



Global
Entrepreneurship
Monitor

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Global Entrepreneurship Monitor

Scotland Report 2022/23

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Acknowledgements

We are pleased to have Royal Bank of Scotland sponsor the 2022 Global Entrepreneurship Monitor UK Report. As one of the UK's biggest supporter of small businesses, they understand the important role that start-ups, scale-ups and high-growth businesses play in a strong and prosperous UK economy.

Participation in the GEM Global project in 2022 by the UK consortium was made possible by funding from the Department for Business and Trade (DBT) Business Innovation Directorate, Hunter Centre for Entrepreneurship at the University of Strathclyde, the Welsh Government, Department for the Economy (NI) and NatWest Group.

The vendor for the Adult Population Survey (APS) was BMG Research Ltd and we would like to thank Dawn Hands, Roger Sant and Julie Hollingsworth for their role in the timely execution of the survey and the creation of the UK dataset. In particular, we would like to thank Roger Sant for his invaluable contribution to the weighting that was undertaken this year due to the dual method used to obtain responses to the GEM survey – that is, CATI and Online.

Disclaimer

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

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GEM Report 2022/23

Foreword by James Holian, NatWest Managing Director of Business Banking

The latest Global Entrepreneurship Monitor provides an authoritative voice on the past year's entrepreneurial trends. With over 10,000 adults participating in the UK survey alone, the research continues to maintain its high standard. Equally, NatWest continues to be proud to sponsor this report, and, for the second year, additional reports for Northern Ireland, Scotland and Wales.

Despite a backdrop of geopolitical turmoil, a cost-of-living squeeze and rocketing inflation, 2022 was a robust year for UK entrepreneurs, with almost a third of respondents engaged in entrepreneurial activity or planning to start a business; a figure that is still up from 2020.

Research from the report shows that when looking to the future of their businesses, social impact is a bigger consideration for early-stage entrepreneurs than established businesses. And new ventures are more likely to consider the environmental consequences of their decisions than established businesses, although are no more likely to act.

SMEs have reported that one of the biggest obstacles to this lack of movement is accessing tools to measure and reduce their carbon output amid high energy and material costs. Government policies and regulations to help businesses reach the United Nations' Sustainable Development Goals through grants or tax cuts is an area that needs improvement.

However, on a positive note, findings reveal that the female-to-male early stage entrepreneurial activity ratio was at its highest in 2022, a testament to female resilience in a time of flux, when fear of failure is slightly higher among women. Meanwhile, youth entrepreneurship is still rising, with those under 35 years of age significantly more likely to start a business than their older counterparts.

The number of people of working age who perceive good start-up opportunities during the six months ahead has fallen, reflecting the challenges of last spring and summer and highlighting the need to keep our pre-pandemic recovery energised and on track.

At NatWest we see this as a call to unlock the potential of our businesses and their communities. For those entrepreneurs starting up and scaling up, we are determined to be there to ensure they thrive, while supporting climate, talent and growth during economic uncertainty.

Executive Summary

Background

- In 2022, the Global Entrepreneurship Monitor (GEM) research consortium measured rates of entrepreneurship by undertaking structured interviews with around 170,000 adults across 49 countries.
- Within the UK, 10,143 adults participated in the GEM Adult Population Survey (APS) in 2022. This report mainly focuses on Scotland, comprising 1,582 participants in the adult working-age bracket (18-64) from an overall sample of 2,020 adults (including those over 65) that took part in the APS.
- This monitoring report details GEM measures of entrepreneurial attitudes, activity, and aspirations in Scotland and compares the results across the four home nations of the UK. We also explore regional differences between the five ITL2 regions within Scotland, including Southern Scotland, West Central, Eastern, North Eastern Scotland, and the Highlands and Islands.

Entrepreneurial Activity

- Total early-stage Entrepreneurial Activity or TEA (the sum of the nascent entrepreneurship rate and the new business owner-manager rate - without double counting) in Scotland in 2022 was 8.8% against a UK average of 11% in 2022. This was down a notch from 9.5% in 2021 but the change was not statistically significant meaning TEA rates in Scotland have remained broadly the same between 2020 and 2022.
- Across the home nations, TEA was highest in England at 11.5% which was significantly higher than Scotland (8.8%) and Wales (7.8%), and within the margin of error for Northern Ireland (8.7%) due to a smaller sample size for Northern Ireland.
- Within Scotland, TEA is nominally highest in the West Central region (10.5%) although there are no statistically significant differences between the regions in 2022.

Demographics

- Both male and female TEA rates saw a minor drop to 10.5% and 7.2% respectively.
- Female to male TEA ratio in Scotland remains unchanged from 2021 at 68%, while the UK ratio increased from 73% to 79%. This suggests that female TEA rates in the rest of the UK improved while Scotland's remain standstill.
- Among TEA entrepreneurs, males are significantly more likely to start a business "to build great wealth or a very high income". 67% of male TEA entrepreneurs indicated this was a key motive compared to 41.7% of females. Other motives were more or less similar between genders.
- Overall regional TEA rates within Scotland show some regional differences, including by gender, although mostly within the margin of error due to small sample sizes in the regions.
- Early-stage entrepreneurial activity continues to be driven largely by younger entrepreneurs. However, the TEA rate for the 18-24 age group saw a three-point drop (from 13.3% in 2021 to 10.4% in 2022), with 25-34s holding steady at around 12%. Other age groups also saw small drops in TEA.
- Ethnicity continues to show a strong association with TEA with the non-white population at 17%, double the white TEA which stood at 8.5% in 2022. The non-white TEA in Scotland has now seemingly caught up to both the UK non-white rate and the pre-pandemic non-white TEA in Scotland.
- In Scotland, there are no significant differences in rates of total early-stage entrepreneurial activity among the various deprivation quintiles.

Attitudes and Aspirations

- In Scotland, 47% of non-entrepreneurial adults personally know someone that has started a business in the last two years, about three points above the UK average. However, relatively fewer non-entrepreneurs in Scotland (68%) compared to the UK as a whole (74%) believe that most people would consider starting a business a good career choice.
- About a third of non-entrepreneurial adults perceive good opportunities in their area. However, six in ten of these indicate that the fear of failure would prevent them from starting a business.
- Only four in ten non-entrepreneurial adults believe they have the skills, knowledge, and experience to start a business, with the North-Eastern region lower in this regard at 30%.
- Further, like in 2021, only about 16% of non-entrepreneurs in Scotland expect to set up a business within three years. This is lower than the UK average of 18.5%.
- The gender gap in start-up intentions in Scotland is similar to the TEA gender gap with a female-to-male ratio of 66% and compares manifestly badly with Wales which is close to gender parity in start-up intentions at 90% in 2022.
- Beyond gender, performance in the transition across the various stages in the entrepreneurial process is uneven in Scotland with other demographic and geographical factors also pertinent at the various stages. For example, while TEA is down a little, a disaggregation shows that new business ownership is up with nascent activity down. TEA has also dropped among young people, but gone up among minorities but we know minorities struggle to sustain the high start-up rates into similar rates in established business ownership.
- In general, enterprise policy in Scotland requires monitoring entrepreneurial dynamics granularly and holistically, across the full pipeline as well as across society, geographically and demographically, with suitable policy developed to ensure sustainable overall performance.
- Policymaking must further be cognizant of the impact that other contextual factors, like the presently buoyant labour market coupled with the financial uncertainty surrounding the inflation crisis, have on entrepreneurial attitudes and activity in the short-term with implications for future entrepreneurial activity and economic performance carefully considered.

Implications

- While entrepreneurship is generally regarded highly in society, this does not translate similarly to its consideration as a desirable career option by people that are not entrepreneurially active. Local enterprise events and roadshows showcasing local success stories and raising awareness of locally available enterprise support to the wider society, not just entrepreneurs, could help inspire the general population to consider entrepreneurship as a plausible path for them.
- People's sense of their entrepreneurial competency is low in Scotland with the North Eastern region lower still. Beyond rolling out extant enterprise education and training initiatives more widely, local and national leadership could help allay the prohibitive fear of failure through better development and dissemination of more locally relevant policy support and the enhancement of positive economic sentiment in Scotland.
- There is a stubborn entrepreneurial gender gap that starts earlier in the entrepreneurial pipeline. Policymaking must thus combat the female disadvantage, nationally and in the regions, throughout the entire entrepreneurial pipeline not just early-stage entrepreneurial activity.

1. Background

The Global Entrepreneurship Monitor (GEM) research consortium has been measuring the entrepreneurial activity of working-age adults across a wide range of countries comparably since 1998. In 2022, GEM surveyed over 170,000 individuals from 49 different economies, about two-thirds of the global population in 2022, including China and India (with a population of around 1.4 billion each).

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

- To measure differences in the level of entrepreneurial activity between countries
- To uncover factors leading to appropriate levels of entrepreneurship
- To suggest policies that may enhance the national level of entrepreneurial activity

The core of the APS is identical in each country and asks respondents about their attitudes towards entrepreneurship, whether they are involved in some form of entrepreneurial activity and, if so, their aspirations for their business. The global GEM Executive 2022/23 Report was published in February 2023¹ and can be downloaded from www.gemconsortium.org.

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

- Nascent entrepreneurs (NAE): The stage at which individuals begin to commit resources, such as time or money, 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 (NBO): Those whose business has been paying income, such as salaries or drawings, for more than three, but not more than forty-two, months.
- Established business owner-managers (EBO): Those whose business has been paying income, such as salaries or drawings, for more than forty-two months.

In addition, we measure general intention to start a business by asking individuals if they expect to start a business within the next three years (FUT). Finally, we ask individuals if they have sold, shut down, discontinued, or quit a business, in the past year (BC). 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 from intention to exit. The first two stages of active business development, the nascent entrepreneur stage, and the new business owner-manager stage are combined into one index of Total early-stage Entrepreneurial Activity, or TEA,² which is represented in Figure 1.1 opposite.

