



 **ERNST & YOUNG**
FROM THOUGHT TO FINISH.™

Global Entrepreneurship Monitor 2001 UK Executive Report





Contents

	Page No.
Introduction and Overview	6
What is the Global Entrepreneurship Monitor?	9
What is Entrepreneurship?	10
How does GEM measure Entrepreneurial Activity?	10
GEM UK	11
The UK in a Global Perspective	11
Enterprise Policy in the UK	14
Attitudes to Entrepreneurship and Capacity to be an Entrepreneur	17
So Who are the Entrepreneurs?	21
Informal Investor Activity in the UK	27
A Focus on Women	30
What the Experts Say	31
Policy Considerations	34
Appendix - Methodology for GEM and GEM UK	36
Acknowledgements	38

Forewords

The Small Business Service warmly welcomes the latest Global Entrepreneurship Monitor (GEM) report for the UK. For the second year running we have provided sponsorship but, more importantly, the SBS Research Team and the GEM researchers at the London Business School have been developing a close working relationship.

The UK continues to be around the middle of the rankings for its entrepreneurial activity. GEM evidence suggests that there is a link between entrepreneurial activity and economic growth. An increasing trend to a knowledge based economy requires more people to demonstrate personal initiative and enterprise. Experience of starting in business helps people to achieve their potential. And if the defining division in the world is going to be fanatical fundamentalism versus democracy and diversity, then encouraging small business and entrepreneurship will become ever more important.

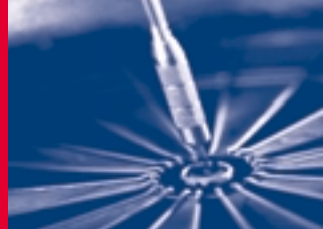
We are encouraged by some of the findings of the report – in particular, the recognition that there is now a serious effort by the government to promote the importance of entrepreneurship and to support people wishing to start and grow their own business.

We are conscious of the three challenges posed by the report. There is a major difference between male and female entrepreneurial activity. There is a need to create a more entrepreneurial culture where people are not scared of starting a business. There is also a need to encourage entrepreneurs to be more ambitious and to want to grow their business. This all means that we have to help people to spot opportunities, to exploit those opportunities successfully and, in Henry Ford's words, to see failure as an opportunity to begin again intelligently.

I would like to thank the GEM team for an excellent report. It will be of immense value in helping everyone with an interest in entrepreneurship to understand it better. Certainly, we in the Small Business Service and across government will be paying particularly close attention to the conclusions and policy implications.



David Irwin, Chief Executive, Small Business Service



Ernst & Young is delighted to sponsor the UK Report of the Global Entrepreneurship Monitor for the second year. Our hope is that through leading and supporting continued efforts such as these, we can help to influence the key decision makers to create the change necessary to develop a strong entrepreneurial culture in the UK. As GEM research indicates a strong linkage between entrepreneurial activity and economic growth, the UK needs to work harder to encourage enterprise. It currently remains somewhere in the middle of the country rankings for entrepreneurial activity.

The UK is well behind the likes of the US, and other countries such as Ireland, Australia and Mexico, in overall entrepreneurial activity, and the increase from 2000 was only a slight 0.8%. However small though, the increase does indicate we are moving in the right direction, and we need to be even more vigilant in showing continued support to the entrepreneurial community.

Ernst & Young's own research, conducted on our behalf by MORI in the fourth quarter of 2001, shows that the majority of entrepreneurs surveyed still feel that their contributions to the UK economy are overlooked. This Government has introduced many fiscal and other measures to encourage and support entrepreneurs, but often their impact is much reduced by the layers of bureaucracy that accompany them. Recognition, by the Government and the wider public at large, of the needs and contribution of entrepreneurs is necessary if we are to encourage more entrepreneurial activity. Our own Entrepreneur Of The Year awards programme, launched in 1999 and now entering its fourth year in the UK, has hopefully helped to make strides in gaining that recognition for this very important part of the business community.

We must continue to think creatively about a business environment that encourages the flair and innovation which lies at the heart of the entrepreneurial business proposition. Ernst & Young is committed to this and looks forward to continuing to support the success of entrepreneurs through our business and through the Entrepreneur Of The Year programme.

A handwritten signature in blue ink, appearing to read 'David Wilkinson'. The signature is fluid and cursive, with a long horizontal stroke at the end.

David Wilkinson, National Head of Entrepreneurial Services, Ernst & Young LLP

Introduction and Overview

In June 2001, Gordon Brown, the Chancellor, launched *Enterprise For All – The Challenge for the Next Parliament* – a programme of work whose aim is to:

Create in Britain a true enterprise culture where the chance to start and succeed in business is genuinely open to all¹.

Enterprise and entrepreneurship are also seen to be key parts of narrowing the productivity gap of the UK with the US and EU countries such as France and Germany:

Enterprise and innovation are at the heart of a dynamic business sector – new ideas for products and processes provide opportunities for productivity gains but to generate prosperity these ideas must be acted upon. Entrepreneurs willing to take risks are thus essential to economic growth².

The UK Government is therefore keen to see an increase in entrepreneurship and entrepreneurial behaviour in the UK in order to support wealth creation and to enable people to reach their potential. Entrepreneurship is also believed to be important in helping to decrease disparities between growth and job creation between regions and as a key part of strategies to turn round disadvantaged areas. Through social enterprise and social entrepreneurship, there is additional interest in the potential of enterprise to address broader social and environmental issues.

But do we really understand the relationship between levels of entrepreneurship and economic growth? There are reasonably robust indications that entrepreneurship contributes to growth, to job creation and to innovation, but can we go further?

The Global Entrepreneurship Monitor (GEM) was set up to provide a better understanding of these relationships. Each country involved in the GEM project surveys the adult population and experts in the field of entrepreneurship to find out about people's attitudes to starting a business and to explore the background of those who do. Information from all the countries involved can then be used to explore the links between entrepreneurship and key variables across countries – such as growth, female participation in the labour force or access to informal venture capital.

As part of this broader project, GEM UK brings together data from across Britain and Northern Ireland to build up a picture of entrepreneurial activity in the UK and within different groups of people. It also aims to explore the barriers to entrepreneurship and provide a strong foundation for further review of national, and regional, policy and practice.

Entrepreneurship as a concept is used in a whole range of ways – to refer to business start-up activities, entrepreneurial behaviour within businesses or in the public and not-for-profit sectors. The Global Entrepreneurship Monitor uses the following definition of entrepreneurship for its research:

Any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, teams of individuals, or established businesses.

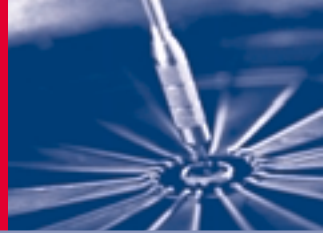
The key indicator used in the GEM research is the Total Entrepreneurial Activity (TEA) Index which is made up of the total numbers of people involved in nascent (start-up) business and in new firms which have operated for up to 42 months. Using this measure³:

- The UK has a Total Entrepreneurial Activity Index of 7.7 – in other words, 7.7 people in every 100 are involved in either starting a business or running a new firm. This puts the UK roughly in the middle rankings of the 29 countries surveyed in the Global Entrepreneurship Monitor.
- Five people out of every 100 start a business because of an opportunity and 1.4% do so because they have no better choices for work. 15% of opportunity entrepreneurs are looking to create 20 or more jobs in five years and 89% of necessity entrepreneurs indicate they will not be creating more than five jobs.
- 4.3% of women and 11% of men are currently entrepreneurial. Men are therefore over two and a half times more likely to be an entrepreneur than a woman. This ratio puts the UK near the bottom of a global ranking based on decreasing differences between levels of male and female entrepreneurship. In 2000, the UK compared somewhat better with a ratio of 2.2. On balance, due to statistical error, we can say that the UK is in the low middle of the countries surveyed.

¹ Quote by the Chancellor, Gordon Brown at a business breakfast, June 2001.

² HM Treasury/DTI (2001) *Productivity in the UK: Enterprise and the Productivity Challenge*.

³ The data in this report was collected from 5,500 people aged over 16 across the UK. The TEA Index and statistics calculated about entrepreneurs include only those aged 18-64 but questions about population attitudes and informal investors use the entire sample.



Attitudes towards entrepreneurship and entrepreneurship skills

Attitudes towards entrepreneurship, people's perceptions of their financial circumstances, or their relative fear of failure all seem to link with a country's level of entrepreneurship. In the UK:

- Only 21% of people think that there will be good start-up opportunities in the next six months. Germany is at a similar level to the UK, the US at 35% and, in Norway, 60% of the population sees opportunities.
- 41% of the population think that they have the skills to start a business. The UK has a relatively high ranking on this issue but expert interviewees in the UK believe that many entrepreneurs do not have the skills and are unmotivated to go for growth.
- 31.5% say that fear of failure would prevent them from starting a business. In the US that level is 21%.

Who are the entrepreneurs?

- The age group most likely to become entrepreneurs are those aged 35-44 and 60% of all entrepreneurs are aged between 25 and 44. This peak in activity is a decade later than the average (25-34) of the GEM countries surveyed.
- Higher levels of education are associated with higher rates of entrepreneurship.
- People in private rented housing are more likely to be entrepreneurs than those that own their own home or live in council housing.
- Married people are more likely to be entrepreneurially active than single or widowed or divorced.

What kinds of businesses?

- Entrepreneurs are not just setting up businesses by themselves. Whilst over half (56%) of all entrepreneurs involved in new firms will be the sole owner/manager, 31% are running new companies with two owner/managers, 9% with three to five and 3% with more than six. (Start-up firms predict similar numbers of owners.)
- Of all nascent or start-up firms, 28% of people are involved in firms that are being set up by their employers and as part of their normal work. 73% of people are setting up their firms independently.
- Most entrepreneurs (69%) use their own finance to start a business, 42% use bank finance and 24% use government-supported finance schemes.
- 14% of entrepreneurs believe that they will create 20 or more jobs in the next five years while 21% say that they will not create any. Only 3% of start-up businesses said they would create over 50 jobs.

This is higher than Germany and similar to France. The US has a rate of 5% and Norway and the Netherlands, 7%. For new firms, the differences are more stark. 11% of new firms predict over 50 jobs in the UK – in the US the rate is 39%, Australia 42% and Norway 36%.

Informal investment in the UK

- 2.6% of people in the UK are informal investors in start-up or growing businesses. The UK ranks relatively low out of the 29 countries in the Global Entrepreneurship Monitor but the UK has the highest average level of annual informal investment per investor – that of \$13,860. There is some indication that there has been a fall in the percentage of informal investors in the UK over the last 3 years.
- You are relatively more likely to be an informal investor if you are a man, live in rented accommodation, are married, are entrepreneurial yourself, have a higher level of education, or be working full time.
- Most people give money to close family, friends or neighbours rather than to entrepreneurs that they do not know.

A focus on women

The most significant issue for the UK is the low relative participation rate of women. Other differences between male and female entrepreneurship include:

- The peak age for men to be most likely to become an entrepreneur is between 35-44 but for women it is 45-54. Both these age groups are a decade older than the average peak age categories for men and women in the GEM countries surveyed.
- Women are most likely to be involved in customer-oriented businesses.
- Women are relatively more likely than men to believe that they will create no jobs in the next five years and less likely to believe that they will create over 20 jobs.
- Men are about two and a half times more likely to be an informal investor and tend to give more money than women.
- Men are nearly twice as likely to believe that there will be start-up opportunities in the next six months.
- Men are nearly twice as likely to think that they have the skills to start a business as a woman.
- There is not much gender difference in fear of failure.
- Men are more likely to know an entrepreneur.
- Men seem more optimistic about the future of their own finances a year from now than women.

What the experts say

Eighteen entrepreneurship experts were interviewed in depth and 40 experts filled in a questionnaire about issues of concern with respect to entrepreneurship in the UK. Overall, cultural and social attitudes to entrepreneurship were most frequently cited as both key conditions and barriers to entrepreneurship in the UK. It was, however, recognised that there was an encouraging positive change in trends but that they believed that there were still persisting negative attitudes to wealth creation and to the self-employed. There are also believed to be negative attitudes to business termination, personal bankruptcy and the employability of unsuccessful entrepreneurs which partly explains the perceived high level of risk aversion and fear of failure which is believed to lie behind a reluctance of people to become entrepreneurs. It is interesting to note, however, that recent research into entrepreneurial attitudes of the UK population by the Small Business Service (SBS) did not find that there was widespread hostility to entrepreneurs or a lack of entrepreneurial potential⁴. This difference perhaps reflects a positive change in attitudes which is not yet reflected in the experts' view of the UK but also the difficulties of subjective assessments. There was also concern about the level of skills and confidence of people to start a business and their poverty of aspiration – the relatively few people who wish to start and develop high-growth businesses. Several interviewees suggested that further promotion of business networks would better enable people to access entrepreneurial expertise and contacts which would support learning and growth.

Policy considerations

In the UK, three quarters of expert interviewees agreed with the statement that 'support for new and growing firms is a high priority for policy at the national government level'. There is a general feeling that the Government is using very supportive language towards entrepreneurship and there is fairly positive support for government policy. There are clear indications that areas of concern in the UK, for example: the promotion of entrepreneurial skills in education; access to and demand for external finance; reducing the impacts of business failure; and supporting technology transfer; are currently being addressed by government policy.

There is, however, a feeling that, whilst national government rhetoric on entrepreneurship is strong, it does not always translate into joined-up thinking at a local level, for example in complex and time-consuming local planning decisions as well as difficulties in small firms accessing public procurement opportunities. There is also some concern over the complexity of the tax system particularly around accessing tax incentives. Employment regulations are also widely believed to be problematic and onerous for entrepreneurs

although the trade-offs with other policy considerations were reasonably well recognised.

The analysis from GEM UK finds three key challenges for government which complement the current focus on 'access for all'. These are:

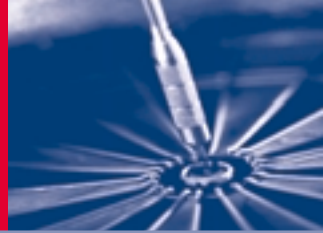
- increasing the proportion of women who wish to, and do, start a business
- creating a more entrepreneurial culture
- and addressing the reasons for the low growth motivations of UK entrepreneurs compared with countries such as the US.

Perhaps the single most important thing that the Government could do to promote 'access for all' to entrepreneurship would be to investigate further why women are relatively less likely to start a business or be an informal investor and why their perceptions of opportunities and of their skills are so much lower than men's. There may well be a need for more targeted initiatives focused on encouraging women to consider entrepreneurship or to become an informal investor, whether through the education system or within communities and the workplace.

A recent government report⁵ also concluded that cultural differences probably explain the UK's relatively low level of entrepreneurship since the country ranks well in terms of its legislative environment. There is therefore a need to understand what kinds of policies, particularly at local and regional level, may help to promote entrepreneurial attitudes and new business activity. Part of this approach involves addressing the education system, not only schools but also further and higher education. Expert interviewees were keen to point out that enterprise education should not just be about learning about entrepreneurship and business. Teaching methods and teaching activities across the curriculum should promote entrepreneurial skills and behaviours such as creativity, resourcefulness and self-confidence. In that way, the focus is not just on start-up businesses but on a broader conception of entrepreneurship as life skills, relevant not just to business but to personal and community life.

