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Global Entrepreneurship Monitor

Scotland Report 2021/2022



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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.

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GEM Report 2020-21

Foreword by Andrew Harrison, Royal Bank of Scotland Managing Director of Business Banking

The Global Entrepreneurship Monitor (GEM) is the most influential global research into entrepreneurial activity and trends, so it's a privilege for the Royal Bank to sponsor for the first time, this unique report for Scotland.

The findings of this report, against a challenging backdrop of the pandemic and the cost-of-living crisis, once again confirm that the UK is a nation of entrepreneurs, with around 1 in 3 adults now either running a business or looking at starting one. The number of individuals in the early stages of setting up a new business is at the highest level since the report was first published in 1999 and is a clear indicator of the entrepreneurial resilience of the UK.

The research also shows that many entrepreneurs revived start-up plans that had been shelved in 2020 when many aspects of society were shut down for long periods. The resilience of small businesses over recent years is both inspiring and important.

That remarkable resilience has partly been driven by women, with more female-led businesses than ever before launched in 2021. It is no longer the case that 'women are half as likely as men to start their own business' as shown in the previous GEM report.

As the economy faces significant turbulence in the year ahead, it is critical that the UK has a thriving ecosystem to support this boom in entrepreneurship, which is central to economic stability and growth.

However, as the cost-of-living crisis grows and continues to affect UK business we need to continue to ensure that the small businesses forming the backbone of the UK economy receive the support they need to handle these unprecedented challenges.

At the Royal Bank of Scotland our purpose is to champion the potential of people, families and businesses. As the UK's biggest bank for business, we are determined to play our part in helping those businesses to continue to start, scale and thrive.

Main Findings

Background

- In 2021, the Global Entrepreneurship Monitor (GEM) research consortium measured rates of entrepreneurship by undertaking structured interviews with around 150,000 adults across 50 countries.
- Within the UK, 10,044 18 to 80-year-olds participated in the GEM Adult Population Survey (APS) in 2021. This report mainly focuses on Scotland, comprising 1,541 participants in the adult working-age bracket (18-64) from an overall sample of 2,000 adults (including over 65s) that took part in the APS. The report also documents findings from the National Expert Survey (NES) employing data gathered from 44 entrepreneurship experts in Scotland in 2021.
- This monitoring report details GEM measures of entrepreneurial attitudes, activity, and aspirations in Scotland and compare the results across the four home nations of the UK. We also explore regional differences between the four NUTS2 (2013) regions within Scotland. Findings from Expert Survey (NES) are presented at the end.

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 2021 was 9.5% against a UK average of 11.5% in 2021. This was up from 7.3% in 2020 but this growth was not statistically significant meaning TEA rates in Scotland remained broadly the same in 2021 as in 2020.
- TEA rates in 2021 also varied, but again not significantly so, across the home nations: Scotland (9.5%), England (11.8%), Wales (10.3%), and Northern Ireland (9.1%).
- However, England, Wales, and Northern Ireland saw significant increases in total early-stage entrepreneurial activity in a strong recovery from their 2020 slumps. Scotland had held steady amid the pandemic in 2020 but other home nations appear to have built back stronger and achieved significant growth in 2021.
- TEA rate within Scotland is nominally highest in Eastern Scotland (9.7%) although there are no statistically significant differences between the regions in 2021. All Scottish regions reported nominal growth in the TEA in 2021 which contributed to the small uptick in national entrepreneurial activity rates.

Demographics

- Both male and female TEA rates increased by about two percentage points in 2021 to 11.4% and 7.8%. Female TEA was growing from a much lower base so the year-on-year growth is higher at 44% compared to 21%.
- Among TEA entrepreneurs, there remains a significant difference between males and females in terms of the extent to which “to earn a living because jobs are scarce” motivated the entrepreneurial activity. 74% of female TEA entrepreneurs indicated this was a key motive compared to 57.7% of males.
- In 2021, the female to male TEA ratio in Scotland is 68%, five points below the UK average (73%) but an eleven-point improvement on the 57% reported in 2020.
- While overall regional TEA rates within Scotland are converging, gender disparity within regions remains with female TEA comparatively lower in North-Eastern (7.1% vs 12.5%) and South Western regions (6.7% vs 11.8%). Female TEA is also lower in Eastern Scotland (8.6% vs 10.8%), with parity observed in the Highlands and Islands (both at 9.2%).
- Early-stage entrepreneurial activity continues to be driven largely by younger entrepreneurs. The TEA rate for the 18-24 age group is highest (13.3%) with 25-34s at 12.6%, 35-44s at 9%, 45-54s at 7.2% and 55-64 year-olds at 6.6%.
- Wales has an 18-24s TEA of 16.5% in 2021, the highest among the home nations in 2021 which has grown from the 10.1% reported in 2020. Scotland’s leading rate of 13% from 2020 improved marginally to 13.3% in 2021 and is now second in the UK.
- The TEA rate among the white ethnic population in Scotland in 2021 was lower than that of the non-white population, at 9.2% compared to 15.5% respectively although within the margin of error. Unlike white TEA which held steady in 2020 and has grown by 31% in 2021, the TEA rate for the non-white ethnic group saw a marked decline in 2020 and with slower growth in 2021 is yet to recover to pre-pandemic levels.
- In Scotland, contrary to the situation in other home nations, there are no significant differences in rates of total early-stage entrepreneurial activity among the various deprivation quintiles.

Attitudes and Aspirations

- In Scotland, as with the wider UK, just over four in ten non-entrepreneurial adults personally know someone that has started a business in the last two years. Further, 71% of non-entrepreneurs believe that most people would consider starting a business a good career choice, 78% have seen stories of successful entrepreneurs in the media, and 81% feel successful entrepreneurs have a high status and respect in society.
- Notwithstanding the high regard afforded to entrepreneurship by non-entrepreneurs in Scotland, in 2021, less than four in ten of them felt they had the skills and competencies required to start a business themselves.
- Among non-entrepreneurs in Scotland, this belief in their abilities to undertake entrepreneurial activity has declined by 20 percentage points since 2019. In contrast, the perception of good start-up opportunities is now higher than in 2019 having strongly recovered from a sizable slump in 2020, but the fear of failure among those that perceive good startup opportunities remains high, especially in the North-Eastern region.
- Further, only 16.4% of non-entrepreneurs in Scotland expect to set up a business within three years. Support is thus required to help many of those non-entrepreneurs perceiving entrepreneurial opportunities gain requisite skills and overcome the fear of failure so they can advance into actual startup intentions and in turn realize entrepreneurial activity.
- To capture growth expectations, GEM asks respondent entrepreneurs if they expect to create more than ten jobs with growth in employment of more than 50% in the next five years. In 2021, Scotland scored relatively poorly in this regard among both early-stage entrepreneurs and established business owners; both at around 10% against a UK average of 16.4% among TEA entrepreneurs and 11% among established business owners.
- There thus appears to be some relative underperformance across the full lifecycle in Scotland. Many non-entrepreneurs are perceiving good opportunities but there is greater fear of failure and lower self-efficacy. Many non-entrepreneurs are thus actually not expecting to set up a business in the near term. Further, many already in business in Scotland, whether early-stage or more established, do not appear to have high growth expectations.

- In 2021, as in 2020, around 1 in 2 of those involved in TEA agree that there are still new opportunities because of the pandemic in Scotland. This is lower than among established business owner-managers although the rate has increased from 31% to 42% in 2021 suggesting that established business owners have also adapted to become more alert to new opportunities occasioned by the pandemic.

