and the media used to good effect. The determined efforts to increase the rate of women's participation in entrepreneurial activity in Finland and to narrow the gender gap have yielded very encouraging results.<sup>153</sup> (See Appendix 2 on the initiatives that were adopted in Finland).

Given the very positive features in the Irish environment, which are conducive to entrepreneurial activity, orchestrated initiatives to assist women in Ireland to overcome structural impediments or areas of market failure, may be expected to yield very positive results. Such initiatives should be designed as short term measures in order to accelerate progress. The success of these measures should result in their non perpetuation. The ultimate goal is that no special programmes or initiatives should be required as all barriers to the full involvement of women as entrepreneurs would be overcome.

Some initiatives of this nature are already in place and others are in train. These initiatives would appear to be timely given the positive changes that are happening with regard to women's greater participation in the workforce, the high educational attainment of those in work, their greater attainment of managerial experience and their increased perception of entrepreneurial opportunities. This combination of circumstances suggests that further appropriate initiatives would yield good results.

The County Enterprise Boards have taken practical steps to promote gender equality in all their activities and they have also taken positive actions in supporting women through business networks, events and conferences.

Between January 2004 and December 2006, over 48,000 women entrepreneurs have been the recipients of entrepreneurial and capability training supports by the CEBs throughout the country.<sup>154</sup> It is noteworthy that 58.2% of all entrepreneurs supported in this way over the period were women. In addition, over this period some 6,500 women entrepreneurs benefited from mentoring support provided by the CEBs throughout the country and accounted for 45% of all mentoring support provided by the CEBs. Given the relatively smaller number of enterprises owned by women, women entrepreneurs received a disproportionate large share of training and mentoring supports from the CEBs in recent years. Moreover, the membership of the enterprising women networks run by the CEBs has increased substantially in 2006 to 5,795, up from 2,820 the previous year.

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<sup>151</sup> Figures to illustrate the growth not only in terms of numbers but in terms of revenues and employment impacts are quoted in *Venture Capital Access: Is Gender an Issue?* C G Brush et al. chapter 7, page 142-143 *The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy*, edited by David M. Hart, Cambridge University Press, 2003.

<sup>152</sup> *Women's Business Ownership: Recent Research and Policy Development*, DTI, November 2006, page 6.

<sup>153</sup> Total early stage entrepreneurship (TEA) of 5.92 for men compared to 4.04 for women in 2006. This is a participation ratio of 1.46 in Finland compared to that in Ireland of 2.50. The overall rate of early stage entrepreneurial activity in Ireland is significantly higher for men and broadly similarly for women when compared to Finland. (Source GEM 2006).

<sup>154</sup> Source: Department of Enterprise Trade and Employment.

As the CEBs increase their profile as being the first point of contact for all individuals thinking of setting up a new business and draw more potential entrepreneurs to them, they are well positioned to assist women entrepreneurs through their mainstream training programmes and mentoring supports and through their facilitated gender specific networks. They are more restricted in terms of the provision of financial supports, however, given the eligibility criteria that apply to these supports and the sectoral bias of many women's business ventures.

The Leader Boards also have initiatives around special training for women and over 16,000 women have participated in sponsored training programmes. This represents 42% of all those trained.

Pobal's mission is to promote social inclusion, reconciliation and equality through integrated social and economic development within communities. In 2005, of 670 persons supported, under the Services for the Unemployed Measure to start new enterprises, 221 (33%) were women and 449 (67%) were men.<sup>155</sup>

A specific regional-orientated initiative in the area of female entrepreneurship is the Longford Equal Development Partnership Ltd which focuses on the development of women-led businesses in County Longford. It has been supporting Longford women into and in business since 2002, and is also exploring European best practice to address gender imbalance in entrepreneurship.

Enterprise Ireland for its part has recently begun to address issues particular to female entrepreneurs via a number of events, seminars and information sharing and is very open to innovation in this area. The organisation is hopeful that specifically targeting women in this way will increase the number of strong women entrepreneurs that emerge.

Towards the end of 2007, **Women's Enterprise Day** will be introduced which will see women's achievements as entrepreneurs celebrated. A national networking conference will be held on the day organised by the CEBs. As part of an orchestrated PR campaign to maximise the benefits to be derived from that day, the various development agencies will work together, under the leadership of the CEBs, to highlight through the local and national media the achievement of women entrepreneurs.<sup>156</sup> It is intended that this type of promotion will have a positive effect not only on those women who are already entrepreneurs, but on the wider community of women, some of whom will be the entrepreneurs of the future.

The success of these various initiatives should be carefully monitored and, if successful, they should be further resourced. Other initiatives that may prove fruitful in the Irish context are outlined in the paragraphs that follow.

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<sup>155</sup> Pobal Annual Report and Accounts 2005.

<sup>156</sup> With sponsorship from the NDP Gender Equality Unit.

- **Targeting of sectors where highly skilled women work:** There should be particular targeting of sectors where large numbers of women with high levels of specialisation and skills are employed. This would include the health sector, the education sector, catering and tourism sectors, the legal services and medical products.<sup>157</sup> Means of introducing the idea of an entrepreneurial career to women in these sectors should be initiated, as market failure in terms of information deficits, opportunity perception and role models may exist.
- **Greater visibility for role models:** Research suggests that where there is a low density of SME activity, a broadly focused campaign is needed to encourage greater participation.<sup>158</sup> Applying this to Ireland, given the low density of women owned businesses, there is a need to promote a greater visibility of role models to demonstrate that an entrepreneurial career is possible, enjoyable, lucrative and that it can be reconciled with family responsibilities. This requires a broad brush approach through considered interventions in the education system and through an orchestrated and imaginative PR campaign at local, regional and national level to reach beyond the existing clients of the development agencies. A suitable campaign would seek coverage in a range of media and not be confined to the business pages, but would be targeted at those areas of the media that are of interest to women, including supplements and magazines. It may be possible that some of the Irish based soaps, for example, could be encouraged to show one of the female characters starting a new business. These interventions need to be sustained to be effective.
- The current structure of the development agencies make such a nation wide cross agency approach difficult to orchestrate, but the proposed National Entrepreneurship Forum (Section 6) could facilitate an initiative of this nature.
- **Strengthening social capital:** Social networks are also very important in gaining access to resources, to more experienced entrepreneurs as mentors and to others who can assist in opening doors. Given their personal backgrounds and employment experiences and the socio-economic and cultural context in which their businesses operate, the social networks of women may not be equally developed in terms of being useful to them as entrepreneurs, as are those of men.<sup>159</sup>
- While the gender specific networks currently run by the County Enterprise Boards are addressing a need for mutual support among women entrepreneurs, they may not be sufficient in themselves to build the broader social networks of the type required. The need is for women to integrate into networks which are frequently dominated by men and are often of an informal nature. This is often best achieved through introductions. These could be made for example by a development executive with a wider contact base or by well connected mentors. Accordingly, advisors and mentors, whether from the

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<sup>157</sup> As suggested in *Promoting Gender Equality in Entrepreneurship*, submission from the NDP Gender Equality Unit to the Implementation Group on the Small Business Forum Report.