As much of this entrepreneurial activity is pre-start-up or includes very small new businesses that do not have to register for VAT, TEA rates will not necessarily match with published official 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. The methodology, sample sizes, and weighting systems used for the GEM UK 2022 Adult Population Survey (APS) are explained in more detail in the GEM UK report.

Of the over 350,000 usable responses from the annual GEM UK surveys for the period 2002-2022, around 42,400 have been from Scotland. This large pooled database on entrepreneurial attitudes, activity, and aspirations is particularly useful in conducting trend analysis for important sub-populations in Scotland, such as females and young people, and enables comparisons to the other UK home nations.

¹ Hill, S., Ionescu-Somers, A.; Coduras, A.; Guerrero, M.; Menipaz, E; Zbierowski, P; Schott, T; Sahasranamam, S. and Shay, J. (2023) Global Entrepreneurship Monitor 2020/21 Global Report, Adapting to a "New Normal". London: Global Entrepreneurship Research Association.

The results from the GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. They also enable comparisons to be made with the other regions of the UK and other countries participating in GEM. Overall,

GEM's unique ability to provide information on the entrepreneurial landscape of countries in a global context makes its data a necessary resource for any serious attempt to study and track entrepreneurial behaviour.

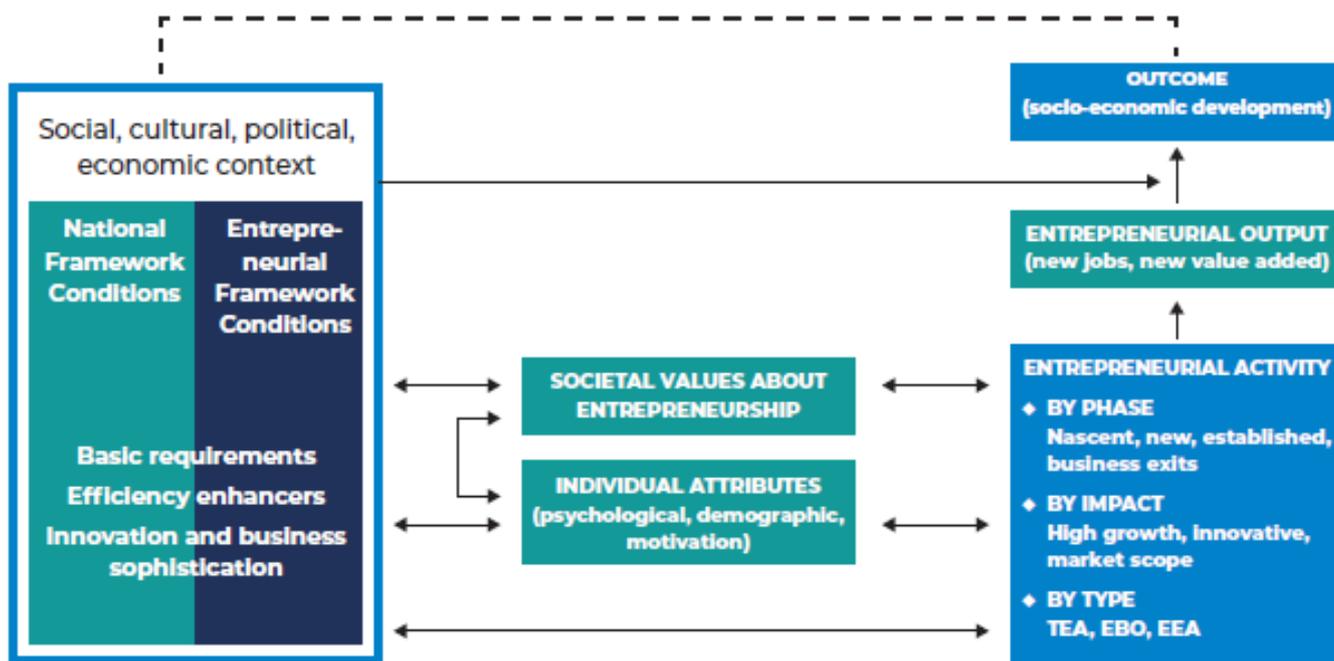


Figure 1.1: The Entrepreneurial Process and GEM Operational Definitions

(Source: Hill, S., Ionescu-Somers, A.; Coduras, A.; Guerrero, M.; Roomi, M; Bosma, N., Menipaz, E; Zbierowski, P; Schott, T; Sahasranamam, S. and Shay, J (2022/23), p.28)

2 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 whose businesses have been paying wages for not more than three months) and new business owner-managers (those whose businesses have been paying salaries for more than three months but not more than 42 months). The TEA index is the proportion of nascent entrepreneurs and new business owner/managers (minus any double counting, i.e. those who respond positively to both are counted once) in the working age population.

2. Total Early-Stage Entrepreneurial Activity

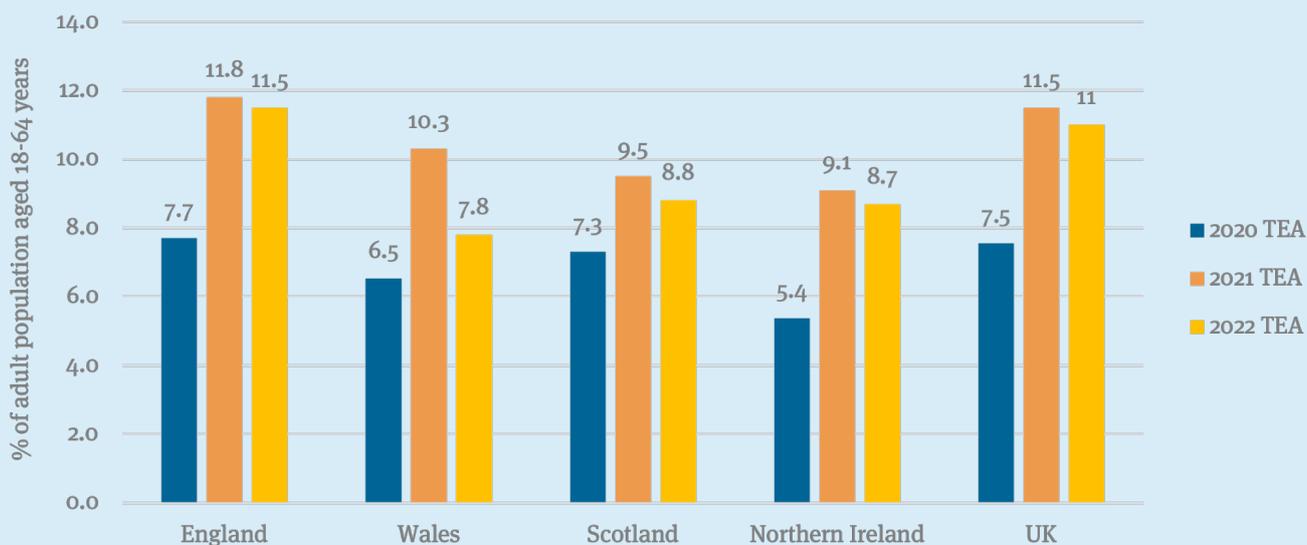


Figure 2.1: Total early-stage Entrepreneurial Activity (TEA) in the UK Home Nations 2020-2022
(Source: GEM APS)

The rate of early-stage entrepreneurship in Scotland in 2022 was 8.8%, a slight drop from the 9.5% reported in 2021. This compares to 11% in the UK overall, 11.5% in England, 8.7% in Northern Ireland, and 7.8% in Wales (Figure 2.1). Pooling the data over the most recent three years (2020-22), to remove annual fluctuations, gives a TEA rate of 8.5% for Scotland. This rate is lower than the UK average of 10% with England at 10.4%, Wales at 8.2%, and Northern Ireland reporting an average of 7.7% over the last three years. Overall, in 2022, with a TEA rate of 8.8% in Scotland just under 300,000 working-age Scots (approximately one in every eleven 18-64-year-olds) were engaged in early-stage entrepreneurial activity.³

Figure 2.2 captures entrepreneurial activity rates in the Scottish adult population by stage. Total early-stage activity (TEA) is disaggregated into nascent entrepreneurship and new business ownership and

established business ownership is further identified. We find that in 2022, of the 18-64 sub-population in Scotland, 5.2% (around 176,000 working-age Scots) were nascent entrepreneurs (in the very early stages of starting a business, having committed time and resources but not yet hired employees or paid wages for three or more months). A further 3.3% (over 135,000 18-64 year-olds) were new business owners operating a business that was between four and 42 months in age with another over 183,000 people, just under 5.4% of the adult population, being owner-managers of businesses that were more than three and a half years old in 2022.⁴ Altogether, these figures suggest that over 490,000 working-age people in Scotland were undertaking independent entrepreneurial activity in 2022, as nascent entrepreneurs, owner-managers of new start-up businesses, or owners of more established businesses that were older than three and a half years.

³ We base our numbers estimates on the 2021 mid-year population estimates for Scotland published by National Records of Scotland (<https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/mid-year-population-estimates/population-estimates-time-series-data>)

⁴ Note that due to weighting and rounding, new business ownership rates and nascent entrepreneurship do not exactly add up to the TEA rate.

