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Global Entrepreneurship Monitor

United Kingdom 2007 Monitoring Report

Rebecca Harding
Mark Hart
Dylan Jones-Evans
and Jonathan Levie

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Disclaimer

This report is based on data collected by the GEM consortium and the GEM UK team; responsibility for analysis and interpretation of the data is the sole responsibility of the authors.

For further information on the GEM UK project, contact

Dr Jonathan Levie
Hunter Centre for Entrepreneurship,
University of Strathclyde,
Livingstone Tower
26 Richmond Street,
Glasgow,
G1 1XH
Email: j.levie@strath.ac.uk

Executive Summary

- In 2007, the Global Entrepreneurship Monitor (GEM) research consortium measured entrepreneurial activity of working age adults in 42 countries, making it the world's most authoritative comparative study of entrepreneurial activity in the general adult population. GEM UK is the largest national study of entrepreneurial activity in the world, with a sample of 42,713 adults aged 16-64 in 2007.
- This monitoring report compares Global Entrepreneurship Monitor (GEM) measures of entrepreneurial activity in the UK with participating G7 countries and the large industrialised or industrialising countries of Brazil, Russia, India and China ("BRIC"). It also summarises entrepreneurial activity within Government Office Regions of the UK.
- Early-stage entrepreneurial activity (TEA) in the UK in 2007 was 5.6%¹, compared with 5.8% in 2006. This continues a long term pattern in the UK of lower TEA rates than the US, Canada and BRIC nations other than Russia, and higher TEA rates than other G7 nations and Russia. The UK TEA rate has closely tracked the G7 average since 2002.
- The UK has intermediate rates of established business ownership and business "churn" in comparison to other G7 and BRIC nations. The proportion of entrepreneurs reporting high growth expectations, new product/market combinations, and new technology sectoral choices is also intermediate. Necessity-driven entrepreneurship in the UK is low.
- The gender gap in entrepreneurial activity varies greatly across G7 and BRIC countries. UK levels of female entrepreneurship are 49% of male entrepreneurial activity which is in line with other developed countries with the notable exception of the US. UK female TEA rates have remained slightly below the G7 average since 2004.
- In general, perceptions of entrepreneurship in the UK population did not change significantly between 2006 and 2007.
- Those regions with high TEA levels in 2006 had lower rates in 2007. Therefore, whilst point estimates of TEA rates varied from 6.4% in London to 4.6% in Scotland, there are no significant differences in TEA rates across the UK regions in 2007.
- Levels of female TEA in Northern Ireland were significantly lower than rates in four other regions and respondents in Northern Ireland had a relatively high fear of failure.
- Respondents in the 'South' (London, South East England, South West England and the East of England) were significantly more likely to think they had the skills to start a business than respondents in Scotland and Northern Ireland. Also, a relatively high proportion of Londoners expected to start a business in the next three years.

¹ This differs very slightly from the GEM Global report (5.56 versus 5.53) because the latter used a slightly smaller interim dataset.

Scope of Report

This report compares Global Entrepreneurship Monitor (GEM) measures of entrepreneurial activity in the UK with participating G7 countries and the large industrialised or industrialising countries of Brazil, Russia, India and China ("BRIC"). It also summarizes entrepreneurial activity within Government Official Regions of the UK.

GEM: History, Purpose and Measures

The Global Entrepreneurship Monitor (GEM) research consortium has been measuring entrepreneurial activity of working age adults across a wide range of countries in a comparable way since 1998. In 2007, the study covered 42 countries and represented the world's most authoritative comparative study of entrepreneurial activity in the general adult population.

GEM's primary focus is on the study of three areas:

1. To measure differences in the level of individual entrepreneurial activity between countries
2. To uncover factors which underpin these differences in individual entrepreneurial activity
3. To identify policies that may enhance the levels of individual entrepreneurial activity.

The 2007 GEM global study was based on an analysis of adult population survey results from 42 countries and 156,264 adults across the world. The core of the adult population survey is identical in each country and asks whether or not respondents are involved in starting a business, whether they own or manage a business, what motivates them, where their finance comes from, if they are involved in some form of entrepreneurial activity and what their attitudes are towards entrepreneurship.

The GEM Global Executive report was published in January 2008² and a full report on the quality and characteristics of the data is published separately and can be found at www.gemconsortium.org.

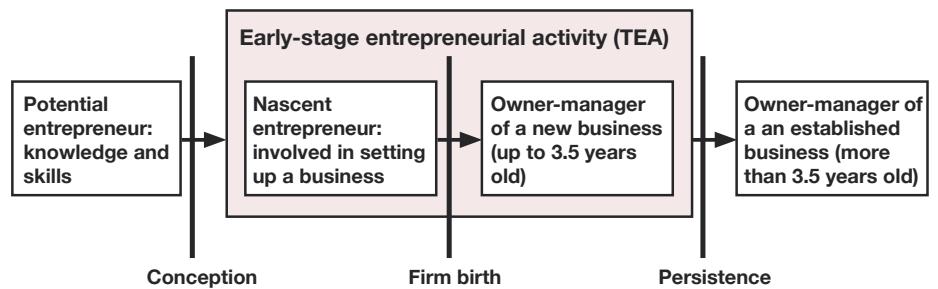
From the survey, we examine individual entrepreneurs at three key stages:

- Nascent entrepreneurs: The point at which resources are committed to starting a business. To qualify as a nascent entrepreneur, the business must not have been paying wages for more than three months.
- New business owner-managers: Those who have been paying salaries for more than three months but not more than forty-two months.
- Established business owner-managers: Those who have been in operation for more than forty-two months.

2. Bosma, N., Jones, K., Autio, E. and Levie, J. (2008) Global Entrepreneurship Monitor 2007 Executive Report, Babson College, Boston, MA.