<sup>158</sup> Whereas in the opposite situation a more targeted focus is appropriate. *Entrepreneurship Policy: Theory and Practice*, A. Lundstrom and L. Stevenson, International Studies in Entrepreneurship, Springer, 2005.

<sup>159</sup> *Women's Business Ownership: Recent Research and Policy Developments*, Small Business Service November 2006. This report suggests that these disadvantages experienced by women may also relate to other areas of entrepreneurial capital such as human, physical, organizational and technological as well as social networks described above. It should be pointed out, however, that women do not constitute a homogenous group and their experience of gender related constraints varies markedly.

private or public sector, should see their role as providing contacts and introductions, as well as being providing advice and acting as a sounding board for a new entrepreneur.

- The private sector business associations also have a clear role to play in this area and should consciously seek to recruit more women members and assist in their full integration into the associations.
- Support should also be provided to women’s business networks in the private sector such as Women in Technology and Science (WITS) and Network Ireland to facilitate women supporting each other in their career development, networking and progression in business, as these have a clear knock on effect into greater entrepreneurial activity.
- **Harnessing the resources of the education system in order to build entrepreneurial capacity and confidence among young women.** Fewer women than men have confidence in their ability to successful start and run a new business and this lack of self-belief has a major influence on the numbers of women that choose an entrepreneurial career. To encourage increased entrepreneurial activity among women, greater numbers of women must develop a confidence in their ability to become successful entrepreneurs. The educational system has a key role to play in this regard, as it can instil confidence and impart skills in young people and in this way strengthen the capacity of those who may consider an entrepreneurial career in the future.
- **Encouraging a greater aspiration for growth:** A quarter of new businesses being started and planned by women are designed from the outset to be sole traders/self-employed. This imposed limitation may be deliberate as in certain circumstances it may allow women to manage their work life balance. With greater access to role models, however, more women entrepreneurs may increase the aspiration for their new business and alter its strategic position from the outset in order to build a business capable of growth, rather than to remain self-employed. This would increase the social and personal benefits for women of their entrepreneurial activity. To this end, those attending Start your Own Business type training courses run by the development agencies should be encouraged to explore the growth potential of their new businesses from the outset.
- **Role for institutions who provide microfinance:** Women typically have lower financing requirements for their new business than men do. It is clear, however, that women have a lower percentage of their own funds to invest in the new business. Accordingly, their relative requirement for third party funds is greater (Table 21). It seems appropriate that institutions that provide microfinance for example, First Step, Credit Unions, banks, etc. would target and promote their services to women entrepreneurs.

Table 21: Financing Requirements of All Early Stage Entrepreneurs by Gender

	Male	Female
Total Required (Median)	€27,300	€19,400
Entrepreneurs own Investment (Median)	€15,000	€5,000

Entrepreneurs own Investment as % of the Total	55%	26%
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Source: GEM 2006

Much as been written about the greater difficulties that women have in providing funds from their own resources to start a new business and in accessing finance.<sup>160</sup> It has been suggested that women's businesses are limited in their growth potential due to the need to bootstrap and to grow the business from their own very limited resources.<sup>161</sup>

In Ireland, many women entrepreneurs are excluded from receiving financial assistance from the development agencies due to the fact that their new businesses tend to be in sectors outside the main eligible areas. For example, between January 2004 and December 2006, less than one third (27.7%) of all those who received financial assistance from the CEBs were women.<sup>162</sup> In these circumstances, it seems appropriate that First Step would continue to target and promote its services to women entrepreneurs,<sup>163</sup> as it provides micro finance, without seeking security, to those who may otherwise have difficulty securing the necessary finance for a new business.

- Improved and less expensive childcare:** Responsibilities as primary carers within the family make it more difficult for women to be active as entrepreneurs. Moreover, the age profile of the most entrepreneurially active individuals (25-45 years) corresponds with the age at which women tend to have their children. As employees women are entitled to increasingly attractive maternity and parental leave, which may not be available to them as owner managers. This counteracts the potential attractiveness associated with greater flexibility that self-employment and business ownership offers to women.<sup>164</sup>

Childcare has been identified as a key barrier to female participation - Ireland has one of the lowest levels of publicly funded childcare in the EU and the cost of private childcare is one of the highest in the EU.<sup>165</sup> Currently one reason why young mothers can work is because they receive free childcare support from family members.<sup>166</sup> The main reasons why people do not use crèches in Ireland are because the service is not available (46%) and the second reason is that it is too costly (37%).<sup>167</sup>

<sup>160</sup> *Does enhancing women's financial sophistication promote entrepreneurial success?* Carter et al (2002) Paper presented at Promoting Female Entrepreneurship, Dundalk IT, 2002; A cross border exploratory study of internationalizing female entrepreneurs in Ireland, paper presented at the promoting female entrepreneurs conference, E. McClelland, Dundalk IT, 2002; Facilitating women's entrepreneurship, L. Stevenson OECD workshop, Entrepreneurship in a Global Economy: Strategic issues and policies, 2003.

<sup>161</sup> *Does enhancing women's financial sophistication promote entrepreneurial success?* Carter et al (2002) Paper presented at Promoting Female Entrepreneurship, Dundalk IT, 2002.

<sup>162</sup> Source: Department of Enterprise, Trade and Employment.

<sup>163</sup> According to First Step Microfinance sources, they have supported some 2,000 start-ups to date with nearly an equal proportion being women. Further information is available at [www.first-step.ie](http://www.first-step.ie).

<sup>164</sup> Women's Business Ownership: Recent Research and Policy Developments, Small Business Service November 2006.