⁴ Research for the Small Business Service (SBS) by IFF Research Ltd, *Household Survey of Entrepreneurship 2001*, November 2001.

⁵ HM Treasury/DTI (2001) *Productivity in the UK: Enterprise and the Productivity Challenge*.



What is the Global Entrepreneurship Monitor?

The Global Entrepreneurship Monitor (GEM) is a research programme run jointly by London Business School and Babson College in the USA. The research also involves a consortium of teams from each of the countries covered by the Monitor. The aim is to create an annual assessment of the levels of entrepreneurial activity across countries and to explore the nature of the relationship between entrepreneurship and economic growth.

The research explores a variety of factors both within and across countries that might give rise to systematic differences in entrepreneurship rates. These differences may stem, for example, from national economic and social characteristics or from government policy. Through a greater understanding of these issues, the role of entrepreneurship in supporting economic growth can be better understood and policy towards enterprise based on solid research. The project was begun in 1999 with 10 countries, expanding to 21 and to 29 countries in 2001. In 2002, GEM expects to include about 45 different national teams.

Enterprise and growth

The key thesis of the research is that economic prosperity depends partly upon the level and quality of entrepreneurial activity. It is already well established that entrepreneurship is important for national economic growth. However, various aspects of this relationship are not yet fully understood, for example, the:

- differences between countries in terms of entrepreneurial dynamism and capacity
- actual processes through which entrepreneurship contributes to economic growth
- national and institutional conditions which support entrepreneurship
- potential for governments to promote entrepreneurship
- relationship between the richness (or paucity) of entrepreneurial opportunity and the capacity of individuals – their values, skills and aspirations – to exploit new opportunities.

How GEM tackles these questions

GEM has begun to fill these major gaps in understanding through an:

- examination of the international differences in the level of entrepreneurial activity

- estimates of the contribution of the entrepreneurial sector to national economic growth
- assessment of the impact of national framework conditions on entrepreneurial activity.

The objective of the research is to answer two questions that go to the heart of public policy:

- How does entrepreneurial activity contribute to national and international economic prosperity?
- What can governments do to enhance the level of entrepreneurial dynamism and entrepreneurially-led economic growth?

The GEM consortium has developed standardised procedures for the collection of information across countries:

- The level of entrepreneurial activity in each country is found through national surveys of the adult population over 16 years of age. Questions are asked about attitudes to entrepreneurship and whether people are engaged in either setting up or running a new business. The Total Entrepreneurial Index (see below) is calculated for those people aged 18-64. All other research results come from the full sample of the population aged over 16.
- Harmonised assessments of the entrepreneurial sector in each participating country are created from interviews with expert informants, for example, venture capitalists, bankers, government officials, and prominent entrepreneurs.
- Measures of national framework conditions and economic growth are derived from international sources such as the *Global Competitiveness Report* and the International Labour Organisation.

In these early years of GEM, only associations between different variables such as levels of entrepreneurship and growth can be illustrated. It may be the case that entrepreneurship does not always have a causal impact on growth, that it may be overridden by other factors, or that economic growth might create entrepreneurship rather than vice versa. In times of hardship or recession, people may be forced into running their own business and it may be possible to see increased levels of entrepreneurship associated with low or negative economic growth.

In future years, a longitudinal assessment of the data will enable causal inferences to be better determined and understood. The model is continually being refined through further analysis. For example, in 2001, people were asked the reasons for starting a business: whether they were seeking an opportunity or whether they were forced into it because there was no other option available to them. As we shall see, these two motivations result in very different patterns of association with both economic growth and other factors in society.

What is Entrepreneurship?

Entrepreneurship as a concept is used in a variety of different ways. Whilst it is commonly understood to relate to the activities of people who are starting a business, it is also used more broadly to refer to anyone who brings together resources, spots opportunities and makes something happen (often new and innovative). In this respect it is also being used, particularly in the UK, to refer to entrepreneurship within companies, Government or the not-for-profit sector. The social entrepreneur is currently gaining prominence as someone who, according to the School for Social Entrepreneurs: ‘spot gaps in our social fabric, and creates new social institutions and instruments to fill those gaps’⁶.

The Global Entrepreneurship Monitor takes a narrower view of entrepreneurship relating to those people who are starting, or who have started, a new business or business activity. The definition used is:

Any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, teams of individuals, or established businesses.

How does GEM measure Entrepreneurial Activity?

Each GEM national team collects information through a standardised adult population questionnaire and creates a Total Entrepreneurial Activity (TEA) Index. The Index has two parts based on a sample of the population aged between 18 and 64:

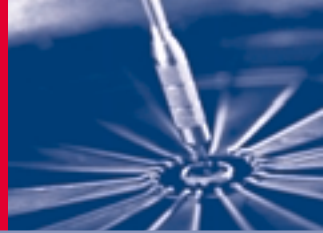
1. **Nascent ventures:** Those people that reported that they are actively involved in creating a new business, one that they would own all or part of, and they have not paid any salaries or wages to anyone including the owners, for more than three months. These firms are in the start-up or creation phase.
2. **New firms:** Those people who reported that they are actively involved in managing a new business, for which they are the sole or part owner, and have only paid salaries or wages to anyone, including the owners, for up to 42 months.

The TEA Index is calculated by adding together the number of people who are involved in both nascent and new firms. Where people are involved in both activities, they are counted only once⁷. The Index can then be used to illustrate relative differences between countries and regions or between different types of people with different backgrounds and circumstances.

It was found for the majority of countries in the GEM research that there had been a problem (both this year and in previous years) in recording whether or not someone was involved in a start-up activity since some people responded ‘don’t know’ or ‘refused’. The proportion of people who did this across countries varied widely and therefore it was felt necessary to try to standardise this effect in order to produce a comparable international Index of entrepreneurship. An estimate was therefore made of the proportion of the ‘don’t know’ responses that might be considered to meet the criteria for nascent entrepreneurs or new firm owner-managers. Each country’s totals were adjusted by the appropriate amount (for further details of the GEM methodology and the adjustments made on 2000 and 2001 data see the Appendix).

⁶ School for Social Entrepreneur’s brochure (2000).

⁷ Whilst this process accounts for the number of enterprising individuals, it does not therefore reflect the actual number of firms since some people may be involved in more than one company and, as can be seen from data later in the report, only about 50% of firms have just one owner, the rest have multiple owners.



GEM UK

The GEM UK project is the research carried out by the UK team which both contributes to the global GEM Monitor and also provides information which can be further probed to understand the nature of entrepreneurship within Great Britain and Northern Ireland. There are also separate Welsh and Scottish teams who produce their own reports⁸.

Timing of data

Most of the adult population data was collected in May 2001 when there were only rumblings of recession and prior to the September 11th terrorist attacks in the US. It is therefore likely that people were slightly more optimistic about their future prospects and opportunities for entrepreneurship at that time than they might have been later in the year. Further details of the UK research are contained in the Appendix.

The UK in a Global Perspective

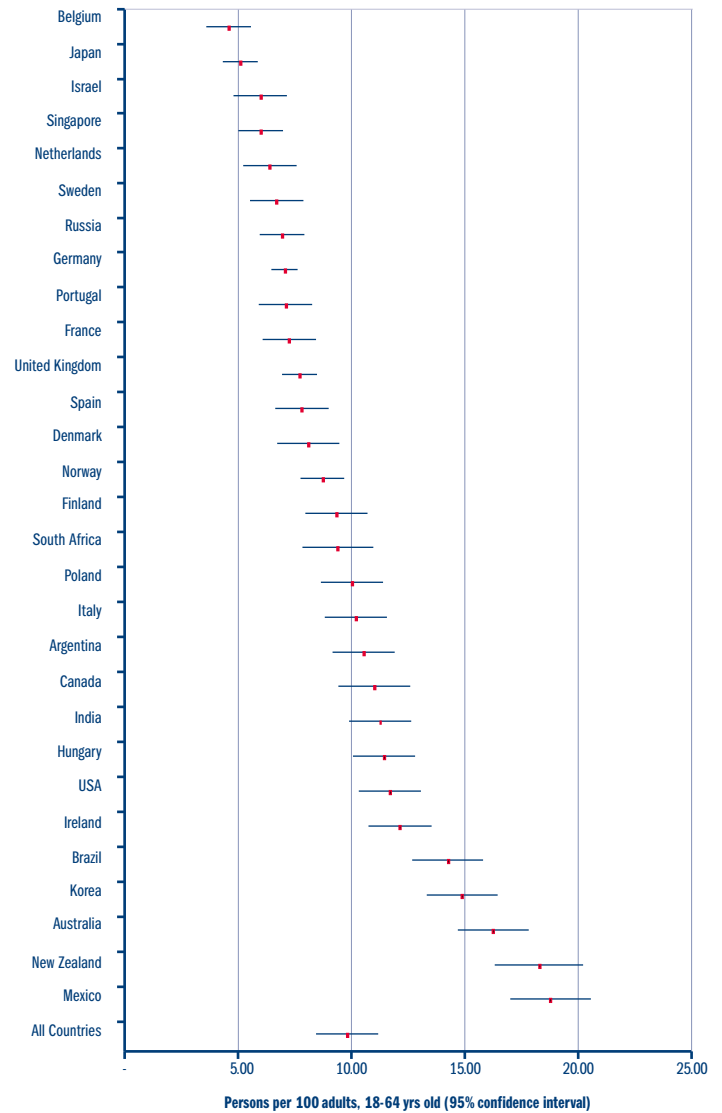
The Total Entrepreneurial Activity Index for the UK is 7.7 – in other words, 7.7 people in every 100 are involved in starting a business or running a new firm⁹. This puts the UK roughly in the middle rankings of the 29 countries surveyed.

Comparing the UK with the rest of the world, the UK ranks 19th out of the total group of 29 countries. Given that these figures are estimates, they can vary along the length of the line (or confidence interval) indicated in Figure 1 and therefore the actual ranking is quite variable. In reality, therefore, the UK has a similar level to, for example, Denmark, Spain, Portugal, Germany, and France.

Mexico has the highest ranking Index of 18.7 – nearly two and a half times that of the UK. The US, at 11.7, is about one and a half times as high. In Belgium, the lowest ranked country, only 4.6% of the population are involved in entrepreneurial activity.

This figure of 7.7% compares favourably with a parallel survey done by the Small Business Service – the Household Survey of Entrepreneurship, 2001 – where it was found that 8% of the population aged 16-64 are ‘self-employed and/or own or part-own a business and have been in operation for between 3 and 4 years.’¹⁰ Of course, the data for both GEM and the Household Survey will not cover all the self-employed since some people will self-identify as employees even though they are technically self-employed.

Figure 1 Total Entrepreneurial Activity Index by country



If we divide the Total Entrepreneurial Activity Index into the relative numbers of people involved in nascent firms (creating a new business and not paying salaries for more than three months) and in new firms (owning and running a new business where salaries have only been paid for up to 42 months), we find that the UK has a start-up rate of 5.5 people per hundred and a new firm rate of 3.1%¹¹. (The start-up rate is higher than the new firm rate because we know that many start-up attempts do not result in actual new companies and the two numbers total over 7.7 because people may be involved in both nascent and new firms). Relative international rankings on these figures for the UK are similar to those for the overall entrepreneurial Index.

⁸ See the Global Entrepreneurship Monitor website for further details www.gemconsortium.org.

⁹ The unadjusted data gives a TEA of 6.5. The adjustment factor for the UK, taking account of an appropriate proportion of the number of people who responded ‘don’t know’ to the question of whether or not they were starting a business, was 19%.

¹⁰ Research report prepared for the Small Business Service by IFF Research Ltd, September 2001.

¹¹ Unadjusted data gives 4.4% start-ups and 2.6% people in new businesses.

Unfortunately we can only compare 2001 and 2000 data since adjustments have only been made on these two years in accordance with the changes outlined in the Appendix. There is a slight but statistically insignificant increase in the level of entrepreneurship for the UK from 6.9 in 2000 to 7.7 in 2001.

Some relatively clear facts emerge from the Global Entrepreneurship Monitor – levels of entrepreneurship seem fairly stable over time and there are wide differences in levels of activity between countries. The focus of the GEM research is to investigate the nature of these differences. One new question in 2001 begins to unpick entrepreneurship by looking at the different motivations of entrepreneurs – whether someone is starting a business because they see an opportunity or whether they are forced into doing so because there are no other jobs available or because their current income level is inadequate.

Necessity and opportunity entrepreneurship

A key finding of the 2001 Global Entrepreneurship Monitor is the marked difference in the relative numbers of people worldwide who are involved in entrepreneurship either because they have spotted an opportunity or because they feel that they have no other choice (necessity entrepreneurs). The relevant question, asked for the first time in the 2001 survey, was:

Are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work?

Possible responses included:

- take advantage of business opportunity
- no better choices for work
- combination of both the above
- have a job but seek better opportunities
- other.

In the UK, 5 people out of every hundred start a business because of an opportunity and 1.4 out of every hundred do so because they have no better choices for work¹².

If we look at the relative proportions of people involved in opportunity entrepreneurship, we find that the UK ranks 20th out of 29 with 5% starting a business because of an opportunity. This compares with 15.1% for New Zealand and 10.4% for the US.

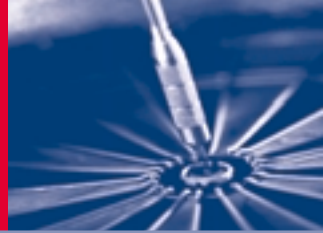
On relative ranking of necessity entrepreneurship, the UK is 18th with 1.4 people out of every 100 becoming an entrepreneur out of necessity. In Norway, at the bottom of the list, the level is 0.2 and in India it is 7.5.

If we believe that it is better to be pursuing an opportunity voluntarily than reluctantly becoming an entrepreneur because there are no other available options, then it is important to look at the relative ratios of opportunity to necessity entrepreneurship. The higher that ratio, the less entrepreneurship is the result of no better option. On this measure (Figure 2), the UK ranks 15th with a ratio of about three and a half times as much opportunity as necessity entrepreneurship. At the top of this list is Norway where you are over 32 times more likely to be an opportunity entrepreneur than one starting out of necessity. At the bottom of the list is India where you are twice as likely to be a necessity entrepreneur than someone finding and exploiting an opportunity.

Figure 2 The ratio of opportunity to necessity entrepreneurship across different countries



¹² Unadjusted data gives 4.2% as opportunity entrepreneurs and 1.2% as necessity entrepreneurs.



It is interesting to note that all the countries with the highest ratios (in other words, the lowest relative levels of necessity entrepreneurship) are all Northern European (except the US) but none of these rank high on overall Total Entrepreneurial Activity and are middling on the Opportunity Index. In other words, this relative ranking does not really bear any relationship to levels of overall entrepreneurship. On average, developing countries tend to have much higher levels of necessity entrepreneurship.

What does all this mean?