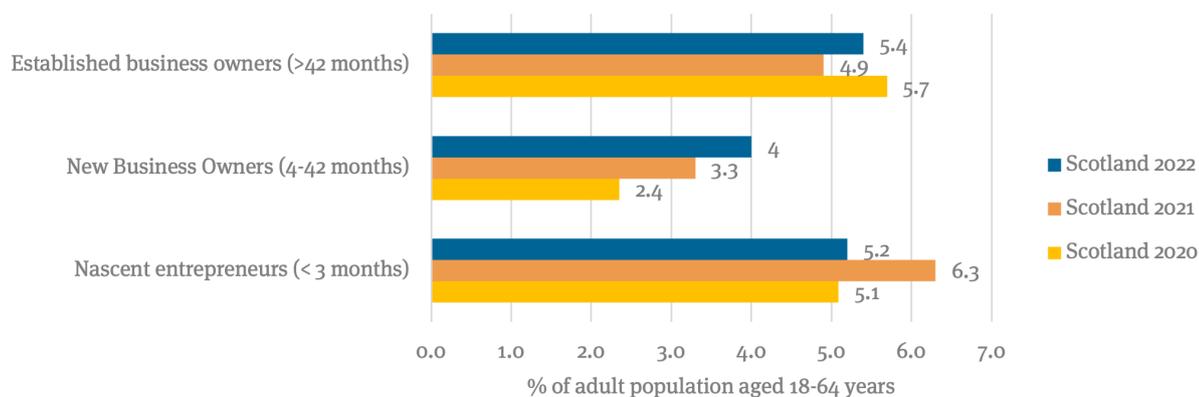


Figure 2.2: Modes of Entrepreneurial Activity in Early-stage and Established Businesses (Source: GEM APS)

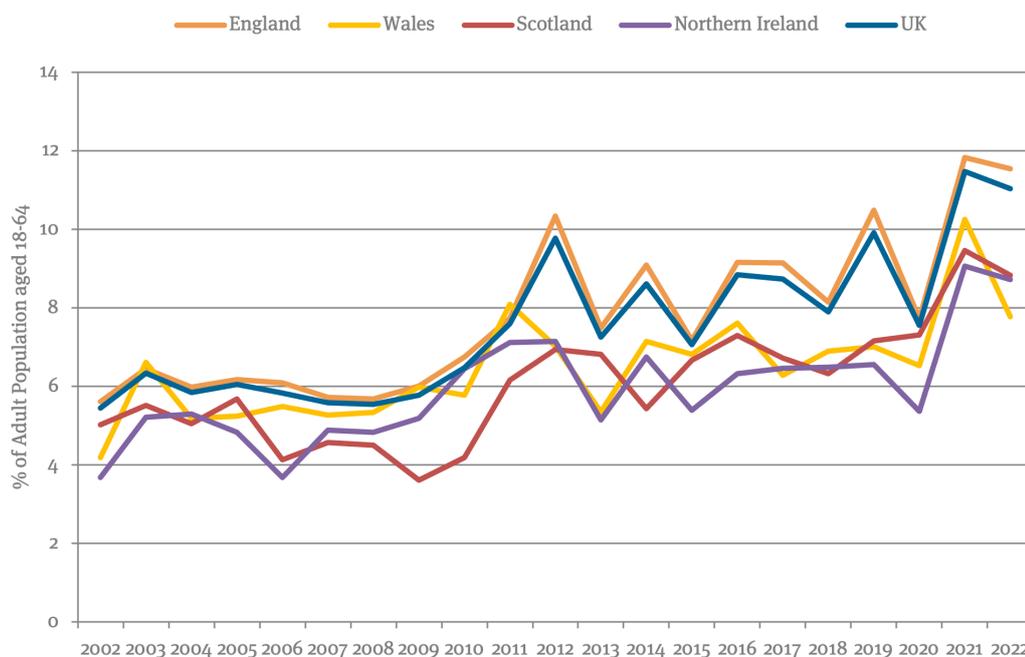


Figure 2.3: Total Early-stage Entrepreneurial Activity in Scotland and the UK home nations 2002-2022 (Source: GEM APS 2002-2021)

Over the last two decades, Total Early-stage Entrepreneurial Activity in both the UK and Scotland has generally been on an upward trend (Figure 2.3). However, Scotland has averaged around one and a half percentage points below the UK rate over that period, about 2% behind England. Over the last three years, however, Scotland and Northern Ireland appear to have bunched together with the Welsh TEA rate also similar on average but albeit rather erratic in that period.

Within the home nations, regional differences in TEA rates can be instructive. While much enterprise support is afforded at the local authority level, due to small sample sizes at that level, we aggregate the analysis

to the five International Territorial Level 2 (ITL2) areas in Scotland, namely: Eastern Scotland, Highlands and Islands, North Eastern Scotland, West Central Scotland, and Southern Scotland. Figure 3.4 presents TEA rates for these regions in 2022, the first time TEA rates are reported for these reclassified regions. It indicates that West Central Scotland leads the way with 10.5% of the adult population in the area found to engage in early-stage enterprise. Highland and Islands maintains a rate of enterprise at around high 9.2% of the adult population, with the South of Scotland coming in at 8.7%, around the national average of 8.8%. Eastern Scotland is slightly lower at 8.4% and the North Eastern region reported a significant drop to 6.1%.

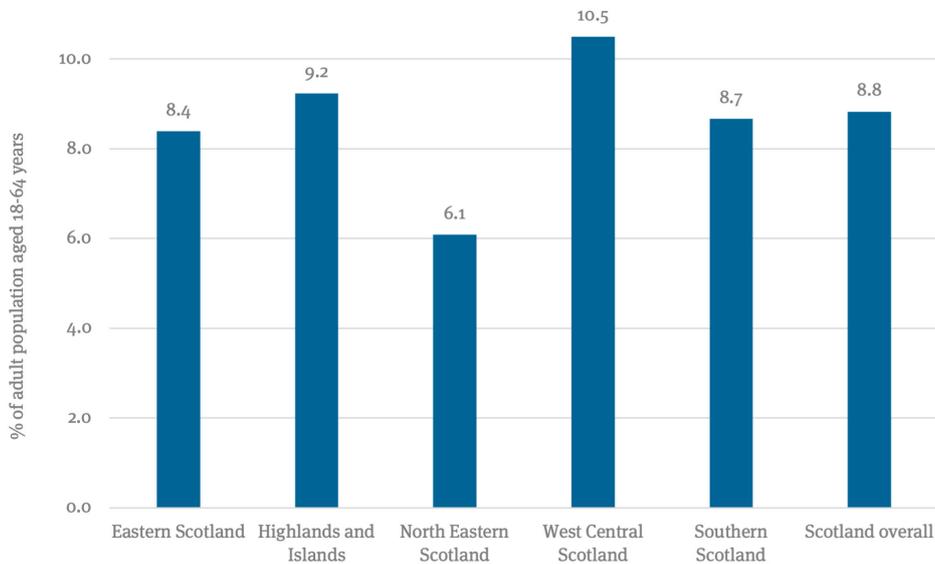


Figure 2.4: Total early-stage Entrepreneurial Activity in Scotland in 2022 by ITL2 areas (Source: GEM APS)

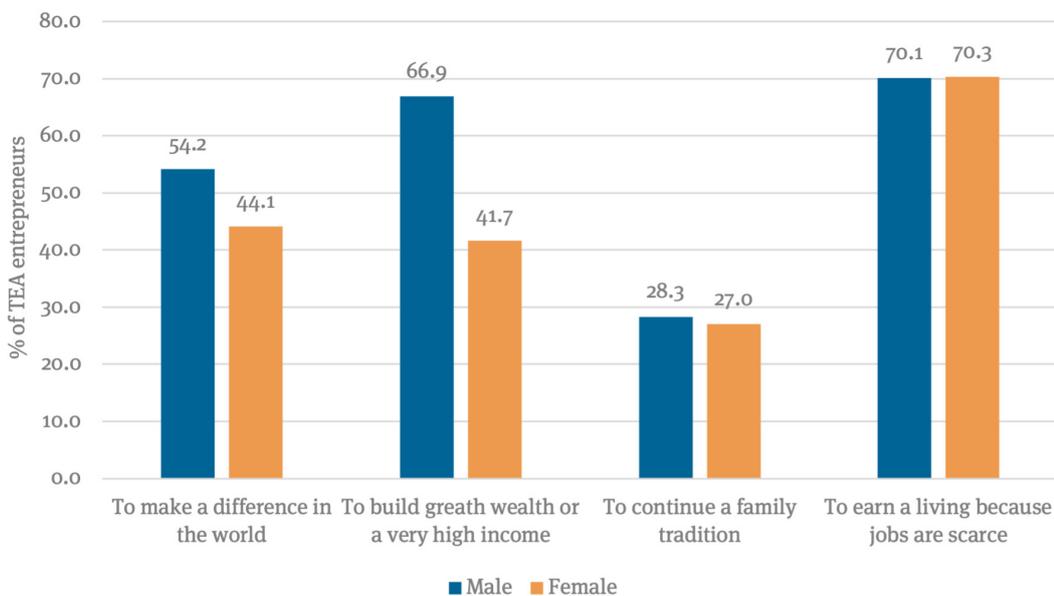


Figure 2.5: Motivation for Early-stage Entrepreneurship in Scotland gender-wise for 2022 (Source: GEM APS)

Beyond the observation of entrepreneurial activity, GEM continues to measure motivation to start a business in the first place across four main categories: to make a difference in the world; to build great wealth or a very high income; to continue a family tradition; or to earn a living because jobs are scarce. These options are not mutually exclusive and entrepreneurs can report more than one motivation and the degree to which they identify with them.

Figure 2.5 reports the breakdown of these motives by gender as a percentage of early-stage entrepreneurial activity observed. In 2022, data suggests that “to earn a living because jobs are scarce” continues to

be a significant driver of early-stage entrepreneurial activity. However, unlike previous years where working-age women in Scotland were more likely to cite this factor, in 2022, about 70% of both male and female early-stage entrepreneurs were equally driven by this. While it remains a low driver of TEA, “to continue a family tradition” was also found to be gender neutral in 2022, having previously been associated with male entrepreneurs more than females. However, gender differences in other motives, including “to make a difference in the world” and “to build great wealth or a very high income” are detected.