Figure 1
The Entrepreneurial Process and GEM
Operational Definitions

(Source: Bosma et al., 2008)



3 TEA is calculated in an identical way in each country. A telephone and/or face to face survey of a representative sample of the adult population in each country is conducted between May and September. Respondents are asked to respond to three questions that are the basis of the TEA index: 1) "are you, alone or with others, currently trying to start a new business independently of your work?", 2) "are you, alone or with others, currently trying to start a new business as part of your work?", and 3) "are you, alone or with others, currently the owner or manager of a business?" Those who respond positively to these questions are also asked filter questions to ensure they are actively engaged in business creation as owners and managers, how long they have been paying wages to employees, and other questions about cost and time to start up, sources of finance and numbers of jobs created. A distinction is made between two types of entrepreneurs: nascent entrepreneurs (those that have been paying salaries for less than three months) and new business owner-managers (those that have been paying salaries for between three and 42 months). The TEA index is the sum of the nascent entrepreneurs and new business owner/managers minus any double counting (i.e. those who respond positively to both). Additionally, those respondents who have owned or managed a business and paying salaries for more than 42 months are classified as Established Business Owner-managers (EBO). The GEM survey also asks respondents about their attitudes to entrepreneurial activity, their motivations for setting up a business, about their innovativeness and use of technology and their sources of finance.

4 The raw sample of 42,713 was distributed across 16 geographic areas within which representative sub-samples of the population aged 16-64 were taken. These areas and the sample sizes are: South West England (2997); South East England: (3003); East of England (1000); West Midlands (3000); East Midlands (3023); North East: 3003; North West England (3008); Wales (7989); Scotland (1998); Inner London (370); Dagenham & Barking (2006); Outer London excluding Dagenham & Barking (630); Doncaster (2987); Yorkshire and Humberside excluding Doncaster (2817); Belfast (1330); Northern Ireland excluding Belfast (3552).

It is important to understand that the main subject of study in GEM is entrepreneurs rather than the businesses that they run. GEM measures the entrepreneurial activity of people at the very earliest stages of business development, either at the nascent entrepreneur stage or the new business owner-manager stage. These two stages are combined into one index of early stage entrepreneurial activity, or TEA³, which is represented in the figure 1 above.

As much of this entrepreneurial activity is pre-start-up or includes very small new businesses that do not have to register, TEA rates will not necessarily match with published statistics on business ownership and, indeed, should not be interpreted as such. Rather, GEM enables the measurement of the *propensity* of individuals in particular countries to be entrepreneurial *given* the current social, cultural and economic framework conditions that exist there.

GEM UK Sampling and Weighting Methodology

GEM UK is the largest national study of entrepreneurial activity in the world. It has grown from a survey of 1,000 adults

in 1998 to 42,713 adults aged 16-64 in 2007. The distribution of respondents is not even across the UK as some Regional Development Agencies (RDAs) and the Government Agencies in Wales and Northern Ireland choose to boost their sample in order to have more detail about entrepreneurship in their region⁴. Every attempt is made to ensure that the results reported are as reliable and robust as possible. To do this, four sets of weights are calculated for the UK data:

- Weights for the whole UK that take the UK area sub-samples and the age, gender and ethnic minority proportion of the population of the UK (aged 18-64) into account, based on the latest available area estimates from the UK Office of National Statistics, typically mid-year estimates for the previous year.
- Sub-sample area weights that take into account the population distributions *within* GEM UK sub-sample areas by age, gender and ethnicity. These are used when we report comparisons between GEM UK sub-sample areas.
- Government Office Regions (GOR) weights that create representative samples at the

GOR level from all sub-samples within the same GOR. Nine out of twelve GORs were not sub-sampled in 2007; London had three sub-samples and Northern Ireland and Yorkshire & Humberside had two sub-samples⁵.

- In addition, separate weights were constructed for England, based on balanced GOR samples for each English region, as some variables (e.g. urbanity, deprivation) are only available for English regions.

Entrepreneurship in the G7 and Bric Countries

Figure 2 shows the early stage entrepreneurial activity (TEA) rates of the G7 + Brazil, Russia, India and China (BRIC) nations since 2002.

Figure 1 demonstrates that over the past six years, the relative position of the G7 countries on TEA has not changed. The US had the highest level of early stage entrepreneurial activity in 2007 at 9.6% compared to 5.6% in the UK. Three of the four BRIC countries have higher levels of entrepreneurial activity than the UK: Brazil (12.7%), India (8.5%) and China (16.4%). Russia (2.7%) had the lowest level of entrepreneurial activity in 2007. The UK's TEA rate has varied little during the period 2002 to 2007 and has tracked the G7 average very closely. Apparent shifts in TEA from year to year in some other countries may reflect much smaller sample sizes and differences in sampling methodology as much as real changes.

5 In order to minimise the effect of over-samples in sub-regions within a GOR, random samples were created from these areas to produce representative samples of GORs

6 Not all G7 countries participated in GEM in 2007: Germany and Canada are missing as a result. India, China and Russia have not participated consistently through the period thus data is given only for the years available.