The analysis in the Global Entrepreneurship Monitor finds that there is no relationship between levels of opportunity and necessity entrepreneurship which indicates, perhaps unsurprisingly, that they are probably two quite distinct phenomena.

There are also other differences between necessity and opportunity entrepreneurs. There is a much greater relative percentage worldwide of opportunity entrepreneurship in business services and a greater percentage of necessity entrepreneurship in consumer-oriented sectors. Growth aspirations also vary with 14% of opportunity-driven entrepreneurs expecting their new businesses to produce 20 or more jobs in five years, seven times the percentage expected from necessity entrepreneurship. Nine out of ten necessity-driven entrepreneurs expect their firms to provide no more than five new jobs in the next five years.

Looking at the UK by itself, the statistics are comparable with about 15% of opportunity entrepreneurs looking to create 20 or more jobs in 5 years and 89% of necessity entrepreneurs indicating that they would not be creating more than five jobs in the next five years.

Table 1 Correlations between measures of entrepreneurship and economic growth

GEM 2001 Countries	Real GDP growth 2000	Real GDP growth 2001 (projected)
TEA (Total Entrepreneurial Activity) 2001	0.18	0.22
Nascent (start-up) rate 2001	0.02	0.2
New business rate 2001	0.36	0.18
TEA Opportunity Index	0.1	0.07
TEA Necessity Index	0.16	0.37

In relation to economic growth, Total Entrepreneurial Activity across all the countries surveyed shows a small but insignificant positive relationship to economic growth (either real for 2000 or projected for 2001) (see Table 1 and Global Entrepreneurship Monitor, 2001 for full details)¹³. The Global Entrepreneurship Monitor also looks at correlations between countries which exclude those with a major emphasis on trading and find significant correlations between the

new business prevalence rate in 2001 and real GDP growth in 2000 and for necessity entrepreneurship in 2001 and real GDP growth projected for 2001.

We need to clearly recognise here that we are only looking at correlations and not causal links. We therefore need to be cautious at this stage about how these relationships are interpreted. Over the next few years, time series data can be collected so that the nature and direction of causality can be better determined particularly since, for example, entrepreneurial activity in one year could have effects on real GDP growth some years later. Additionally, growth itself, positive or negative, could have effects on future entrepreneurial activity particularly as it affects the actual circumstances and perceptions of people. It will be interesting also to explore the different relationships for necessity and opportunity entrepreneurship with economic growth.

There is some indication that, at least for developing countries, there is a link between levels of necessity entrepreneurship and growth. However, the causality and possible other common causes have not been investigated – for example, that many of the developing countries considered have both simultaneous growth and high levels of unemployment/under-employment or poverty. It does not therefore necessarily mean that to be high up the Total Entrepreneurial Activity Index is good if, for example, most of this activity is necessity entrepreneurship. Perhaps, therefore, in the UK we are more interested in relative rankings on opportunity entrepreneurship.

Gender

Another clear difference between countries is in the relative numbers of men and women engaged in entrepreneurship.

Women in the UK have a Total Entrepreneurial Activity Index of 4.3 and men of 11.0¹⁴ – in other words, 4.3% of women and 11% of men are currently entrepreneurial. Men are therefore over two and a half times more likely to be an entrepreneur than is a woman. This ratio puts the UK near the bottom of a ranking based on decreasing differences between levels of male and female entrepreneurship.

With a ratio of 2.6 times as many men as women involved in entrepreneurship, the UK is 26th out of 29 on a ranking where the highest rankings of 1.03 by Italy and 1.31 by New Zealand shows fairly similar rankings in entrepreneurship between men and women. The UK is at a similar level to Argentina, Portugal and Russia. India and Israel, the bottom two, have ratios of 3.2 and 3.6 respectively. The US has a ratio of 1.5. This is clearly a very significant issue for the UK particularly since the relative proportion of female entrepreneurs is a significant factor in explaining differences in entrepreneurial activity rates between countries. This large difference between men

¹³ None of these correlations is significant at either 0.05 or 0.01 levels of significance.

¹⁴ Unadjusted data gives TEA indexes of 3.6 for women and 9.3 for men.

and women is supported by the Labour Force Survey data for Spring 2001 which indicates that 26% of the self-employed (818,000 out of 3,147,000) are women¹⁵. In the GEM UK data, women are 28% of the entrepreneurially active population.

In 2000, this ratio was 2.2 and the UK ranked in the middle of the countries surveyed. This difference in rates is statistically significant but probably still reflects changes in ranking due to statistical error. We can say on average that the UK is in the low middle of the countries surveyed¹⁶.

If we look at the differences between opportunity and necessity entrepreneurship at the global level, we find that the Index is 5 for men and 1.7 for women – men are three times more likely than women to pursue opportunity entrepreneurship. For necessity entrepreneurship, the Indexes are 1.4 and 0.4 respectively which is about three and a half times. Overall, men are three and a half times more likely to be pursuing an opportunity and women over four times as likely. Data from the UK is comparable – men are three times more likely to be pursuing an opportunity or be an entrepreneur out of necessity.

Other conclusions from the Global report

Further analysis of the factors affecting entrepreneurship across and within countries are found in the Global Entrepreneurship Monitor report. Some of these are summarised below:

Opportunity entrepreneurship is higher where there is:

- relatively less manufacturing in the economy
- a lower level of government regulations
- a higher prevalence of informal investors
- a significant level of respect for entrepreneurial activity.

Necessity entrepreneurship is higher in countries where:

- economic development is relatively low
- the economy is less dependent on international trade
- there is not an extensive social welfare system
- women are less empowered in the economy.

We need to be careful about any inferences that are drawn from these relationships since they are correlations and not causal links.

Enterprise Policy in the UK

Since the Labour Government came to power in 1997, ‘enterprise’ and ‘entrepreneurship’ have become political buzz-words. Policy has focused on creating a supportive finance regime, promoting technology transfer, reforming government business support, and including entrepreneurship within the education system. There has been interest in increasing the entrepreneurial culture more widely in order to address regional disparities in start-up rates and, by implication, linking enterprise to broader policy approaches towards narrowing regional employment and wealth differences.

Enterprise has also been seen to be part of the social inclusion agenda with attention being paid to developing enterprising communities in deprived areas as part of solutions for sustainable regeneration. Examples of this approach are found in reports of the Social Exclusion Unit¹⁷ and of the Social Investment Task Force¹⁸ some of whose proposals are currently being implemented. This enterprise focus is not just to create employment or wealth within these areas but also part of a broader ‘enterprising communities’ approach which is about supporting self-help and active community participation.

Entrepreneurship is not just being applied to business start-ups, it is also related to entrepreneurial behaviour within firms. And it is also not restricted to mainstream business models. There is increasing interest in social enterprise, a term which covers a whole host of different business models with primarily social or environmental aims. Such businesses are seen to relate to several policy agendas including social inclusion, new models for public service delivery and corporate social responsibility. A new Social Enterprise Unit has just been set up within the Department of Trade and Industry (DTI). ‘Enterprise’ and ‘entrepreneurship’ are also being seen in a broader sense to refer to entrepreneurial ways of working, in both the public and private sectors.

A consultation paper on *Productivity in the UK*¹⁹ raised the challenge that one of the indicators of success will be when:

starting a business, anywhere in the country, requires talent and potential, not luck and contacts, and the UK is the best place in the world to start and run a business.

That report also cites evidence from the OECD which benchmarks the UK as having the best environment for entrepreneurial activity based on the levels of barriers to entrepreneurship such as permits, licences, and complexity of rules, procedures and administrative

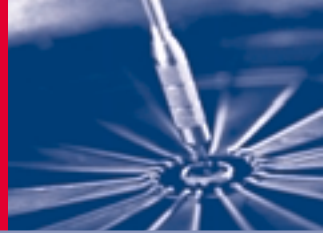
¹⁵ Quoted in a paper by Joanne Mitchell and Peter Weller of the Small Business Service, *The Small Business Service's research agenda on female entrepreneurship, 2001*.

¹⁶ The data for 2001 is more robust because of the greatly increased sample size from 2,000 to 5,500.

¹⁷ Social Exclusion Unit (2000) *National Strategy for Neighbourhood Renewal: A Framework for Consultation*.

¹⁸ Social Investment Task Force (2000) *Enterprising Communities: Wealth Beyond Welfare*, www.enterprising-communities.org.uk.

¹⁹ HM Treasury/DTI (2001) *Productivity in the UK: Enterprise and the Productivity Challenge*.



burdens. They therefore reason that it must be other factors, particularly culture, which explain the higher level of entrepreneurship in other countries, such as the US. They recognise that it is difficult for the Government to do much to affect culture other than to provide a supportive framework through appropriate and incentivising tax and regulatory regimes. At the same time, however, they are supporting initiatives aimed at addressing cultural issues such as young people's attitudes to entrepreneurship and to business and also removing or reducing practices which contribute to the 'fear of failure'.

The Government's relevant policies are listed below under the headings which relate to the nine GEM framework conditions for entrepreneurship²⁰.

Creating an enterprising culture

The UK Government has supported a venture between the British Chambers of Commerce, the Confederation of British Industry and the Institute of Directors called Enterprise Insight which has been tasked with developing long-term projects to create an enterprise culture in the UK²¹. Enterprise Insight's ten-year programme is focused on young people aged 5 to 30 and those who influence them, reached through three key delivery channels – Enterprising Education; Enterprising Communities; and Enterprising Business.

There is also a recognition that fear of failure is holding back entrepreneurship. New legislation is being introduced to reform the law on personal bankruptcy and reduce penalties for 'honest failure'. There are also proposals for changes to the law on corporate insolvency in order to establish a more level playing field between creditors. The Crown's preferential treatment to recover unpaid taxes is being removed.

At the regional level, most of the Regional Development Agencies (RDAs), and Scotland, Wales and Northern Ireland are developing, or have developed, regional and national strategies to both encourage entrepreneurship and support start-ups. There is attention being paid to key constituent groups such as women and ethnic minorities.

Developing an enterprise culture is also seen to be a crucial element of regenerating deprived areas and supporting social inclusion through generating wealth, employment and active citizenship. There are a whole range of activities going on at local level to promote entrepreneurship, particularly in disadvantaged areas where there may be little enterprise culture, for example, in the ex-coalfields.

Finance

The Government appears to be focused on increasing incentives for equity investment and also for attracting top-level business people to work in new ventures. There is also a recognition that, whilst on aggregate, finance is increasingly available for both growth and start-up enterprises, (and that in some areas there is an over-supply of finance alongside a deficit of good quality proposals) there are also holes such as regional variations and difficulties for certain groups of people, particularly those in disadvantaged areas.

Recent policies include:

- Regional Venture Capital Funds are being established to address a market absence in the provision of risk capital.
- A Myners investment report on finance for small and medium-sized firms.
- The Small Business Service is launching a set of initiatives aimed at helping small businesses better understand external investment and be prepared to take it on.
- Early Growth Funding aimed at supporting a minimum of 1000 businesses over the next three years by providing small amounts of risk capital.
- Community Investment Tax Credits designed to increase the flow of private sector funding to enterprises in disadvantaged communities. This is aimed at both mainstream and social enterprises.
- £20 million matched funding has been provided for a Community Development Venture Capital Fund which Sir Ronald Cohen, who headed the Social Investment Task Force, is raising from the private sector.

Fiscal policy

The tax system is being investigated to see whether it gives the appropriate incentives for investment and attention is being paid to assessing the legal and regulatory burden on small businesses. At the same time, however, there is an increasing recognition of work/life balance and employee conditions which has resulted in more legislation being applied to, or implemented by, business (for example, pension provision, minimum wage and tax credits to help low income people) which indicate that the Government wishes to promote enterprise and growth but not at the expense of certain core quality of life and social justice issues.

Current proposals include:

- Changes to capital gains tax (CGT). From April 2002 CGT rates on business assets will be reduced to 20% after one year and 10%

²⁰ For further details of the nine GEM framework conditions see the Appendix.

²¹ www.enterpriseinsight.co.uk

after two and subsequent years. There will also be consideration of whether further changes to the non-business asset regime are necessary to improve investment incentives and help businesses attract finance.

- Better tax treatment for share options, extending Enterprise Management Incentives to larger companies with assets of up to £30 million.
- All-employee share ownership plans.
- Help with VAT compliance by removing automatic fines for late payment for firms with a turnover of less than £100,000 and extension in the 2002 Budget of the 10p corporate tax rate. Proposals are also being considered for a flat rate VAT scheme which should mean that many small companies should pay less tax and face lower compliance costs.
- Review of payroll services to small business.
- A consultation document on corporate tax.
- There is also a project being supported by government, the Comprehensive Business Directory, which will allow businesses to register just once with government and which will save companies both time and money.

Government programmes

A key part of business policy has centred around reforming business support and creating the Small Business Service (SBS) which is designed to deliver services as well as to act as a mouthpiece for small business concerns across government. The SBS remit goes wider than the previous Business Links to include support for start-ups in deprived areas and social enterprises.

Current policy initiatives include:

- A comprehensive review of business support by the Department for Trade and Industry.
- The Phoenix Fund which promotes enterprise in deprived areas through innovative forms of enterprise support, community development finance, mentoring for pre and early stage businesses, and support for business communities adversely affected by Foot and Mouth. There are also pilots for City Growth Strategies which are exploring how business creation and development can help urban regeneration.
- Extra support given to the SBS to work in disadvantaged areas and to target growth businesses and individuals.
- Support for the Inner City 100 – a campaign run by the New Economics Foundation to identify and promote the fastest-growing 100 businesses in deprived inner cities.

Education and training

Education, along with health, has been one of the primary focuses of the Labour Government. Additionally, there has been a fair amount of attention paid to the benefits of developing enterprise skills and business awareness within schools.

Current policy proposals include:

- DTI commissioned research on Enterprise Learning²². Preliminary results indicate a wide range of activities going on in schools either as specific activities or as part of the curriculum. There is also a recognition that enterprise relates more broadly to actual teaching method and that primary school teaching more approximates to creative open-ended learning than does secondary. A broad view of enterprise is taken including community enterprise.
- A pilot website has been set up by the DTI which ‘provides guidance for teachers in developing enterprise education and entrepreneurial skills among pupils in the 11 to 16 age range. Through information and case studies it shows teachers how they can incorporate enterprise education into their schemes of work.’²³.
- A review is being headed by Sir Howard Davies to look at enterprise and business in education which will report to the Chancellor and Secretaries of State for Education and Skills and for Trade and Industry in 2002.
- Creating a category of business and enterprise secondary schools and developing City Academies with an enterprise specialism.

Research and development

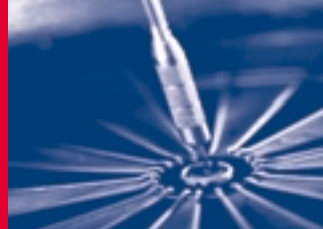
There is a strong emphasis on technology transfer and on trying to encourage more firms to innovate and increase their research and development (R&D) activity. A Higher Education Innovation Fund (HEIF) has been set up to help fund knowledge transfer activities. Entrepreneurial activity is being encouraged alongside scientific research with, for example, the Science Enterprise Challenge providing support for the development of centres of entrepreneurship training and University Challenge which is providing seed-corn funding to exploit innovations.

