



Entrepreneurship in Northern Ireland

Context Paper

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1. Why Entrepreneurship Matters

The Global Entrepreneurship Monitor defines entrepreneurship as:

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

The promotion of entrepreneurship as a key driver of economic growth is central to the United Kingdom’s Industrial Strategy which recognises entrepreneurship and scaling¹ of businesses as critical to jobs and productivity growth:

“Entrepreneurs are adding to the millions of small and medium sized businesses throughout Britain that make a very significant contribution to our economy”

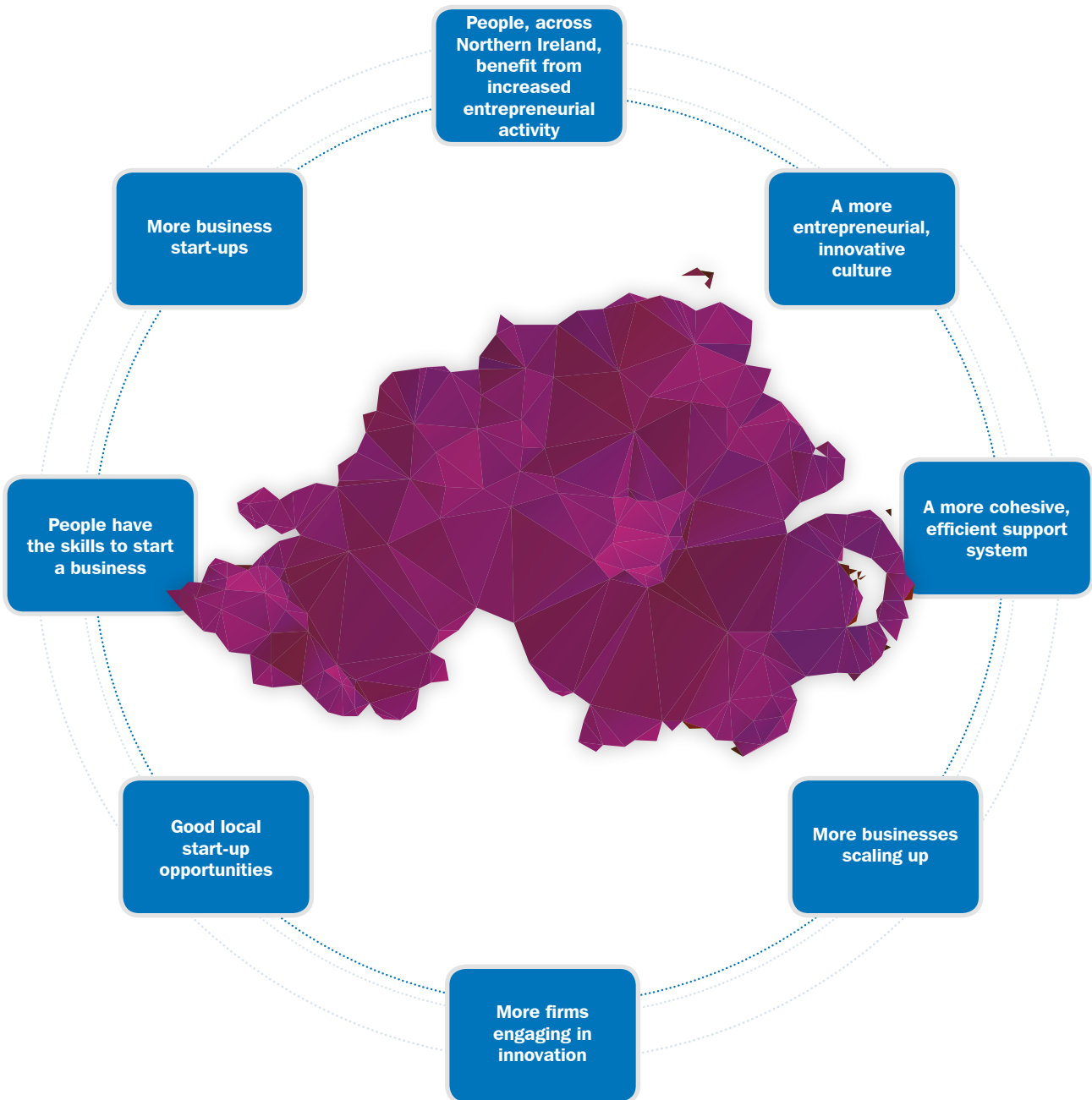
In Northern Ireland, stimulating entrepreneurship has been, and continues to be, an important challenge. There is a connection between higher rates of entrepreneurship and overall economic prosperity. The creation of new ventures is positively connected to the drivers of growth and productivity through increased innovation, competition and job creation, so it is important that we work to strengthen our overall entrepreneurial performance to support strong economic growth.