3. Who are the Entrepreneurs in Scotland?

Gender

In 2022, as Figure 3.1 shows, males in Scotland had a significantly higher TEA rate than females, at 10.5% compared to 7.2%, keeping the female-to-male ratio in TEA rates in Scotland at 68%, similar to 2021. Scotland's performance remains below the UK average of 79% with England leading the way with a female-to-male TEA ratio of 81%. In effect, there were around 50,000 more men than women engaged in early-stage enterprise in Scotland in 2022. As Figure 3.2 further reports, both male and female TEA rates saw a slight drop from 2021. However, to build towards gender parity in early-stage enterprise in Scotland, female TEA requires to grow by over 45%. Essentially, an additional 60,000 women are required to engage in early-stage enterprise in Scotland to match the male TEA rate.

Comparing female TEA rates in Scotland with other home nations over the long term shows that there is generally a positive but arduous overall trend with year-on-year growth in female TEA averaging just a percentage point in all four home nations. Still, despite rather fluctuant rates in all four home nations, Scotland's female TEA has mostly remained about a percentage point behind England, 0.5% behind Wales and Northern Ireland has recently caught up following a strong sustained growth in female TEA since 2019. Seemingly female TEA in Scotland takes around a decade to shift to the next two percentage point bracket.

Figure 2.4 earlier showed TEA rates across Scottish ITL2 regions. Figure 3.4 complements this with TEA rates

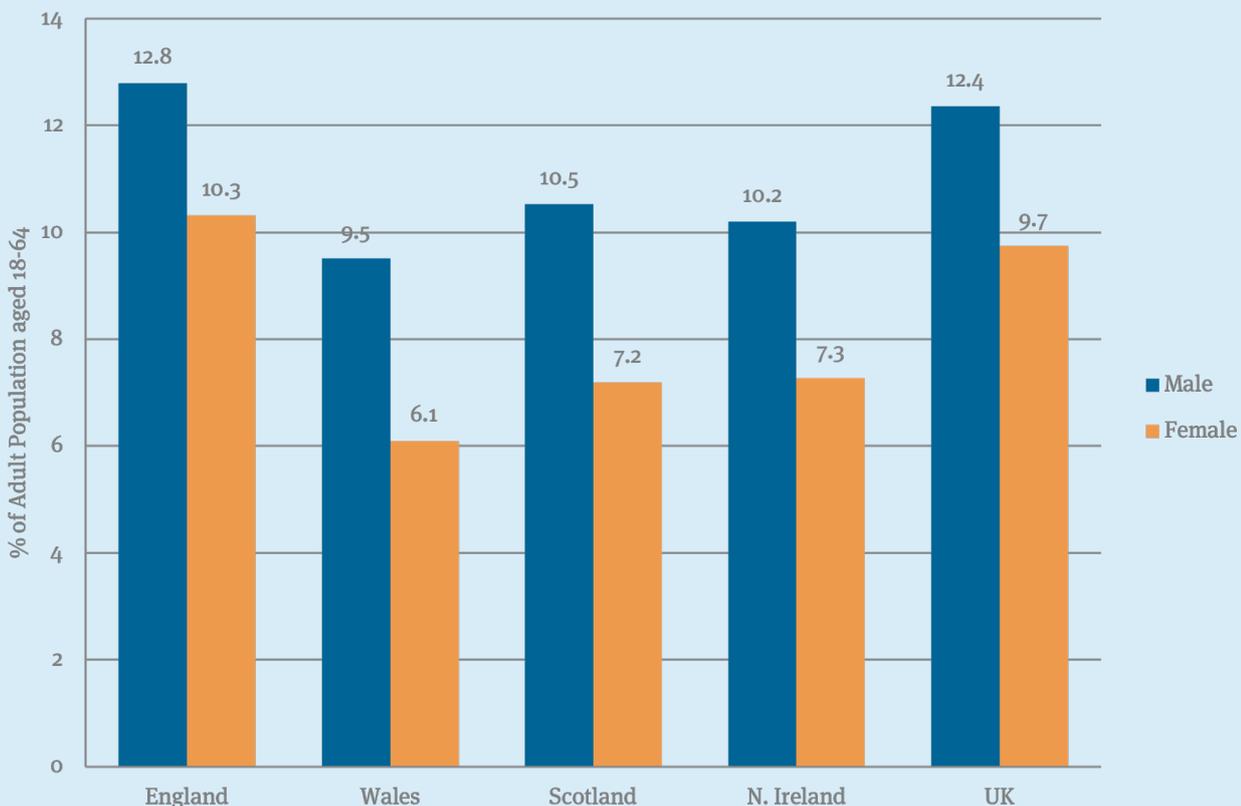


Figure 3.1: Total early-stage Entrepreneurial Activity in the UK Home Nations in 2022 (Source: GEM APS)

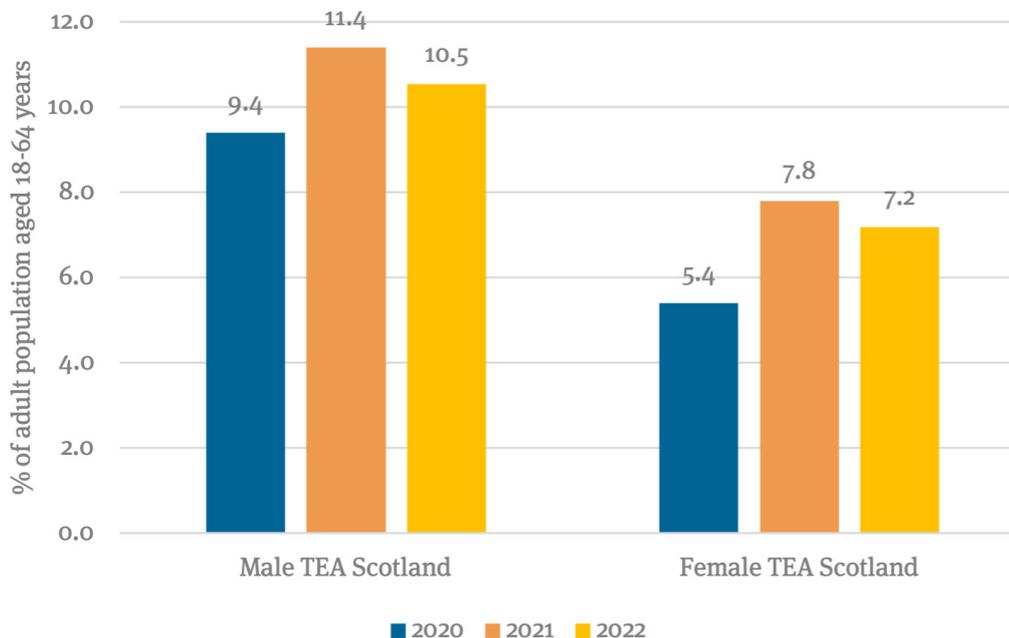


Figure 3.2: Total Early-stage Male and Female Entrepreneurial Activity in Scotland in 2020, 2021, and 2022
(Source: GEM APS)

for males and females in these regions in 2022. Females are at a clear disadvantage nationally with the female TEA rate undulating around the national rate of 7.2%, ranging between a surprisingly low rate of 6% in the Highlands and Islands and 8% in West Central Scotland. This suggests that there are only minor differences by region in the conditions that impact female early-stage entrepreneurial activity. Thus, it is seemingly more the case that national-level factors have kept female TEA around the 7% level.

In contrast, male TEA rates vary markedly by region with North Eastern, at 5.4%, lagging far behind West Central which has a leading rate of 12.8%. A further implication is that female TEA in the North Eastern region is actually higher than male TEA with male TEA having precipitated from 12.5% in 2021 while female TEA in the region more or less held steady. Conversely, in the Highlands and Islands, from relative parity in 2021, male TEA gained 3 points while female TEA fell by 3 points. Overall, however, the fall in female TEA was less than that seen in male TEA and more uniform across Scottish regions while male TEA appears to significantly vary by region, both in the levels reported in 2022 and the changes from 2021. The circumstances that may be responsible for such a gendered change remain unclear.

Age

Figure 3.5 shows TEA rates by different age groups across the home nations in 2022. Across the UK, entrepreneurial activity rates of those aged 45 and older remain significantly lower than those in younger age groups. However, in Scotland, TEA rates among the 18-24 year-olds dropped from a leading rate of 13.3% in 2021 to 10.4% in 2022. This suggests that there were around 12,000 fewer young Scots engaged in early-stage entrepreneurial activity in 2022 as compared to 2021 while the 25-34 group maintained a sizeable TEA rate of around 12%. It would appear that, while the rates of youth entrepreneurship have shown strong growth in Scotland over the last decade or so, the strength of this pipeline waned a little in 2022. Recall, from Figure 2.2 that nascent entrepreneurship rates also declined in 2022 while rates of new and established business ownership inched up.

Figure 3.6 shows the trend in TEA rates for 18-24-year-olds, via rolling averages, over 2002-04 to 2020-22. The chart shows that entrepreneurial activity rates by this age group have had a steady UK-leading growth over the last decade but that growth appears to have plateaued in recent years with other home nations now catching up. This again has pipeline implications for entrepreneurship in Scotland.