Other commitments include:

- The creation of Regional Innovation Funds to enable Regional Development Agencies to support incubators and innovation clubs.
- New university innovation centres and technology institutes.
- Further investment in the science base.

²² Forthcoming publication (2002) from the DTI – *Independent Research into Learning for Enterprise and Entrepreneurship* by the Centre for Education and Industry, University of Warwick.

²³ www.dti.gov.uk/enterpriseguide



Barriers to entry

Strong competition policy is a primary objective of the UK Government. Currently there are plans to make British competition authorities fully independent of political influence within a long-term framework set by Government. A White Paper (July 2001) includes measures to:

- Modernise ‘complex monopoly’ powers allowing the competition authorities independence to investigate sectoral markets under clear competition principles.
- A strong legal basis for competition authorities to promote competition across the economy.
- Full independence for the competition authorities.
- Introduction of criminal penalties for those involved in cartels.

Of special interest to the *Commercial and Professional Infrastructure* framework condition of the Global Entrepreneurship Monitor, there is current consideration of the Competition Commission’s report on banking services and an announcement to remove the exemption of professionals’ rules from competition law.

Access to physical infrastructure

A Green Paper is to be introduced on reforming the planning system ‘to ensure that the system strikes the right balance between economic and environmental considerations and is flexible and well-adapted for the diverse needs of the regions’²⁴. A £75 million Incubator Fund has also been set up to support enterprise in the regions through supporting the creation of incubators and managed workspace.

From November 2001 there will be exemption from stamp duty on residential and commercial property transfers in disadvantaged areas to reduce the costs for business investment and to make the areas attractive for people to buy homes.

The role of GEM UK

The GEM UK data as well as the Global Entrepreneurship Monitor can help to underpin these and future policy decisions through suggesting areas where policy responses might be appropriate and tracking changes in attitudes and entrepreneurial behaviour over time.

We can begin by looking at the UK population’s attitudes to, and capacity to be, an entrepreneur.

Attitudes to Entrepreneurship and Capacity to be an Entrepreneur

Entrepreneurial activity can depend on a whole range of personal and environmental factors which both encourage and prevent people, either alone or with others, from going ahead and starting a business. The GEM adult population survey includes general questions about people’s knowledge of entrepreneurs; their belief in their skills to become an entrepreneur; fear of failure; perception of opportunities; and their thoughts about their own and their country’s financial future. These questions are designed to tap into some of those factors which might affect people’s motivations and ability to be entrepreneurial.

The Global Entrepreneurship Monitor data (Table 2) indicates that most of the questions asked relate positively to the prevalence rate for opportunity entrepreneurship, for example, perceptions of opportunity, the percentage that believe that they have adequate skills, less fear of failure and the belief that the family’s situation will improve over the next year.

Table 2 Correlations between responses to different questions in the survey and the level of entrepreneurship across countries in the Global Entrepreneurship Monitor

	TEA Index	Opportunity Index	Necessity Index	Nascent firms	New firms
Perception of business opportunity	Strong positive	Strong positive	Positive	Strong positive	Positive
Perception of skills to start-up	Strong positive	Strong positive	Strong positive	Strong positive	Strong positive
Personally know an entrepreneur	Strong positive	Strong positive	None	Strong positive	Strong positive
Absence of fear of failure	Positive	Positive	Low positive	Positive	Positive
Expect economic future to be better	Positive	Positive	Positive	Positive	Positive

Strategies which might have an impact on some of these factors are therefore important considerations for policy-makers.

²⁴ From HM Treasury press briefing on the launch of ‘Enterprise for All’, July 2001.

Here are the UK responses to the questions in the survey for people who are over 16 years of age:

Question: *In the next six months there will be good opportunities for starting a business in the area where you live?*

Only 21% of people think that there will be good start-up opportunities in the next six months whilst 79% do not.

It is interesting to note that the interviews were done mostly in May when there were rumblings of recession but before the World Trade Centre in New York was destroyed by terrorists on September 11th. If we compare responses to this question over the last four years, we find the following pattern (Table 3):

Table 3 Percentage of the adult UK population (16 and over) believing that there will be good opportunities in the next six months

	% saying yes
2001	20.8
2000	32.9
1999	18.4
1998	21.2

The percentage for the year 2000 is significantly higher than that for the other years which are relatively similar. The high 2000 figure probably relates to the impact of the 'dot.com' phenomena but that demise, together with possible rumblings of recession, have dropped the percentage back down in 2001 to the level of previous years²⁵.

Perception of start-up opportunities varies across different groups in society. For example, the percentages of people replying positively to the question that there will be good opportunities for starting a business in the next six months across different criteria are as follows (Table 4):

Table 4 Percentage of the adult population (16 and over) in different categories believing that there will be good opportunities in the next six months

	% saying yes
Entrepreneurially active	50.2
Not entrepreneurially active	17.0
Informal investor	44.7
Not informal investor	18.0
Male	23.6
Female	14.0

If you are entrepreneurially active (as measured by those who are have either a nascent or a new business venture) or an informal investor, you are about three times more likely to think that there will

be positive opportunities in the next six months. Men are nearly twice as likely to be optimistic about business opportunities as women.

Looking at age distributions, perception of good business opportunities seems highest for the 25-34s and then drops off with age (Figure 3).

Figure 3 Percentage of people (16 and over) across different age groups who believe that there will be good business opportunities in the next six months.



At a global level, the Global Entrepreneurship Monitor finds that perception of opportunities correlates with levels of opportunistic but not necessity entrepreneurship and in fact the strongest correlation is between perception of opportunities in 1999 and actual opportunistic entrepreneurship in 2001. Britain, at 21%, is 12th from bottom in rankings of percentage of the population across countries seeing business opportunities and compares dramatically with Norway where about 60% of the population sees opportunities. The US has a percentage of 35% and Japan and France, at the bottom of the list, have only 7%. Understanding what lies behind this perception (whether it is based on reality or not, or on individual ability to think of and see opportunities) would be an interesting issue to explore further.

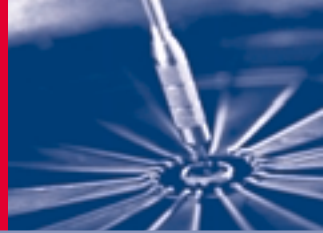
Question: *You have the knowledge, skill and experience required to start a new business?*

41% of people surveyed think that they have the skills to start up a business.

Table 5 Percentage of the UK adult population (16 and over) who think that they have the skills to start a business

	% who think they have the skills
Entrepreneurially active	83.6
Not entrepreneurially active	37.9
Informal investor	77.4
Not informal investor	39.4
Male	51.1
Female	29.9

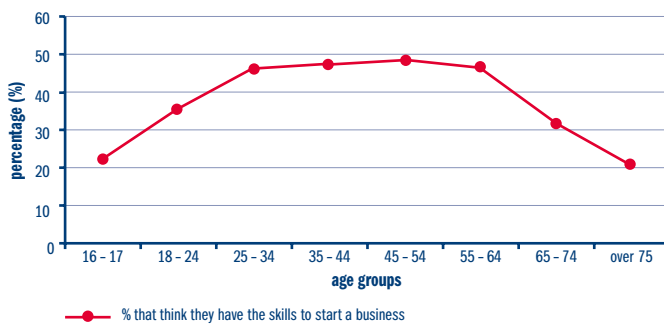
²⁵ In order to promote comparability over the years, the data has had to be based on percentages calculated by removing the 'don't knows' and the 'refused' from the analysis. Ideally, 'don't knows' should be included since they are valid responses. The following UK analysis in the text includes 'don't knows'.



If you are entrepreneurially active, an informal investor or a man, you are about twice as likely to think you have the skills to start a business than if you are not (Table 5).

Belief that you have the skills to start a business varies with age, with about half those aged between 25 and 64 thinking that they have the skills but significantly less of those under 24 and over 64 (Figure 4).

Figure 4 Percentage of people across different age groups who think that they have the skills to start a business



Belief in having the skills to start a business is correlated across countries with higher levels of entrepreneurial activity, particularly amongst opportunity entrepreneurs and those involved with new firms. The UK has a higher relative ranking on this question than on the perception of opportunities with only eight other countries including the US and Ireland (and no other European countries) having higher scores. The highest level of 66% of the population is that of New Zealand and the lowest is Japan with 11%.

However, it is interesting that this question asks for individual ‘perception’ of skills. The expert interviewees (see section on *What the Experts Say* later) cite as one of the chief problems in the UK, the fact that there is a lack of skills and growth aspirations. This point is important because there is a danger that if people go ahead unprepared, with an over-optimistic assessment of their skills, they therefore could be more likely to fail or under achieve.

Question: *Fear of failure would prevent you from starting a business?*

31.5% say that fear of failure prevents them from starting a business but 68.5% say that it would not.

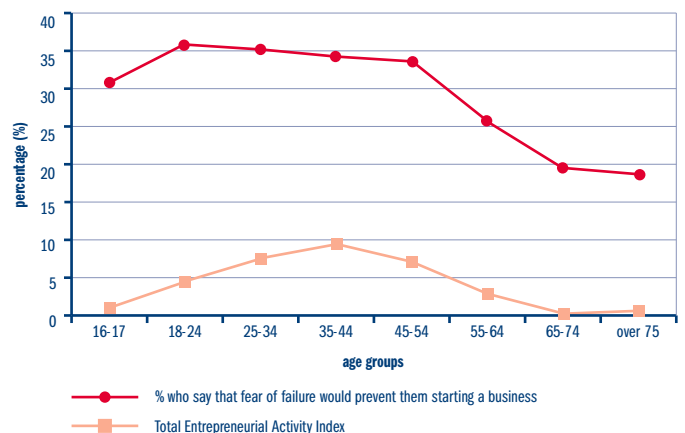
In 2000 that percentage was 28%. There is a slight increase here.

Table 6 Percentage of the adult population (16 and over) in different categories who think that fear of failure would prevent them from starting a business

	% who say that fear of failure would prevent them from starting a business
Entrepreneurially active	19.4
Not entrepreneurially active	31.0
Informal investor	22.6
Not informal investor	30.7
Male	29.6
Female	31.2

Entrepreneurs and informal investors are less likely to think that fear of failure would prevent them from starting a business but there is little difference in gender on this question (Table 6). Age shows a much clearer pattern with the peak of fear of failure between 18 and 44 (possibly reflecting the relative impacts of family responsibilities) tailing off into older age (Figure 5). It is interesting to see how this pattern relates to relative percentages of entrepreneurial activity in different age categories. Fear of failure falls with age whilst entrepreneurship rises to a peak at 35-44 and then falls. Whilst younger people therefore seem relatively more likely to fear failure, for older people this does not seem to be an issue. Fear of failure is therefore probably partly an explanation of relatively lower entrepreneurial activity rates amongst younger people but not older.

Figure 5 Percentage of people (16 and over) across different age groups who say that fear of failure would prevent them from starting a business compared with the TEA Index.



The Global Entrepreneurship Monitor indicates that fear of failure reduces the prevalence rate of entrepreneurship with a moderately significant negative correlation of -0.4 between this measure in 2000 and opportunity entrepreneurship in 2001.

Germany and Poland have the highest fear of failure at 53% of the population. The UK is 16th overall out of 29. The lowest fear of failure (21%) is found in the US.

Question: *You know someone personally who started a business in the past two years?*

27% of people have personally known an entrepreneur in the past two years.

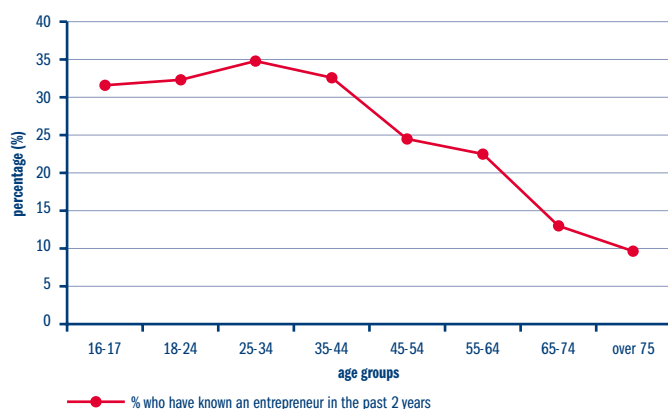
This statistic compares with 28.5% in the year 2000.

Table 7 Percentage of the adult population (16 and over) who have known an entrepreneur in the past two years

	% who have known an entrepreneur
Entrepreneurially active	63.1
Not entrepreneurially active	24.6
Informal investor	78.0
Not informal investor	25.3
Male	32.2
Female	21.2

Entrepreneurs and informal investors are much more likely to know an entrepreneur, as are men (Table 7).

Figure 6 Percentage of people across different age groups who have known an entrepreneur in the past two years



There is a clear age effect here with younger people being more likely to know an entrepreneur with people over 45 being less likely (Figure 6).

Question: *Looking ahead, do you think that a year from now you and your family will be better off financially, or worse off, or about the same as now? Replies: better, same, worse, don't know.*

38% think that their family's financial future will be better in the next 12 months, 54% think that it will be the same and 8% think that it will be worse.

Table 8 Percentage of the adult population (16 and over) in different categories who believe that their family's financial future will get better or worse in the next 12 months

	% better	% worse
Entrepreneurially active	64.6	3.4
Not entrepreneurially active	35.1	8.2
Male	41.2	7.4
Female	32.1	8.5
Informal investor	53.6	8.8
Not an informal investor	36.1	8.0

Entrepreneurs and informal investors are more likely to think that their family's financial future will be better in the next 12 months and men seem more optimistic than women (Table 8).

Internationally, the UK is 8th out of the 29 countries with the US at the top with 60% despite the economic climate and Japan at the bottom with 14%.

Question: *In a year from now, do you expect that in the country as a whole business conditions will be better, or worse than they are at the present, or just about the same? Replies: better, same, worse, don't know*

24% think that the country's financial future will be better in the next 12 months, 54% think it will be the same and 22% think that it will be worse.

People seem to be relatively more likely to think that the country's future will become worse than they do their own circumstances.

Table 9 Percentage of the adult population (16 and over) in different categories who think that the country's financial future will be better or worse in the next 12 months

	% better	% worse
Entrepreneurially active	20.2	26.6
Not entrepreneurially active	22.3	20.3
Male	24.4	21.8
Female	20.1	19.5
Informal investor	30.6	25.8
Not an informal investor	21.9	20.5

Being an entrepreneur does not seem to have much impact on being positive about the country's future and in fact entrepreneurs seem to be relatively more pessimistic as do informal investors (Table 9). Men are slightly more optimistic than women and similar in the percentages believing that things will get worse.