Our ambition for Northern Ireland is to be a dynamic and enterprising region, supporting innovation, creativity and entrepreneurship at its core with a culture of new business development, higher start-up activity and more businesses realising high growth potential.

In order to achieve this ambition we need to create a culture where people, across Northern Ireland, are able to realise their entrepreneurial potential and start and grow a business.

¹ Business scaling is broadly defined using the metrics in the Enterprise Research Centre’s UK Local Growth Dashboard which looks at business growth in terms of turnover for both start-up and existing businesses. Initial scaling measures the proportion of business start-ups that survive and go on to generate at least £1million in revenues after 3 years while growth of existing businesses is defined as firms with £1-£2million turnover increasing to at least £3million within 3 years.

Proposed Entrepreneurship Outcomes



2. Strategic Context

The importance of entrepreneurship is explicitly recognised in Northern Ireland economic policy.

The [NICS Outcomes Delivery Plan](#) puts the objective of ‘Improving wellbeing for all - by tackling disadvantage and driving economic growth’ as its principal goal and sets out a coherent, outcomes-focused framework with actions and interventions to be taken in 2018/19 to work towards this.

Entrepreneurship contributes to at least two of the twelve outcomes:

Outcome 1, ***‘We prosper through a strong, competitive, regionally balanced economy’***, is about building a thriving economy based on more businesses with an international outlook, increasing numbers of businesses recording high growth, greater levels of innovation and entrepreneurship.

Outcome 5, ***‘We are an innovative, creative society, where people can fulfil their potential’*** underlines the need for business start-ups and enterprise to be able to flourish and commits to continue efforts to support entrepreneurs at all stages.

Importantly, these outcomes set out actions to increase the number of new businesses and encourage increased entrepreneurial activity, placing a focus on increasing the number of new business start-ups and growing the size of existing businesses.

The draft [Northern Ireland Industrial Strategy](#) sets an ambitious longer-term vision for 2030 of:

‘a globally competitive economy that works for everyone’.

An important step in realising this vision, set out through Pillars 1 and 3, is to have:

‘...an economy where entrepreneurship and enterprise are endemic and reflected in our growing status as a start-up region’.

The ambition is to become a more dynamic and enterprising economy, driving up the rate of new business start-ups and creating an environment that actively fosters and supports entrepreneurship. In order to achieve this, government will work with local councils, Invest NI, universities, further education colleges, schools and other stakeholders to provide support for entrepreneurs at all stages.

3. Entrepreneurship in Northern Ireland – How do we perform?

Northern Ireland has historically lagged behind most of the regions in the United Kingdom in terms of early-stage entrepreneurial activity. In 2017, our total early-stage entrepreneurial activity (TEA) was 6.5% compared to the United Kingdom average of 8.7% as shown in Figure 2.