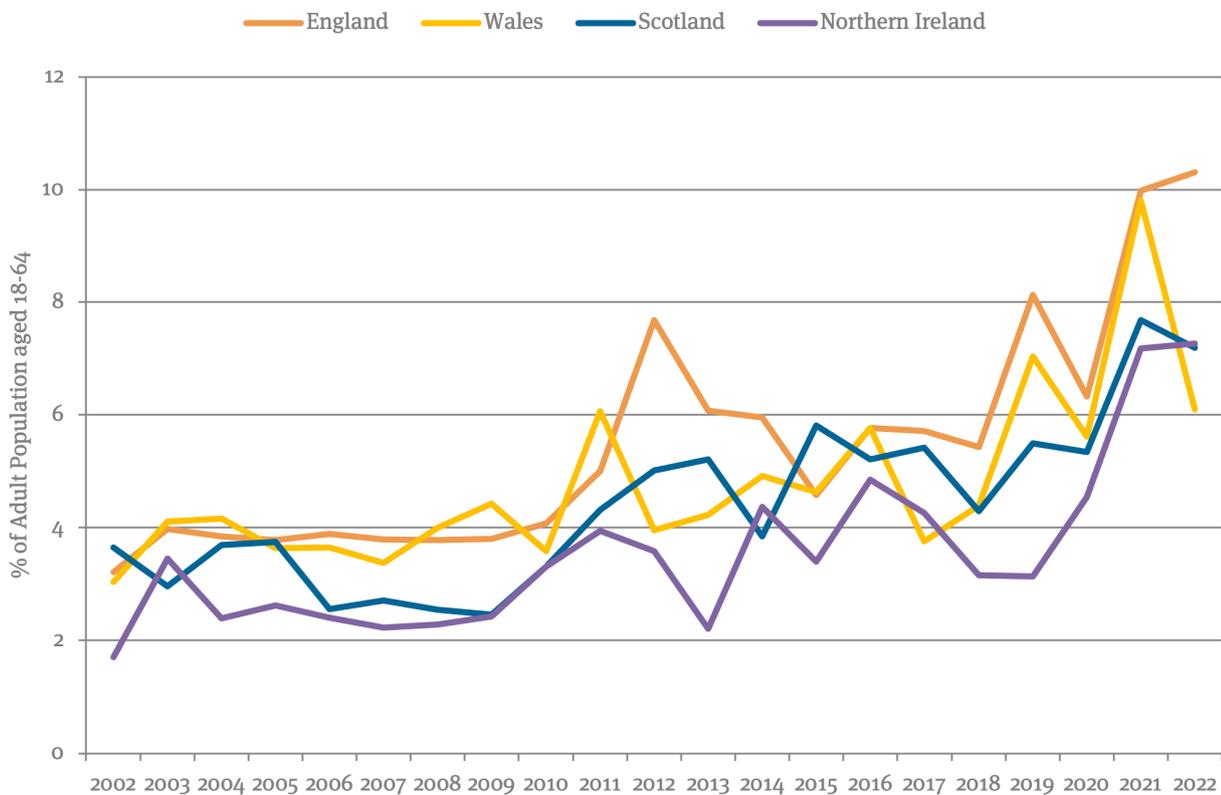


Figure 3.3: Total Early-stage Female Entrepreneurial Activity in Scotland and the other UK home nations, 2002-2022 (Source: GEM APS)

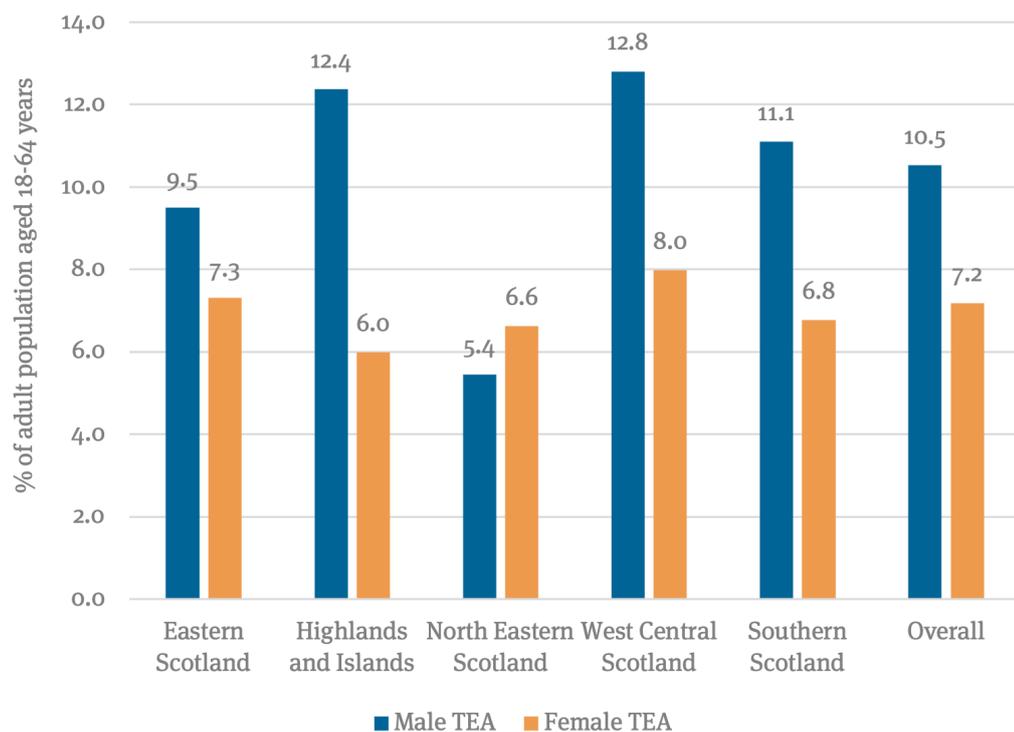


Figure 3.4: Total Early-stage Male and Female Entrepreneurial Activity in Scotland by ITL2 areas in 2022 (Source: GEM APS)

Ethnicity

Prior to the pandemic, TEA rates among the non-White population at the Scottish and UK levels were more or less double the White TEA. During the period of the pandemic, non-White TEA remained nominally higher and took longer to recover. As Figure 3.7 however shows, in 2022, non-White TEA in Scotland saw a notable uptick to 17% while White TEA declined from 9.2% to 8.5%. This means that there were around 2,000 more non-White early-stage entrepreneurs in Scotland in 2022 than in 2021. Effectively non-White TEA in Scotland appears to have recovered to pre-pandemic levels and is also now on a par with UK-level rates which recovered more quickly. While it is encouraging that non-White TEA continues to make a strong contribution to overall early-stage entrepreneurial activity in Scotland, the circumstances surrounding the slower rate of recovery and also the uptick at a time when overall TEA in Scotland is experiencing a decline require more nuanced consideration.

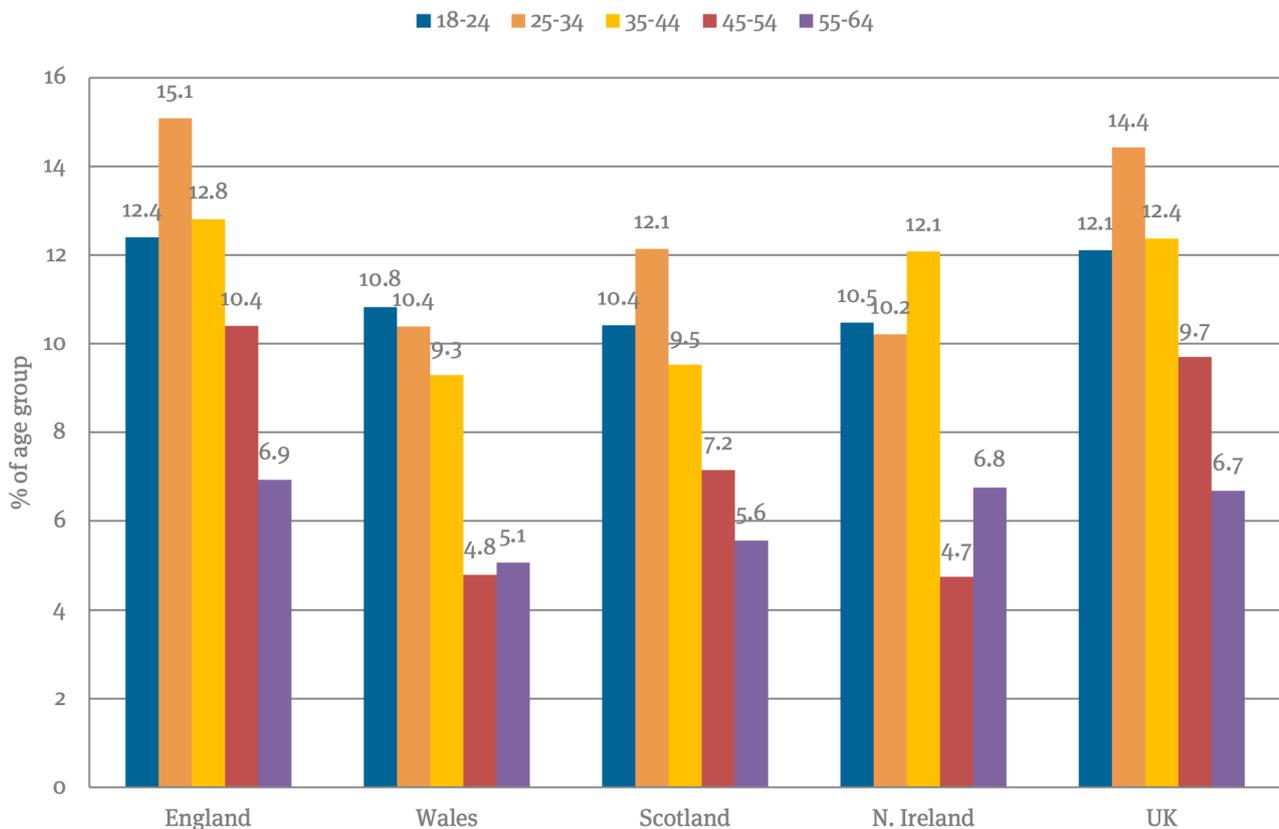


Figure 3.5: Total Entrepreneurial Activity in the UK Home Nations by age categories, 2021 (Source: GEM APS)

Deprivation

As part of estimating the rates of early-stage entrepreneurial activity among population groups, GEM is also able to identify respondents by their corresponding Index of Multiple Deprivation (IMD) quintiles. This allows TEA rates to be observed and compared between the five IMD quintiles where the first quintile refers to the most deprived area, and the fifth quintile is the least deprived. Figure 3.8 suggests that in Scotland there were no significant differences in TEA rates between the various IMD quintiles in 2022. This means that notwithstanding differences in deprivation levels, the various sections of Scottish society engaged in early-stage entrepreneurial activity at broadly similar rates of 8-10% of working-age adults in the respective groups. Scotland is different from other home nations, notably England and Northern Ireland, where early-stage enterprise in 2022 appears to be higher among the least deprived and most deprived sections of society.

