

## **2,200 people are starting a new business in Ireland every month**

Most expect to export and to become employers

*Global Entrepreneurship Monitor (GEM) Report 2011*

*24 September 2012*

Minister for Jobs, Enterprise and Innovation Richard Bruton T.D. today (Monday) launched the Global Entrepreneurship Monitor (GEM) Report for Ireland for 2011. The report shows that there has been an increase in early stage entrepreneurial activity in 2011. As a result more people started new businesses in 2011 than in the previous year. The GEM report estimates that approximately 2,200 enterprising individuals were setting up a new business each month during 2011.

The GEM report is supported by Enterprise Ireland, Forfás, the European Social Fund and the Department of Justice and Equality, under the Equality for Women Measure 2007-2013, and also by the Department of Jobs, Enterprise and Innovation. The authors of the report are Paula Fitzsimons of Fitzsimons Consulting, who is the National GEM Co-ordinator, and Dr Colm O’Gorman, Professor of Entrepreneurship, DCU Business School.

Findings of the 2011 GEM report indicate that almost three quarters of these entrepreneurs expect to become employers. While the majority of the businesses will remain small, the employment impact of these new enterprises is significant when taken together. The GEM report also highlights the relative ambitious growth aspirations of a significant minority of these entrepreneurs in Ireland compared to other countries across the EU and OECD.

Welcoming the report, Minister Bruton said: ‘It is successful businesses, not Government, that create jobs. That is why the Government’s Action Plan for Jobs includes a series of new measures to support entrepreneurs and new start-ups, and to drive continued growth in this critical sector of the economy. In this regard I am pleased to note the results of the GEM research, which indicate that more people were starting new businesses in 2011 than were a year earlier. It is good to see increased numbers of enterprising individuals determined to turn difficult circumstances into an opportunity for personal and commercial success.

‘The GEM report sets out clearly the many positives around entrepreneurship in Ireland 2011. It is also very clear that there are areas where challenges remain. My determination is through the Action Plan for Jobs to provide further support for the Irish entrepreneurial community to generate even greater numbers of innovative entrepreneurs to create strong, export led businesses in the coming year’.

The 2011 Report also examines the gender aspect of entrepreneurial activity in Ireland and indicates that there are two and a half times as many men as women who are entrepreneurs.

Kathleen Lynch TD, Minister for Disability, Equality, Mental Health & Older People, welcomed the focus on the potential of women as entrepreneurs in the 2011 GEM report and the inclusion of profiles of enterprising women, who had recently set up new businesses throughout the country.

‘I very much welcome the new strategy for female entrepreneurs to be delivered by Enterprise Ireland, which was launched recently by Minister Bruton. This new strategy complements the work of the County Enterprise Boards and a range of initiatives for women entrepreneurs being funded by the European Social Fund under the Equality for Women Measure, administered by the Department of Justice and Equality. The challenge now is not only to get more women to start new businesses, but to encourage more of them to start innovative businesses focused on exports, growth and job creation’, she said.

Commenting on the report Tom Hayes, Head of Micro Enterprise and Small Business at Enterprise Ireland said: ‘Starting and growing enterprises is fundamental to achieving regional economic growth. In this context it is heartening that the GEM Report demonstrates that a significantly higher proportion of Irish entrepreneurs are engaged in medium or high technology sectors (11%) compared to averages across the OECD (7.3%) and EU (7.9%). These are the kind of companies with the potential to become innovative, export-focussed businesses with the capability to grow internationally and create value add jobs in the Irish economy’.