Figure 2

2017 TEA RATES	
Northern Ireland	6.5%
Wales	6.3%
Scotland	6.7%
England	9.1%
United Kingdom	8.7%

Entrepreneurial activity in Northern Ireland, and across the United Kingdom as a whole, has generally been on an upward trend over the long-term (2002-2016). Historically Northern Ireland levels tracked those of the United Kingdom, but since 2011, a gap of around two percentage points has remained. However local entrepreneurial activity compares favourably in comparison with France and Germany (3.9% and 5.3% TEA rates respectively)².

We need to take positive steps to not only strengthen Northern Ireland's performance but also to close the gap with other United Kingdom regions.

Northern Ireland's performance across a range of key areas underlines where we are lagging behind the rest of the United Kingdom:

- Northern Ireland has historically had a comparatively low **business birth rate** compared to the rest of the United Kingdom, with a 10.2% rate in 2016 compared to a 14.6% United Kingdom average³, but the rate is increasing steadily in recent years, with Northern Ireland showing the greatest rate of growth over the last five years of all twelve regions in the United Kingdom;
- In 2017, the number of **start-ups** per 10,000 people was 27, compared to 31 in Wales, 33 in Scotland, 53 in England and an overall rate of 50 in the United Kingdom⁴;
- The **rate of business closure** in Northern Ireland was significantly lower than in England and the United Kingdom as a whole in 2017, with 1.0% of businesses closing in the last 12 months compared to 2.1% in the United Kingdom as a whole⁵;

² Global Entrepreneurship Monitor UK 2017 Monitoring Report, July 2018

³ Business Demography UK, ONS, 2016

⁴ UK Local Growth Dashboard, Enterprise Research Centre, June 2018

⁵ Global Entrepreneurship Monitor UK 2017 Monitoring Report, July 2018

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- The proportion of non-entrepreneurs who thought they had **skills to start a business** was significantly lower in Northern Ireland with 31.9% compared to 40.6% in the United Kingdom⁶;
 - 29.1% of the non-entrepreneurially active population thought there were **good start-up opportunities** locally in the next 6 months compared to 38.6% in the United Kingdom⁷;
 - Those expressing their **intention to start a business** was much lower at 5.1% compared to a 9.3% United Kingdom average⁸;
 - The rate of **new business ownership** was also significantly lower in Northern Ireland at 2.0% than in the United Kingdom as a whole at 4.1%⁹;
 - We have a lower proportion of **innovation-active businesses**; 40.2% of firms from Northern Ireland are actively engaged in innovation, making it last out of the twelve regions in the United Kingdom¹⁰. Placing a greater focus on Innovation and Research & Development will be critical in achieving strong growth in this area. Research has shown that businesses that innovate and collaborate more, are more productive, more inclined to export and employ more highly qualified people;
 - Encouraging more businesses to scale up or achieve high growth is a key element in strengthening the entrepreneurship landscape in Northern Ireland. We are the best performing region in the United Kingdom in terms of **growing a business to £1million turnover**. However we are the poorest performing region in scaling business from £1million turnover to £3million; and
 - Encouragingly, the incidence of **high growth firms**¹¹ in Northern Ireland (17.4%) is higher than the United Kingdom average (15.0%). Northern Ireland had the highest rate of **small high growth firms**¹² in the United Kingdom. In addition, Northern Ireland also had the highest proportion of firms with positive **productivity growth** of the home nations¹³.

The economic snapshot on page 7 showcases Northern Ireland's mixed performance relative to other regions in the United Kingdom, against four of the key entrepreneurship measures: total early-stage entrepreneurial activity; the number of start-ups; the proportion of start-ups achieving £1million turnover within 3 years and scaling of existing businesses to £3million turnover within 3 years.