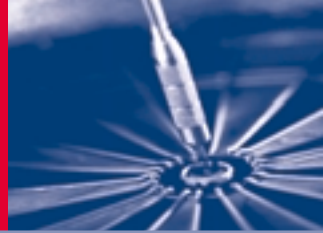
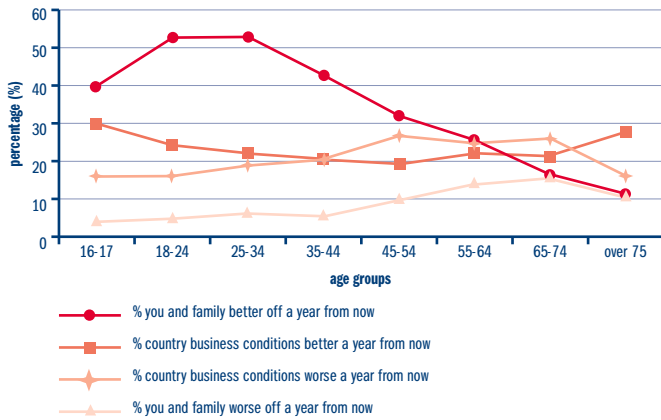


Figure 7 Percentages of people (16 and over) across different age groups in their responses to questions relating to their own financial and their country's future



Younger and older people seem more optimistic about the country's future. Fairly naturally, about half of people between 18 and 34 appear to be optimistic about their future finances but there is a marked increase in pessimism with age (Figure 7).

The Global Entrepreneurship Monitor comparisons indicate that those who expect the economic prospects for their family to improve are more likely to be entrepreneurs and this particularly affects the prevalence of new firms. It is not clear which way the causality runs since improving finances might drive entrepreneurship or the belief in the success of the new venture might drive the expectation of an increase in future finances. Expectations of future country financial improvement seem to correlate with levels of necessity entrepreneurship.

So Who are the Entrepreneurs?

The population survey collected demographic information on the respondents which helps to show what kinds of people, with what kinds of backgrounds, are becoming entrepreneurs.

We have already seen that:

- Women in the UK have a Total Entrepreneurial Activity Index of 4.3 and men of 11.0²⁶ – in other words 4.3% of women and 11% of men are currently entrepreneurial. Men are therefore over two and a half times more likely to be an entrepreneur than is a woman.
- Five people out of every hundred start a business because of an opportunity and 1.4 out of every hundred do so because they have

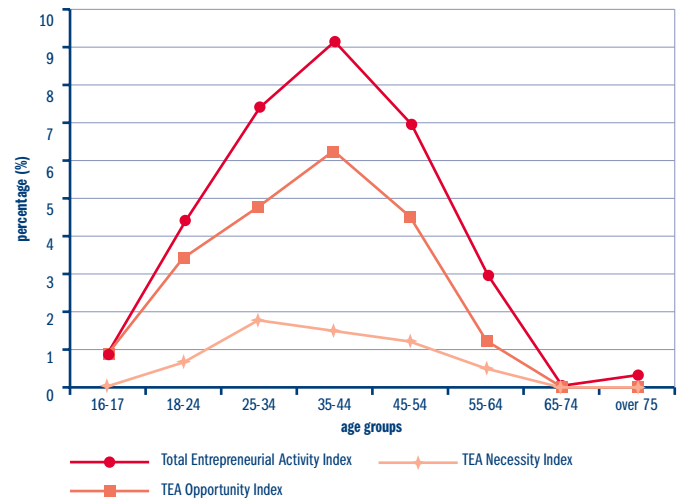
no better choices for work²⁷.

- The UK has a start-up rate of 5.5 people per hundred of the population and a new firm rate of 3.1 per hundred²⁸.

Age distribution

The Total Entrepreneurial Activity Index varies by age with a clear peak in activity between 25 and 54 (Figure 8). The age group who seem most likely to become entrepreneurs are those aged 35-44 with a prevalence rate of 9.2 per hundred of the population. Between 18 and 24 this rate is 4.4% and between 55 and 64 2.9%. If we look at opportunity entrepreneurship, it follows a similar pattern with age but necessity entrepreneurship peaks earlier at 25-34 (although the number of cases are small here and the statistics will therefore be unreliable). This peak activity of 35-44 is a decade older than the average peak activity age group for the GEM countries which is 25-34.

Figure 8 Percentages of people (16 and over) in different age groups who are entrepreneurial



If we look at actual numbers, we get the following distribution across ages which is similar to the distribution above. 60% of entrepreneurs are aged between 25 and 44 in the UK. Another 20% are between 45 and 54, 12% between 18 and 24 and 7% between 55 and 64. There are very small numbers under 18 or over 65.

For the purposes of the rest of the analysis in this section we are just using data from 18-64 year olds to remove any effects arising from the fact that the very young and very old are disproportionately less inclined to be entrepreneurially active. The Global TEA is also only calculated for 18-64 year olds which means that we can compare with the international data.

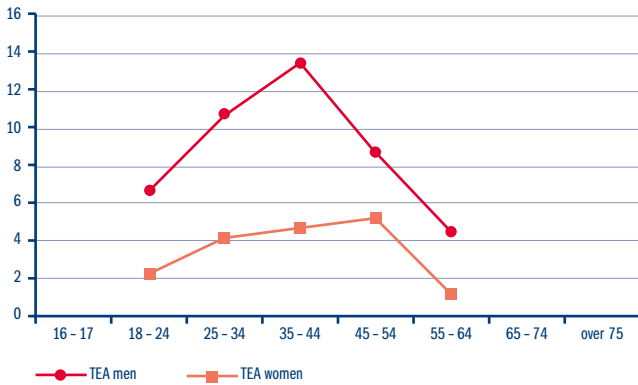
²⁶ Unadjusted data gives TEA indexes of 3.6 for women and 9.3 for men.

²⁷ Unadjusted data gives 4.2% as opportunity entrepreneurs and 1.2% as necessity entrepreneurs.

²⁸ Unadjusted data gives 4.4% for nascent firms and 2.6% for new businesses. The greater prevalence of entrepreneurial involvement in nascent businesses than for new firms is to be expected given that around only one in three attempts to start a business result in a working business.

Looking at gender differences (Figure 9):

Figure 9 Percentages of entrepreneurial people by gender at different ages (18-64)

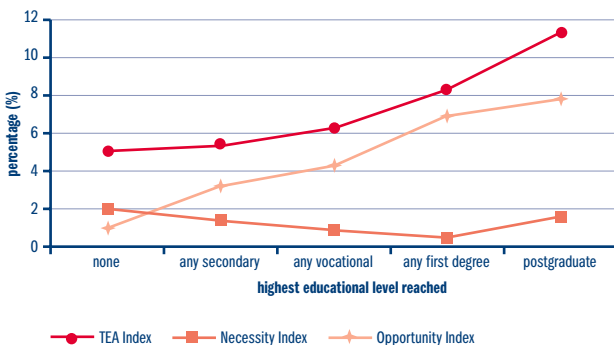


The percentage of entrepreneurial women has a different distribution to that of men. There is a peak for women between 45 and 54, whereas the peak for men is 35-44, a decade earlier. This difference probably reflects the impact of childcare on women. These patterns in the UK are different to the average for the countries surveyed in the Global Entrepreneurship Monitor. The peak age group category for entrepreneurial activity globally seems to be a decade younger for both men (25-34) and women (35-44).

Education level

Information on education level in the survey records the highest level of education reached by the person who replied to the questionnaire (Figure 10).

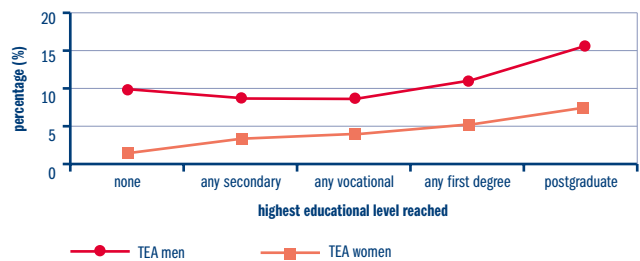
Figure 10 Percentages of people with different educational backgrounds who are entrepreneurial (18-64)



²⁹ We have to be careful with the statistics for necessity entrepreneurship because the number of cases is quite small and the results are not significant.

Educational background clearly has a large impact on entrepreneurship with rising levels of education associated with higher relative rates of enterprise activity. This relationship is also true if we look at opportunity entrepreneurship. However, if we look at the pattern for necessity entrepreneurship, we can see that it appears to fall with education level with the highest rate for those who have no educational qualifications but it rises again for those with post-graduate qualifications²⁹ (Figure 11).

Figure 11 Percentages of entrepreneurial men and women in different educational categories (18-64)



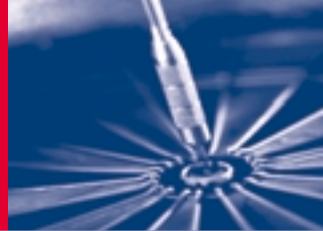
Looking at the differences between men and women, the pattern for women seems to show a steady rise with education level but for men there is a slight dip for those with just secondary and vocational qualifications although these differences are not significantly different.

This pattern is not the same as that observed for the countries as a whole in the Global Entrepreneurship Monitor. There we find that whilst there is a rise in entrepreneurial activity for women with education level, there is most entrepreneurship amongst men whose highest education level is at the secondary level, followed by vocational. Those with no education or graduates have the lowest rates. In fact, in the UK, the pattern for men is virtually the opposite for that of the countries as a whole.

If we just look at UK entrepreneurs, the proportion with different levels of educational attainment are the following (Table 10):

Table 10 Percentage of entrepreneurs (18-64) reaching different education levels

Highest education level	% entrepreneurs
Vocational training	32.6
Any secondary level qualifications	30.4
Any first degree	16.5
Postgraduate degree	15
No qualifications	5.5
Total	100.0



Disability

If we look at differences relating to whether or not someone is registered disabled we find that the Total Entrepreneurial Activity rate is 6.8 for those who are disabled and 6.4 for those who aren't. This difference is not significant and therefore we cannot really say that there is any impact of registered disability. There is a slight indication that there may be an effect on necessity entrepreneurship with levels of 1.8 for those who are disabled and 1.1 for those who are not but this relationship is not statistically significant partly due to the low number of cases. However, we can probe this issue more deeply. Data from the SBS Household Survey found that entrepreneurial activity was less common amongst those who are registered disabled and have a disability that limits their ability to carry out paid work but relatively high amongst those who would not describe themselves as limited in their ability to work³⁰.

Type of living accommodation

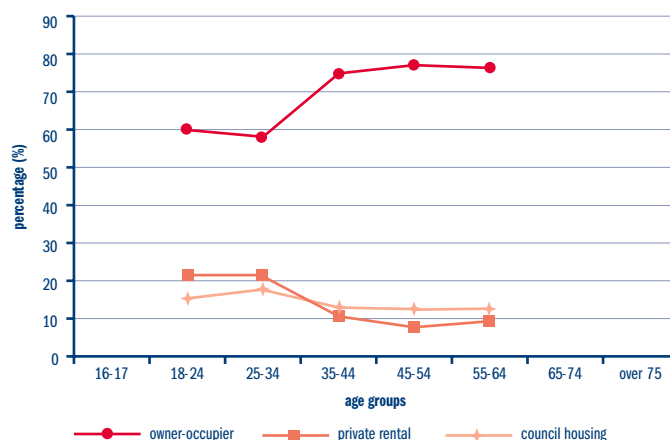
Table 11 Entrepreneurial Indexes for people (18-64) living in different types of accommodation

Dwelling	TEA Index	Opportunity Index	Necessity Index*
Council house	3.7	2.0	1.5
Own or buying	6.7	4.5	1.1
Private rental	8.2	5.0	1.4

* not significant

It appears that people in private rented housing seem to have the highest level of entrepreneurship which is perhaps somewhat surprising given that you might expect people who own their own homes to be better able to raise finance as a result of having collateral (Table 11). It may be the case that some people sell their houses in order to release finance to start their businesses or that there is a difference in entrepreneurial behaviour between those that rent and those that choose to buy, perhaps the latter reflecting a change in lifestyle to being more settled. Necessity entrepreneurship appears somewhat higher in those that rent (and live in a council house) although that data is not significant because the case numbers are low. However, it may give some indication that people in rented accommodation and in council houses could be more likely to be forced into becoming an entrepreneur by necessity.

Figure 12 Percentage of people (18-64) at different age groups in different types of living accommodation



This relationship does not seem to be anything to do with age, since the age group with the highest relative entrepreneurship levels, 35-44, is less likely to rent than younger age groups³¹ (Figure 12).

Opportunity entrepreneurship follows the same pattern with the least level in council housing and the highest in private rental but the lowest level of necessity entrepreneurship is in owner occupancy, followed by council and private rental. However, these differences are small and not statistically significant.

Employment status

Table 12 Percentage of people (18-64) with different employment statuses who are entrepreneurial

	% entrepreneurial	% for men	% for women
Full-time	8.5	10.2	5.1
Part-time	6.0	15.6	4.0
Non-working	2.8	3.6	2.6
Unemployed	4.5	8.2	0.7
Retired	1.8	2.6	1.1
Student	1.6	3.3	1.0

The data in Table 12 is difficult to interpret because it is not clear whether those who are replying that they are working 'full-time' or 'part-time' are referring to the fact that they are also in employment whilst starting their business or running their new business or that they consider themselves to be employed as a result of running a business. It would be interesting to explore this data further since the relationship between part and full-time employment is reversed for men and women. Men who are working part-time are more likely to be entrepreneurial than those who are working full. Women are more likely to be starting a business while in full-time employment than in

³⁰ Ibid.

³¹ However, we have to be careful with this data since it may be the case that the survey is biased towards owner-occupiers since the Housing in England Survey, 2000 finds that 69% of all households are owner-occupied (which is less than found in GEM UK) and some young people could be living in their parents' owner-occupier households.

part-time. The percentage of the unemployed starting a business is much higher for men than for women. However, again, we need to understand what this means – does someone who has left their job to start a business and is drawing no income count themselves as unemployed? There were very low numbers of people involved in the ‘female unemployed’, ‘retired’ and ‘student’ categories so very little should be inferred from these figures.

If we look at the make-up of those who are entrepreneurial we find that (Table 13):

Table 13 Percentages of entrepreneurial people (18-64) with different employment statuses

	% entrepreneurial	% for men	% for women
Full-time	73.6	80.3	55.2
Part-time	15.0	10.1	28.9
Non-working	4.0	1.5	10.5
Unemployed	4.0	4.5	1.3
Retired	2.2	2.0	2.6
Student	1.1	1.5	1.3
Total	99.9	99.9	99.8

From this data women are less likely to be working full-time and be unemployed and more likely to be working part-time and be ‘non-working’.

Marital status/Whether you have children under 18

Table 14 Percentage of people (18-64) with different marital statuses who are entrepreneurial

	TEA Index	Opportunity Index*	Necessity Index
Married	7.1	4.5	1.5
Single	6.1	4.4	0.7
Widow/divorced	4.4	2.8	0.6

* not significant

If we look at marital status (Table 14), people who are married are more likely to be entrepreneurially active with a rate of 7.1 per hundred people, followed by single people (6.1%) and finally widowed or divorced having a rate of 4.4%. There was no significant relationship between those that had children under 18 and those that did not³². Whilst the figures are tentative, they suggest that the difference between married and single people is accounted for by more people who are married being likely to be necessity entrepreneurs.

³² Perhaps a more useful distinction could be between those with children under 5 and those without.