Entrepreneurial framework conditions in Scotland

- In 2021, Scotland returned an overall National Entrepreneurial Context Index (NECI) of 4.98 out of 10, similar to Northern Ireland and the UK. All were below the mid mark of 5 suggesting relative perceived weaknesses in many of the thirteen individual Entrepreneurial Framework Conditions (EFCs) that comprise the index.
- The strongest performing condition was the sufficiency of entrepreneurship programmes where both Scotland and Northern Ireland, scored significantly better than the UK as a whole.
- Physical infrastructure, commercial and professional infrastructure, taxes and government bureaucracy, entrepreneurial education at post-school age, and ease of R&D transfer all scored above 5/10 suggesting they were perceived to be adequate.
- Scoring just below 5/10, cultural and social norms in Scotland were perceived to not very strongly support entrepreneurship. The relevance and effectiveness of government support policies, as well as internal market burdens and entry regulations, were also barely satisfactory. Sufficiency and access to financing for entrepreneurs are also found to be below par in Scotland. Internal market dynamics scored 4.5 with both business-to-consumer and business-to-business markets found to have some year-on-year instabilities. Similarly, affordability of market entry costs is also a concern.
- Entrepreneurial education at school-age is the weakest condition in Scotland with a low score of 3.4/10. Major concerns surround adequate teaching about market economic principles, attention to entrepreneurship and new firm creation, as well as the general encouragement of creativity, self-sufficiency, and personal initiative at school.

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 2021 the study conducted surveys in 47 sovereign nations and represents 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:

- 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 2021 GEM global study was based on an analysis of adult population survey (APS) results from 47 economies, which cover around two-thirds of the world's population. 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 2021/22 Report was published in February 2022¹ 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 below.

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 2021 Adult Population Survey (APS) are explained in more detail in the GEM UK report.

Of the over 335,000 usable responses from the annual GEM UK surveys for the period 2002-2021, around 40,000 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.; Roomi, M; Bosma, N., Sahasranamam, S. and Shay, J. (2022) Global Entrepreneurship Monitor 2021/22 Global Report. London: Global Entrepreneurship Research Association.

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.

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.

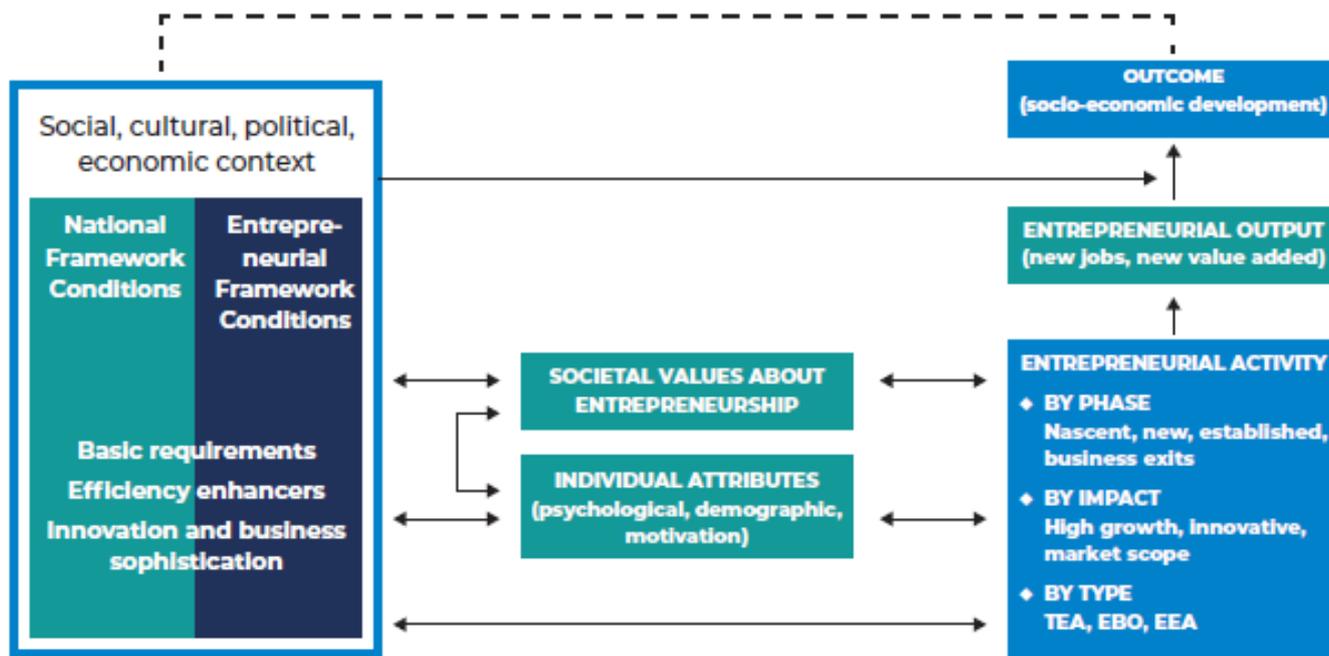


Figure 1.1: The Entrepreneurial Process and GEM Operational Definitions

(Source: Hill, S., Ionescu-Somers, A.; Coduras, A.; Guerrero, M.; Roomi, M; Bosma, N., Sahasranamam, S. and Shay, J. (2022), pg.23)

2. Total Early-Stage Entrepreneurial Activity

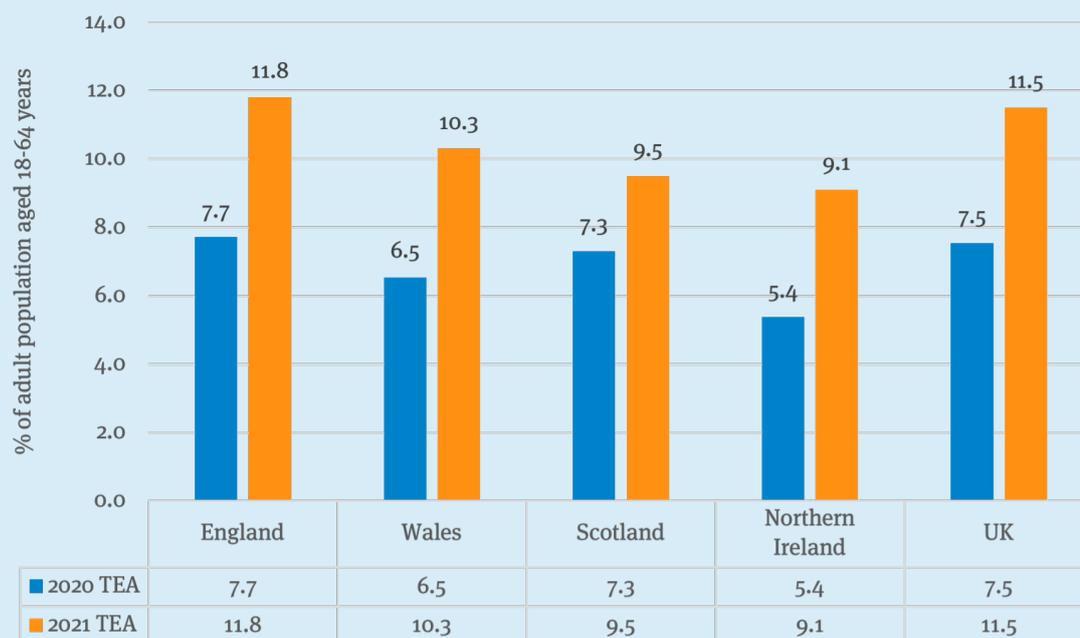


Figure 2.1: Total early-stage Entrepreneurial Activity (TEA) in the UK Home Nations 2020 and 2021
(Source: GEM APS)

The rate of early-stage entrepreneurship in Scotland in 2021 was 9.5%, growing from 7.3% in 2020. This compares to 11.5% in the UK overall, 11.8% in England, 9.1% in Northern Ireland, and 10.3% in Wales (Figure 2.1). Pooling the data over the most recent three years (2019-21), to remove annual fluctuations, gives a TEA rate of 8% for Scotland. This rate is lower than the UK average of 9.6% with England at 10%, Wales at 7.9%, and Northern Ireland reporting an average of 7% over the last three years. Overall, in 2021, with a TEA rate of 9.5% in Scotland around 320,000 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 2021, of the 18-64 sub-population in

Scotland, 6.3% (around 213,000 working-age Scots) were nascent entrepreneurs (in the very early stages of starting a business, have committed time and resources but not yet hired employees or paid wages for three or more months). A further 3.3% (over 110,000 18-64 year-olds) were new business owners operating a business that was between four and 42 months in age with another over 165,000 people, just under 5% of the adult population, being owner-managers of businesses that were more than three and a half years old in 2021.⁴ Altogether, these figures suggest that over 480,000 working-age people in Scotland were undertaking independent entrepreneurial activity in 2021, 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.