6 Global Entrepreneurship Monitor UK 2017 Monitoring Report, July 2018

7 Global Entrepreneurship Monitor UK 2017 Monitoring Report, July 2018

8 Global Entrepreneurship Monitor UK 2017 Monitoring Report, July 2018

9 Global Entrepreneurship Monitor UK 2017 Monitoring Report, July 2018

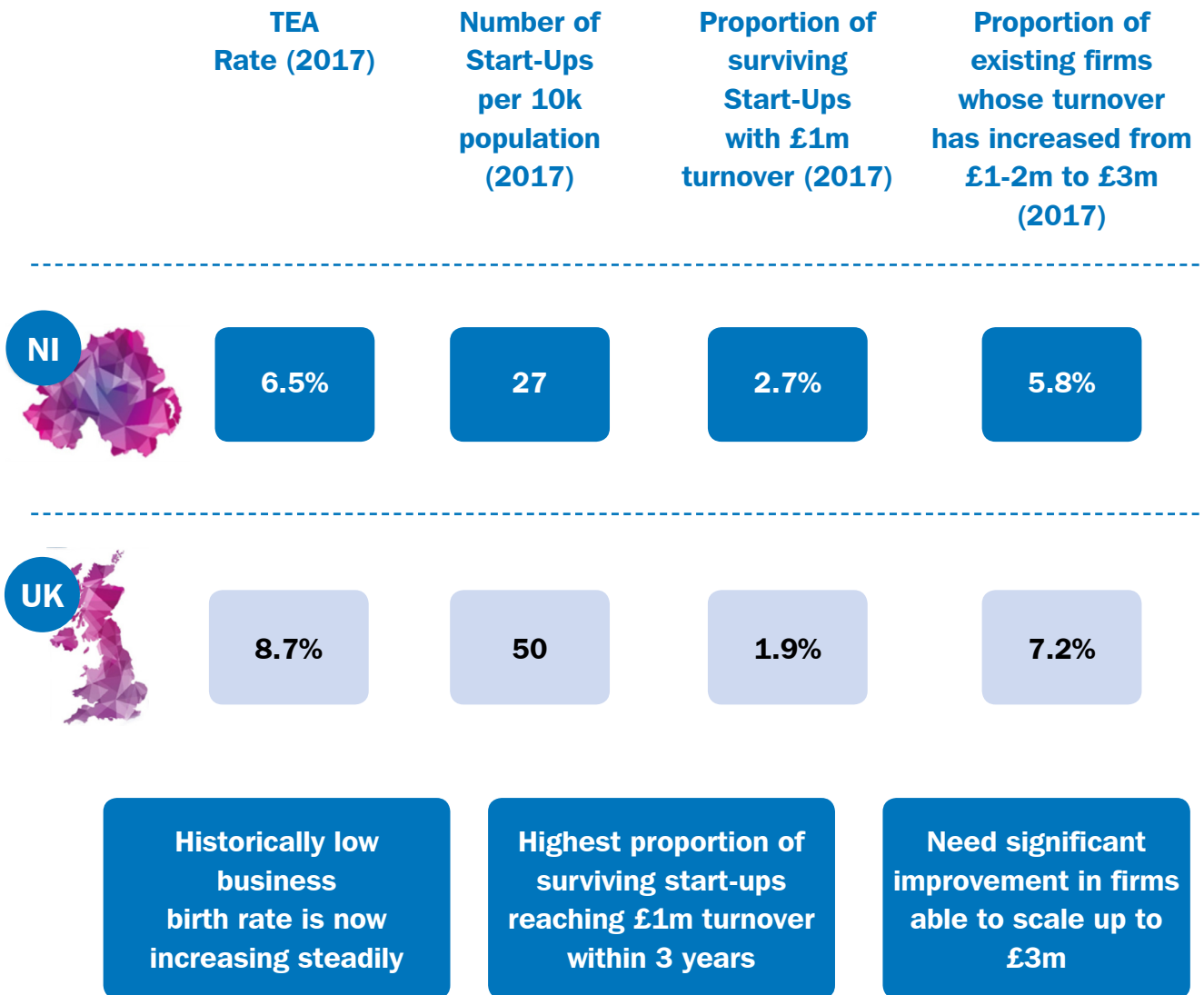
10 Department for the Economy Innovation Dashboard, September 2018

11 Using the OECD definition of annualised average growth in revenue or employment of 10% or more over a three year period for firms with at least 10 employees at the beginning of the observation period.