<sup>165</sup> OECD, Removing the Obstacles to Employment for Women in Ireland, 2006.

<sup>166</sup> OECD, Removing the Obstacles to Employment for Women in Ireland, 2006.

<sup>167</sup> TSG, Discussion Paper on Childcare, 2005, available at: <http://www.finance.gov.ie/documents/tsg/2006/tg1405.pdf>.



Given this situation it is not surprising that the employment participation rate for women in Ireland with children under the age of 5 (46%) is the lowest in the EU, where the average participation rate for women is 60% in these circumstances. Moreover, just 22% of women in Ireland aged between 25 and 54, who have two or more children, are in full-employment. This is below the OECD average and it is also below the corresponding rate in Nordic countries (59%).<sup>168</sup>

There may also be scope for an effective return to work enterprise option for women, as is being developed in the UK, as an initiative of this nature targets a pivotal cross roads in many women's lives. Similarly, when the family responsibilities lessen on a woman who may be in employment, an entrepreneurial career may then become an option, when it was not practical earlier. At this stage she may be older than the typical entrepreneur. Role models are needed to present entrepreneurship as a credible option at the various stages of a women's life.

- **Need to monitor progress:** The NDP Gender Equality Unit notes that promoting women's entrepreneurship is a cross-Governmental function which is wider than enterprise policy and extends beyond the brief of any one agency working in the area. There is a need, the Unit contends, to monitor the full spectrum of enterprise activity and related matters, while not duplicating functions of agencies operating in the field.<sup>169</sup> It is suggested that the area of women and entrepreneurship should be one of the areas on which the proposed National Entrepreneurship Forum should focus. (Section 6)

To monitor progress in the greater participation of women as entrepreneurs, the personal context of women, particularly their perception of relevant skills, fear of failure and role models should be monitored annually, as should their level of participation in early stage entrepreneurial activity and these should be reported as part of the *Annual Entrepreneurship Review*.

## 5.4 Immigrants and Entrepreneurship

There are a large and growing number of immigrants in the country. They have been a very significant contributor to the growth in the population (8.2%) which took place between 2002 and 2006.<sup>170</sup> The latest census indicates that non-nationals now number 420,000 and account for one in ten of the population. This is an increase of 87% on the 2002 position.

Citizens from other EU States are the most numerous and fastest growing of the non national groups resident in Ireland. This trend is likely to continue, at least in the short term, as in the twelve months prior to the Census, three in every four (75%) of those, who migrated into the State, were from EU countries.

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<sup>168</sup> Equality for Women Measure, Forum on the Workplace of the Future-Submission from the Equality for Women Measure, 2005.

<sup>169</sup> The Unit recommends that the education system should be tasked to contribute strongly to the development of men and women with both technical and people skills in the interests of entrepreneurship and enterprise development.

<sup>170</sup> Source: Census 2006.

While UK citizens living in Ireland make up the most numerous of the non national groups, this group is not the fastest growing. Citizens of the newer Member states are the most rapidly increasing. Of these Polish nationals now number over 63,000 and are the largest national group from new member States within the enlarged EU. Lithuanians are the next largest national group with 24,600 of its citizens now living in the country.

The 2006 Census also recorded 47,000 persons from Asia, 35,300 from Africa, and 24,400 from other European (non EU) countries as living in Ireland. Each of these national groups significantly increased their numbers within Ireland since 2002 (Table 22).

Table 22: Citizens of Asian, African and other European Countries Living in Ireland in 2002 and 2006

	2002	2006	Increase	Increase (%)
UK	103,500	112,500	9,000	8.7
Other EU 25	38,400	163,200	124,800	325.0
Asia	21,800	47,000	25,200	115.5
Africa	21,000	35,300	14,300	68.0
Rest of Europe	14,700	24,400	9,700	65.9

Census 2002 and 2006

Non-nationals are a heterogeneous group in terms of language, ethnic background and culture. While the majority of those newly arrived into the country are from the enlarged EU and are European, distinguished only by accent and degree of fluency in English, a greater range of ethnic backgrounds are now a feature of the population than was the case previously.

It is generally considered that immigrants tend to be more entrepreneurial compared to those who are living in the country of their birth, because of their personal traits of self-determination and risk taking, which have been evidenced by their taking the decision to leave the country of their birth in the first place.<sup>171</sup> Moreover, a greater proportion of non nationals living in the State are aged between 25 and 44 (50%) compared with Irish nationals (28%). As this is the age group that is predominant among early stage entrepreneurs, it suggests that, all other things being equal, a higher percentage of non nationals would be active as entrepreneurs, than is the case for Irish nationals.

The problems faced by potential entrepreneurs, who are relatively recently arrived into Ireland, are more acute than those faced by many other entrepreneurs, due to greater difficulties with access to relevant knowledge, information, and networks.<sup>172</sup> They also have considerable difficulty in developing a relationship

<sup>171</sup> The EU Green Paper singled out ethnic minorities as having particular potential as they display *high levels of entrepreneurial flair*, while pointing out the additional barriers that they face and their concentration in low entry threshold activities. Section III, A, iv, page 14. See also *Immigrant Micro - Entrepreneurs in Ireland 2006*, a contextual Report and Focus Group Summary, First Step Microfinance, 2007, page 4.

<sup>172</sup> A review of the relevant literature carried out by Dr. Thomas Cooney, Institute for Minority Entrepreneurs, suggests that ethnic entrepreneurs face the following barriers:

with a bank or other financial institution given their lack of a credit history combined with a lack of seed capital. Indeed, access to finance, is considered by ethnic and minority entrepreneurs to be the greatest single problem that they face.<sup>173</sup>

In Ireland there is a complete lack of research to determine how many of the non nationals now living in the country have a propensity to become entrepreneurs, have already actively started to plan a new businesses or have recently begun trading.

As the advent of non national entrepreneurs is a fairly recent trend, there are no figures available from the County Enterprise Boards with regard to the number of non nationals that are using the resources or supports of the Enterprise Boards, as they do not keep a separate record of the nationality of those making enquiries and using the services provided. It is reported, however, that a growing number of enquiries are coming from non nationals. For example in Donegal, it is reported that about 12.5% (20 out of 160) of those making enquiries of the Business Information Services, since the beginning of 2007, are non nationals. The majority of their queries related to retail, import and wholesale or low entry service type businesses. While a small number of Enterprise Boards have been involved in specific initiatives aimed at immigrant entrepreneurs,<sup>174</sup> for the most part there are no special programmes run by the Enterprise Boards for this group.

