

GEM 2006- 2006 Wales Executive Summary Report, David Brooksbank and Dylan Jones-Evans (National Entrepreneurship Observatory for Wales)

The Scope of Entrepreneurial Activity in Wales

- In 2006, the ESE index for Wales was measure at 5.5%, a rise from 5.3% in 2005 and identical to the figure recorded in 2004, although the difference between years are not statistically significant. This equates to approximately **98,500 adults in Wales** aged between **18 and 64** who are actively participating in the early stages of entrepreneurship
- The ESE for Wales (5.5%) in 2006 remains below the UK national average of 5.8%, although the difference is not statistically significant. When compared with the rest of the UK, **Wales is currently ranked 6th out of 12 UK regions**

Nanscent Entrepreneurship

- **Definition-** Individuals between the ages of 18 and 64 who have taken **some action** toward a new business in the past year.
- The proportion of the working age population in Wales in 2006 who are **actively participating** in the process of start-ups was **2.8%**, which is an **increase from 2.6% in 2005**. This figure approximately equates to **50,000 adults** between the ages of 18 and 64.

Established Business Ownership

- In Wales the rate of **established business ownership** is **4.8%**, or approximately **86,000 people** (this figure is below the UK average of 5.3%)
- Wales' overall business ownership rate is **10.1%**, up from **9.7%** in 2005

Opportunity and Necessity Entrepreneurship

- In 2006, **4.6%** of the Welsh population have set up a business to take **advantage of opportunities** that are available in the marketplace (or approximately **82,000 adults**). This is a **slight increase** from the **4.4%** in 2005

Entrepreneurship and Gender

“The importance of female-owned businesses and their input towards a dynamic economy is now widely accepted. Despite this, it appears that women still lag considerably behind men in terms of entrepreneurial participation. Whilst female participation rates in entrepreneurship and self employment have increased in the last twenty years, it seems that this has yet to make substantial inroads in closing the gender gap in entrepreneurial activity. The GEM studies undertaken within Wales during the last 7 years have reflected these broader findings, with female entrepreneurial activity remaining lower than the rate at which men start and manage a new business”.

- In **2006**, female **ESE activity** in Wales measured as **3.7%**, only a slight increase on the **3.6%** recorded in **2005**
- In contrast, the **male ESE rate** has **increased** from **6.9%** in 2005 to **7.4%** in 2006, following a similar pattern in 2005. This inevitably suggests that

“The gender gap between male and female entrepreneurial activity has widened even further in 2006”.

Entrepreneurship and Age

- In 2006, the age group in Wales with the **highest level of early- stage entrepreneurial activity** are those aged between **25-34 year olds**, with an ESE activity rate of **7.5%**.

Entrepreneurship: Barriers and Motivations

- As in 2004 and 2005, the **most important barrier** to increasing entrepreneurial activity relates to **finance**
- In 2006, **46.6%** of respondents identified getting **finance** for the firm as an important barrier to becoming an entrepreneur, **lower than the 50.3%** of respondents within the **UK**
- The **challenge** in running a new business remains the **main factor** in enticing adults into undertaking entrepreneurial activity within Wales (**60.3%**) and the UK (**61.4%**). This is followed by the **pursuit of a new idea, innovation or hobby**
- This suggests that **positive measure** regarding entrepreneurship can have an effect, within any **promotional campaign**, on **increasing the number of individuals who become involved in starting a new firm.**

Special Focus: Entrepreneurship and Education

- Entrepreneurship education not only **prepares** prospective entrepreneurs for the **challenge they** will face in running a business, but also **increases overall awareness** of entrepreneurship, thereby **widening the pool of potential entrepreneurs**
- Individuals **most active** are those with a **Masters level educational background**, with **9.9%** in **Wales involved in early-stage entrepreneurial activity.**
- 2006- captured **more students with doctorates who are entrepreneurially active (9.6%), up from only 6.0% last year.** Need to track this trend to see where the longer term trend rests over time

- Entrepreneurial Activity- undergraduate degrees (6.0%), vocational qualifications (6.3%), and other qualifications (5.5%) degrees. The least active group remain those with no qualifications (3.6%), followed by those with GCSEs (4.6%) and A 'Level (6.0 %)
- In the UK as a whole, the most entrepreneurially active group capture by the GEM survey this year were those with PhD qualifications, with 9.5% involved in enterprise activities. The second most active group is those with Masters qualifications, with 8.8% involved in enterprise activities.
- With school impact almost zero with an early-stage entrepreneurship level of 6.0% for all individuals whether they had experienced enterprise education at school or not. For work experience the impact was slightly 'negative' with an ESE rate of 5.5% for individuals who had experience in either university or on government schemes exhibit a more positive impact.
- In the case of university exposure to enterprise education, this increases the ESE rate to 7.9%, compared to 5.7% for those with no exposure
- The largest impact shown in the case of government schemes, where the ESE rate rises to 10.2% for those people given enterprise training, with the rate remaining at the Welsh average rate of 5.5% for those who are not. The results are the same for both men and women
- At university level- 14.5% of individuals given enterprise education expect to start a business in the next 3 years (often soon after graduation) compared to 6.8% for individuals not given the experience
- Those who received enterprise training at school are significantly more likely to expect to start a business in the next 3 years than those without training (10.9% compared to 7.8%)
- Those who received enterprise training at school are significantly more likely to believe that they have the skills to start-up a business than those who did not receive enterprise training at school (53% compared to 44%)
- Those who received enterprise training at school are more likely to perceive good start-up opportunities (41%) than those without enterprise training (31%) and are more likely to perceive entrepreneurship as a good career (69% compared to 62%)
- The effect of enterprise training on the level of entrepreneurial activity at university is highly significant. Those who received enterprise training at university have a higher ESE rate (7.9%) than those without (5.7%)
- Those who received enterprise training at university are also significantly more likely to be involved in a start-up and expect to start a business in the next three years (14.6%) than those without training (6.8%).

- Those who received enterprise training at **university** are significantly more likely to believe that they have the skills to start-up business (65.1%) than those who did not receive enterprise training at university (39.8%)
- Those who received enterprise training at **university** are more likely to perceive good start-up opportunities (43.5%) than those without enterprise training (26.6%).
- The effect of government enterprise training is impressive. 10.2% of those who have received such training are actively involved in entrepreneurial activities compared to 5.5% for those who have not.
- Government enterprise trained individuals see more opportunities (41.8% compared to 31.2%) and 62.7% believe they have the skills to start a business compared to 42.5% of those who have not received any training

“Enterprise training outside of the educational system, i.e. as provided through organisations such as enterprise agencies, remains the most effective means of translating entrepreneurial intent into actual new business starts, although the supporting environment within schools, colleges and universities inevitably plays a vital role in planting the initial ‘seed of entrepreneurship’ within individuals.”