12 Using the Bureau of Labor Statistics definition to include firms with less than 10 employees that added 8 or more employees during the 3 year growth period.

13 Using the Enterprise Research Centre metric of firms achieving positive productivity gains (revenue per employee) while still increasing jobs over the 3 year period.

Figure 3
Snapshot of Northern Ireland's Entrepreneurship Performance



4. A positive platform on which to build...

Despite falling behind the United Kingdom average on a number of areas, we have a positive platform on which to build with numerous areas of strength.

Northern Ireland has a proud and rich history of innovation and entrepreneurship and that legacy remains today. But to truly transform our economy and strengthen our performance, we need to create an environment that will stimulate innovation, creativity and entrepreneurship.

Achieving this will undoubtedly be a challenge. Northern Ireland is dominated by small and medium sized enterprises (SMEs) which make up approximately 95% of our business base. While some small businesses are happy to stay small, many have the opportunity to grow, expand and improve their productivity. We need to pay attention to ambitious, high-potential SMEs which are critical to jobs and productivity here.

A recent Enterprise Research Centre report¹⁴ found that, of Northern Ireland's 28,500 micro-SMEs, only 18.2% place importance on building a national/ international business and over three quarters want 'to keep business similar to how it operates now'. We need to find a way to support and encourage those businesses with potential to scale up and grow.

Our key attributes include:

- A strong policy support landscape which has, at its heart, a key aim for enterprise and entrepreneurship to be endemic across our society;
- A wide ranging and comprehensive entrepreneurship support provision ranging from reaching out to young people through schemes like Young Enterprise, to business support networks like Catalyst Inc right through to wider funding and support programmes. A more detailed look at the existing ecosystem is set out in Figure 4 on page 11;
- A growing culture of female entrepreneurship in the context of women's entrepreneurship on the rise globally;
- A fast growing Knowledge Economy. Northern Ireland is the second fastest growing region in the United Kingdom in terms of the Knowledge Economy with the number of Knowledge Economy jobs growing for the third year in a row; and
- A young and fast growing population. We need to focus on attracting and retaining these talented people who have the potential to be the entrepreneurs of tomorrow.

¹⁴ Understanding micro-business in Northern Ireland, August 2018

Areas for Improvement

In order to encourage and strengthen entrepreneurship levels, our priority will be to get more businesses starting up, support existing businesses to thrive and scale up, and ensure we equip our people with the right skills and support to allow them to progress in this area.

- We need to create a culture which both recognises and values entrepreneurs and the contribution they make to economic growth;
- We need to ensure that entrepreneurship is understood, nurtured and encouraged throughout our education system, from early primary school through to university;
- Innovation is the process of converting the best ideas into reality. We need to accelerate Innovation and Research & Development so that more businesses are engaging in innovation and equipped with the skills to remain competitive, expand and compete globally as well as being able to respond quickly and appropriately to the needs of industry;
- Success is often enhanced by collaboration. We need to support research excellence; encourage collaboration between our entrepreneurs, Government, research institutions, universities and colleges and develop world-leading clusters to bring entrepreneurial opportunities to development and exploit opportunities that help underpin economic growth;
- We need to adopt more digital advancements/ technologies. In 2018, evidence detailed in the Enterprise Research Centre's Small Business Britain Report¹⁵ shows that our firms only adopt 1.3 new digital technologies on average compared to 1.7 in the United Kingdom with London even higher with a 2.0 average. In a fast-paced and ever-changing economy, adopting digital advancements and new technologies will be vital to success. Evidence suggests that those businesses who adopt digital technologies will achieve greater efficiency, flexibility and resilience; and
- We need to ensure we provide a strong, cohesive support framework across the private and public sectors to help existing businesses survive and grow as well as stimulating and encouraging new start-ups.