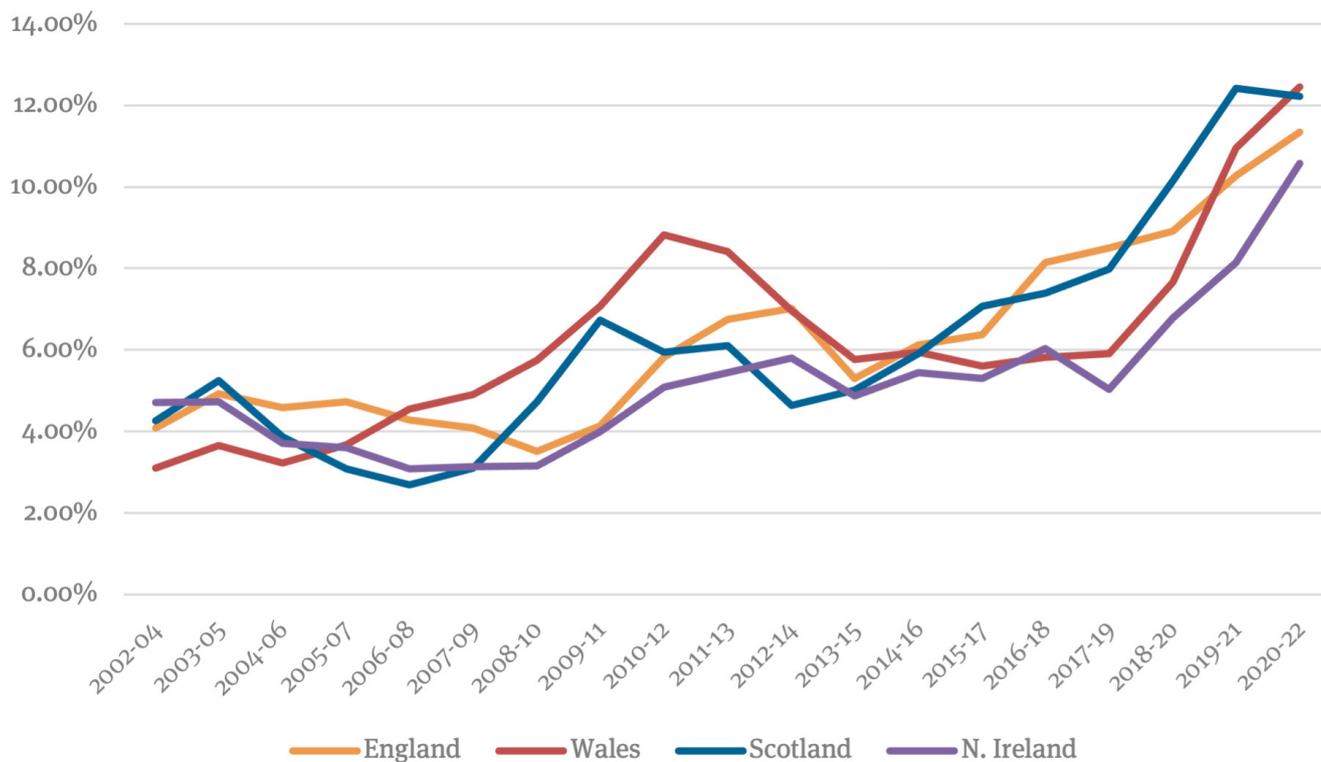


Figure 3.6: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 18-24 year olds, rolling averages 2002-4 to 2020-22 (Source: GEM APS)

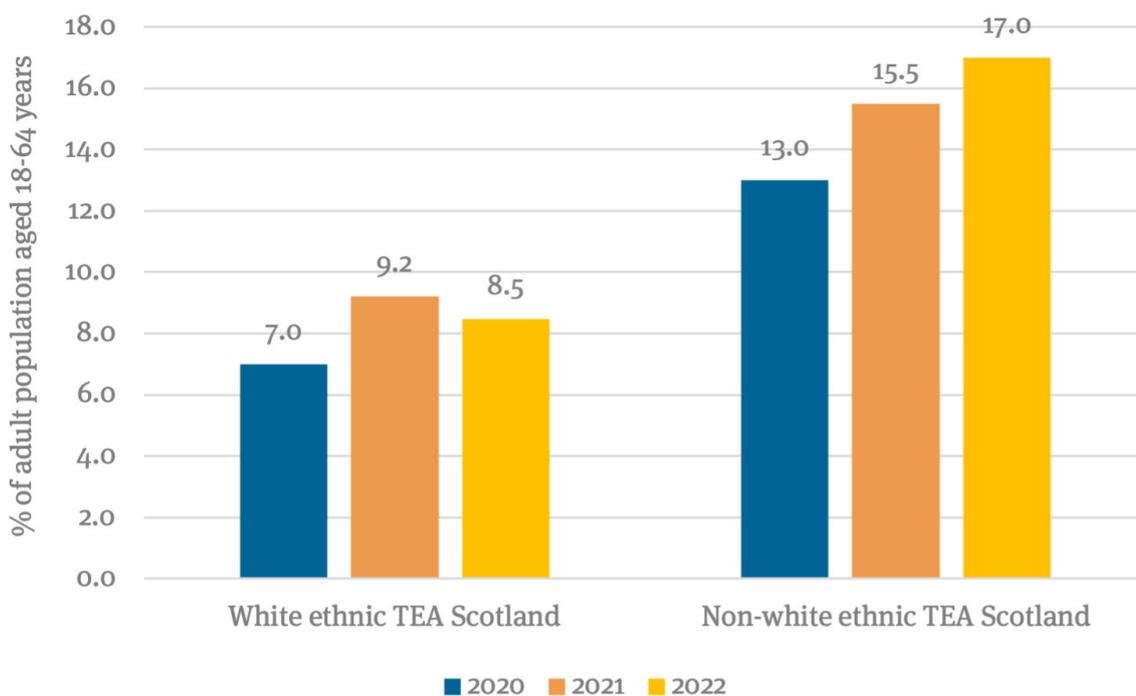


Figure 3.7: Total early-stage Entrepreneurial Activity in Scotland by ethnicity in 2020, 2021, and 2022 (Source: GEM APS)

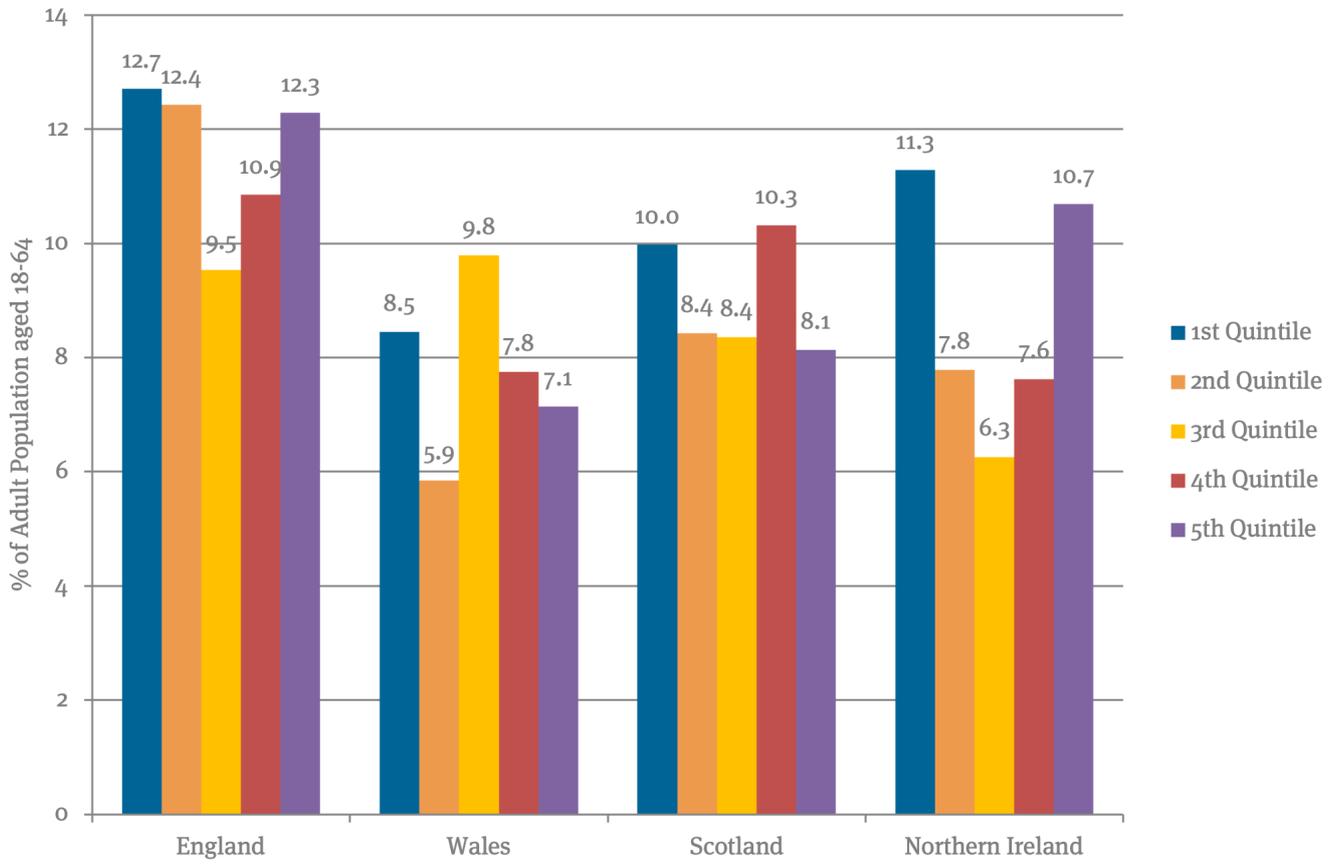


Figure 3.8: Total Entrepreneurial Activity in the UK Home Nations by Index of Multiple Deprivation 2021
 (Source: GEM UK APS 2021)

4. Entrepreneurial Attitudes and Intentions

Over the years, GEM has developed several attitudinal statements that help evaluate the entrepreneurial potential inhering within a country/region. They include: personally knowing a person that has started a business in the last 2 years, perception of good opportunities for start-up, self-belief in possessing the relevant skills to set up in business, and the prevalence of fear of failure as a deterrent to setting up a business. Individuals who are entrepreneurs already may feel compelled to provide positive answers in the Adult Population Survey (APS). Hence, GEM reports attitudinal data only for the portion of the population who are not already entrepreneurs.