Over the last two decades, Total Early-stage Entrepreneurial Activity in both the UK and Scotland has generally been on an upward trend (Figure 3.3).

³ We base our numbers estimates on the 2020 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.

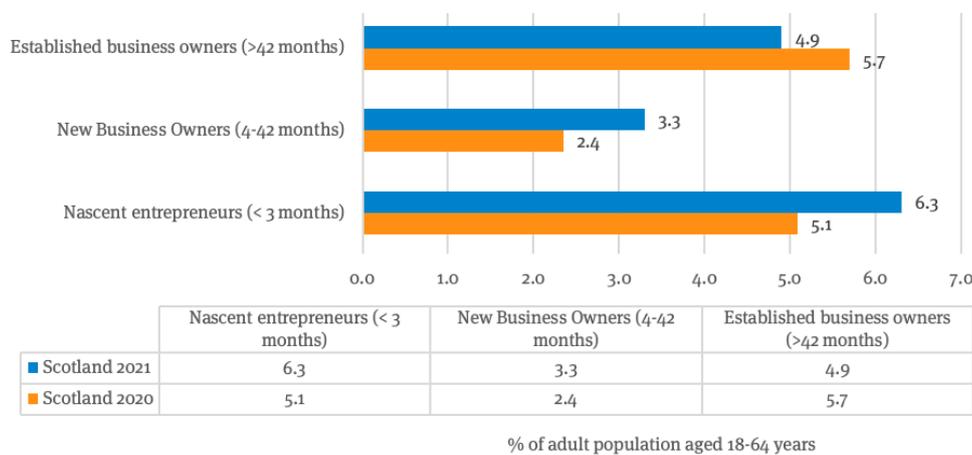


Figure 2.2: Modes of Entrepreneurial Activity in Early-stage and Established Businesses (Source: GEM APS)

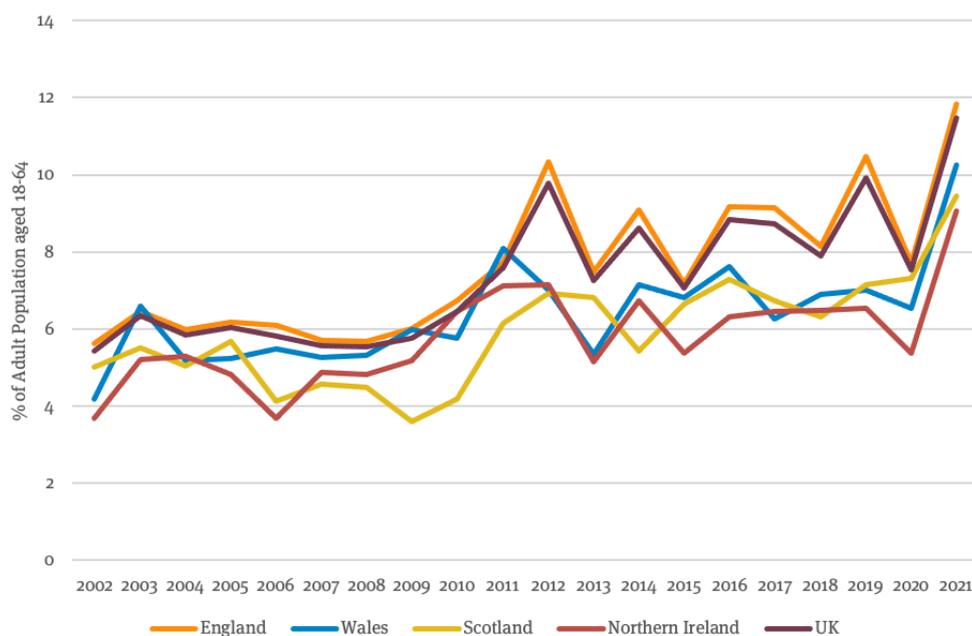


Figure 2.3: Total Early-stage Entrepreneurial Activity in Scotland and the UK home nations 2002-2021 (Source: GEM APS 2002-2021)

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 decade, however, Scotland has more or less caught up with Wales and stayed a notch ahead of Northern Ireland.

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 four former NUTS2 regions in Scotland, namely: Eastern Scotland, Highlands and Islands, North Eastern Scotland, and South Western Scotland.⁵

Figure 3.4 presents TEA rates for these regions in 2019, 2020, and 2021. It indicates that while TEA rates in the Highland and Islands region remain high and stable at around 9% of the adult population, Eastern Scotland saw a notable increase in TEA rates in 2021 to a leading rate of 9.7% of the region’s adult population. North Eastern Scotland also reports a marked recovery from 6.5% in 2020 to 9.2% in 2021. The South Western region continues to report steady growth in TEA from 6.3% in 2019 to 7.4% in 2020 and 9.3% in 2021. Overall, in 2021, Scotland’s TEA rate has grown by two points driven by a combination of recovery and growth across the nation with the aggregate outcome being both a growth in the

⁵ Reclassification of the data to align with the new UK International Territorial Levels (ITLs) will be explored in future reports.

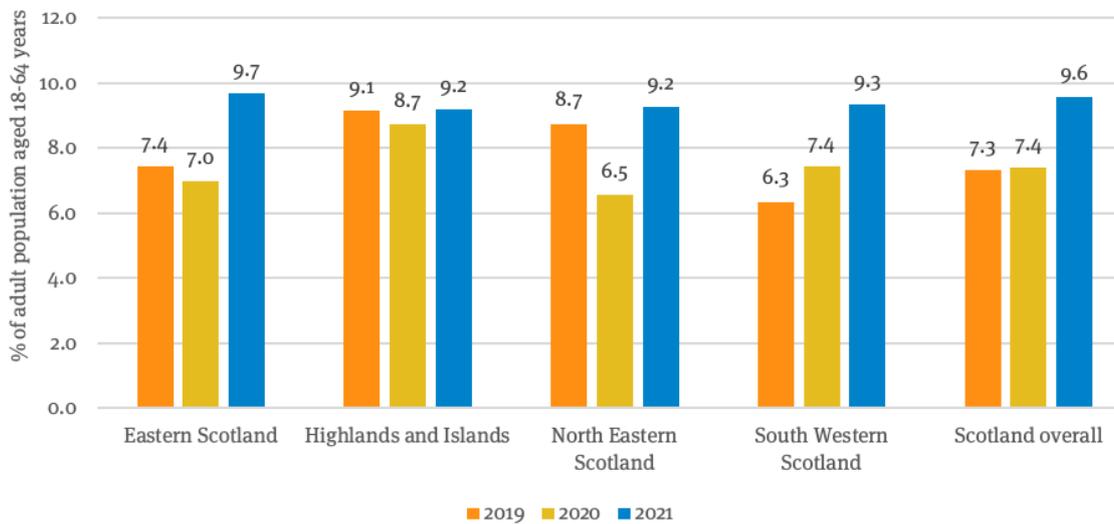


Figure 2.4: Total early-stage Entrepreneurial Activity in Scotland in 2019, 2020 and 2021 by NUTS2 region (Source: GEM APS 2019-21)