¹⁵ Enterprise Research Centre, Small Business Britain Report, June 2018

Navigating entrepreneurship in a post Brexit era

Whilst the implications of Brexit are not yet fully understood, a post-Brexit Northern Ireland needs to be a self-confident, outward-looking innovative region that is the very best place in the United Kingdom and Ireland to locate and, crucially, to start and grow a business.

Providing a joined-up, cohesive entrepreneurship support system will be even more important in a post-Brexit context.

5. Entrepreneurship Landscape

Key to achieving entrepreneurship success will be a strong support landscape. We already have a diverse and wide ranging support infrastructure as outlined in Figure 4 below.

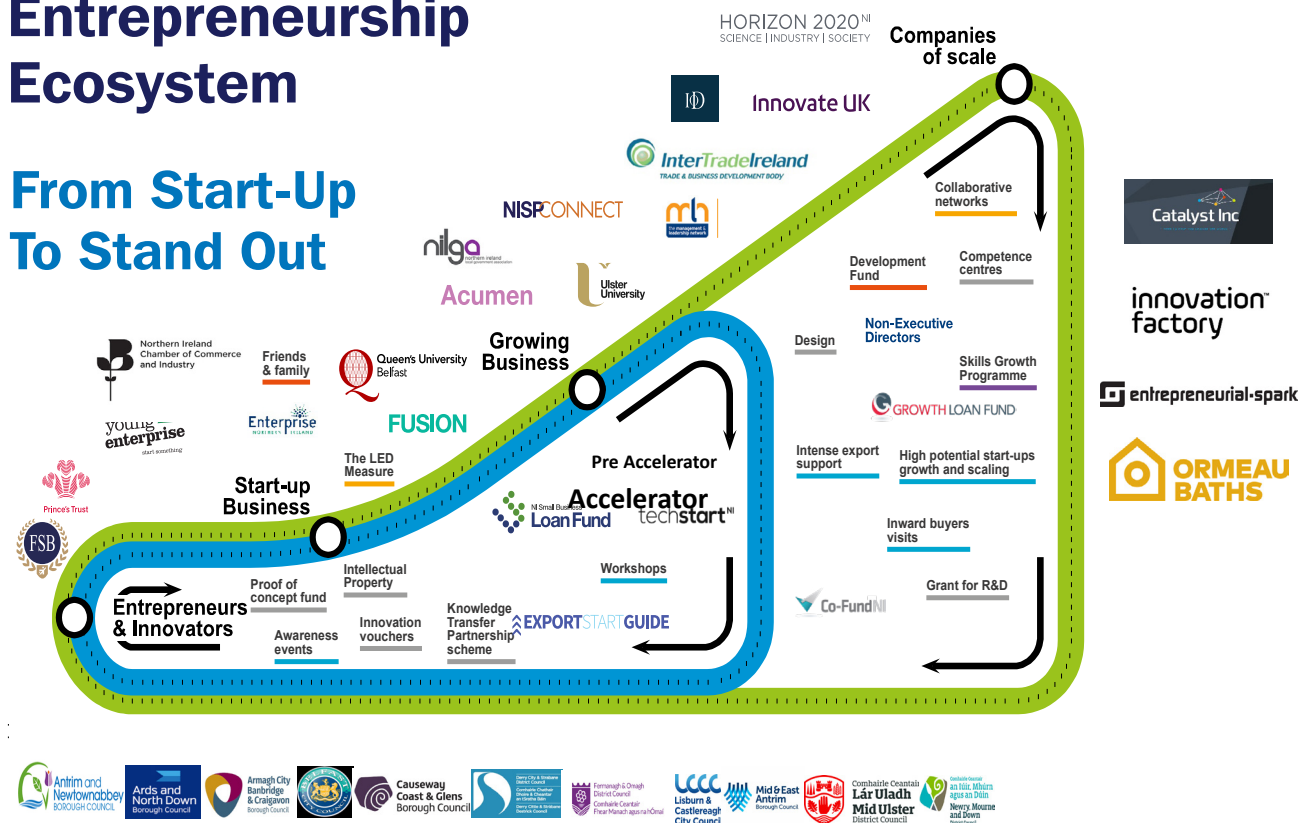
This mix of support partners ensures we have a comprehensive framework of support available to those both starting their entrepreneurship journey and for those established businesses to help them scale up and grow. However, with such extensive support provided by a range of support partners, comes a risk of duplication and confusion for those wishing to access the support system.