³³ The categorisation used up until the 2001 Census was that indicated above but, since then, a new classification - the National Statistics Socio-economic Classification (NS-SEC) - has come into force replacing Social Class based on Occupation and on Socio-economic groups. For further information on the changes to classifications see the National Statistics website: www.statistics.gov.uk.

Social class

Table 15 Percentage of people (18-64) in different social classes who are entrepreneurial

Social class	TEA Index	Opportunity Index	Necessity Index*
A	14.3	10.1	1.1
B	8.7	7.2	1.0
C1	7.0	4.7	1.2
C2	6.0	3.6	1.7
D	5.3	2.4	1.0
E	2.5	1.5	1.1

* not significant

(A - professional; B - managerial and technical; C1 - skilled non-manual, C2 - skilled manual; D - partly skilled; E - unskilled.)

Social class is a contested concept³³. There is a clear effect here, however, despite the roughness of the measure with a gradation of entrepreneurial activity from social classes A to E (Table 15). The same relationship is apparent for opportunity entrepreneurship but for necessity there appears to be a much more similar spread across different occupational types although the low number of cases mean that these statistics should only be seen as indicative.

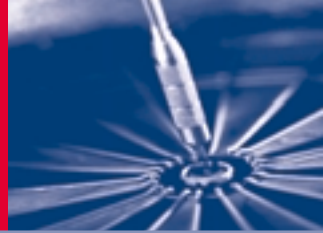
What kinds of businesses are being set up?

Of all nascent or start-up firms, 28.4% of people are involved in firms that are being set up by their employers and as part of their normal work. 72.6% of people are involved in setting up firms independently.

Entrepreneurs are not just setting up businesses by themselves (Table 16). Whilst half (56%) of all entrepreneurs involved in new firms will be the sole owner-manager, 31% are involved in running new companies with two owner-managers, 9% with three to five and 3% with more than six. (Start-up firms predict similar numbers of owners.)

Table 16 Percentage of entrepreneurs in new firms with different numbers of owner-managers

Number of owner-managers	% of entrepreneurs in new firms
1	56.4
2	31.3
3-5	9.4
More than six	3.0
Total	100.1



What sources of finance are being used for start-up?

By far the most predominant source of money is that of the individual themselves, followed by the bank, then government sources and other members of the family (Table 17).

Table 17 Percentage of entrepreneurs (18-64) who use different sources of start-up money

Source of start up money	% entrepreneurs
Self	69.2
Banks and other financial institutions	41.5
Government programmes	24.4
Family	23.4
Work colleagues	12.9
Friends and neighbours	9.5
Other relatives	7.7
Employer	5.3

Many entrepreneurs use several sources of finance. A further breakdown of the data by grouping sources into four categories reveals that (Table 18):

Table 18 Percentage of entrepreneurs (18-64) who use different mixes of finance

Sources	% entrepreneurs
No sources reported	38.4
Self/ bank-financial institution-other	17.9
Self only	13.1
Bank-financial institutions-other only	9.2
All four sources	5.0
Self/family-relatives	4.7
Self/family-relative/colleague-employer-friend-neighbour	3.6
Self/family-relative/bank-financial institution-other	3.5
Self/colleague-employer-friend-neighbour/bank-financial institution-other	1.9
Self/colleague-employer-friend-neighbour	1.7
Family-relatives only	0.4

By far the most number of people (17.9%) seem to use their own money together with bank (or other financial institution) finance. However, it is hard to interpret what the high percentage of 38.4% of people who did not report a source means.

What sectors are entrepreneurs found in?

Table 19 Percentage of entrepreneurs (18-64) in different industrial sectors

	% all	% opportunity	% necessity	% men	% women
Extractive	4.2	4.1	2.1	5.3	1.4
Transforming	28.9	26.7	34.0	33.3	15.7
Business services	28.1	32.0	19.1	33.3	14.3
Consumer-oriented	38.8	37.2	44.7	28.0	67.1
Total	100	99.9	99.9	99.9	98.5

- Extractive: Farming, Fishing, Hunting, Forestry, Mining
- Transforming: Construction, Manufacturing, Transportation, Wholesale, Communications, Utilities
- Business Services: Financial, Insurance, Real Estate, Consulting, Business Professionals
- Consumer-oriented: Retail, Hotels, Restaurants, Consumer Services, Health, Education, and Social Services

There is a clear gender difference here (Table 19) – women are by far more likely to be involved in consumer-oriented businesses than men and this bias affects the overall statistics which indicate that most people are involved in consumer-oriented enterprises. Men are virtually equally most likely to be involved in transformative or business sectors.

Looking at a more detailed breakdown of sectors the highest proportion of 26% of all entrepreneurs can be found in business services followed by 19.3% in retail, hotel and restaurants (Table 20).

Table 20 Percentage of entrepreneurs (18-64) in different industrial sectors

	% entrepreneurs
Business services	26.0
Retail, hotel, restaurants	19.3
Mining, construction	10.6
Manufacturing	10.0
Health, education, and social services	9.6
Consumer service	8.8
Wholesale, motor vehicle sale, repair	5.1
Agriculture, forestry, hunting, fishing	4.2
Transport, communications, utilities	4.2
Finance, insurance, real estate	2.1
Total	100.0

Growth plans

Table 21 Percentage of entrepreneurs (18-64) who believe that they will create different numbers of jobs in the next five years

Number of jobs	% all	% opportunity	% necessity	% men	% women
No jobs	20.6	10.3	11.4	18.6	25.8
1-5 jobs	46.9	48.5	77.1	46.2	48.9
6-19 jobs	18.6	25.7	11.4	19.2	16.9
20 and more	13.9	15.4	0	16.0	8.3
Total	100.0	99.9	99.9	100	100

13.9% of entrepreneurs believe they will create 20 or more jobs in the next five years, and 20.6% say that they will not create any (Table 21). About half – 46.9% say that they will create between 1 to 5 jobs.

About 2.5% of the nascent (or start-up) businesses in the sample say that they will create over 50 jobs. This puts the UK about one third down a list where the USA has 5% of start-ups predicting over 50 jobs and Russia, Netherlands and Norway, 7%. Using globally adjusted data, 11% of the new firms in the UK predict over 50 jobs. The UK is middling on this ranking with the USA having 39% of new firms who predict over 50 jobs and Australia at the top of the list with 42%. France and Germany are similar to the UK on both these measures but countries in addition to those mentioned such as Sweden, Ireland and Canada all rank higher than the UK.

Opportunity entrepreneurs follow a similar pattern but with relatively fewer saying that they will create no jobs – 10.3%. No necessity entrepreneurs say that they will create over 20 jobs and over three quarters (77.1%) say that they will create 1-5 jobs.

The patterns for men and women need to be treated carefully because of the low number of cases for women but it appears that relatively more women are likely to create no jobs and more men than women are likely to create over 20 jobs. If we look at all entrepreneurs, about two thirds say that they are going to create 1-19 jobs.

It is difficult to draw conclusions from the sectoral breakdowns because of the low numbers in the different categories but about three-quarters of the over 20 job category is comprised of a mix of business and customer-focused businesses with about 20% in transforming and about 4% in extractive businesses.

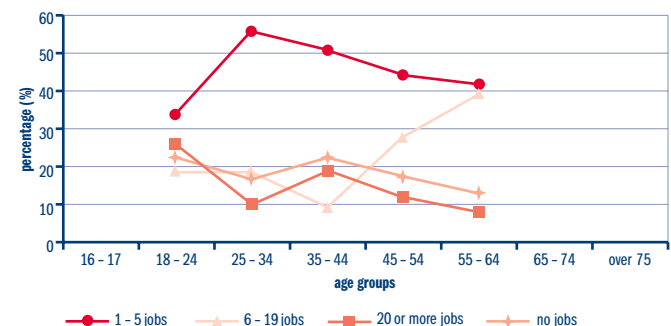
Table 22 The percentage of entrepreneurs (18-64) predicting over 20 jobs with different educational backgrounds and the percentage of entrepreneurs amongst those people with different educational backgrounds

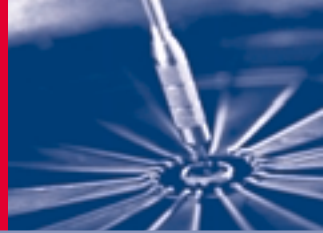
	% of those predicting over 20 jobs	% of those from different educational backgrounds predicting over 20 jobs
No education	4.5	11.8
Secondary	20.5	9.7
Vocational	29.5	13
First degree	20.5	17.6
Higher	25	21.6
Total	100.0	

Of entrepreneurs as a whole who say that they are likely to create over 20 jobs, the highest proportion come from those with vocational qualifications, then post-graduate, then equally first degree and secondary with those with no education having the least (Table 22). If we look at the second column above which shows the relative proportions of people from different educational backgrounds who create over 20 jobs, the people most likely to do so appear to be those with higher degrees, then first degrees, then vocational qualifications, no education and then secondary (these case numbers are small so not statistically significant).

Looking at age, the data indicates that the proportion who believe that they will create no jobs is greater at younger and older ages. For those looking to create 20 or more jobs, there seem to be two peaks – one at 18-24 and at 35-44. Overall, 18-24 and 35-44 year olds seem to be the most ambitious for their companies (combining those predicting 6-19 and over 20 jobs). This data is, however, only indicative because of the low numbers of cases.

Figure 13 Percentage of entrepreneurs (18-64) in different age groups and their predictions about the number of jobs they will create





Understanding the characteristics of growth companies is important. In the UK, 3% of nascent or start-up companies predict over 50 jobs in the next five years. This figure is about a third of the way down the list of GEM countries where Russia, Netherlands and Norway have the highest percentages at 7% – over double that of the UK. Other countries with higher levels of predicted growth companies are the US, Sweden and Hungary. For new firms, the differences are more stark. 11% of new firms predict over 50 jobs in the UK, in the US the rate is 39%, Australia 42% and Norway 36%.

Informal Investor Activity in the UK

The Global Entrepreneurship Monitor noted that, in all countries, informal investors give more money to start-ups and growing businesses than do professional venture capital firms. For every one dollar of classic or traditional venture capital there was an average of \$1.60 of informal capital invested. This informal investment can be a significant part of GDP, as much as one or two per cent. For every adult in the GEM nations, \$315 is invested on average each year in a start-up or growing business.

The Global Entrepreneurship Monitor also shows that levels of entrepreneurship positively correlate with levels of informal investment although we do not know the direction of causality. For all these reasons, it is important to understand just who these informal investors are.

People were asked the following question in the UK population survey:

You have, in the past three years, personally provided funds for a new business started by someone else – this would not include buying publicly traded shares or mutual funds.

They were also asked: how much money had been provided in the last three years; the kind of business invested in; and the relationship of the respondent to the person who received the investment.

2.3% of people said that they were informal investors. 97.5% said no and 0.3% did not know.

The statistics quoted in the Global GEM report included the 0.3% who did not know whether they were informal investors as though they actually were investors and therefore the total used in that report is 2.6%. This compares with a figure for 2000 of 2.9%, for 1999 of 3.1% and for 1998 of 3.7% which seems to indicate a fall in the percentage of people being informal investors over the last few years.

Out of the 29 countries surveyed, the UK ranks 18th in the relative prevalence rate of people becoming informal investors with a similar level to Russia, Denmark, Italy and Sweden. New Zealand and the US have levels of 7% and 6% respectively and two of the lowest ranking countries are the Netherlands and Portugal with about 1% each. The rankings, as for entrepreneurial activity, are only approximate due to the large margins of error in these figures but the UK is clearly relatively low.

However, the UK has \$3,857 million classic venture capital invested domestically which makes it third (in a list of those countries for whom data was available) behind Canada with over \$4 billion and the USA with a huge \$100,596 million³⁴. Total UK informal venture capital for those aged 20 years and over was \$17,026 million (third to South Korea and the USA). Informal venture capital in the UK is 82% of all combined equity finance including informal and formal venture capital.

The UK's average annual informal investment per investor between 1998 and 2001 was \$13,860 which was in fact the highest out of the countries surveyed. This means that those countries with higher prevalence rates than the UK tend also to have lower average investment per person.

If we look at an analysis of the kinds of people who responded that they were informal investors, some of the following factors appear:

- 3.3% of men and 1.3% of women are informal investors. In other words, men are about two and half times more likely to be an informal investor.
- People in rented accommodation seem to be the most likely to be an informal investor (although there are many more informal investors in numbers in owner-occupied accommodation). 3.3% of those in rental accommodation are informal investors; 2.4% of those owning or buying their own home and 1.1% of those in council housing (these differences, however, are not significant).
- If you are married you are more likely to be an informal investor (2.8 out of a hundred) than if you are single (1.8%) or divorced (1.4%).
- You are six times more likely to be an informal investor if you are an entrepreneur. 11.2% of those who are starting up or running a new business are informal investors compared with 1.8 of those who are not.
- There is an association between rising levels of education and the likelihood of being an informal investor which mirrors the same pattern for the likelihood of being an entrepreneur (Table 23).

³⁴ For more information see the Global Entrepreneurship Monitor.

Table 23 Percentage of the adult population (16 and over) with different educational backgrounds who are informal investors

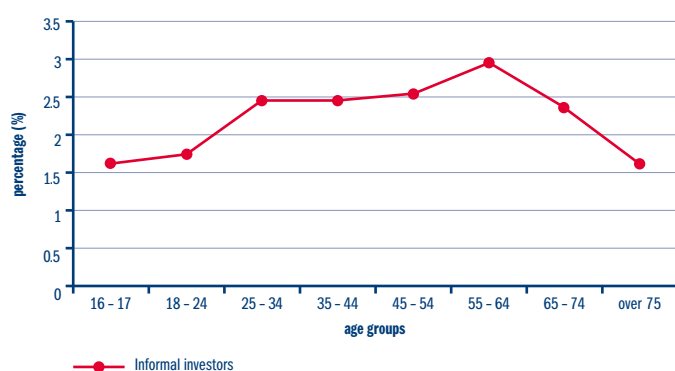
Education level	% informal investors
None completed:	1.2
Secondary	1.6
Vocational	2.6
First degree	3.4
Post-graduate	5.0

- If you are working full-time you are more likely to be an entrepreneur (3.5%) than if you are working part-time (2.2%) or not working, unemployed or retired.
- There are clear links with social class. Informal investment shows the same relationship as for entrepreneurship – higher social class equates with a higher percentage of informal investor activity (Table 24):

Table 24 Percentage of the adult population (16 and over) in different social classes who are informal investors

Social Class	% informal investors
A	3.5
B	2.8
C1	2.9
C2	2.7
D	1.8
E	0.9

- Informal investor activity seems to be relatively evenly spread between the ages of 25 and 74 with a small peak at 55-64. This is a different distribution to that of entrepreneurial activity. The low numbers in these categories, however, mean that this pattern is not significant but only indicative (Figure 14).

Figure 14 Percentage of informal investors in different age groups (16 and over)

If we redo the distribution with three age levels then we can look at patterns related to gender with proportions of informal investors in each age category of young adults (18-34) middle adults (35-54) and late adults (over 55) (Table 25).

Table 25 Percentage of male and female informal investors at different ages (18 and over)

	% men	% women
Young adults	32.6	29.4
Middle adults	37.2	26.5
Late adults	30.2	44.1
Total	100	100

There is an indication from this breakdown that men tend to be more likely to be informal investors in their middle years, and women when older – over 55.