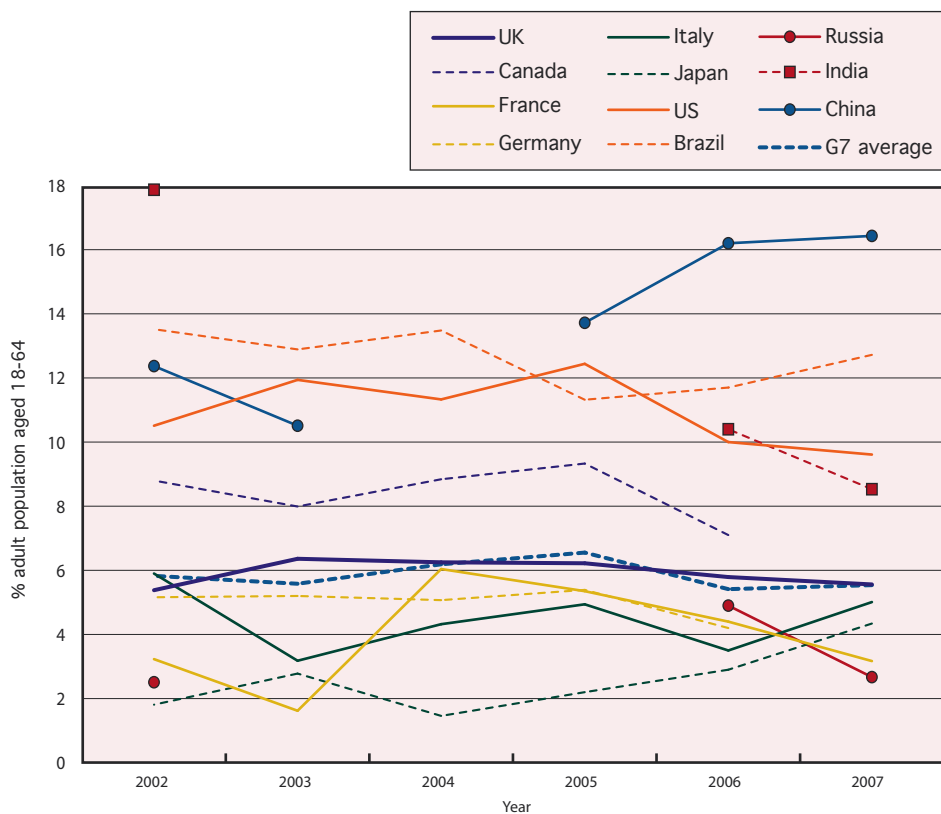


Figure 2
Total Early Stage Entrepreneurial Activity (TEA) in participating G7 and BRIC Countries (2002-2007)⁶

(Source: GEM Global Adult Population Survey (APS) 2002-2007)

In addition to TEA, GEM measures the proportion of established business owner-managers in the working age population (EBO). Established business owner-managers have owned or managed a business for more than 42 months. Finally, GEM measures the proportion of individuals of working age who closed down a business in the last 12 months, and which did not continue under a different form or ownership.

The ratio of established business owners gives a proxy measure of transition rates from early stage entrepreneurship to established business ownership⁷. This can be interpreted as a proxy survival measure. The ratio of closure to business ownership (new plus established) gives a proxy of entrepreneurial dynamism or "churn". The 2007 results for participating G7 and BRIC countries are given in Table 1.

GEM is a survey of individuals and not a survey of registered businesses. Therefore, the figures reported for business ownership will not necessarily tally with official statistics on the size of the registered business stock in GEM participant countries. Nevertheless, the table presents some interesting summary points:

- The UK occupies an intermediate position on most measures. At 0.95, the ratio of EBO to TEA is very near to one-to-one, compared with 2 to 1 for Japan and 1 to 2 for the US. However, the UK's ratio of business closure to existing business ownership is amongst the lowest of the G7 or BRIC countries.
- Countries with high levels of TEA have relatively low ratios of EBO to TEA and relatively high ratios of business closure to business ownership. This suggests that

7 This measure assumes that early stage entrepreneurship and established business ownership do not fluctuate over time.

	Nascent Entrepreneurial Activity rate (paying wages for 3 months or less) (NEA)	New Business Owner-manager rate (4-42 months) (NBO)	Nascent + New business owner-manager rate (TEA)	Established Business Owners (>42 months) (EBO)	Business closure rate (Business closed in the last 12 months that has not continued) (BC)	Proxy early-stage business survival rate (EBO/TEA)	Proxy business churn rate BC/(NBO+EBO)
G7							
UK	2.9	2.7	5.6	5.0	1.2	0.9	0.2
France	2.3	0.9	3.2	1.7	2.0	0.5	1.3
Italy	3.6	1.5	5.0	5.6	1.2	1.1	0.2
Japan	2.2	2.2	4.3	8.7	2.0	2.0	0.2
US	6.5	3.4	9.6	5.0	3.0	0.5	0.4
G7 average	3.5	2.1	5.5	5.2	1.9	1.0	0.5
BRIC							
Brazil	4.3	8.7	12.7	9.9	4.5	0.8	0.2
Russia	1.3	1.3	2.7	1.7	1.0	0.6	0.3
India	6.0	2.6	8.5	5.5	10.2	0.7	1.3
China	6.9	10.0	16.4	8.4	6.1	0.5	0.3

Table 1
Nascent entrepreneurship rates, new business owner-manager rates, established business owner-manager rates and business closure rates in participating G7 and BRIC countries, 2007

(Source: GEM APS 2007)

countries that are dynamic entrepreneurially will experience high levels of business "churn".

- In most countries, TEA rates are higher than EBO rates. This suggests considerable attrition of early stage entrepreneurial activity. It should be remembered that much of this attrition happens before the business is established, i.e. at the nascent entrepreneurship stage. However, France and India appear to have high rates of closure of existing businesses relative to their EBO rate.

Across the world, the majority of businesses expect little or no growth⁸. To analyse individuals who expect to create a relatively high number of jobs, GEM created a variable which measures the percentage of all early-stage entrepreneurs who have created more than ten jobs and who expect more than 50% growth in jobs in the next five years. The results are illustrated in Table 2 for early-stage entrepreneurs and established business owner-managers.

Table 2 also shows the proportion of early-stage entrepreneurs and established business

	High Job Expectation (% TEA or EBO greater than ten jobs and growth >50%)		New Product Market (% of all TEA or EBO)		High or Medium tech sectors (% of all TEA or EBO)	
	TEA	EBO	TEA	EBO	TEA	EBO
G7						
UK	17.6	4.3	19.1	2.2	9.3	9.5
France	5.0	0	19.8	8.5	2.1	0
Italy	12.3	0.6	25.2	1.0	6.6	10.2
Japan	18.6	7.0	12.1	1.4	17.1	7.0
US	22.0	7.1	26.0	5.2	5.4	4.0
G7 average	15.1	3.8	20.4	3.7	8.1	6.1
BRIC						
Brazil	5.1	4.5	3.1	0.6	5.9	2.0
Russia	17.3	6.7	9.4	0	11.8	0
India	6.8	10.1	9.1	0.7	4.5	0
China	26.6	10.8	8.9	2.8	6.3	2.6

Table 2
Growth potential of entrepreneurial activity in participating G7 and BRIC countries, 2007

(Source: GEM APS 2007)

Types of Entrepreneurial Activity

The potential of entrepreneurial activity to promote regeneration and growth will reflect the types of business being established. If an entrepreneur expects to create a large number of jobs, or if the product market is new, then his or her potential contribution to growth and regeneration through entrepreneurship will be greater.

owner-managers who state they operate in new product markets⁹ and operate in "high" or "medium" technology sectors (according to OECD definitions) for the G7 and BRIC countries. Generally, the UK performs close to the G7 average on all these measures.