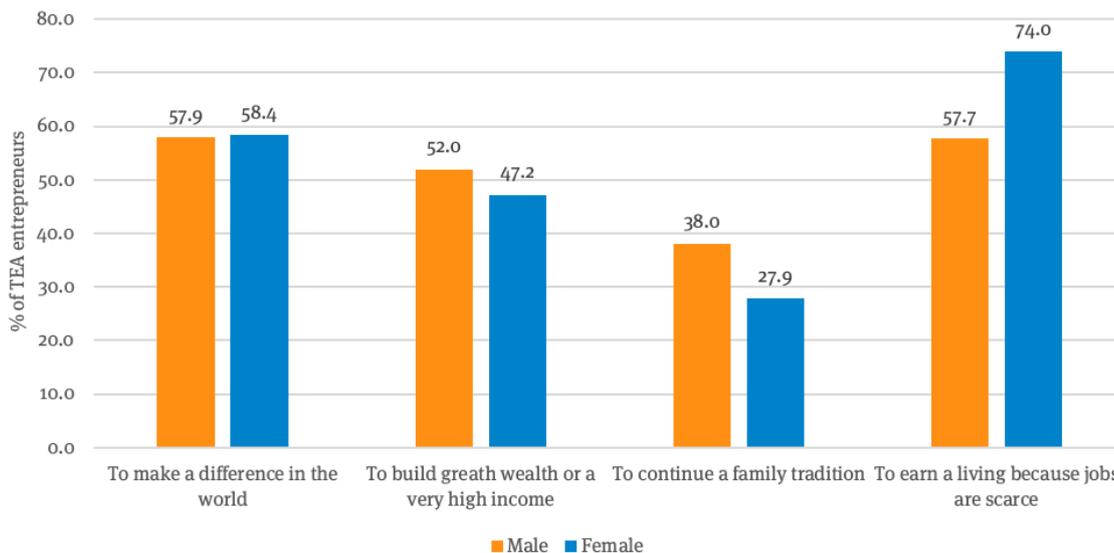


Figure 2.5: Motivation for Early-stage Entrepreneurship in Scotland by Gender, 2021 (Source: GEM APS)

TEA at the national level and a levelling-up between the regions with differences not being statistically significant.

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. It is important to note that 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 2021, data suggests that “to earn a living because jobs are scarce” continues to be a significantly greater factor behind the early-stage entrepreneurial activity undertaken by working-age women in Scotland with almost three quarters citing that as a key motivating factor compared to 57.7% for their male counterparts. However, gender differences in other motives, including “to make a difference in the world”, “to build great wealth or a very high income” and “to continue a family tradition” are seemingly only nominal. It does appear, however, that continuing a family tradition is a relatively low motivation overall and is more a driver of early-stage entrepreneurial activity for males than females.

3. Who are the Entrepreneurs in Scotland?

Gender

In 2021, as Figure 3.1 shows, males in Scotland had a significantly higher TEA rate than females, at 11.3% compared to 7.7%, equivalent to a female to male ratio of 68%. This is a notable improvement from 2020 when the female to male ratio was 57%. However, Scotland's performance remains below the UK average of 73% and compares rather poorly with Wales' female to male TEA ratio of 92%.

As Figure 3.2 further reports, while male and female TEA rates grew by a similar margin of about two percentage points, female TEA was starting from a much lower base. The implication is that female TEA increased by 44% year on year in 2021, while male TEA only increased by 21% and remained significantly

ahead. This demonstrates the size of the gender gap and extent of the ground that female enterprise needs to make up for parity in early-stage entrepreneurial activity in Scotland to be achieved. Indeed, for 2022, were male TEA to remain stagnant at 11.3%, female TEA would need to grow by 47% to catch up. In other words, on top of the 130,000 or so women engaging in early-stage entrepreneurial activity out of the 1.7 million working-age female population in Scotland, we need 60,000 more to get to an 11.3% TEA rate. With the female population slightly larger than males', parity in TEA rates within each gendered sub-population would mean there were slightly more early-stage female entrepreneurs than there would be males (about 6,000).

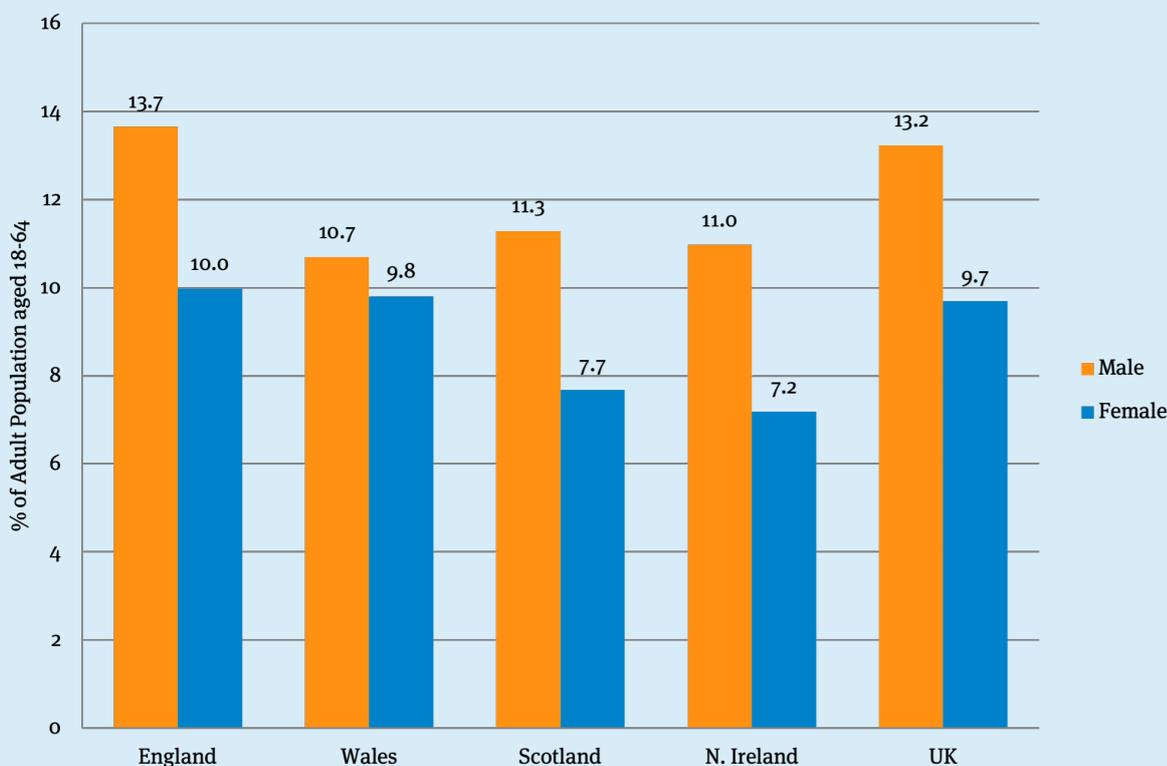


Figure 3.1: Total early-stage Entrepreneurial Activity in the UK Home Nations in 2021 (Source: GEM APS)

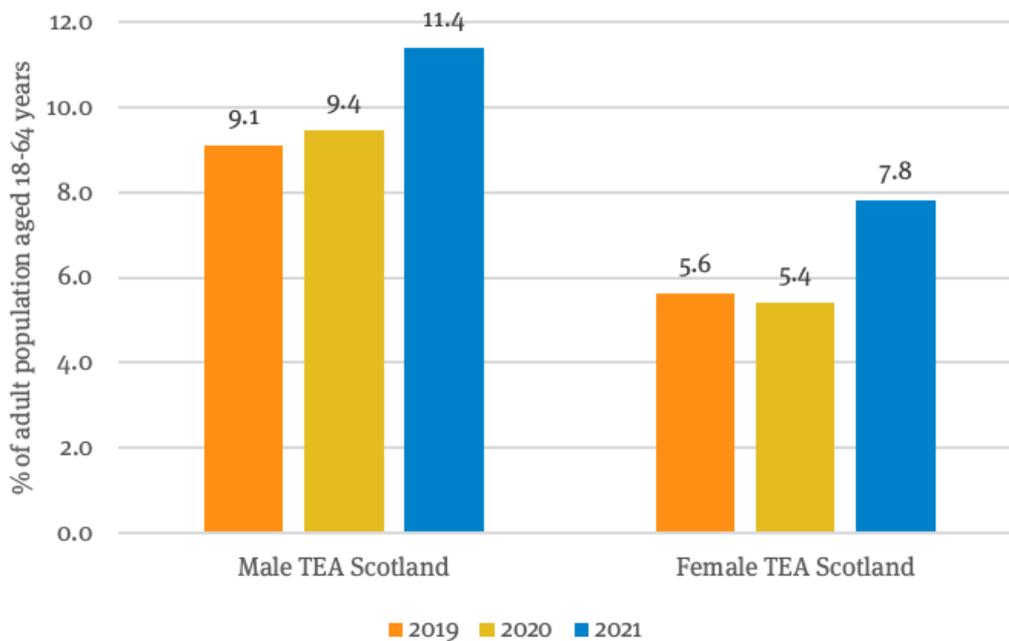


Figure 3.2: Total Early-stage Male and Female Entrepreneurial Activity in Scotland in 2019, 2020, and 2021
(Source: GEM APS)

