



Entrepreneurship in Ireland in 2004 : An Overview

Total Entrepreneurial Activity

- Total entrepreneurial activity index (TEA) for Ireland is 7.7%. This means that about one in 13 adults of working age in Ireland are currently engaged in early stage entrepreneurial activity.
- This suggests that there are about 193,000 adults that are currently active as entrepreneurs in Ireland. Of these, slightly more than half (55%) are planning new businesses, while about 45% have set up a new business in the last 42 months. Almost 2,000 individuals a month are involved in starting new businesses in Ireland.
- Ireland is to the fore in Europe in terms of its entrepreneurial activity rate - being second only to Poland within the EU in terms of early stage entrepreneurial activity. There is a much higher level of entrepreneurship through necessity in Poland (35%) than is the case for Ireland (13%). Ireland is, however, less entrepreneurial than Australia, New Zealand, and the US.
- In each of the last four years GEM research has detected a slowing down of entrepreneurial activity in Ireland. This downward trend continued in 2004, but should not be overstated as Ireland remained one of the most entrepreneurial by active of the EU countries. The fall in the numbers of early stage entrepreneurs is predominantly associated with a decline in the numbers of those actively planning to start a new business.

The Entrepreneurs

- In 2004, GEM detected the first signs of an improvement in the number of women engaged in early stage entrepreneurial activity. The increase was primarily among Irish women planning a new business. The number of men planning a new business in 2004, however, declined. The ratio of men to women is 100:64 when just those that are actively planning new businesses are considered. The gender balance declines to 100:35 when the focus is confined to those that have actually set up new businesses in recent times.
- New businesses in Ireland are being started predominantly by well educated men in their mid-thirties:
 - Entrepreneurial activity rates are highest among those with 'third level' education (including vocational education) and among those with 'postgraduate' experience.
 - Entrepreneurial activity rates are highest among those aged between 25-34 years of age.

The New Businesses

- The sectors most favoured by entrepreneurs in Ireland during 2004 were Consumer Sectors (36%) and Transformative Sectors (30%). The proportion of entrepreneurs focusing on Business Services (23%) is less than might be expected for a high-income country.
- In common with other OECD countries, most entrepreneurs expect their new businesses to remain very small with a quarter of all new businesses expecting to employ no one other than the entrepreneur. 13% of early stage entrepreneurs, however, expect to employ at least 20 people within five years of start-up and one in twenty new firms entrepreneurs already employs 20 or more.
- The percentage of entrepreneurs with high growth aspirations in Ireland is lower than it was in 2003 (15%). This may be due to the decline in the number of male entrepreneurs.
- Over 100,000 new jobs were created in Ireland in 2004 as a result of the entrepreneurial activity of Irish people.
- The limited size of the home market drives many entrepreneurs to export at an early stage of their development. 14% of all early stage entrepreneurs from Ireland expect that at least half of their sales will come from outside the country.

Finance for New Businesses

- The majority of entrepreneurs planning new businesses typically require relatively small amounts of money to start their new businesses. The average (median) capitalization of start-ups planned by nascent entrepreneurs is €25,000 (£16,800). This is higher in Ireland than it is in Northern Ireland and the UK. The average (median) planned investment by the entrepreneur is €10,000 (£6,700). This is lower in Ireland than it is in Northern Ireland and the UK.
- There is a low level of informal investment by adults in Ireland. Of the adult population, only 2.28% are active as informal investors. The rate of informal investment among the population further declined in Ireland in 2004. Given the high rate of entrepreneurial activity in Ireland and the importance of informal investors, particularly in the early stages of a new business, this is an area that may need attention if sufficient funds are to be available to support the rate of entrepreneurial activity in the country.

The Cultural Context for Entrepreneurship

- There is a continuing strongly supporting cultural context in Ireland. For example:
 - 66% of adults consider that starting a business represents a good career choice.
 - 85% of adults consider that there is a high degree of status associated with successful entrepreneurial endeavour
 - 77% of adults believe there is good media coverage of entrepreneurship in Ireland.

The Personal Social Context for Entrepreneurship

- Despite a supporting cultural context, there is a relatively high 'fear of failure' in Ireland (39% of adults) compared to the US (21% of adults).
- 48% of adults in Ireland believe they have the skills to start a business, while 45% believe that there are good opportunities to start a new business.
- There are many role models in Ireland. A relatively high number of adults (41%) know a recent entrepreneur.
- One in nine Irish adults (11%) indicated that they would expect to start a business in the next three years. This level of entrepreneurial intention is relatively low and is behind several other countries in Europe and the more entrepreneurial of the developed countries.

The Environment for Entrepreneurship

- Among the positive contributors to a supportive environment are the following:
 - A strongly supporting culture
 - An increasing number of role models
 - Government Policy with its pro-business attitude
 - A continuing strong economy
 - Positive media
 - A growing population and a positive demographic structure.
- Of these, positive cultural and social norms are the most pronounced.
- Among the shortcomings within the Irish environment that inhibit entrepreneurial activity are as follows:
 - A lack of access and availability of early stage finance
 - The small size of the Irish home market (impacts growth firms)
 - Rising costs and their impact on competitiveness
 - A growing regulatory burden
 - The slow rate of commercialisation of research out of the third level sector
 - An educational sector which does little to address the lack of appropriate entrepreneurial skills and experience
 - Certain aspects of the coordination and operation of the development agencies

Of these, access and availability of early stage finance was the most often cited by the entrepreneurs consulted.

Recommendations

- The GEM Ireland report recommends that the following initiatives be taken:
 - Development by government of a comprehensive national policy for entrepreneurship
 - Address the skills deficit surrounding entrepreneurship of various types
 - Targeted interventions that address gaps in pre and start-up financing for different types of business needs
 - Make it attractive for investors to invest in early stage enterprises
 - Identify why much fewer women become entrepreneurs and learn from the experience of other countries in successfully encouraging more women entrepreneurs
 - Ensure that the significant research, technological development and innovation investment transfers into new entrepreneurial initiatives.

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