High job expectation varies substantially from around 5% of French and Brazilian early-stage

⁸ According to the 2007 GEM Executive Report, expectations of high growth are rare among nascent and new entrepreneurs. Only 70% of all start-up attempts expected any job creation at all. Only 8% of all start-up attempts expected to create 20 or more jobs, while only 3% of all start-up attempts expected 50 or more jobs.

⁹ Where the product is new to all or most customers and where there is little or no competition.

entrepreneurs to around a quarter of US and Chinese early-stage entrepreneurs. 18% of UK early stage entrepreneurs described themselves as having high job expectations in 2007.

In all countries except India, the proportion of established business owners with high job expectation was much lower than the proportion of early-stage entrepreneurs. Established business owners are also less likely than early-stage entrepreneurs to report new product-market creation. With the exception of Japan, the proportion of early-stage entrepreneurs in G7 countries who are creating new product or service markets is at least double the proportion in BRIC countries.

The final variable in Table 2 illustrates the percentage of early-stage entrepreneurs and established business owner-managers who were active in high or medium tech sectors according to OECD definitions¹⁰. After Japan and Russia, the UK has the third highest proportion of early-stage entrepreneurs in high or medium technology sectors at 9%.

Opportunity and Necessity Entrepreneurship

One way of distinguishing between different types of entrepreneurial activity is the extent to which the activity is based on necessity (i.e. there are no better alternatives for work) or opportunity (where entrepreneurs may be exploiting the potential for new market creation).

GEM's definition of opportunity entrepreneurship has changed slightly since the 2006 GEM report: all TEA active individuals are asked to cite their primary motivation for setting up their business; those listing "opportunity" and who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income, are classed as opportunity-motivated entrepreneurs.

Opportunity-motivated entrepreneurship rates (Opportunity TEA) and Necessity-driven entrepreneurship rates (Necessity TEA) for G7 and BRIC countries are presented in Figure 3 for 2007.

¹⁰ GEM collects data for high, medium and low technology sectors according to OECD definitions and also asks if their technology was available one year ago, 2-5 years ago or longer than that. The latter set of variables have been reported in the past but these only give an indication of the newness of the technology in the perception of the respondent. The measure in Table 2 uses OECD definitions of technology.

Opportunity TEA
Necessity TEA

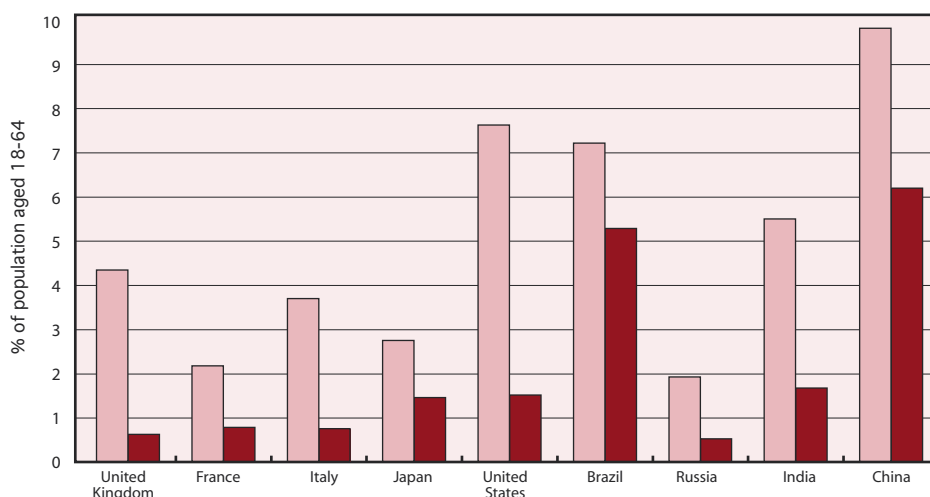


Figure 3
Necessity and opportunity entrepreneurship in participating G7 and BRIC countries in 2007

(Source: GEM APS 2007)

Figure 3 demonstrates that levels of necessity entrepreneurship in 2007 are lower than levels of opportunity entrepreneurship in all participating G7 and BRIC countries. In the UK, 4.3% of the working age adult population were opportunity-motivated early-stage entrepreneurs, with 0.6% identified as necessity-driven early-stage entrepreneurs. Ratios are similar in the US, France and Italy. However, in Japan, Brazil and China, necessity entrepreneurship is proportionately higher.

For example, in Brazil, necessity entrepreneurship is 5.3% of the adult population compared with 7.2% who are opportunity entrepreneurs. Necessity entrepreneurship tends to be proportionately higher in low and medium income countries than in high income countries¹¹. Japan reported an unusually high proportion of necessity entrepreneurship in comparison with previous years; and therefore this figure should be treated with caution.

Male and Female Entrepreneurial Activity Compared

Figure 4 presents a summary of the early stage entrepreneurial activity results for the G7 and BRIC countries by gender. In high income countries, men are around twice as likely to be entrepreneurially active as women. This is reflected in the gender gap in entrepreneurial activity rates among G7 countries. In the UK the level of female early stage entrepreneurial activity is 49% that of males: 3.6% compared to 7.5% for men. In the US the ratio of female to male TEA is 60%.

The higher figure for female TEA in Japan goes against a consistent long term trend of lower female TEA rates and should be treated with caution. With the exception of Eastern Europe, the gender gap is narrower in low and middle income countries, and this is reflected in the BRIC countries, where the gender gap is wide in Russia, narrower in India and China, and non-existent in Brazil.