Comparing female TEA rates in Scotland with other home nations over the long term shows that there is generally a positive trend amongst the four nations. However, while all four home nations have rather fluctuant rates, Scotland’s female TEA has mostly lagged behind England and Wales. In 2020, Scotland’s female TEA held steady while Northern Ireland saw a big uptick, and England and Wales experienced a sharp lapse. This resulted in convergence in female TEA among the home nations. In 2021, however, England and Wales recovered a lot more strongly and Northern Ireland has built on its 2019 to 2020 growth by a further 2.6 percentage points in 2021. The net effect is that Northern Ireland has seemingly now caught up with Scotland, and England and Wales appear to have jointly pulled ahead of Scotland and Northern Ireland by two percentage points.

Earlier, Figure 2.4 suggested that TEA rates across Scottish NUTS2 regions were approaching parity in 2021. Figure 3.4 shows TEA rates for males and females in these regions in 2021. While there has been an improvement overall, different Scottish regions continue to have divergent patterns of opportunities for entrepreneurship by gender with females at a clear disadvantage everywhere bar the Highlands and Islands. South Western Scotland, comprising major population hubs in the Glasgow City Region, as well as Ayrshire, and Dumfries and Galloway, continues

to have the greatest gender disparity with female TEA at 56% of the male TEA in the region. The region has nevertheless seen a 60% growth in female TEA in 2021 compared to a 9% growth in male TEA in the region. This has lessened the disparity by 18 percentage points from 2020 when female TEA was a paltry 39% of the male TEA.

North Eastern Scotland, comprising Aberdeen and Aberdeenshire also reports high gender disparity in TEA rates with female TEA at 57% of the male rate in 2021. Again an improvement that is attributable to a faster female TEA growth at 45% compared to 35% growth in male TEA in the region. The Eastern Scotland region also saw female TEA grow by 45% compared to a 35% growth in male TEA leading to a female to male TEA ratio of 80%, a 6 percentage point improvement from 2020. Both male and female TEA in the Highlands and Islands region grew by a modest 5 to 6 % which more or less maintained gender parity in TEA rates in the region. Recall from Figure 2.4 above, that Scottish regions have in 2021 seen TEA rates approach convergence. Much of this has been driven by increases in female entrepreneurial activity in the regions. However, much work remains to close the gap to male TEA nationally and in the regions, more so in the South Western and North Eastern regions where much female disadvantage in early-stage entrepreneurial activity persists.

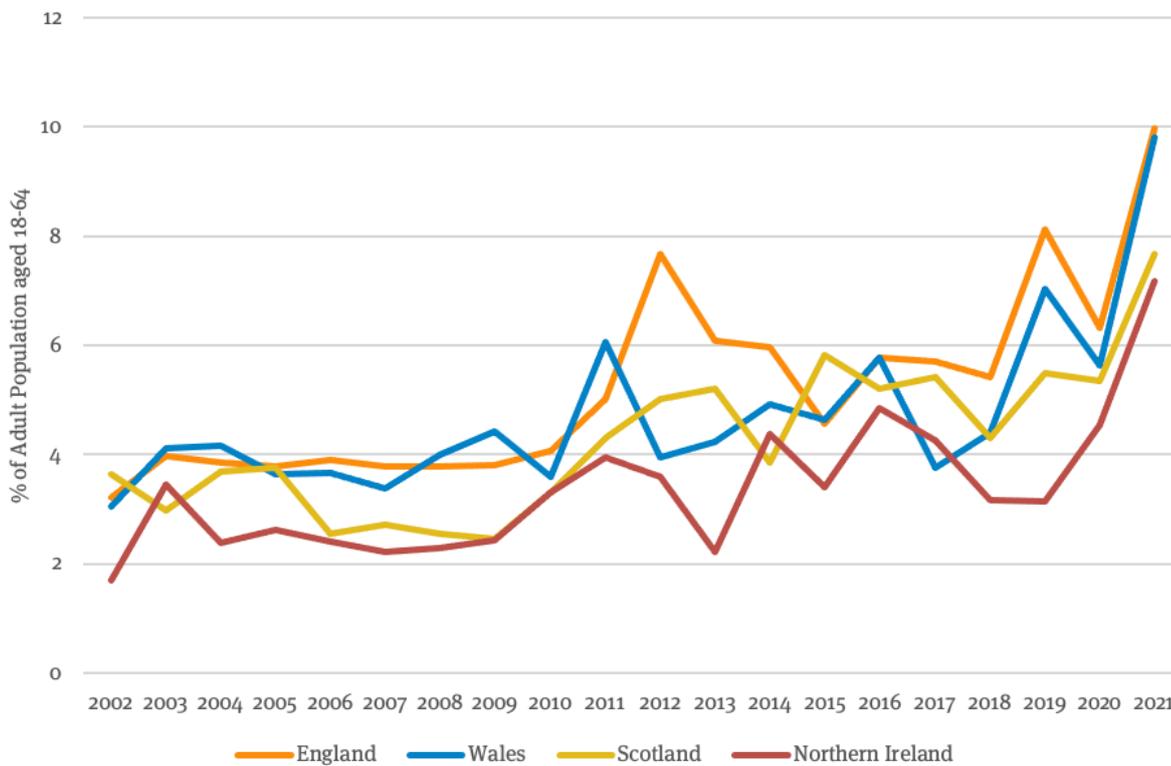


Figure 3.3: Total Early-stage Female Entrepreneurial Activity in Scotland and the other UK home nations, 2002-2021 (Source: GEM APS)