In Scotland, 47% of working-age adults in the non-entrepreneurial population personally know someone that has started a business in the last two years (Table 4.1). Owing perhaps to the industrial structure of the region which may impact the prevalence of local start-up activity, this rate is slightly lower in North Eastern Scotland (Figure 4.1). Further, three in four adults have seen stories of successful entrepreneurs in the media, almost 80% feel successful entrepreneurs have a high status and respect in society, and about 68% believe that most people would consider starting a business a good career choice. Start-up activity is thus generally well-regarded in Scotland.

However, as Figure 4.1 shows, these perceptions were not necessarily even across Scotland in 2022. Surprisingly, despite a strong tradition of business ownership in the Highlands and Islands, only 60% of adults observe that most people consider starting a business a good career choice, more than eight points lower than the national Scottish average. This suggests that the various crises that have afflicted the economy over the last several years may have had a relatively larger impact on business in the Highlands and Islands region than elsewhere in Scotland, so much so that there are now fewer people in the wider non-entrepreneurial population that regard entrepreneurship a good career choice.

Beyond generic perceptions of entrepreneurship in society, GEM explores individuals' entrepreneurial self-efficacy, i.e. if they believe they have the requisite skills, knowledge, and experience to start a business. In 2022, in Scotland as in the wider UK, about four in ten of the non-entrepreneurial working-age population felt they had the human capital required to start a business. There is also notable regional disparity within Scotland here and some instructive findings. In North Eastern Scotland, only 30% of working-age adults not engaged in entrepreneurship felt they had the skills required to start a business. This is almost 15 points down from the rest of Scotland. Recall, from Figures 2.4 and 3.4 earlier that TEA rates in the region were also relatively lower, especially male TEA. Taken together, this suggests that there is not only lower early-stage activity in the North Eastern region but there are further entrepreneurial self-efficacy deficiencies with important implications for the pipeline of talent and potential entrepreneurial activity in the area.

Indeed, under 30% of working-age adults in the North Eastern region perceive good start-up opportunities in their area over the short term. This is however not a problem for the North Eastern region on its own with Southern Scotland and West Central also returning similarly low rates of opportunity perception. In contrast, Highlands and Islands and Eastern Scotland were slightly more upbeat at around 40%. This notwithstanding, six in ten presently non-entrepreneurial adults that perceive good start-up opportunities indicate that the fear of failure would yet prevent them from starting a business. This is a Scotland-wide concern with only minor differences by region.

	England	Wales	Scotland	Northern Ireland	United Kingdom
I know someone who has started a business in the last 2 years	43.2	44.8	47.0	48.5	43.7
There are good start-up opportunities where I live in the next 6 months	37.9	33.0	33.7	29.4	37.0
I have the skills, knowledge and experience to start a business	40.8	42.6	40.5	43.0	40.9
Fear of failure would prevent me from starting a business (for those who agree there are good start-up opportunities)	57.6	59.8	60.1	60.6	58.0
Most people consider that starting a business is a good career choice	74.2	72.8	68.2	72.1	73.6
Those successful at starting a business have a high level of status and respect in society	80.8	76.4	78.9	79.2	80.4
You will often see stories about people starting successful new businesses in the media	76.4	75.1	75.6	79.9	76.4

Table 4.1: Entrepreneurial Attitudes and Perceptions in UK home nations 2022 (Source: GEM APS)

Within the presently non-entrepreneurially active sub-population in Scotland, we find that about 16% do intend to start a business within the next three years, about the same level as 2021. Relative to the rest of the UK, however, start-up intention rates in Scotland are still relatively lower (Figure 4.2). As Figure 4.3 further shows, across the UK, intention rates are not even between males and females with male start-up intention rates being higher. However, Scotland reports a below average female to male ratio of 66%, with only Northern Ireland doing worse among the home nations. Wales is leading the way at 90% against a UK average of 73% in 2022. Recall, from Section 3.1 that Scotland's female-to-male ratio in TEA rates stood at 68%. This shows that there is a consistent female disadvantage not just in early-stage entrepreneurial activity but also in future start-up intentions.

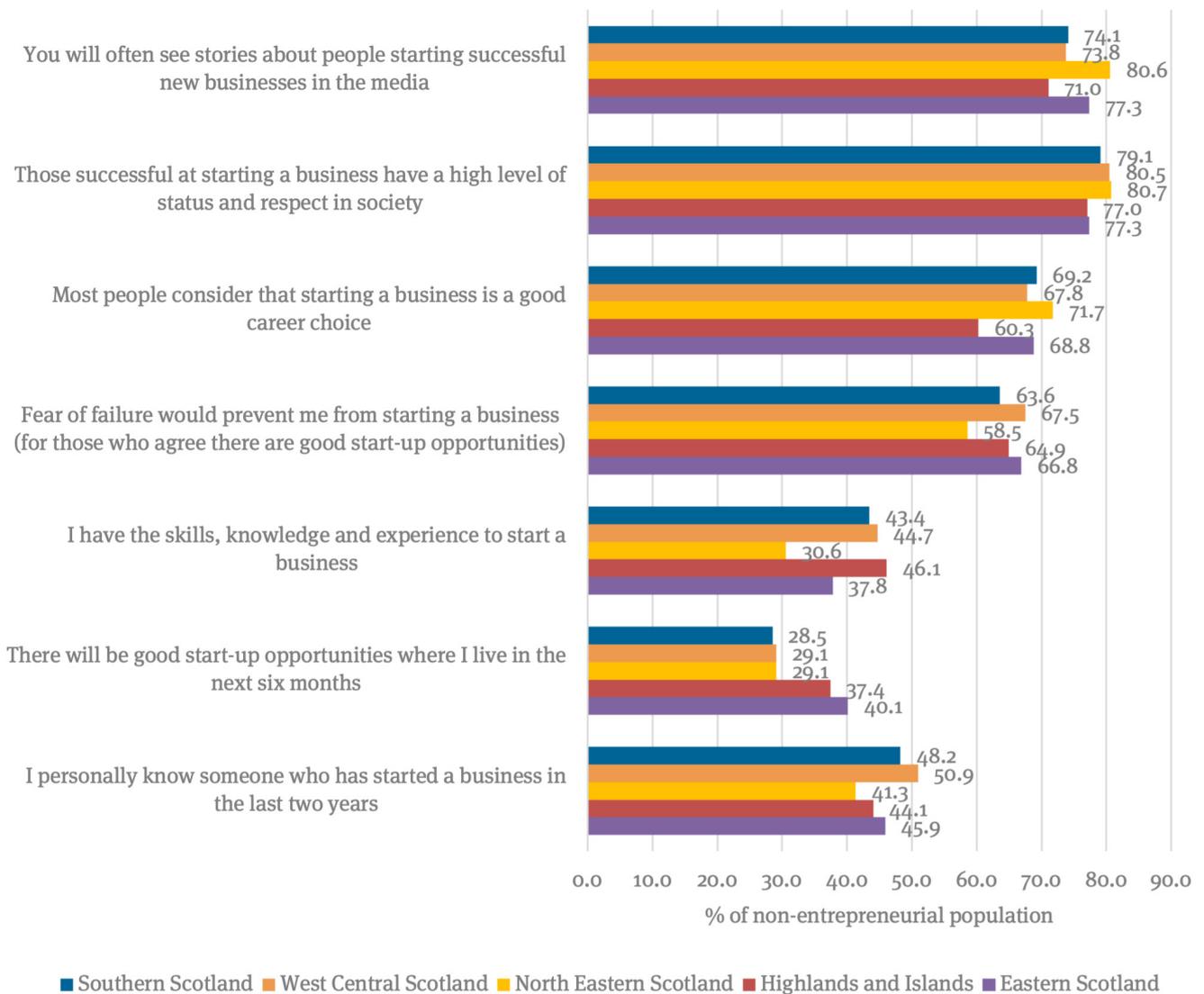


Figure 4.1: Entrepreneurial Attitudes and Perceptions in Scotland by ITL2 areas 2022 (Source: GEM APS)