11 See the GEM 2007 Executive Report for a comparison of necessity and opportunity entrepreneurship across 42 nations.

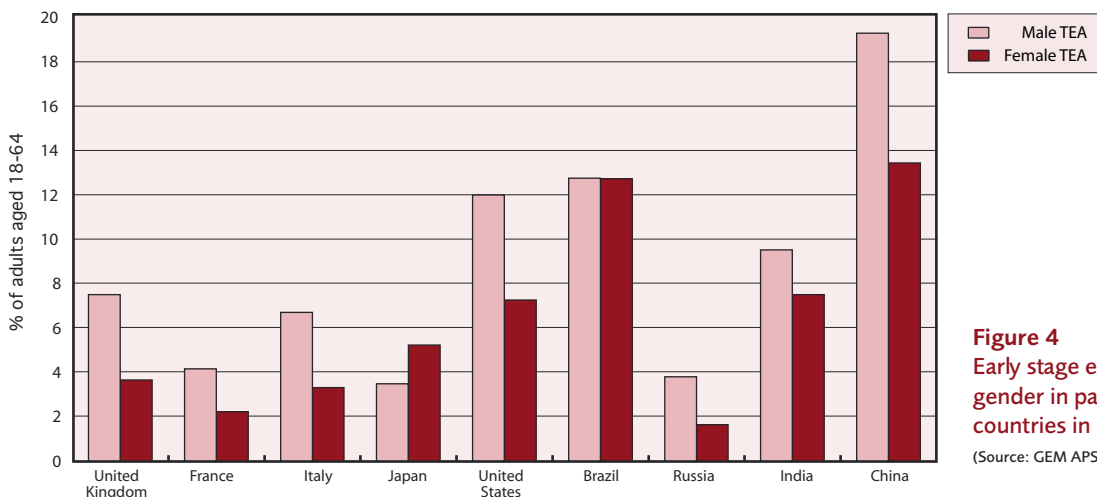


Figure 4
Early stage entrepreneurial activity by gender in participating G7 and BRIC countries in 2007

(Source: GEM APS 2007)

The gender gap in participation rates appears to be wider among established business owner-managers than among early-stage entrepreneurs (see Figure 5). For example, in the UK female early stage entrepreneurial activity is 49% of male activity, while established business ownership is just 33% of male ownership. The figures for the US are 60% and 54% respectively.

The exceptions to this appear to be in Japan and Russia where, contrary to previous years, male and female business ownership rates were similar in 2007. Overall, levels of female early-stage entrepreneurial activity in the G7 and BRIC countries appear to be static since 2002, with the possible exception of Japan, as illustrated in Figure 6. Female TEA in the UK has been slightly under the G7 average for the past 6 years with the exception of 2003.

Figure 5
Established business ownership by gender in participating G7 and BRIC countries, 2007
(Source: GEM APS, 2007)

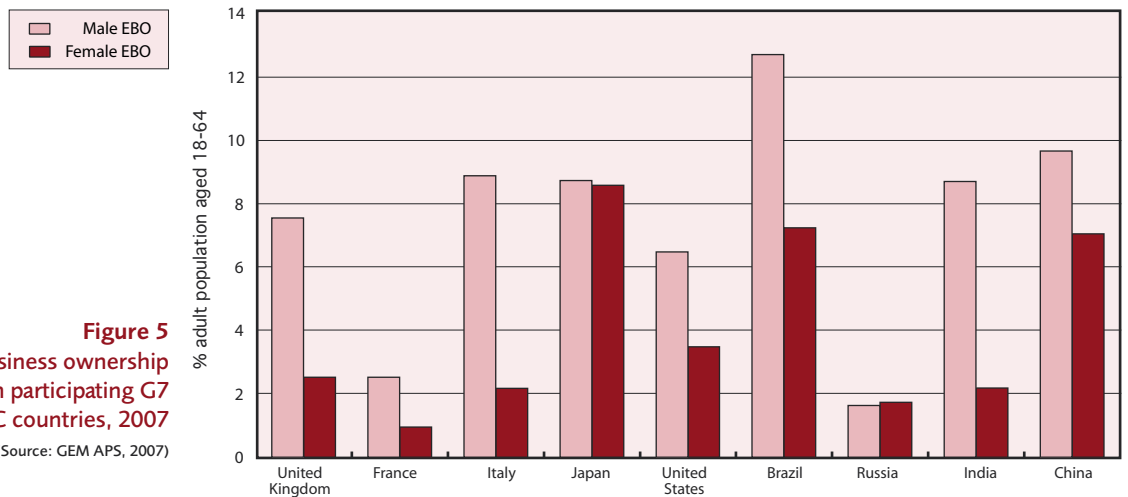
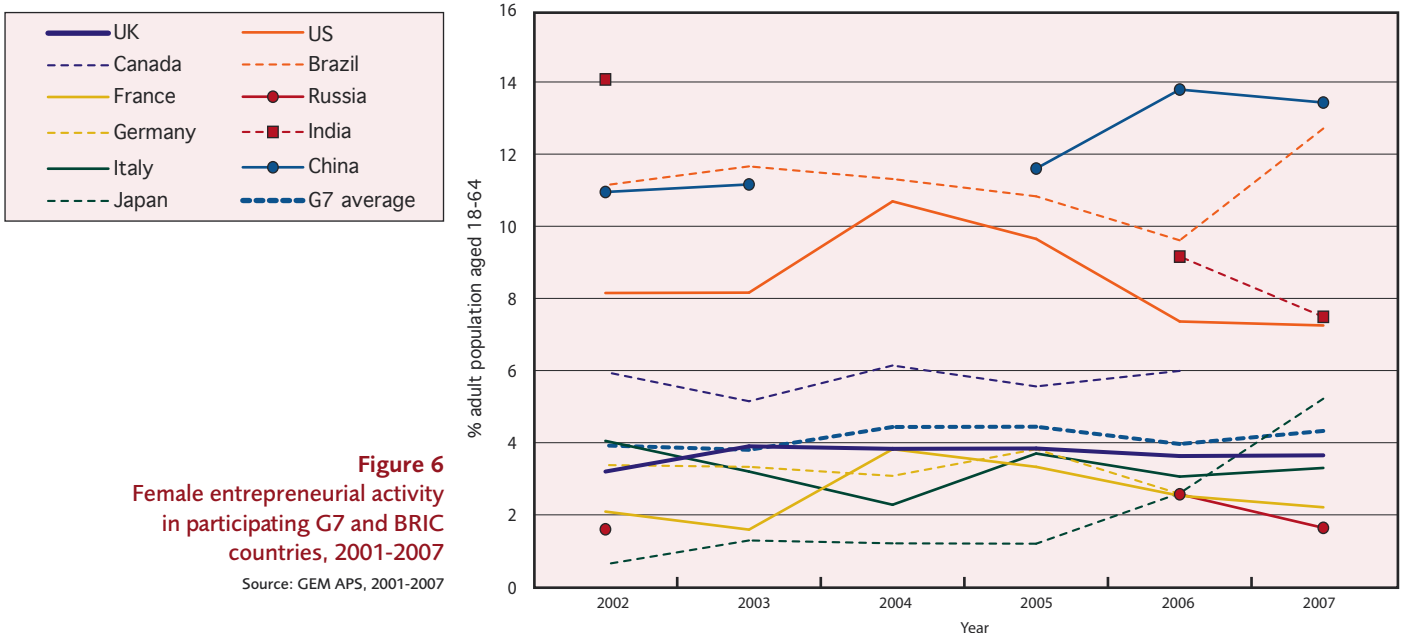