A key variable which will relate to many of the factors above such as employment status or social class, is that of household income. Unfortunately, this information was not collected in the UK survey. It will be very important in future years to collect this data to ensure that the right relationships between variables are found.

Levels of informal investor support

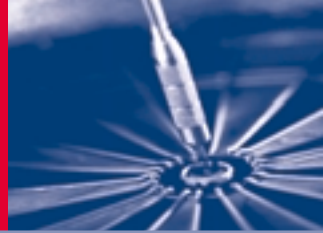
About half of all informal investors give between £1000 to £10,000. Only about 5% give above £100,000 (Table 26).

Table 26 Percentage of informal investors (16 and over) giving different amounts of financial support

Amount of informal investor finance (£)	% of informal investors
Under £1000	16.1
1000 to 10,000	47.9
10 to 50,000	25.8
50 to 100,000	5.3
100 – 500,000	2.9
500,000 – 1 million	1.1
Over 1 million	0.9
Total	100

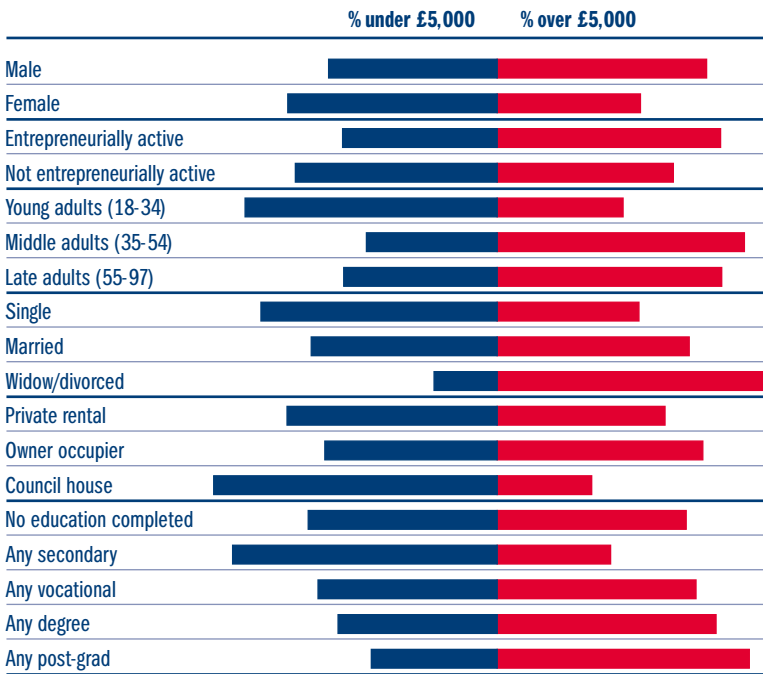
£5,000 is the median amount with about 50.3% giving below and 49.7% giving above this level. By comparing different variables by the relevant percentage of people who invest under or over £5,000 we find that (Figure 15):

- Women seem to be slightly more likely to give under £5000 but this is not significantly different.



- Those that are entrepreneurially active seem more likely to give larger amounts but again this is not significant.
- Older people give more than younger and those between 35-54 give more than people over 55.
- Single people seem more likely to give smaller amounts and widowed and divorced higher.
- Those in council houses are more likely to give smaller amounts than those in either private rental or owned accommodation. There is some indication that those in owner-occupier premises are more likely to give larger amounts than those who rent.
- Due to the small number of cases in some of the categories, the data is not significant but suggests that people with higher education levels are more likely to give larger amounts. However, people with just secondary education are more likely to give smaller amounts than those with no education but, as we saw above, those with no education are the least likely overall to be informal investors.

Figure 15 Percentages of people (16 and over) who give either under £5000 or over £5000 in different categories



Recipients of funding

Informal investors give their financial support to the following people (Table 27):

Table 27 Percentage of informal investors (16 and over) giving to different people

Recipient	% in each category
Close family	46.1
Friend/neighbour	22.2
Other relative	3.0
Work colleague	10.8
Stranger	8.5
Other	3.7
Don't know	5.6
Total	100.00

People seem much more likely to give to close family and friends and neighbours than to work colleagues or strangers.

A Focus on Women

The key striking feature of the GEM UK data is the large discrepancy between men and women and the fact that this difference is very high by international standards. A summary of the data from the survey finds that:

- Women in the UK have a Total Entrepreneurial Activity Index of 4.3 and men of 11.0 – in other words 4.3% of women and 11% of men are currently entrepreneurial. Men are therefore two and a half times more likely to be an entrepreneur than is a woman. If we average with the slightly higher ranking in 2000, the UK is probably in the low middle of a ranking based on decreasing differences between levels of male and female entrepreneurship in the GEM countries.
- The peak age group for being most likely to be an entrepreneur is 35-44 for men and 45-54 for women which suggests the impact of having children. It is interesting to note that having children under 18 makes no difference to relative levels of entrepreneurship, whether we look at total entrepreneurship or just female. It rather suggests therefore that women tend to start a business later rather than that having children reduces the likelihood of being an entrepreneur.
- Women are more likely to be involved in customer-oriented businesses and men in either business-related or transformative sectors.
- Women are relatively more likely than men to believe that they will create no jobs in the next five years and less likely to believe that they will create over 20 jobs.

Informal investor activity

- 3.3% of men and 1.3% of women are informal investors – in other words, men are about two and a half times more likely to be an informal investor.
- There is an indication that men tend to be more likely to be informal investors in their middle years, and women when older – over 55.
- Women seem to give less money than men.

Attitudes and motivations to be an entrepreneur

- Men are nearly twice as likely to believe that there will be start-up opportunities in the next 6 months.
- Men are nearly twice as likely to think that they have the skills to start a business as a woman.
- There is not much gender difference in fear of failure.
- Men are more likely to know an entrepreneur.
- Men seem more optimistic about the future of their own finances a year from now than women.

In summary we can see that there are some clear differences in factors which affect the attitudes and motivations of women and possibly therefore their likelihood of starting a business, for example, their belief in their skills (although they could be being more realistic about their actual capacity), perception of opportunities and future financial situation, all of which, as we have seen, have been shown to relate to higher levels of entrepreneurship.

But other data indicates that the trend is upwards³⁵. There have been increases in female entrepreneurship over the past few years. For example, the Labour Force Survey indicates a significant increase in female self-employment over the last two decades and a narrowing of the gap between men and women. The NatWest believes that the number of women going into business for themselves has risen by 38% in the past five years accounting for 35% of new business start-ups³⁶.

Women's motivations in the SBS Household Survey appear to be fairly similar to men's but they are less motivated by a high income and more inclined to develop their hobby into a business³⁷. There was also some indication that women are less confident about going into business and had less knowledge of how to produce business plans. Women also seem to prefer formally structured classroom training and men more ad hoc guidance through consultants in the workplace.

The SBS Household Survey found that women were more scared of debt and less likely to use banks for start-up finance, part of the reason behind the concerns over the relatively low levels of women's initial business capitalisation³⁸. The SBS survey also found that a significantly higher proportion of self-employed women worked part-time and for less hours than men which probably reflects childcare and other responsibilities. The GEM data also indicates that women also appear less likely to want to set up growth businesses with over 20 employees. However, in the past three years employment in women-owned businesses has grown more rapidly³⁹.

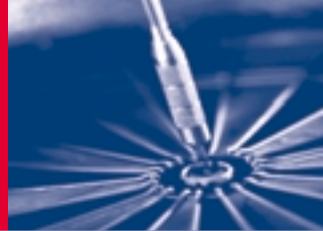
³⁵ The following analysis is based on a paper by Joanne Mitchell and Peter Weller of the Small Business Service – *The Small Business Service's research agenda on female entrepreneurship*, 2001.

³⁶ NatWest/NOP (2000) *Quarterly research on start-up businesses*, September 2000.

³⁷ SBS Household Survey of Entrepreneurs 2001, *ibid*.

³⁸ Carter S, Anderson S, Shaw E (2001) *Literature Review of Women's Enterprise*, for SBS.

³⁹ Carter S and Anderson S (2000) *On the move: Women and Men Business Owners in the UK*, University of Strathclyde.



In summary, then one of the clearest ways for the UK to increase its levels of entrepreneurship would be by encouraging and supporting more women into business. The data in the GEM UK survey, and the other information set out above indicates some of the differences between male and female entrepreneurs which will be important to recognise when designing responsive and appropriate future initiatives.

What the Experts Say

Detailed face-to-face interviews with experts in the field of entrepreneurship – whether entrepreneurs, finance and support providers, government officials or education providers – can help to provide a comprehensive overview of the major features of the national entrepreneurial sector and a great deal of detailed information about unique features in each country.

Eighteen expert interviewees in the UK were interviewed about their key concerns for the environment for entrepreneurship in the UK. Of the 18, two were from government, three were finance providers, and the rest were a mix of entrepreneurs, and people who work closely with entrepreneurs providing advice and support or strategies to promote entrepreneurship in their particular region. Forty interviewees from 2001 and previous years also filled in a standardised questionnaire.

This qualitative and quantitative research can also be analysed across countries in order to find out what might make certain countries more entrepreneurial than others.

A summary of the key points raised by expert interviewees

The most frequently mentioned conditions for entrepreneurship in the UK were:

- culture and attitudes towards entrepreneurship
- access to appropriate finance
- supportive government policy
- availability of enterprising education and training
- access to good quality advice and information.

Barriers to entrepreneurship in the UK are widely believed to be:

- culture
- finance
- individual risk aversion

- government regulation.

There is also concern about:

- lack of skills
- lack of growth aspiration
- an unsupportive education system
- low levels of basic education.

Successes are believed to lie in the development of the venture capital industry, in certain key sectors, a stable macro-environment and a discernable culture change which may well be linked to the ‘dot-com’ phenomenon and to government rhetoric. Other positive aspects of Britain which support enterprise include technology transfer, the broader base of small firms, and a generally supportive finance and professional infrastructure.

Finance

Whilst there is generally felt to be a strong supply of capital for entrepreneurs, there is concern that there are still problems with undersupply of capital for early stage investment, for non high-tech or innovative and for ‘non-investor friendly’ or non-standard businesses. It was also felt that there is still an unwillingness by many entrepreneurs to raise external capital as well as a lack of expertise in doing so. There is concern over the lack of competition in banking as well as worries that investors do not understand the diversity of entrepreneurs. Comments indicate a need to support matching and understanding the differing needs and expectations of finance providers and entrepreneurs.

Government policies

In the questionnaire for expert interviewees, three quarters thought that it was true or somewhat true that: *support for new and growing firms is a high priority for policy at the national government level.*

There is a general feeling that the government is using very supportive language towards entrepreneurship but that it is not necessarily translating into joined-up policies or the behaviour and attitudes of civil servants in different departments. Employment regulations are widely believed to be problematic and onerous for entrepreneurs. The tax system is generally felt to be fine but there is concern over the level of complexity, particularly over accessing tax incentives. Several interviewees mentioned the fact that a great deal more could be done to make public procurement more accessible to entrepreneurs and to small and medium-sized firms (SMEs).

Government programmes

Many comments referred to the relatively poor competence of people delivering government-sponsored advice programmes and the quality of the services provided. There is also concern that support is too generic and not tailor-made for the needs of different groups of people or particular types of business. There were several suggestions for more focus on facilitated learning and peer-group networks which would involve business advisors helping entrepreneurs to identify their own issues and training needs and to work together to address these. There was also support for more access to short training modules and simple information provision.

Education and training

The expert interviewees particularly felt that there is little attention to enterprise and entrepreneurship teaching, teaching methods and practice at all levels of the education system. A key issue for many respondents is the poor basic education level. It is also felt that there should be more focus on entrepreneurial projects within school as well as on broader teaching methods that promote creativity, a 'can do' culture and confidence – all precursors of entrepreneurship. Universities are also believed to do little to promote entrepreneurship amongst students.

Research and development

Whilst a number of respondents felt that technology transfer from universities is generally a success in the UK, replies to the questionnaire suggest that this effectiveness could be improved. There was also concern that not enough entrepreneurs are willing to make use of innovations but at the same time it is harder for smaller firms to gain access to (and afford) new technologies. For example, over half of respondents felt that it was not true to say that: *new and growing firms have just as much access to new research and technology as large, established firms.*

The general competence of staff in technology transfer institutions was questioned by several respondents. It was felt that there was more room for development in spin-outs and corporate venturing and support for people with innovations who are outside higher education.

Commercial and professional infrastructure

Commercial and professional infrastructure was seen both as a success and a problem for enterprise in the UK. It was strongly felt that the quality of service is excellent from large companies but that the general quality available to small firms can be very variable. General cost of services is felt to be an issue and there is particular concern over the lack of competition in business banking. A few

respondents also mentioned that professional codes and practices prevented flexibility in provision to entrepreneurs particularly in providing multi-disciplinary support.

Barriers to entry

The competitiveness of markets in the UK is not generally seen to be an issue by most expert interviewees. However, those with expert knowledge of the area were aware of negative market practices such as cartels and cosy supply chains. It was noted that entrepreneurs often seek out and develop niches so that they can be immune from such activities but that in certain sectors it would be difficult to enter markets because of the power of incumbents.

Access to physical infrastructure

One of the key problems in the UK appears to be the difficulty of gaining planning permission, and the length and randomness of the decision-making process. There is also a great deal of concern over the quality, and availability, of transport in some locations. Another key area of concern is the inflexibility of property terms and conditions and the availability of property in particular geographical locations.

Cultural and social

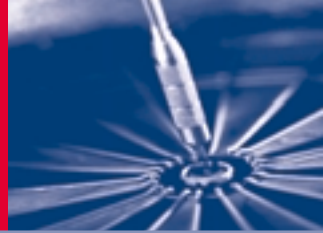
The expert interviewees responded fairly positively about the opportunities for, and attitudes towards, enterprise in the UK. For example, about two thirds of those who replied to the questionnaire believed that: *good opportunities for new firms have considerably increased in the past five years* and nearly the same number believed that: *the creation of new ventures is considered an appropriate way to become rich.*

However, there were more mixed feelings around whether:

- *Social security and welfare systems provided appropriate encouragement for people to take initiative and be self-sufficient.*
- *A high value is placed on self-sufficiency, autonomy, individualism, and personal initiative.*
- *Successful entrepreneurs have a high level of status and respect.*
- *Most people consider becoming an entrepreneur as a desirable career choice.*
- *Many people have the ability to organise the resources required for a new business.*

And there were rather more negative comments on the following statements:

- *Most people believe that creating new or high growth businesses is easy.* (Over two-thirds replied that this statement was false or somewhat false.)