Going forward it is vital that we work to ensure a cohesive, accessible, efficient and joined-up support framework.

Figure 4
Entrepreneurship Ecosystem

Entrepreneurship Ecosystem

From Start-Up To Stand Out



Source – Invest NI

Our support partners must be aligned and co-ordinated, with enhanced collaboration and improved communication across the board.

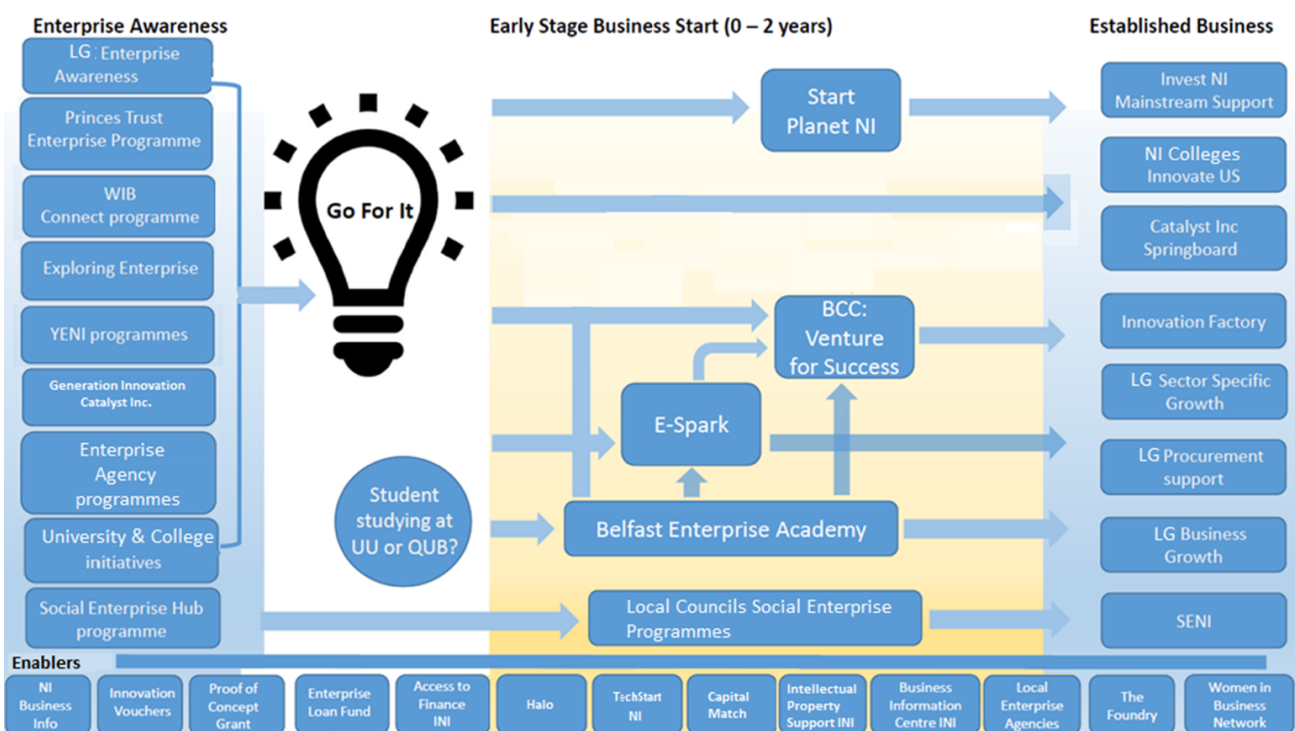
By working together, the Department for the Economy (DfE), Invest NI, local councils and the private and third sectors can collectively improve the local economy and ensure that the support provision meets the needs of individuals and businesses effectively, supports SMEs at each stage of the entrepreneurship journey and encourages the establishment of new businesses.