Declan Hughes, Manager of the Enterprise and Trade Division, Forfás, said ‘It is encouraging to see positive trends in entrepreneurship and to see ambitious targets for job creation. There are increasing numbers setting up new businesses, with 71% of early stage entrepreneurs expecting to become employers. It is most encouraging that a significant minority (20%) of early stage entrepreneurs expect to employ 20 or more people after five years. This rate is well ahead of EU and OECD averages. These positive trends, though significant, are but one part of the picture, with significant challenges to entrepreneurship also existing. The report finds an increase in those who are motivated to entrepreneurship by necessity (30% in 2011 and up from 19% in 2008 and 6% in 2007). There are also fewer investors and a decline in the amount being invested. There is a need to continue to improve the perceived attractiveness of entrepreneurship as a career option and of perceived entrepreneurial opportunities.’

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## Notes to Editors:

The Global Entrepreneurship Monitor (GEM) provides an annual assessment of the entrepreneurial activity, aspirations and attitudes of individuals across a wide range of countries. GEM is the largest on-going study of entrepreneurial dynamics in the world. Initiated in 1999 as a partnership between London Business School and Babson College, the first study covered 10 countries. In 2011, 54 countries participated in the research. One of the unique features of GEM is the facility, which it provides to compare countries with each other across a range of variables pertinent to entrepreneurship. This is made possible as the research is carried out in exactly the same way in each country and is coordinated by the Global Entrepreneurship Research Association (GERA) based in Babson College in the United States.

## The findings include:

- There was an increase in the rate of Total Early-Stage Entrepreneurial Activity (TEA) in Ireland in 2011 -7.3% up from 6.8% in 2010. While the rate of nascent entrepreneurs held steady (4.3%), the increase was accounted for by an increase in those actually starting a new business- 3.1% in 2011 from 2.6% in 2010. This equates to an average of 2,200 individuals starting a new business every month.
- 71% of early stage entrepreneurs expect to become employers. A significant minority of early stage entrepreneurs have ambitious growth aspirations (20%) and expect to employ 20 or more after five years. This level of ambition is well ahead of EU and OECD averages.
- A relatively high proportion of Irish entrepreneurs are engaged in medium or high technology sectors (11%) compared to averages across the OECD (7.3%) and EU (7.9%).
- A high level of early stage entrepreneurs continue to be motivated by necessity (31%) as was the case in 2010. Ireland has a higher rate of necessity entrepreneurs than is the norm across the OECD and the EU, including Spain and Greece.
- Men are 2.5 times more likely to be an early stage entrepreneur than are women. There has been no narrowing of the ratio in Ireland between the rate at which men and women are engaged as established and early stage entrepreneurs, as there has been in many other countries. Compared to men, more women entrepreneurs are engaged in the services sector and their growth aspirations for their new enterprises are less ambitious.
- There has been a significant increase in the rate of owner managers closing a business - 2.8% in 2011 compared to 1.2% in 2010. This is a higher rate of closure than OECD or EU averages. 60% of those closing a business cite lack of profitability. This is at the highest rate noted in Ireland in the previous ten years.
- The very low prevalence rate at which people in Ireland are seeing opportunities for new businesses (26%) showed no signs of any real increase in 2011 over 2010 (23%) and continued at historically low levels.

- The prevalence of those aspiring to be an entrepreneur in Ireland in the future was at a very low level (8.5%) in 2011, continuing the low levels observed in 2010. This is a significant change to the relatively high levels of previous years and now places Ireland behind the average across the OECD and EU.
- There is a continued decrease in the perception of entrepreneurship as a desirable career. In Ireland less than half the adult population (46%) considers entrepreneurship to be a good career choice. This rate has been declining year on year since 2006, when it stood at 70%.
- Successful entrepreneurs in Ireland have a high level of status and respect for them remains higher in Ireland than in many other countries.
- In 2011 for the first time GEM calculated the rate of entrepreneurial employee activity (intrapreneurship) in Ireland. One in ten of those in employment report that they have been engaged in an entrepreneurial activity for their employer during the past three years.
- The prevalence of informal investors declined slightly and the average amount invested is lower than the norm across the OECD and EU, with the average amount invested in Ireland over a three year period falling to an average of €26,000 per investor in 2011 from €46,000 in 2010.

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