Figure 6
Female entrepreneurial activity in participating G7 and BRIC countries, 2001-2007
(Source: GEM APS, 2001-2007)



Entrepreneurial Attitudes and Perceptions

At least some of the difference in entrepreneurial activity rates between countries may be explained by differences in attitudes of the population towards entrepreneurship. There is a clear association in the GEM data between entrepreneurial activity and attitudes towards entrepreneurship but we are still uncertain about the direction of causality. The data on entrepreneurial attitudes and perceptions are presented for participating G7 and BRIC countries for 2007 in Table 3. There are a number of interesting features:

- The UK had a relatively low number of individuals expecting to start up a business compared to France, Italy or the US in 2007. It also had a smaller proportion of adults who said they personally knew someone who had started a business in the

last 2 years. However, it had a relatively high proportion of adults who see good start-up opportunities and a lower fear of failure than France and Italy.

- Responses in the US suggest a continuing negative perception of the prevalence of start-up opportunities compared with the UK. Around one quarter of US respondents thought that there were good start-up opportunities locally, virtually the same as the 2006 estimate of 24.3%. However, fear of failure remains much lower in the US than in the UK.
- With the exception of Russia, the BRIC countries have higher numbers of people expecting to start a business than G7 countries. Perceptions of entrepreneurship in Brazil, India and China are also positive. Responses for India may be skewed towards agreement with all items and should be treated with caution.

	I expect to start a business in the next 3 years	I know someone who has started a business in the last 2 years	There are good start-up opportunities where I live in the next 6 months	I have the skills, knowledge and experience to start a business	Fear of failure would prevent me starting a business
G7					
UK	7.4	25.7	39.0	48.5	35.8
France	16.5	48.7	23.3	33.5	48.6
Italy	12.9	38.1	39.5	50.5	42.1
Japan	5.5	22.7	8.9	15.2	36.6
US	14.4	32.5	25.2	48.3	23.1
G7 average	11.3	33.5	27.2	39.2	37.2
BRIC					
Brazil	25.1	34.4	39.1	53.7	33.5
Russia	5.0	16.9	10.6	8.7	28.4
India	49.9	77.4	71.0	73.0	46.9
China	37.2	64.5	39.2	38.9	29.5

Table 3
Attitudes and perceptions towards entrepreneurship in participating G7 and BRIC countries in 2007 - percentage of working age population who expressed an opinion and agreed with the statement at the top of the column

(Source: GEM APS 2007)

Entrepreneurial Attitudes in the UK: 2006 and 2007 Compared

Table 4 shows the changes in self-perceptions and attitudes towards entrepreneurship in the UK between 2006 and 2007. Most differences are not statistically significant, although the number of respondents who said that they personally knew someone who had started a business in the last two years appears to have fallen slightly while

the proportion of people who perceived good start up opportunities appears to have increased slightly. Attitudes towards entrepreneurship in general have not changed significantly since 2006. Males tend to have more positive perceptions of their own prospects for starting a business, while there are no differences between men and women on attitudes to entrepreneurship in general.

	2006	2007	2006	2006	2007	2007
	All	All	male	female	male	female
I expect to start a business in the next three years	8.0	7.4	10.7	5.4	9.6	5.3
I have closed a business in the 12 months (the business has not continued in another form)	-	1.2	-	-	1.6	0.9
I personally know someone who has started a business in the last two years	27.3	25.7	31.9	22.6	29.6	21.6
There will be good start-up opportunities where I live in the next six months	36.9	39.0	41.3	32.3	44.0	33.9
I have the skills, knowledge and experience to start a business	49.3	48.5	58.7	39.8	57.1	39.5
Fear of failure would prevent me from starting a business	35.8	35.8	32.5	39.1	34.0	37.6
Most people consider that starting a business is a good career choice	54.2	54.8	55.3	53.1	54.1	55.5
Those successful at starting a business have a high level of status and respect in society	72.8	73.6	74.1	71.3	73.9	73.4
You will often see stories about people starting successful new businesses in the media	54.8	56.9	57.2	52.3	57.7	56.0

Table 4
Entrepreneurial attitudes and perceptions in the UK in 2006 and 2007 (% respondents aged 18-64 expressing an opinion and agreeing with the statement)

(Source: GEM UK APS, 2006, 2007).

Entrepreneurial Activity in UK Regions

Figure 7 contrasts early stage entrepreneurial activity in the UK regions in 2007 with rates in 2006. The distribution of TEA rates in 2007 was narrower than in 2006 and there were no statistically significant differences in TEA rates between the UK regions in 2007. The lowest TEA rate is in Scotland (4.6%) while the highest is in London (6.4%). It is noticeable that the regions with the highest levels of early stage entrepreneurial activity in 2006 experienced a decline in 2007: London, South West England, South East England and the East Midlands.