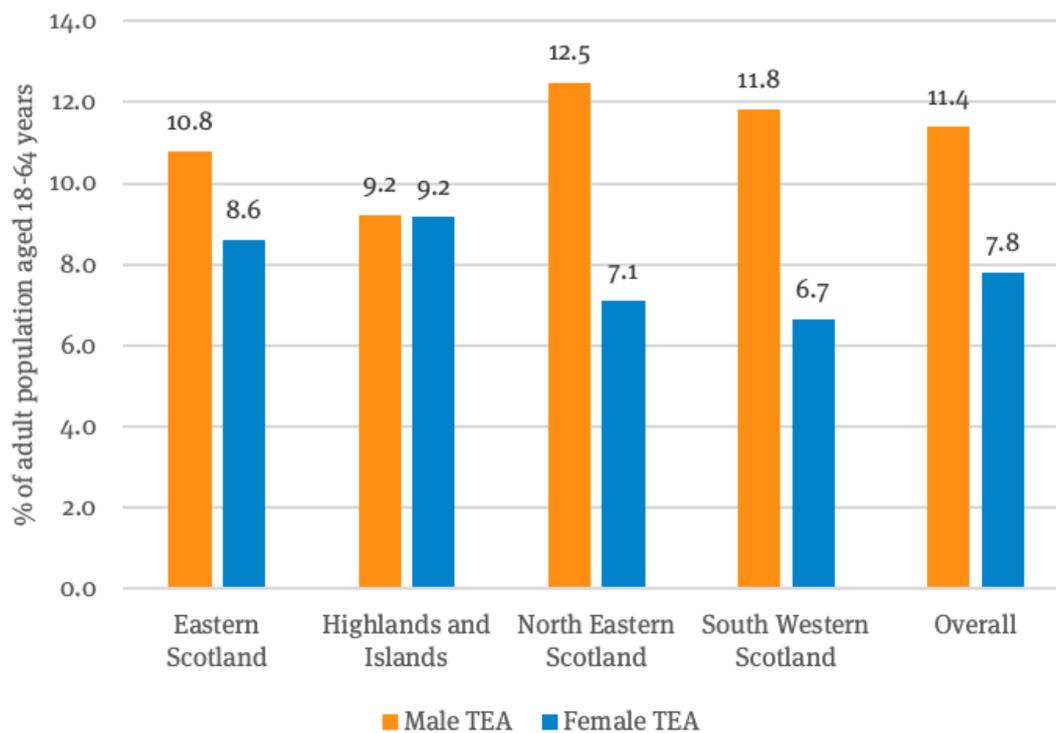


Figure 3.4: Total Early-stage Male and Female Entrepreneurial Activity in Scotland by NUTS2 region, 2021 (Source: GEM APS)

Age

Figure 3.5 shows TEA rates by different age groups across the home nations in 2021. In the UK, entrepreneurial activity rates of those aged 45 and older were significantly lower than those in younger age groups. In Scotland, TEA rates appear to ostensibly correlate with youthfulness, such that the 18-24 year-olds group has the highest TEA in Scotland with 13.3% of the age group, equivalent to around 60,000 young Scots, engaging in early-stage enterprise in 2021. In contrast, an estimated 6.6% of late-career Scots in the 55-64 bracket, about 50,000 people, were actively involved in start-up activity in 2021. Unlike in 2020, these differences were, nevertheless, not statistically

significant. This was largely driven by the fact that bar the 18-24 group that barely saw any growth in TEA in 2021, other age groups saw notable increases. TEA rates among the 55-64 year-olds grew by a remarkable 74%, 45-54s by 44%, 35-44s by 13% with 25-34 year-olds also reporting a 41% growth in early-stage entrepreneurial activity. Overall, while young enterprise continues to spearhead entrepreneurship in Scotland, in 2021, growth in TEA rates among older Scots meant that entrepreneurs of all ages contributed to total early-stage entrepreneurial activity at more or less similar rates.

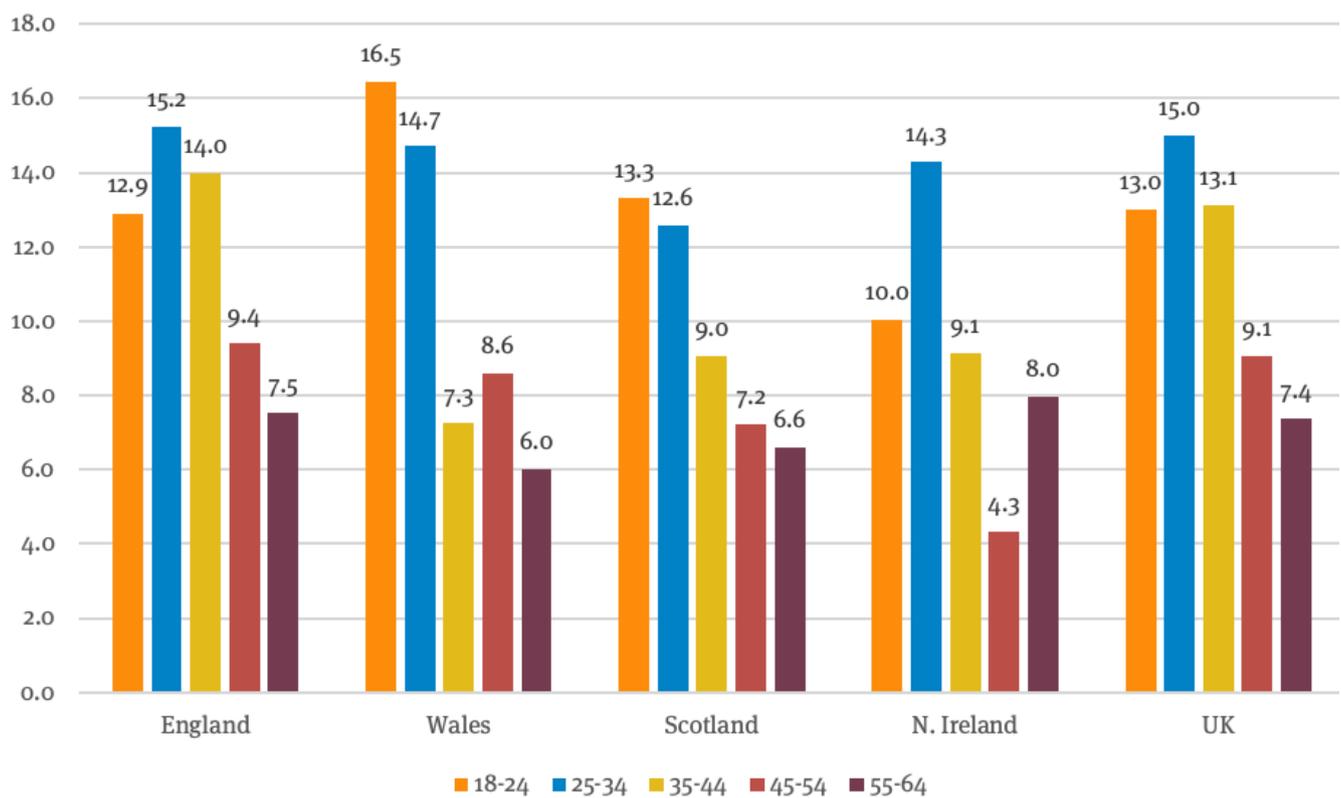


Figure 3.5: Total Entrepreneurial Activity in the UK Home Nations by age categories, 2021
(Source: GEM APS)