The Area Partnerships are focusing on ethnic entrepreneurs as an emerging client group and a number of Partnerships are reported to be actively targeting their services at this particular group with a view to assisting them to achieve greater social integration.<sup>175</sup>

There have been a number of recent initiatives which focused specifically on immigrant/ethnic entrepreneurs.

- 1 **The Emerge Development Partnership** initiative was established in 2005 to provide a range of soft supports to immigrant entrepreneurs, to inform policy with regard to the potential of this group of entrepreneurs and the barriers faced by them, and to integrate minority businesses into the mainstream business networks.<sup>176</sup> This initiative has funding from the European Social Fund until the end of the current year. Emerge focused on third country nationals and ethnic minorities from new Members States who were planning to set up a new business in Ireland or who had already done so.

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- Poor access to banking and credit facilities,
  - Lack of trust by the local community,
  - Poor level of personal contacts and networks locally,
  - Difficulty in accessing business information,
  - Difficulty with business permits policy,
  - Poor business locations (due to low rent, etc),
  - Small business size and limited opportunity to grow.

<sup>173</sup> *Immigrant Micro - Entrepreneurs in Ireland 2006*, A contextual Report and Focus Group Summary, First Step Microfinance, 2007, page 4.

<sup>174</sup> For example, Sligo CEB has run a Start your Own Business Course over 10 weeks through the medium of Russian and Fingal CEB has run two seminars entitled "Starting a Business for Foreign Nationals: Your Essential Guide" in Balbriggan and Blanchardstown.

<sup>175</sup> *Enterprise Supports, Training & Start-up Assistance for Ethnic Minority Entrepreneurs*, Terenure Enterprise Centre, 2003 quoted in *Immigrant Micro - Entrepreneurs in Ireland 2006*, A Contextual Report and Focus Group Summary, First Step Microfinance, 2007, page 41.

<sup>176</sup> The partner organisations involved in the initiatives included Cork City and South County Enterprise Boards, Partas, a social enterprise based in Tallaght, BASE, a social partnership based in Blanchardstown, Galway City partnership, FÁS, the Small Firms Association and Metro Éireann, Ireland's first multicultural newspaper.

Training was delivered in Dublin (2 locations), in Cork and in Galway. It would appear that some difficulty was encountered in identifying suitable candidates for the training programmes, although the completion rates of those who commenced training is high. The most popular programmes were those aimed at the pre-enterprise and start-up stages, particularly the former. To date, 340 potential and new entrepreneurs have attended training programmes run by this Partnership.

- 2 **The Institute of Minority Entrepreneurship**, director Dr. Tom Cooney, was established in 2006 in Dublin Institute of Technology. 'Minority Entrepreneurship' has been broadly defined by the Institute to be inclusive of those communities who are generally regarded as being outside of mainstream Irish society in terms of entrepreneurship. Ethnic minorities are the first of the minority groups on which the Institute has particularly focused. The primary objective of the Institute is to bring significant benefit to its target audiences by researching the needs of these minority entrepreneurship groups, developing appropriate training programmes and materials, and delivering these programmes in the most effective manner possible for each individual group. The first of the programmes aimed specifically at immigrants starting new businesses ran over a three-month period (February to April inclusive 2007) with 21 people attending.
- 3 **First Step** is a not for profit organisation which provides micro loans for start-up and developing business, which pass the necessary loan and business criteria, and requires no collateral from applicants. The organisation also provides business advice and a mentoring service to its clients. First Step has identified ethnicity in entrepreneurship as a growing trend.<sup>177</sup> Demonstrating its commitment to this area, First Step, as a member of the European Microfinance Network (EMN), has recently participated in an 18 month long project funded by the Commission aimed at integrating third country nationals. First Step is committed to improving microfinance services delivery to immigrants and ethnic minority entrepreneurs in Ireland and has recently published a report on immigrant micro entrepreneurs.
- 4 **The Ethnic Entrepreneur of the Year** was initiated in 2006 with sponsorship from Permanent TSB and Metro Éireann. Kenyan born Rita Shah, founder of Shabra Plastics in Monaghan, was the overall winner of the award, which was presented by the President.<sup>178</sup>

As the number of non nationals newly arrived into Ireland is considerable and is likely to continue into the future, it is considered that the recommendation of the Small Business Forum that latent entrepreneurial potential may exist among the immigrant community has considerable grounds. Accordingly, it is appropriate that a coordinated approach be put in place, in order to appropriately respond to the needs of this group and to address the particular barriers that they face. It is important that implementation is in a manner that is efficient and effectively meets their needs without undue duplication on the part of the agencies and other organisations active in this area.

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<sup>177</sup> In 2004, 15% of total clients were from immigrants, whereas two years previously there would not have been any non-nationals clients. Clients in this area are typically referred to First Step by the Department of Social Welfare of the Area Partnership. Extract from Mike Kennedy MBA thesis *Entrepreneurial Challenges & Opportunities for Ethnic Minority Groupings in Ireland in the 21<sup>st</sup> Century*, University of Limerick, 2005 reproduced in *Immigrant Micro - Entrepreneurs in Ireland 2006*, A Contextual Report and Focus Group Summary, First Step Microfinance, 2007, pages 68 -73.

<sup>178</sup> Rita Shah is a member of the National Entrepreneurship Policy advisory group.

The County Enterprise Boards should be clearly recognised as the first point of contact for those considering setting up new businesses. This should be the case for all groups of potential or new entrepreneurs regardless of gender, nationality or background. To this end, it is recommended that

- Information to the effect that the Enterprise Boards are the first point of contact for those considering starting a business should be communicated to the media and other information points which are targeted at non nationals.
- The various printed materials available from the Enterprise Boards on starting a new business and the services available should be made available in several languages. Similarly the web site of the Enterprise Boards should have the facility to view the information presented on the site in a range of other languages.
- The executives of the Enterprise Boards should act as a signpost and direct those making enquiries to sister organisations such as Area Partnerships, if appropriate. The executives should also be aware of initiatives taking place in their county that are specifically aimed at this group of potential entrepreneurs.
- The knowledge base, which was recommended by the Small Business Forum, should be widely promoted among the immigrant community when it becomes fully operational.