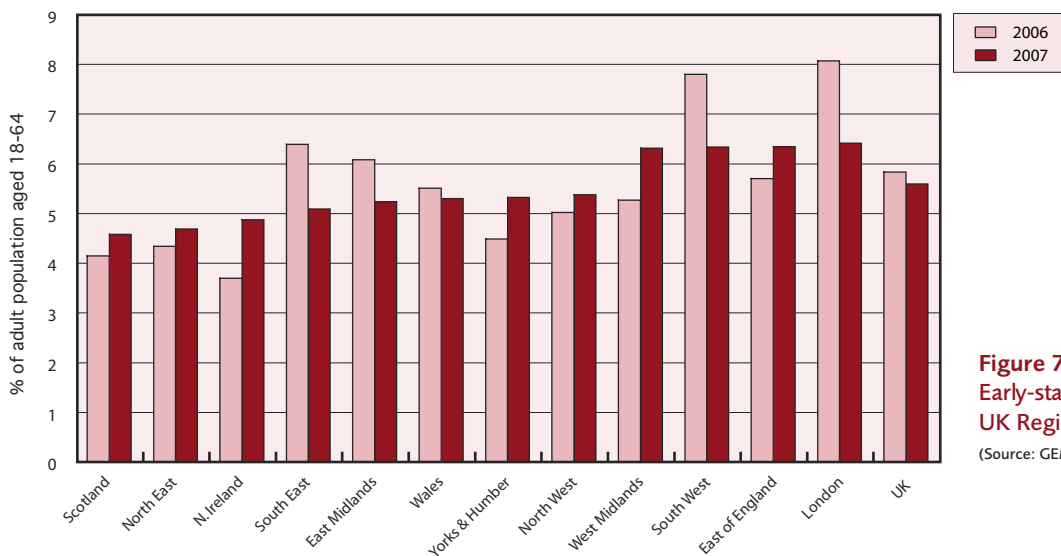


Figure 7
Early-stage entrepreneurial activity in the UK Regions in 2006 and 2007

(Source: GEM APS, 2007)

Figure 8 examines male and female early-stage entrepreneurial activity rates by region. It shows that the South West of England had the highest level of female early-stage entrepreneurial activity in 2007 at 4.6%. Northern Ireland had the lowest level of female entrepreneurship at 2.1%, significantly lower than South East England, South West England, the West Midlands and Wales.

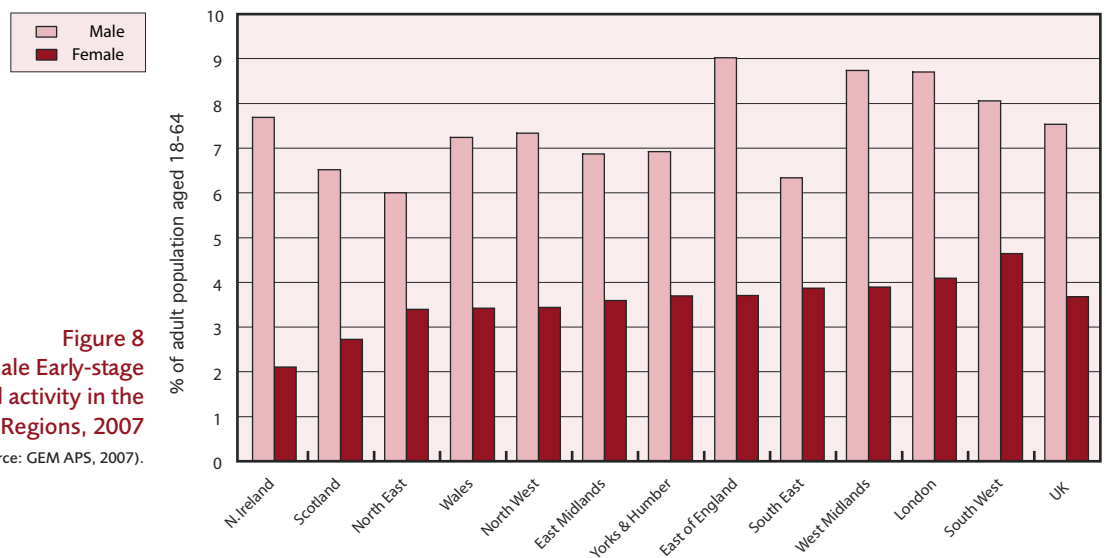
Northern Ireland also had the widest gap between male and female TEA rates: men were 73% more likely to be engaged in early-stage entrepreneurial activity than women.

The self-reporting of perceptions towards entrepreneurship in each UK region is presented in Table 5. The key findings are as follows:

- In London, the number of people expecting to start a business in the next three years was significantly higher than in other UK regions except South East England, South West England and the West Midlands.
- Northern Ireland had the highest fear of failure rate in the UK in 2007. At 44.2% of the adult population, this was significantly higher than the fear of failure in Yorkshire & Humberside (31.4%).

Figure 8
Male and Female Early-stage entrepreneurial activity in the UK Regions, 2007

(Source: GEM APS, 2007).



- Respondents in the 'South' (London, South East England, South West England and the East of England) were significantly more likely to agree that they have the skills to start a business than respondents in Scotland and Northern Ireland. Northern Ireland also had the lowest percentage of adults – 41.2% - agreeing that they have the skills to start a business.
- The item "I personally know someone who has started a business in the last two years" is intended as a proxy measure of networking with entrepreneurial individuals. The responses to this item suggest that there were no statistically significant differences in the extent of networking with entrepreneurial individuals across the UK regions in 2007.

The more positive the attitudes to entrepreneurship at a regional level, the higher both the expectation and actual entrepreneurial activity, but in general such correlations are not statistically significant at this level of analysis. The strongest and significant associations are between expectation ("I expect to start a business in the next 3 years" and TEA, and between skills and expectation. A wide range of other variables can affect the association between attitudes and activity at the regional level, requiring sophisticated multivariate analysis to identify the independent effect of attitudes on activity. Such analyses tend to find that attitudes do have a positive independent effect on entrepreneurial activity, especially skills¹².