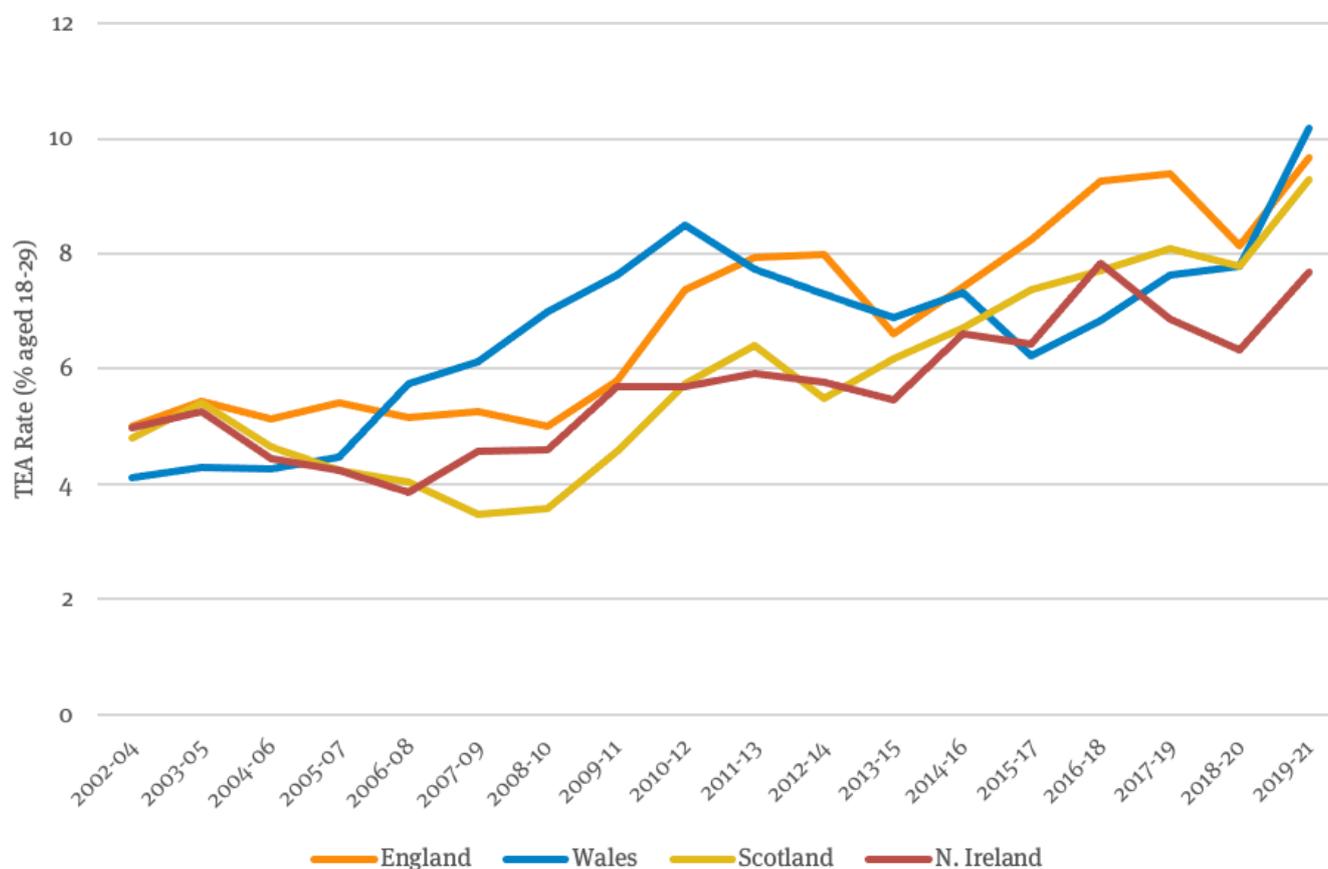


Figure 3.6: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 18–29-year-olds, rolling averages 2002-4 to 2019-21 (Source: GEM APS)

Figure 3.6 shows the trend in TEA rates for 18-29-year-olds,⁶ via rolling averages, over 2002-04 to 2019-21. The chart shows that entrepreneurial activity rates by this age group between England, Wales and Scotland more or less converged in the 2018-2020 period and appear to have had a similar growth pattern in the 2019-2021 period. Thus, unlike female TEA (Figure 3.3), young enterprise in Scotland is keeping pace with England and Wales.

Ethnicity

Over the last several years, TEA rates among the non-White population at the Scottish and UK levels have been double the White TEA. However, as Figure 3.7 shows, the 2021 non-White TEA in Scotland was *prima facie* higher at 15.5% than the White TEA (9.2%) but the difference was not statistically significant. White TEA held steady in 2020 in the face of the pandemic and grew by just over two points in 2021. In contrast, non-White TEA suffered a 23% decline in 2020 and is recovering at a relatively slower pace. The result is that, unlike the situation at the UK level, non-White

TEA in Scotland is yet to return to pre-pandemic levels. This suggests that non-White would-be entrepreneurs in Scotland could be facing unique challenges unlike both their White peers in Scotland and fellow non-Whites in the rest of the UK.

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 the least deprived. Figure 3.8 suggests that in Scotland there were no significant differences in TEA rates between the various IMD quintiles in 2021. This means that notwithstanding differences in deprivation levels, the various sections of Scottish society engaged in early-stage entrepreneurial activity at broadly similar rates.

⁶ Note that the age-band is expanded here to help increase sample sizes.

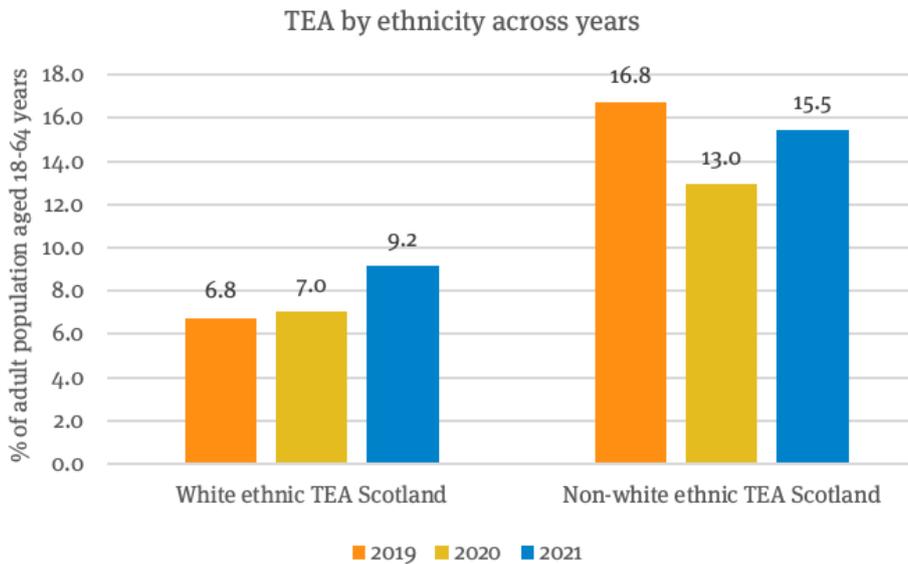


Figure 3.7: Total early-stage Entrepreneurial Activity in Scotland by ethnicity in 2019, 2020, and 2021
(Source: GEM APS 2019-21)

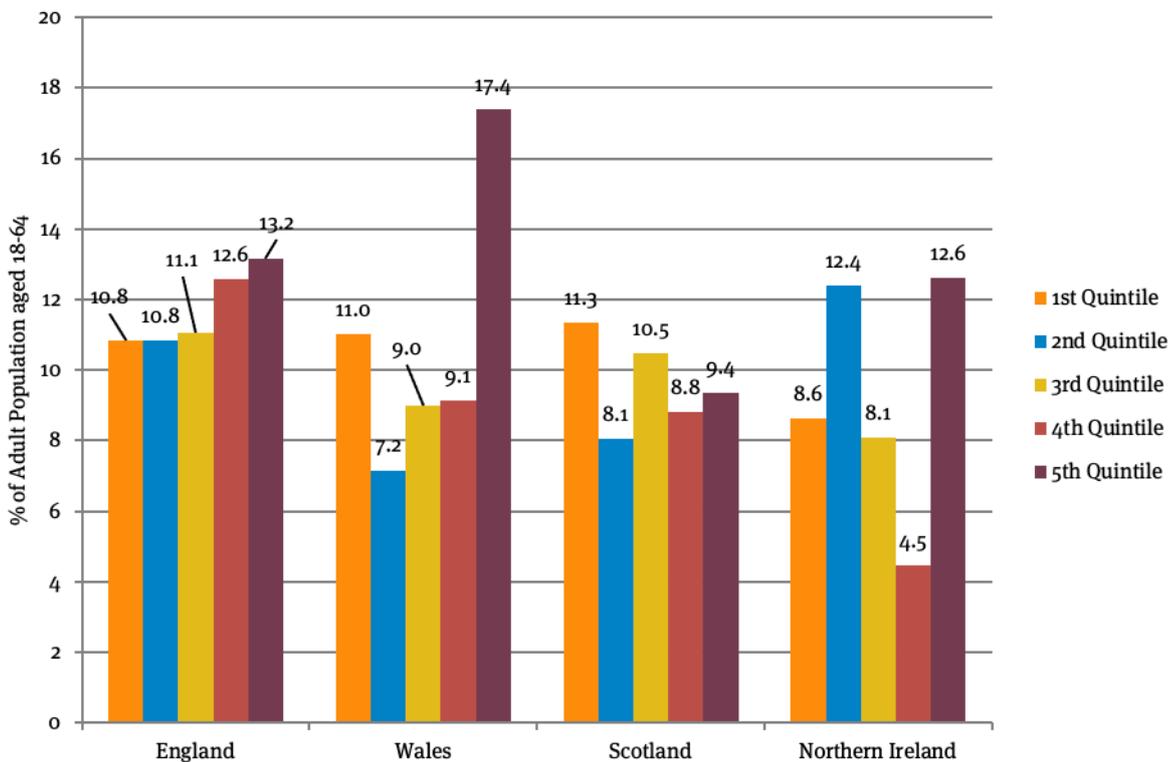


Figure 3.8: Total Entrepreneurial Activity in the UK Home Nations by Index of Multiple Deprivation 2021
(Source: GEM UK APS 2021)

Scotland is different from other home nations in that early-stage enterprise is not an overt preserve of the least deprived in society. In contrast, the TEA rate for the least deprived in Wales is considerably higher than other quintiles and significantly so compared to the second most deprived group although the most deprived group

also returns a relatively high TEA. The situation is also complex in Northern Ireland with the least deprived having the highest TEA but no clear overall pattern can be discerned. For England, TEA rates seemingly increase as deprivation decreases but the differences were not large enough to be statistically significant.