It is apparent that the demand for assistance from non nationals is in the pre start and start-up stages of their new ventures. Their main requirements appear to be access to information, access to appropriate training and access to finance.

Evidence from those who have run courses for non national entrepreneurs suggest that the essence of the course is not essentially different than for Irish entrepreneurs at the same stage of development, except in terms of its slightly slower pace, its need to familiarise those attending with the culture and norms surrounding doing business in Ireland, and the greater need to support the entrepreneurs to connect into the administration system.

As the number of non national entrepreneurs may be expected to grow in the years ahead and, as they are not a homogeneous group and have varying needs, it is considered that information and training services should be available to those that need them in a manner that is appropriate. Accordingly, it would appear that all the various organisations active in this area will have continue to have separate roles to play in the support of non national entrepreneurs into the future.

- **The Enterprise Boards** should direct their efforts in the first place at signposting and disseminating information and thereafter concentrate in particular on those non national entrepreneurs and their new enterprises that have the potential to be mainstreamed as the objective of the Enterprise Boards is primarily economic.
- The initiatives such as **Emerge and the Institute for Minority Entrepreneurs** appear to compliment the work of the Enterprise Boards and to have a different focus for their activities. It appears that social integration through enterprise is the objective that the Partnerships adopt in this area and that they view non nationals as a marginalised group with additional hurdles to overcome to those facing most entrepreneurs starting businesses in Ireland. From available evidence to date, it appears that many of

the businesses that are being proposed by this group entail low barriers to entry and are limited in their growth potential.

- Given the inherent difficulties that many non nationals have in accessing finance from the main financial institutions, and given that the majority of the proposed new businesses would not qualify for financial support under the existing eligibility criteria, it is considered that **First Step** performs an important service in filling what would otherwise be a gap in access to finance for this group of entrepreneurs.
- The partnership of the **Small Firms Association** with the Emerge initiative was designed to bridge the link between newly arrived non national entrepreneurs and other entrepreneurs/owner managers. As integration remains challenging for non national entrepreneurs, there may also be a role for the **Enterprise Boards** and their networks in this regard.
- There should be close cooperation between the various agencies and other stakeholders active in the support of non national entrepreneurs to ensure that a **seamless service** is provided to this group of entrepreneurs, information and training are made available in an appropriate manner without duplication and that a smooth transition of entrepreneurs takes place along a development path with assistance appropriate to their needs.

Experience to date suggests that there is generally a time lag between immigrants arriving into Ireland and becoming active as entrepreneurs. Accordingly, it may be some years yet before the full impact of this group as entrepreneurs is apparent, as their arrival is a relatively recent phenomenon.

## 5.5 Facilitating a Greater Involvement in Entrepreneurial Activity

This section has illustrated that an objective to bring about a greater involvement by women and those newly arrived into Ireland is well founded in the present circumstances. For the most part a mainstreaming approach should be adopted for both groups with tailored positive initiatives being taken to overcome specific barriers or market failures where necessary and to accelerate progress. With good data and monitoring system progress can be monitored. The aim should be that in time no special programmes or initiatives would be required, as all barriers to the full involvement of these groups would be overcome.<sup>179</sup>

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<sup>179</sup> Promoting Gender Equality in Entrepreneurship, submission from the NDP Gender Equality Unit to the Implementation Group on the Small Business Forum Report.

## Section 6: Driving Implementation in a Manner Conducive to Entrepreneurship

### 6.1 Introduction

Creating an entrepreneurial society that fosters entrepreneurship, creates favourable framework conditions for business owners and invests in future entrepreneurs is a challenge in which all facets of society have a role to play.

Accordingly, the vision proposed to guide the national entrepreneurship policy has been deliberately framed to allow (potential) entrepreneurs, policy makers, educationalists, agency executives, providers of finance including venture capitalists, those within the science and technological research community, the media and other key players in an entrepreneurial society to identify with it. It is therefore appropriate that all the key players are involved in its implementation.

This section proposes an approach to implementation that puts the entrepreneur centre stage and draws on the best of what the public and private sector can offer to influence its positive outcome.

### 6.2 The Nature of the Objective

It is essential that the national entrepreneurship policy contains within itself the means of being actioned. Accordingly, the objective is to drive implementation of the policy in a manner that is conducive to entrepreneurship and in a way that brings clear benefits to all the people of Ireland.

### 6.3 Influencing Factors

As was outlined in Section 2, the scope of entrepreneurship policy is very broad and is differentiated from SME policy by its breadth and horizontal nature.

Entrepreneurship policy is primarily focused on individuals and the economic, technological, institutional, cultural and personal context in which he/she chooses entrepreneurship over employment.

It seeks to ensure that the needs of people are met, and unnecessary barriers removed, as they move through the earliest stages of the entrepreneurial process from awareness to intent, to the active planning and gathering of the necessary resources, to the early days of the new venture as it gets off the ground.

In its implementation, entrepreneurship policy must incorporate a broad set of institutional partners, which necessitates the involvement of Government and a wide range of public and private interests.<sup>180</sup>

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<sup>180</sup> The rationale for this approach is spelt out in detail in Section 2.3 and builds on the extensive research of Lundstrom and Stevenson in this area.

The degree to which entrepreneurship is given due political recognition, relevant to its central importance in creating competitive advantage in a knowledge economy, will be highly influential on the eventual success of the policy.

## 6.4 Current Situation

Entrepreneurship is moving up the policy agenda, as its importance is recognised as being central to the development of a knowledge economy.

The State, through the development agencies and sponsorship of privately operated initiatives, provides a wide range of supports and initiatives to stimulate entrepreneurship. These are outlined in detail in the comprehensive mapping exercise carried out by Forfás.<sup>181</sup> The private sector also has a range of excellent initiatives in place to celebrate entrepreneurs and to encourage a culture of enterprise in the colleges and schools. The media for its part is highly supportive of entrepreneurs and plays a very positive role in underlining the very positive culture that exists.

There is, however, no articulated vision for entrepreneurship to engender a shared sense of mission across the various stakeholders and no champion for entrepreneurship within the system at Ministerial or Departmental level. Consequently, there is no forum to drive entrepreneurship policy and initiatives in a coherent manner.

## 6.5 Experience of Other Countries

Learning from the experience of other countries, Ireland can benefit from their experience, while tailoring its approach to the specific circumstances of this country.