The Community Planning process has provided a unique opportunity for local councils to become a driver for entrepreneurship, with its responsibility for the Business Start Programme, and to put entrepreneurship at the very heart of their communities.

Invest NI, a key provider of entrepreneurship support, has developed an action plan to be implemented from late 2018. Adopting a collaborative, clear partnership approach to support provision is a key objective of the plan.

An overview of the extensive suite of programmes and supports in Northern Ireland at each stage in the journey, from awareness, through to start-ups and on to established businesses was shown in Figure 5 below

Figure 5
Programme Overview



Source – NILGA Interreg Europe iEER NI Regional Baseline Report

6. Measuring Impact

An Outcomes Based Approach

In line with the outcomes based approach adopted by the Programme for Government and draft Northern Ireland Industrial Strategy, measurement of our entrepreneurship performance should focus on the impacts of progress and how it helps in achieving our overarching outcomes.

The outcomes based approach seeks to:

- Focus on current and desired outcomes;
- Contain indicators to help us measure progress;
- Focus on the issues that really matter; and
- Focus on the impact rather than money spent/ numbers achieved.

There are a range of potential existing measurements/ data sources that can be used to measure Northern Ireland's performance both against historical performance and against other United Kingdom regions. These are shown in Figure 6 below.

Figure 6

Primary Measures

ENTREPRENEURSHIP MEASUREMENT FRAMEWORK		
Measure	Desired Impact	Data Source
Total early-stage entrepreneurial activity (TEA)	Increased number of people starting a business (nascent entrepreneurs plus those in new business owner-manager role)	Global Entrepreneurship Monitor (GEM)
Number of start-ups per 10,000 population	Increased number of businesses in Northern Ireland	UK Local Growth Dashboard
Business closure rate	Decreased number of businesses closed in last 12 months that have not continued	Global Entrepreneurship Monitor (GEM)
Start-ups that reached £1m turnover within 3 years	Increased number of business start-ups reaching £1m turnover within 3 years	UK Local Growth Dashboard
Scaling of start-ups to £3m	Increased number of start-ups thriving and scaling to £3m turnover within 3 years	UK Local Growth Dashboard
High growth firms	Increased number of firms achieving annualised average growth in revenue or employment of 10% or more over 3 years	UK Local Growth Dashboard

7. Way Forward

In an ever-changing world, with digital advancements, new innovations and a changing economic context including the upcoming Exit from the European Union, it is important that we continue to progress entrepreneurship activity.

Two key actions for driving forward work in this area will be the appointment of an **Entrepreneurship Ambassador** and establishment of an **Entrepreneurship Forum**. Both of these actions are set out by Invest NI as part of an entrepreneurship action plan. This recognises the need to refine product offerings, help businesses better navigate the support system and improve communication and collaboration across all partners and stakeholders within the support ecosystem.

The Entrepreneurship Ambassador will provide an advisory role and public face to entrepreneurship, supporting businesses, promoting collaboration and encouraging an entrepreneurial culture.

The Entrepreneurship Forum will comprise a range of members from across business, academia, central and local Government and other support providers. It will seek to develop recommendations to take forward further work in the entrepreneurship space including how Government can best support entrepreneurship, improve communication, create a cohesive ecosystem and encourage collaboration, knowledge sharing and best practice.

By advising how Government can best support entrepreneurship, in partnership with other key entrepreneurship support providers, the outputs of the Entrepreneurship Forum will influence the direction of next steps and future work programme.

Further information

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