- *Many people know how to manage a small business. (Again, over two thirds thought that this statement was false or somewhat false.)*

Overall, cultural and social attitudes to entrepreneurship were most frequently cited as both key conditions and barriers to entrepreneurship in the UK. It was, however, recognised that there was an encouraging positive change in trends but that there were still persisting negative attitudes to wealth creation and to the self-employed. There are also negative attitudes to business termination, personal bankruptcy and the employability of unsuccessful entrepreneurs which partly explains the perceived high level of risk aversion and fear of failure which is believed to lie behind a reluctance of people to become entrepreneurs. It is interesting to note, however, that recent research into entrepreneurial attitudes of the UK population by the DTI did not find that there was widespread hostility to entrepreneurs or a lack of entrepreneurial potential⁴⁰. This difference perhaps reflects a positive change in attitudes which is not yet reflected in the experts' view of the UK but also the difficulties of subjective assessments. There was also concern about the level of skills and confidence of people to start a business and their poverty of aspiration – the relatively few people who wish to start and develop extremely high-growth businesses compared to countries such as the US.

The Global Picture

The most frequently cited issues (both supportive and barriers) internationally for creating an entrepreneurial society were seen to be:

- a) cultural and social norms
- b) financing
- c) government policies.

This is exactly the same order of issues mentioned by the UK experts.

The Global Entrepreneurship Monitor divides countries into two groups – high and low levels of entrepreneurial activity. Issues raised by key informants were analysed across the three main areas identified below (Table 28). In this analysis, the UK falls into the low entrepreneur activity level group.

In many respects, the UK's policies and concerns fit rather more into the 'more entrepreneurial' camp than those characterised as 'less entrepreneurial' which may well reflect the strong government support since 1997 for entrepreneurship.

In fact, far from believing that government does not have a role, most experts seem to believe that government support for enterprise and entrepreneurship can play a strong advocacy role for increasing the level of entrepreneurial activity ranging, for example, from tax incentives to involvement of small firms in public procurement policy.

Table 28 International policies and concerns arising from more entrepreneurial and less entrepreneurial countries

Cultural and social norms	Differences	Common themes
More entrepreneurial	Encourage women and minorities to become more entrepreneurial. Create mindset of creativity and innovation.	Increase respect for entrepreneurs.
Less entrepreneurial	Need for role models. Instil elementary aspects of entrepreneurial mindset such as self-reliance.	Lower fear of failure. Modify perception of wealth creation.
Financial support	Differences	Common themes
More entrepreneurial	Improving risk investment culture in the financial community.	Improving ability of lending institutions and equity investors to assess entrepreneurial opportunities.
Less entrepreneurial	Improving banking and access to debt capital. Improving entrepreneurs' ability to assess capital needs.	Lower cost of capital for entrepreneurs. Modify inadequate regulation by government of the supply of capital.
Government policies	Differences	Common themes
More entrepreneurial	Increase long-term focus in government support of entrepreneurship.	Reduce administrative burden of regulatory compliance.
Less entrepreneurial	Increase coordination in governmental support initiatives. Change government negative perception of entrepreneurship.	Increase fiscal incentives to stimulate entrepreneurial initiatives.

⁴⁰ Research for the SBS by IFF Research Ltd, *Household Survey of Entrepreneurship 2001*, November 2001.

Policy Considerations

So what does all this mean for UK government policy?

The Global Entrepreneurship Monitor data can currently only point to correlations between different factors which might affect the different rates of entrepreneurial activity between countries. It cannot clearly identify causal mechanisms. In future years, it will be possible to isolate the strength and direction of the impacts of different factors on the level of entrepreneurship and more clearly tease out the relationship of entrepreneurship with economic growth.

It is also clear from the international data that the sectoral make-up of a country will affect relative entrepreneurship levels since certain sectors, because of the type of industry or potential opportunities, will have different start-up levels. The Index is also affected by the relative economic development of a country and its poverty level which appears to influence wide differences in necessity and opportunity entrepreneurship. Care therefore has to be taken in being too concerned about the UK level of entrepreneurship in a global sense – rather comparison with similar countries is more appropriate.

We also have to be careful with the implications of the links between levels of entrepreneurship and particular factors. For example, if opportunity entrepreneurship is higher where there are lower levels of government regulations then a simple exhortation to reduce regulation might be made. But which regulations are having the effect and how? Regulations address other policy goals and therefore their relative impacts and importance have to be taken into account.

The GEM data can, however, indicate some of the environmental conditions and national differences which support different levels of entrepreneurship such as the important likely role of cultural attitudes. The data also indicates a particular area of concern for the UK, that of the relatively large discrepancy between male and female entrepreneurship.

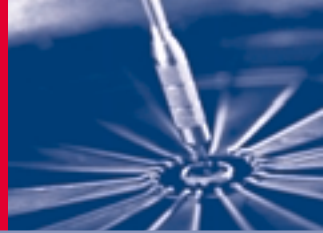
It is also interesting to note that the ‘perception of opportunities’ and the ‘perception of skills’ have strong positive correlations with levels of opportunity entrepreneurship internationally. Whilst part of this perception may well be based on reality both these responses also indicate a more personal driver of confidence and ability to spot opportunities. There is also an interesting indication in the data here that whilst the perception of skills in the UK is relatively high, the expert interviewees believe that skill levels in the UK are actually poor and that growth motivations are low. Whilst positive perceptions might drive start-up activity, the lack of skills may lead to new entrepreneurs who are under-prepared. Several interviewees suggested that further promotion of business networks would better enable people to access entrepreneurial expertise and contacts and perhaps help to raise aspirations.

This discussion further illustrates the point that trying to increase the number of start-ups for the sake of it is not necessarily a good thing but equally, optimism, confidence and a ‘can do’ spirit are important drivers of entrepreneurship. These positive beliefs may be important in accounting for some of the gender differences in entrepreneurship rates. Women are far less likely to feel they have the skills to start a business or to see opportunities.

There is a general feeling from the results of the expert interviews that the general rhetoric of the UK Government towards entrepreneurship has strongly improved. There is also fairly positive support for government policy and clear indications that areas of concern in the UK, for example, the promotion of entrepreneurial skills in education, access to and demand for external finance, reducing the impacts of business failure, and supporting technology transfer are all being addressed by government policies. It is too early to know whether these policies are yet having the right effects and ongoing evaluation, particularly of the benefits of tax incentives, the ability and willingness of people to access outside finance, and the appropriateness and coverage of government-sponsored advice programmes, will be necessary to ensure the Government’s goal of ‘access for all’. However, there is also concern that national government rhetoric does not always translate into joined-up thinking at a local level, for example in complex and time-consuming local planning decisions as well as difficulties in small firms accessing public procurement opportunities.

But ‘access for all’ also means that people believe that entrepreneurship might be the right option for them and that they have the self-confidence to go ahead. Whilst the UK Government has said that it does not believe that it can do much to change attitudes, there is clearly a need to be creative about how localities and regions might help to promote entrepreneurship. Several regions, particularly Scotland, have done a great deal to try to promote entrepreneurship and there are also innovative local initiatives (often community-led and often found in areas of high unemployment with little entrepreneurial culture). An evaluation of these initiatives may help to tease out what does and does not work. However, a clear difficulty will be that evidence of cultural change may take a long time to appear.

The Howard Davies Review of Business and Education, along with other work on entrepreneurship in schools by the DTI, is also clearly important in encouraging entrepreneurial behaviour amongst young people. However, as the expert interviewees have pointed out, it is important to recognise that entrepreneurial education is not just about add-on activities but rather about supporting the development of creativity, resourcefulness and ‘can-do’ rather than just learning about business.



The reasons behind the clear disparities between the numbers of entrepreneurial men and women needs to be further investigated. There may well be a need for more targeted initiatives focused on encouraging women to consider entrepreneurship or to become an informal investor, whether through the education system or within communities and the workplace.

In summary, then, the UK Government has done a great deal to address some of the barriers to entrepreneurship but GEM has identified three key challenges for the UK – creating a more entrepreneurial culture; increasing the proportion of women who wish to, and do, start a business; and addressing the reasons for the relatively low growth motivations of UK entrepreneurs compared to countries such as the US.

Appendix – Methodology for GEM and GEM UK

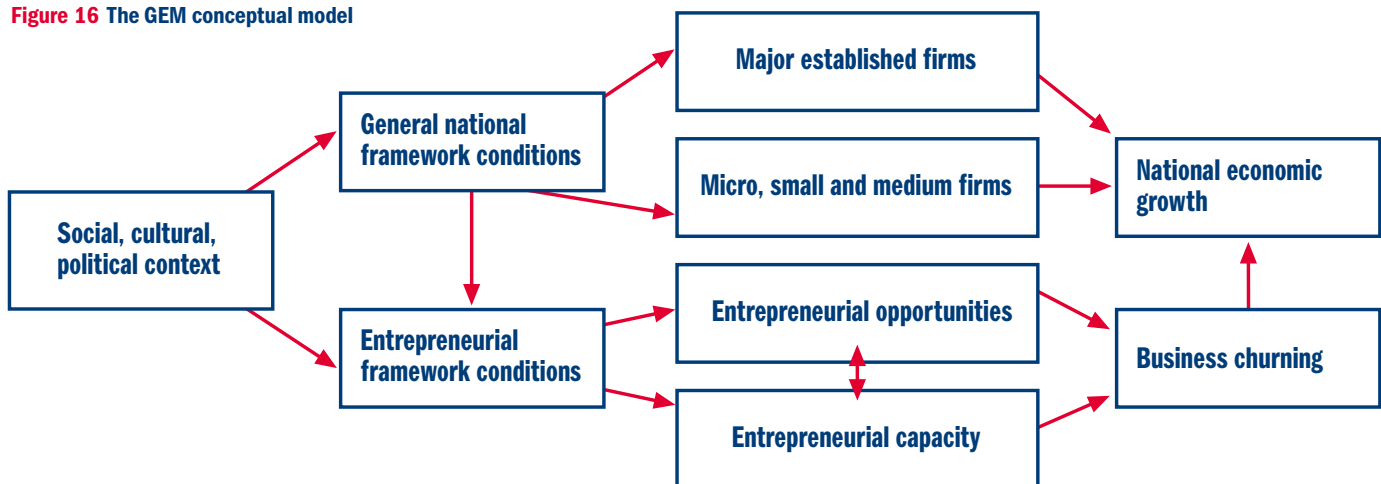
Methodology for the Global Entrepreneurship Monitor

The GEM research programme is derived from an underlying conceptual model which is presumed to reflect the major causal mechanisms affecting national economies. Full details of the methodology can be found in the Global Entrepreneurship Monitor.

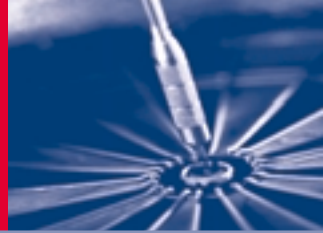
The model has three primary features:

- It is entirely focused on explaining why some national economies are stronger and growing more rapidly than others.
- It assumes that all economic processes take place in a relatively stable political, social and historical context.
- It presumes that two distinct but complementary mechanisms are considered to be the primary sources of national economic growth: the role of large established firms; and the role of entrepreneurship in the creation and growth of new firms (see Figure 16).

Figure 16 The GEM conceptual model



The diagram shows the role of large established firms and also of entrepreneurship in the creation and growth of new firms. The arrows all point towards national economic growth here but clearly there will also be arrows pointing in the opposite direction since growth itself will affect factors such as the perception of entrepreneurial opportunities or the decision to start a business.



There are presumed to be a set of contextual factors – the Entrepreneurial Framework Conditions – which mediate between the social and cultural context and the emergence and expansion of new firms. These nine Entrepreneurial Framework Conditions are:

- Financial support
- Government policies
- Government programmes
- Education and training
- Research and development activity and transfer
- Commercial and legal infrastructure
- Internal market openness
- Access to physical infrastructure

There are also two other critical features – the emergence or presence of market opportunities and the capacity (in other words, motivation and skill) of people to initiate new firms to pursue those opportunities.

Four types of data are collected:

1. Representative population surveys of adults in each GEM 2001 country using professional survey research firms.
2. Detailed personal interviews with national experts on entrepreneurship.
3. Standardised questionnaires completed by experts in each country which included the adult questionnaire items and 69 five-point scale items covering 13 topics and from which multi-item scales are developed.
4. Standardised data collected for each country from international sources such as the United Nations, Eurostat, International Labour Organisation, and the World Bank.

The GEM co-ordination team consolidated the adult population survey data and the final total data set and this was then distributed back to the national teams.

Standardising the data

Adjustments to the 2000 and 2001 data were made to take into account the variable number of people across countries who replied ‘don’t know’ to the question of whether or not they were involved in entrepreneurial activity. The procedure was as follows:

1. For each country, the total number of people who answered ‘yes’ to the question about their entrepreneurial activity was determined, along with the number that met the criteria for a nascent firm or a new firm.

2. The numbers that were ‘don’t know’ were determined for each country.
3. The percentage amongst the ‘yes’ respondents that met the criteria was applied to the ‘don’t know’ counts.
4. The proportional increase in nascent and new firm counts was then calculated for each country. The increase varied from between 5% or less up to 53%.
5. As the adjustments could not be made at the level of individual respondents, they are made in the overall prevalence rates by increasing the nascent and new firm prevalence rates. The adjusted prevalence rates were then added together to create the adjusted Total Entrepreneurial Activity (TEA) rate. The TEA Opportunity and TEA Necessity entrepreneurship rates were increased by the same ratio as the increase in the overall TEA rate.

This technique was also applied to the 2000 data in order to be able to compare data for the last two years.

Methodology for GEM UK

The data for GEM UK comes from three sources:

- An adult population questionnaire
- Interviews with 18 entrepreneurship experts
- Questionnaire responses from about 40 experts

The details of the questionnaire are the same as for the Global Entrepreneurship Monitor above. The UK sample size was 5000 for England, Scotland and Wales and 500 for Northern Ireland. The sample size has been increased from previous years when only 2000 was used (which also excluded Northern Ireland). The data was weighted by the survey company by age within sex within class and within region. The GEM Global team then re-weighted the data to ensure that Northern Ireland was appropriately represented.

The survey company – Taylor Nelson Sofres – used their weekly telephone omnibus survey to carry out the GEM survey. Samples were obtained from lists of randomly generated phone numbers to ensure that ex-directory households are included. Quotas are set on region, sex, age and social class to ensure that completed interviews are representative of the population based on known census data.

In the UK, 18 new expert interviewees were chosen this year equally divided in their expertise over the nine framework conditions. The questionnaire was sent to all the people who were interviewed face-to-face in this and previous years.

Acknowledgements

The Foundation for Entrepreneurial Management in London Business School would like to thank the Small Business Service and Ernst & Young for their generous sponsorship of the 2001 Global Entrepreneurship Monitor UK report. Special thanks go to Peter Weller at the SBS and David Wilkinson, Head of Entrepreneurial Services at Ernst and Young, for their contributions in time and support.

For more information on GEM UK please contact:

Michael Hay

London Business School
mhay@london.edu
www.london.edu

Further copies of the GEM UK report and the GEM Global report can be downloaded from the GEM website:

www.gemconsortium.org or www.entreworld.org/gem2001

Copies are also available from the Foundation for Entrepreneurial Management at London Business School.

For more information on GEM Global you can also contact:

Paul D Reynolds

Babson College/London Business School
reynoldspd@babson.edu or preynolds@london.edu



© London Business School
Andrea Westall



ERNST & YOUNG LLP

www.ey.com/uk