Finland, the Netherlands and the United Kingdom have been singled out within Europe, as countries with the most holistic entrepreneurship policy in practice.<sup>182</sup> In all three cases, the level of entrepreneurship within the country was relatively low; the governments had a desire to be more competitive in the global economy; and believed that increasing the level of entrepreneurial activity would lead to higher levels of innovation, productivity and economic growth.

These countries have each adopted an entrepreneurial process perspective and have introduced measures to address each stage of the development cycle of an entrepreneur. In these three examples, there is a horizontal, inter-ministerial structure which recognises that many areas of government impact on business start-up and growth.

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<sup>181</sup> Forfás has undertaken a mapping exercise to look at all these supports offered for entrepreneurship. It is published online in tandem with this document and is available on the Forfás website, [www.Forfas.ie](http://www.Forfas.ie).

<sup>182</sup> *Entrepreneurship Policy: Theory and Practice*, A. Lundstrom and L. Stevenson, International Studies in Entrepreneurship, Springer, 2005 page 133.



It should be pointed out, however, that notwithstanding these excellent structural arrangements and other initiatives, Finland, the Netherlands and the UK continue to have relatively lower levels of early stage entrepreneurial activity compared to Ireland.

The inherent weaknesses that are present in these countries are not present in Ireland to the same degree. Accordingly, Ireland is in a very strong position to benefit from improvements in the coordination mechanisms and from organisational improvements, as the fundamentals are very strong and are pointing in the right direction.

There is a clear recognition that entrepreneurship policy will never by itself determine what (potential) entrepreneurs do and how they affect society, nor should it aim to do so. But where public policy and governance can and do shape entrepreneurial behaviour, there should be a consciousness of their consequences and an effort to improve them to the greatest extent possible.<sup>183</sup>

In its desire to be one of the most successful entrepreneurial countries in the world, what Ireland can take from these examples is the need to focus on the entrepreneur and on the factors that influence the motivation, opportunity recognition, and skills of individuals within the population to make an active choice to be an entrepreneur. Ireland can then respond by putting in place mechanisms that enhance coherence across the system in a manner conducive to entrepreneurial endeavour.

## 6.6 National Entrepreneurship Forum

It is proposed that a National Entrepreneurship Forum be established. This would be a high level group to drive entrepreneurship. Membership of the Forum would be very broad and would include all the various stakeholders - entrepreneurs, cross Department representation, representatives of the State agencies, and representatives of the education system and its institutions.

The Forum would oversee the implementation of the policy and monitor progress through the Annual Entrepreneurship Review, which would be carried out on its behalf. It would highlight the barriers to progress, set out an agenda for their resolution and prioritise areas to drive further progress.

It would be a champion of entrepreneurship and unrelenting in raising the important issues related to the topic. Through its actions and utterances the Forum would highlight:

- The positive achievements to date;
- The many benefits to be derived from a truly entrepreneurial society; and
- The fact that responsibility for the achievement of the vision requires commitment and action across Government, the public and the private sector and most particularly from those individuals, *local heroes*, who decide to become entrepreneurs.

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<sup>183</sup> The Emergence of Entrepreneurship Policy: Governance, Start-ups, and Growth in the US Knowledge Economy, edited by David M. Hart, Cambridge University Press, 2003, page 16.

The approach set out above reflects the call in the EU Green Paper for a coordinated approach to entrepreneurship policy.<sup>184</sup>

*Entrepreneurship requires a coordinated approach because of its horizontal nature. Policy should embrace all the influential elements within the relevant policy areas, to allow these to act in a mutually reinforcing way. Within public authorities, co-ordinating services can forge links between different departments, and regional and local authorities, to identify priorities and ensure a coherent approach.*

The Forum could be hosted within a Government Department or within Forfás. This will be a matter for further discussion should the principle of a National Entrepreneurship Forum be adopted.

To ensure that the concerns of entrepreneurs are brought to the heart of the system, it is recommended that a prominent entrepreneur be appointed as the chair of the National Entrepreneurship Forum. The entrepreneur selected should be a high profile individual, who not only set up his/her own business but has continued to behave in an entrepreneurial fashion rather than reverted to a more managerial style of operation. In this way, this individual should ideally incorporate within him/herself several of the separate interpretations of the word entrepreneur<sup>185</sup> and is a role model of the type of entrepreneur that the national entrepreneurship policy is designed to support.

Consideration should also be given to the merits of appointing an entrepreneur in residence to advise the public sector on the concerns of entrepreneurs and to liaise with the system to remove specific barriers. There is merit in considering a rotation in this role with an 18 month to 2 year term. This recognises the difficulty of the role and the competing demands on this person's time.

## 6.7 Annual Entrepreneurship Review

The Annual Entrepreneurship Review is designed to monitor progress on a range of issues, assess the relative effectiveness of various initiatives and identify outstanding impediments to progress.

Achievement of the strategic objectives will be prioritised and measures identified to assess progress towards this end:

- Maintain and further developing an environment that is conducive to entrepreneurship.
- Ensure a flow of future entrepreneurs by leveraging a positive culture and the resources of the education system.
- Harness the entrepreneurial potential of women and immigrants within the population.
- Strengthen the capabilities of entrepreneurs to improve their capacity and aspiration for growth.
- Maximise the number of entrepreneurs with international focus.

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<sup>184</sup> EU Green Paper, Entrepreneurship in Europe, January 2003. Available at [http://ec.europa.eu/enterprise/entrepreneurship/green\\_paper/green\\_paper\\_final\\_en.pdf](http://ec.europa.eu/enterprise/entrepreneurship/green_paper/green_paper_final_en.pdf) .

<sup>185</sup> See Section 2.4 for a discussion of the different meanings of the term *entrepreneur*.

- Deliver policy and initiatives in a coherent manner across the public sector in a way that is conducive to entrepreneurship and which maximises the potential of ambitious entrepreneurs.

A range of suggested individual measures have been suggested in respect of the environment (Section 3.5), culture (Section 4.4), the education system (Section 4.5) and the greater participation of under represented groups, particularly women (Section 5.3) and immigrants (Section 5.4).

Efforts should also be made to monitor the number of new business that are being established and the number of these that have growth and internationalising ambitions. Results should be compared across a range of developed countries, particularly with those that are highly entrepreneurial.