12 For example, see Levie, J (2007). Immigration, immigration, ethnicity and entrepreneurship in the United Kingdom. *Small Business Economics* 28: 143-169.

	I expect to start a business in the next 3 years	I personally know someone who has started a business in the last two years	There will be good start-up opportunities where I live in the next six months	I have the skills, knowledge and experience to start a business	Fear of failure would prevent me from starting a business
East of England	6.6	23.0	42.3	50.9	36.8
East Midlands	6.7	25.0	36.2	47.4	36.0
London	10.4	27.1	43.7	54.6	37.2
North East	5.1	23.6	35.5	44.8	37.5
North West	6.6	23.8	36.7	47.5	35.0
Northern Ireland	5.9	26.5	40.4	41.2	44.2
Scotland	5.6	24.6	37.8	42.3	33.7
South East	7.7	28.9	43.7	50.8	34.5
South West	8.3	27.0	39.7	49.2	35.7
Wales	6.8	26.5	33.1	48.0	34.2
West Midlands	7.5	24.0	34.5	45.4	38.6
Yorkshire & Humberside	7.2	26.5	37.4	48.7	31.4

Table 5
Perceptions of entrepreneurship in the UK regions, 2007

(Source: GEM UK APS 2007)

Entrepreneurial activity in the UK in 2007 was little changed on 2006, continuing a pattern of no substantial change in activity rates since 2002. While overall entrepreneurial activity in the UK has tracked the G7 average very closely for the past six years, UK female entrepreneurial activity has tended to track slightly under the G7 average.

The bulk of the interviewing for the 2007 survey was conducted in the summer, before the turmoil in the international banking industry. While there was no evidence in this survey of any change in entrepreneurial attitudes or activity overall, it is interesting that activity rates fell in London and most adjacent regions, while activity in the rest of the UK rose slightly.

2007 marked the last year of a long run of relatively benign economic growth for the G7 as a whole. This period provided opportunities for entrepreneurship, but also for the alternative: being an employee. It remains to be seen what effect a more turbulent economic climate has on entrepreneurship rates.

	2002	2003	2004	2005	2006	2007
UK	5.38	6.36	6.25	6.22	5.79	5.56
Canada	8.8	7.99	8.84	9.33	7.1	-
France	3.23	1.62	6.04	5.35	4.4	3.17
Germany	5.16	5.2	5.07	5.39	4.2	-
Italy	5.9	3.18	4.32	4.94	3.5	5.01
Japan	1.81	2.78	1.46	2.2	2.9	4.34
US	10.51	11.94	11.33	12.44	10	9.61
Brazil	13.52	12.89	13.48	11.32	11.7	12.72
Russia	2.51	-	-	-	4.9	2.67
India	17.87	-	-	-	10.4	8.53
China	12.37	10.51		13.72	16.2	16.43
G7 average	5.83	5.58	6.19	6.55	5.41	5.54

Figure 2: Total Early Stage Entrepreneurial Activity (TEA) in participating G7 and BRIC Countries (2002-2007)

	Opportunity TEA	Necessity TEA
United Kingdom	4.35	0.61
France	2.17	0.77
Italy	3.70	0.74
Japan	2.75	1.45
United States	7.65	1.50
Brazil	7.23	5.29
Russia	1.92	0.51
India	5.51	1.67
China	9.84	6.21

Figure 3: Necessity and opportunity entrepreneurship in participating G7 and BRIC countries in 2007

	Male TEA	Female TEA
United Kingdom	7.49	3.65
France	4.14	2.21
Italy	6.69	3.30
Japan	3.47	5.22
United States	11.98	7.25
Brazil	12.73	12.71
Russia	3.79	1.64
India	9.51	7.49
China	19.27	13.43

Figure 4: Early stage entrepreneurial activity by gender in participating G7 and BRIC countries in 2007

	Male EBO	Female EBO
United Kingdom	7.54	2.52
France	2.52	0.95
Italy	8.87	2.17
Japan	8.72	8.57
United States	6.47	3.48
Brazil	12.70	7.24
Russia	1.63	1.73
India	8.69	2.18
China	9.66	7.04

Figure 5: Established business ownership by gender in participating G7 and BRIC countries, 2007

	2002	2003	2004	2005	2006	2007
UK	3.2	3.9	3.83	3.84	3.63	3.65
Canada	5.96	5.15	6.14	5.56	5.99	-
France	2.09	1.59	3.82	3.33	2.53	2.21
Germany	3.38	3.33	3.08	3.82	2.58	-
Italy	4.05	3.2	2.28	3.7	3.06	3.3
Japan	0.63	1.29	1.21	1.2	2.6	5.22
US	8.15	8.16	10.69	9.65	7.36	7.25
Brazil	11.14	11.66	11.31	10.83	9.61	12.71
Russia	1.6	-	-	-	2.57	1.64
India	14.07	-	-	-	9.16	7.49
China	10.95	11.16		11.6	13.79	13.43
G7 average	3.92	3.80	4.44	4.44	3.96	4.33

Figure 6: Female entrepreneurial activity in participating G7 and BRIC countries, 2002-2007

	2006	2007
Scotland	4.13	4.57
North East	4.33	4.67
N. Ireland	3.68	4.86
South East	6.38	5.08
East Midlands	6.07	5.22
Wales	5.49	5.29
Yorks & Humber	4.48	5.31
North West	5.01	5.36
West Midlands	5.25	6.30
South West	7.79	6.32
East of England	5.68	6.33
London	8.06	6.40
UK	5.82	5.58

Figure 7: Early-stage entrepreneurial activity in the UK Regions in 2006 and 2007

	Male	Female
N. Ireland	7.67	2.09
Scotland	6.50	2.71
North East	5.99	3.38
Wales	7.22	3.40
North West	7.32	3.42
East Midlands	6.85	3.58
Yorks & Humber	6.90	3.68
East of England	9.00	3.69
South East	6.32	3.85
West Midlands	8.72	3.87
London	8.69	4.07
South West	8.04	4.62
UK	7.52	3.66

Figure 8: Male and Female Early-stage entrepreneurial activity in the UK Regions, 2007