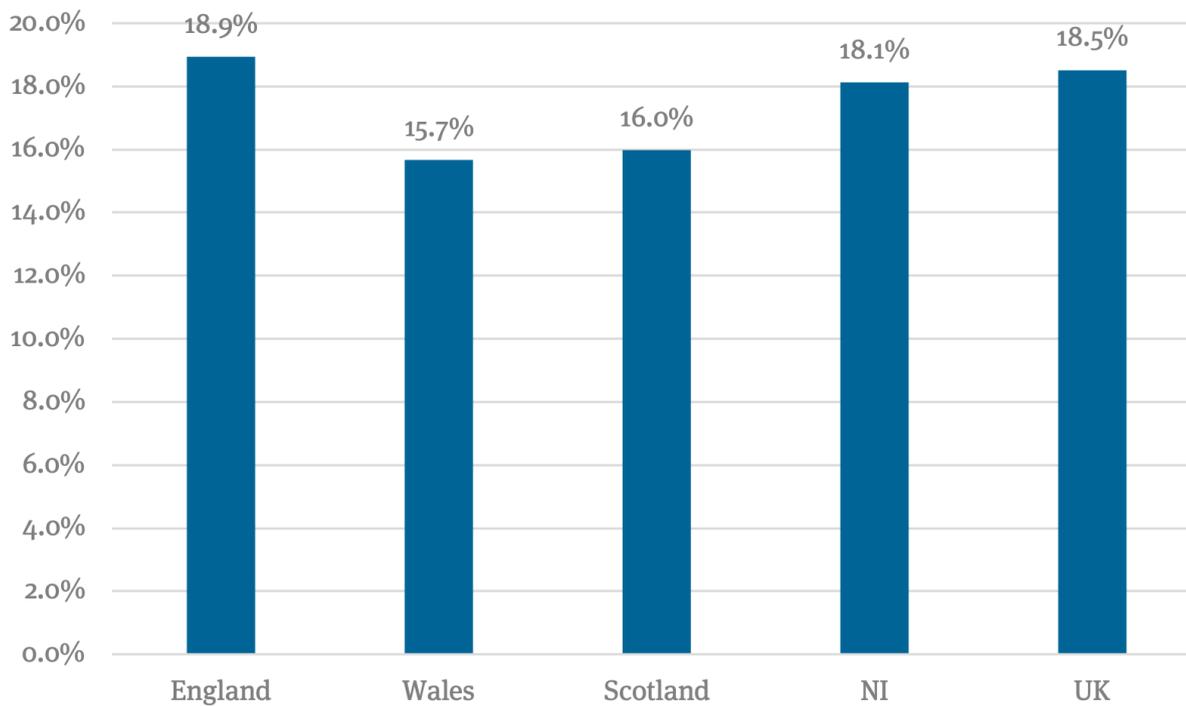


Figure 4.2: Future Start-up Expectations (within 3 years) in the UK Home Nations

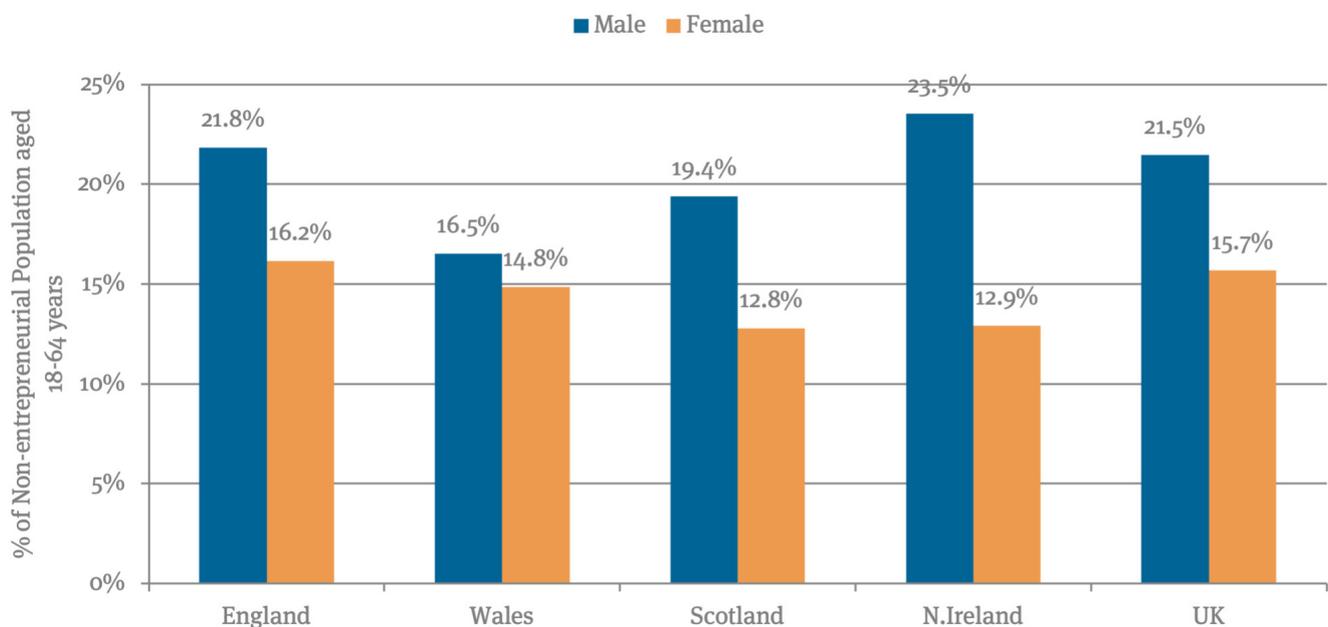


Figure 4.3: Future Start-up Expectations (within 3 years) in the UK Home Nations by Gender, 2022
(Source: GEM APS)

5. Conclusions and implications

It is well established that the creation of new ventures contributes to economic performance through increased competition, innovation, productivity, and job creation, among others, as well as many aspects of lifestyle and well-being such as increased flexibility, independence, and work-life balance. Levels of early-stage entrepreneurial activity are therefore an important indicator of the health and vitality of any economy and society.

However, the early-stage entrepreneurial activity itself draws from a chain of antecedents and must also then become established business ownership with some longevity to make a substantive contribution. Thus, the wider socio-economic context requires giving the impression that entrepreneurship is a rewarding activity for people to consider to pursue it. Such positive impressions can then develop into entrepreneurial self-efficacy where individuals can perceive opportunities for starting a business and feel they have the necessary skills and courage to do so. To be realised, the potential must convert to intentions and then actual nascent activity, new business ownership, and finally established business ownership. An entrepreneurial nation thus requires to have a buoyant supply of entrepreneurial attitudes, activity, and aspirations to have a healthy and sustainable “pipeline”.

The impressions of entrepreneurship within society in Scotland are generally positive: over three in four adults have seen stories of successful entrepreneurs in the media and believe entrepreneurs are held in high esteem in society. However, beyond this societal level perception, fewer people personally know someone that has started a business in the last two years and Scotland is the lowest in the UK when it comes to the consideration of enterprise as a good career choice. We also find that these views vary slightly by region. The implication here is that while entrepreneurship is seemingly highly regarded at the national level, there is perhaps a need for such impressions to be enhanced more locally, closer to home, to allow ordinary individuals to better identify with entrepreneurship, improving its consideration as a desirable career option. Local enterprise events and roadshows showcasing local success stories and raising awareness of locally available enterprise

support could help in this regard.

In 2022, we find the perception of good entrepreneurial opportunities locally is below the UK average and with significant regional variations. Further, entrepreneurial self-efficacy is generally relatively lower with the fear of failure two points up on the UK average. People’s sense of their entrepreneurial competency in Scotland is also average at 40%, with a marked deficit in the North Eastern region. Recent years have seen much debate about the role of enterprise education and training, including the development of an entrepreneurial mindset from an early age at school, and many “enterprise for all” schemes continue to be rolled out even as gaps remain. However, the perception of present entrepreneurial opportunities and the confidence to pursue them with belief can also be shaped by prevailing economic sentiment. In addition, existing perspectives of entrepreneurial failure require to be recast through a more nuanced public discourse on what the practice of, and success in, entrepreneurship entails. Policy and leadership, including within regions and localities, have much scope to influence perspectives and sentiments in society. In particular, where communities are also aware that suitable and reliable enterprise support is accessible locally, the fear of failure that is presently preventing 60% of Scots that already perceive good start-up opportunities from considering starting a business should abate.

Indeed, the above have direct implications for the intention to start a business in the near future and we find start-up intention rates to be relatively low in Scotland and to further have an adverse gender difference. The presence of a gender gap at the entrepreneurial intentions level suggests that a history of gender-based barriers may have embedded a sense of disadvantage rather deeply in the female psyche in Scotland. That this virtually matches the gender gap in the TEA rate as well means that enterprise policy in Scotland must combat the female disadvantage throughout the entire entrepreneurial pipeline. Indeed, with little variability in female TEA across regions, the disadvantage is seemingly a national-level matter in Scotland that must be dealt with accordingly.

Looking further down the pipeline, we find that total early-stage entrepreneurial activity only dropped a notch in 2022. Disaggregating TEA however shows that it was nascent entrepreneurial activity that was responsible for the drop with new business ownership actually rising in 2022, and the rate of established business ownership also increasing. The growth in new and established business ownership is a notable development but it must be recognised, in line with the pipeline theme, that these will have built on previous nascent activity. Thus, that over 30,000 fewer Scots were trying to set up a business in 2022 than in 2021 cannot be overlooked. Still, it is likely that the buoyant labour market following the pandemic, coupled with the ongoing inflation crisis and related economic uncertainty, could be discouraging nascent entrepreneurial activity with employment perhaps deemed a safer option under the circumstances.

A key related finding here was that the TEA for 18-24s dropped by three percentage points in 2022, following a decade of growth in youth entrepreneurship in Scotland. This may have been a blip in progress made over recent years but needs to be monitored as a reduction in youth enterprise could have other pipeline implications further down the line. It is encouraging, nevertheless, that deprivation does not appear to inhibit early-stage entrepreneurial activity in Scotland and that minority entrepreneurial activity is recovering to its pre-pandemic levels. However, this early-stage entrepreneurial activity does not always transition into established successful businesses at the same rates, so support is required to ensure that all sections of society are represented well beyond the nascent and start-up stages.

More pertinently, policy and research require a better understanding of the transition process and attrition rates across the entire pipeline, from impressions of entrepreneurship that could inspire the non-entrepreneurial in society to develop entrepreneurial intentions to following these through to start-up and successfully established business. Our results suggest that Scotland's entrepreneurial pipeline may be riddled in places and the leaks further appear to be uneven by geography and demography. There is a need, therefore, for enterprise policy in Scotland to take a holistic and inclusive approach to supporting successful entrepreneurial advancement across the full pipeline while suitably accommodating regional and demographic diversity across Scotland.

Disclaimer

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

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