Comprehensive monitoring instruments will draw on information from a range of sources. Efforts are being made at OECD level to develop the relevant data sources and Ireland is fully involved in these discussions. There are sufficient streams of information currently available from a range of sources, however, to begin this process.

## **6.8 A Responsive Public Sector Championing Entrepreneurship**

The culture of a responsive public sector championing entrepreneurship needs to be further strengthened. This will require recognition at Government and Ministerial level of the central importance of entrepreneurship as a means of competitive advantage in the development of a knowledge economy. This should become evident through the speeches of Ministers with different portfolios and responsibilities. This is essential in order to ensure the cooperation of Government Departments in coordinating and focusing efforts to bring about an entrepreneurial society. This approach is in line with the Taoiseach's call for "innovative and integrated 'whole of Government' policy development" which was seen to be a key theme critical to the successful implementation of the current National Development Plan.

There is a need to have appropriate mechanisms in place to ensure the following:

- The policy supporting the development of an entrepreneurial society is suitably comprehensive and involves all the relevant Departments of State in its development;
- The programme of support and assistance provided is designed to achieve the policy objectives and is appropriate to the needs of entrepreneurs and potential entrepreneurs and can deliver tangible benefits;
- The impact of the supported initiatives is regularly monitored to ensure that they continue to meet the policy objectives and the needs of entrepreneurs and potential entrepreneurs, in a manner that is not unfair to existing businesses;
- Those initiatives that are not effective are discontinued;
- Assistance and supports are provided in a manner that ensures coherence; and
- Assistance and supports are justified and provide an efficient allocation of public funding.

The public sector in creating conditions and in delivering support to entrepreneurs and potential entrepreneurs will at all times be characterised by the following:

- A high degree of responsiveness to the changing needs of entrepreneurs in a modern society and knowledge economy.
- A commitment to conduct all interactions in a way that indicates that the entrepreneur is highly valued.
- An aspiration for excellence in the manner of delivery of information, advice and other supports, in a courteous and timely fashion that adds value from the entrepreneur's perspective.
- A coherence of approach across Departments, the education system, development agencies and other agents of the State.
- A commitment to enhance the effectiveness and efficiency of its interventions whenever possible.

Given the primary role of the Department of Enterprise, Trade and Employment in this area a specific person should be designated with responsibility for entrepreneurship and for the coordination of entrepreneurship policy within and across Departments, across the agencies for which it has responsibility and across all aspects of the Department's business. This individual would need to be at a senior level, would have a small expert team reporting to him/her and be adequately resourced to fulfil the responsibilities in this area. This person would also be responsible for ongoing evaluation and monitoring to ensure that the supports being delivered through the Department's agencies have a high degree of coherence and are appropriate to the needs of entrepreneurs, and that they are effective in achieving their aims. This person would fulfil the role of champion of entrepreneurship within and across Government Departments.

The objective should be to have in place mechanisms to ensure a complementary approach to the development and support of entrepreneurs and potential entrepreneurs in a manner that delivers consistency and coherence across the public sector in all its manifestations.

There is a need for the development agencies operating in this area to ensure coherence in their operations and to deliver the same excellent service to potential and new entrepreneurs, be it through the provision of relevant information, advice, training, mentoring, the facilitation of networks or the provision of financial assistance.<sup>186</sup>

The establishment of a central support unit (CSU) within Enterprise Ireland for the CEBs should ensure a closer working relationship between these organisations and between these and the Business Innovation Centres (BICs) for the benefit of entrepreneurs and potential entrepreneurs. As a result, a more seamless service should be available for ambitious entrepreneurs as they move through the development and growth process. Similarly, the recently announced restructuring of the Leader programmes and Area Partnerships will ensure a greater coherence in the operations of these organisations. There is a need for these agencies, which report into different Government Departments, to ensure that a complementary approach, without unnecessary duplication, is delivered to entrepreneurs and potential entrepreneurs throughout the country.

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<sup>186</sup> The recently established Management Development Council will identify the training needs of nascent and new entrepreneurs, as well of those of more established businesses, and will assess the availability of appropriate training from the public and private sector in this regard. OECD studies indicate that management development training in the first three years after start-up can cut failure rates by almost a half. <http://www.oecd.org/dataoecd/20/43/2492440.pdf>.

A recent report, jointly published by Forfás and the HEA, which examined the role of the Institutes of Technology in enterprise development, highlighted the fact that throughout the regions, links between the enterprise development agencies and the Institutes vary.<sup>187</sup> The report suggests that there is further potential for the development agencies to enhance strategic relationships with the Institutes as this would assist the Institutes in planning for emerging opportunities to meet enterprise education, training, research or development requirements. The report also calls for a greater role for the Institutes in regional and national strategic groups as a means to improving dialogue and understanding of issues being faced by many stakeholders. These suggestions have considerable merit and also have validity for the university sector.

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<sup>187</sup> Role of the Institutes of Technology in Enterprise Development: Profiles and Emerging Findings, HEA and Forfás, June 2007, Page 176. See <http://www.Forfás.ie/publications/Forfás070612/Forfás-role-IOT-enterprise-development.pdf>.

## Section 7: Guiding Principles for a National Entrepreneurship Policy

This section sets down in summary form the main ideas that should guide the development of a national entrepreneurship policy:

- The vision will be adopted and will be the touchstone upon which progress will ultimately be assessed.
- The policy will have at its centre the entrepreneur and the potential entrepreneur without whom it cannot be successful.
- The goal will be to optimise the number of start-up businesses and in particular to maximise the number of innovative start-ups aspiring to and achieving high growth.
- It will require a focus by all parties on the achievement of key strategic objectives:
  - Maintaining and further developing an environment that is conducive to entrepreneurship.
  - Ensuring a flow of future entrepreneurs by leveraging a positive culture and the resources of the education system.
  - Harnessing the entrepreneurial potential of women and immigrants within the population.
  - Strengthening the capabilities of entrepreneurs to improve their capacity and aspiration for growth.
  - Maximising the number of entrepreneurs with an international focus.
  - Delivering policy and initiatives in a coherent manner across the public sector in a way that is conducive to entrepreneurship and which maximises the potential of ambitious entrepreneurs.
- The National Entrepreneurship Forum will be the focal point for the partnership of Government, entrepreneurs, other relevant stakeholders and all interested in developing and benefiting from an entrepreneurial society. The Forum will champion entrepreneurship and will drive the implementation of policy and the achievement of the key objectives.
- The policy will have strong Government endorsement and the commitment of Ministers to its successful implementation.
- A clear timeframe, targets and responsibilities will be set down for each of the key objectives and appropriate resources will be committed to their achievement.
- Progress will be monitored and reported as part of the Annual *Entrepreneurship Review*.
- If developed and implemented in the manner proposed, a future national entrepreneurship policy will ensure that the possibilities that a truly entrepreneurial society presents will be delivered in a manner that brings benefits to all.



## Appendices

## Appendix 1: Members of the Advisory Group

Ms. Marie Bourke, Chair	Forfás, Secretary to the Small Business Forum
Dr. Thomas Cooney	Lecturer in Entrepreneurship, Dublin Institute of Technology & Director of the Institute for Minority Entrepreneurship
Mr. Conor O'Mahony	Department of Enterprise, Trade & Employment, Member of Small Business Forum
Ms. Rosemary Sexton	Enterprise Ireland, Member of Small Business Forum
Ms. Rita Shah	Shabra Plastics & Packaging Ltd., Member of Small Business Forum
Mr. Michael Tunney	Donegal County Enterprise Board
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## Appendix 2: Initiatives by Finland to support a higher number of women entrepreneurs and to narrow the gender gap in terms of new business creation

There has been increasing interest in Finland in supporting female entrepreneurship since the late 1990s by the Finnish government and among Finnish policy makers. A great deal has already been achieved and the GEM results for 2005 show that the gender gap between male and female entrepreneurs in Finland is narrowing - eighty women are now engaged in early stage entrepreneurship in Finland for every one hundred men.<sup>188</sup> The Government is committed to sustaining their initiatives in the area of women's entrepreneurship and ambitious targets have been set. Monitoring will continue to ensure that real and sustained progress has been made in this area.

The paragraphs below set out the initiatives that have been taken to foster greater entrepreneurial activity among Finnish women.<sup>189</sup>

In 1996, a special publicly and privately funded organisation called Women's Enterprise Agency was established to promote female entrepreneurship. The organisation has developed a good reputation in Finland, particularly in the area of developing and coordinating mentoring and networking initiatives and also in organising various seminars and other promotional activities for both established and potential female entrepreneurs.<sup>190</sup>

In 1997, the Government owned financing company, Finnvera Plc, launched a loan instrument, addressed directly to females being either established entrepreneurs or those in the start-up phase.

The Finnish government launched a national "Entrepreneurship Project" in early 2000 catalysed by the GEM 1999 report, in which Finland came out as the least entrepreneurial country of the 10 countries that took part in the first GEM research study. The aim of this project was to support overall entrepreneurship in Finland, one of the focal areas being promoting enterprise start-up, in general, and particularly among females. As a result, several measures were introduced, including the following:

- Public advisory services in regional Employment and Economic Development Centres addressing solely women who are interested in starting their own business;
- Enlargement of mentoring activities for female entrepreneurs;
- Pilot program of a network for female entrepreneurs;
- Establishment of a brochure listing all the services available for females interested in a starting a business or already being involved in entrepreneurship; and

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<sup>188</sup> Focusing just on *new firm* entrepreneurs, those that have recently set up a new business, 62 women have recently set up a new business in Finland for every 100 men. The gender balance is much closer in Finland in this regard than it is in any of the other Nordic countries. Source: GEM 2005 research.

<sup>189</sup> Tommi Pukkinen, Researcher, Small Business Institute, Turku School of Economics and Business Administration and to Anne Kovalainen, Professor, Turku School of Economics and Business Administration, Finland compiled this list of initiatives.

<sup>190</sup> More information on the Women's Enterprise Agency and their entrepreneurial mentoring project may be obtained from their website, which includes information in English. See <http://www.naisyrittajyyskeskus.fi/index.php?k=5547>.

- Establishment of special measures to promote female entrepreneurship in rural areas in Finland.

An initiative was also taken at this time to develop statistics about female entrepreneurial activity.

Since autumn 2003 the Finnish Government has implemented a new initiative, the Entrepreneurship Policy Programme, to continue the work started in the Entrepreneurship Project. Support for female entrepreneurship is also included in this new programme.

In addition, there has been established a Ministry level working group to examine the level of female entrepreneurship and to suggest measures to further enhance entrepreneurship among females in Finland. The working group has recently established a report suggesting new promotional measures to be included to the Entrepreneurship Policy Programme.<sup>191</sup>

Indirectly, many policy instruments such as taxation relief policies and consumer taxation support system for using and paying for such services, which very often are produced by women-owned businesses such as household cleaning services, have given boost to the growth of small service sector firms that concentrate on individual level consumer services, such as cleaning, home care, home help services etc. These firms are mostly started by and owned by women, and the number of these firms both in the urban and countryside environment has grown rapidly since the change in the taxation legislation.

Finally, the issue of female entrepreneurship has gained a lot of public attention and media coverage, as well as attracting much academic interest over the past five years. This has probably further boosted the increase in activity in this area.

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<sup>191</sup> This report is available through internet including one page English summary at the very end: <http://www.ktm.fi/files/14557/naisyrittajyysjulkaisu.pdf>.

## Appendix 3: Acknowledgements

Those consulted in association with this report and whose advice is hereby gratefully acknowledged are Professor Ferdinand von Prondzynski, President, and Dr. Colm O’Gorman, Professor of Entrepreneurship, DCU, Dr. Naomi Birdthistle UL, Dr Colette Henry DKIT, Dr. Josephine Browne, Therese Moylan, Annie Scaife and Orla Byrne of IADT, The Ryan Academy, Patricia O’Sullivan M50 programme, Fiona Kindlon, Second Level Support Service, Julie Sinnamon, Brendan Flood, Seamus Bree and Jacqueline Foley of Enterprise Ireland, the Chairs and CEOs of the CEBs that participated in consultation meetings, Kathleen Connelly NDP Gender Equality Unit in the Department of Justice, Equality and Law Reform, members of Women in Technology (WITS), Breda O’Driscoll, Liavan Mallin, a group of undergraduates from various faculties within IADT who took time out from exam preparation to contribute their views, entrepreneurs associated with the Institute of Minority Entrepreneurs, Dr. David Storey and Professor Lois Stevenson.





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