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, as with the wider UK, just over four in ten working-age adults in the non-entrepreneurial population personally know someone that has started a business in the last two years (Figure 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 4.2). Further, 78% indicate they have seen stories of successful entrepreneurs in the media, 81% feel successful entrepreneurs have a high status and respect in society, and about 71% 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 4.2 shows, these perceptions were not necessarily even across Scotland in 2021, although differences are mostly nominal. For example, while over 86% of non-entrepreneurial adults in North Eastern Scotland observe that successful entrepreneurs have a high level of status and respect in society, the rate in Eastern Scotland is slightly lower at 79%. Similarly, in South Western Scotland, entrepreneurship is more highly regarded as a career choice than in North Eastern Scotland. Indeed, as Figure 4.3 shows, the consideration of entrepreneurship as a good career choice appears to have decreased a notch in 2021 across Scotland with the North Eastern region reporting a relatively larger drop in this regard than the rest of Scotland.

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 2021, in Scotland, less than four in ten of the non-entrepreneurial working-age population felt they had the human capital required to start a business, the lowest rate among the home nations. There is also notable regional disparity within Scotland here and some surprising findings. The Highlands and Islands are a good case in point. Despite a history of relatively higher rates of entrepreneurial activity, only less than three in ten working-age non-entrepreneurs say they feel they have the skills, knowledge, and experience to start a business in the Highlands and Islands in 2021. There thus appear to be gaps in confidence in own entrepreneurial skills in the area amongst those not already engaging in entrepreneurship.

As Figure 4.4 further shows, entrepreneurial self-efficacy has continuously declined in most regions in Scotland since 2019, perhaps in the wake of the fallout from the pandemic and other challenges that continue to afflict the economy. However, North Eastern Scotland and Highlands and Islands regions appear to have suffered a substantially greater decline in this respect. This perhaps reveals how differences in the regional economic structures, and the different ways in which they can cope with various economic crises, can insidiously impact the confidence people have in their abilities to undertake entrepreneurial activity.

Nevertheless, in 2021, about 46% of working-age Scots not already engaged in entrepreneurial activity see good start-up opportunities in their area in the next six months, a 16 percentage point improvement from 2020. All Scottish regions have seen an improvement in the perception of good opportunities following a rather glum 2020. However, while Eastern and South Western regions have recovered in this regard to even surpass the pre-pandemic 2019 rates, the perception of good entrepreneurial opportunities in the North Eastern and Highlands and Islands regions has been slower to improve and is yet to recover to 2019 levels (Figure 4.5). This suggests that there are some fundamentals in the economies of the North Eastern and Highlands and Islands economies that will need to consolidate before would-be entrepreneurs in those regions can start to see good opportunities for new business and also have confidence in their ability to set up propitious businesses in Scotland.

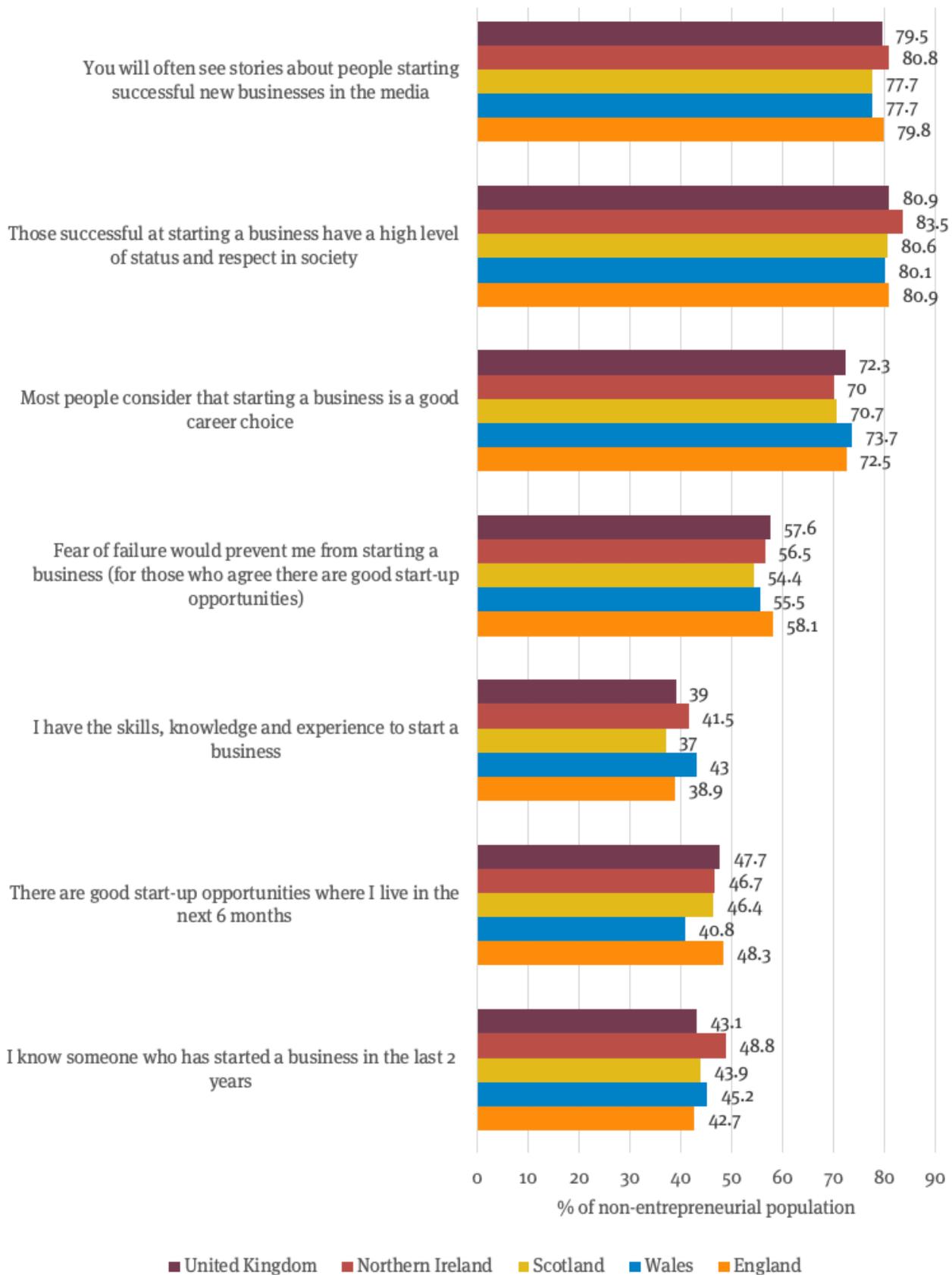


Figure 4.1: Entrepreneurial Attitudes and Perceptions in UK home nations 2021 (Source: GEM APS)

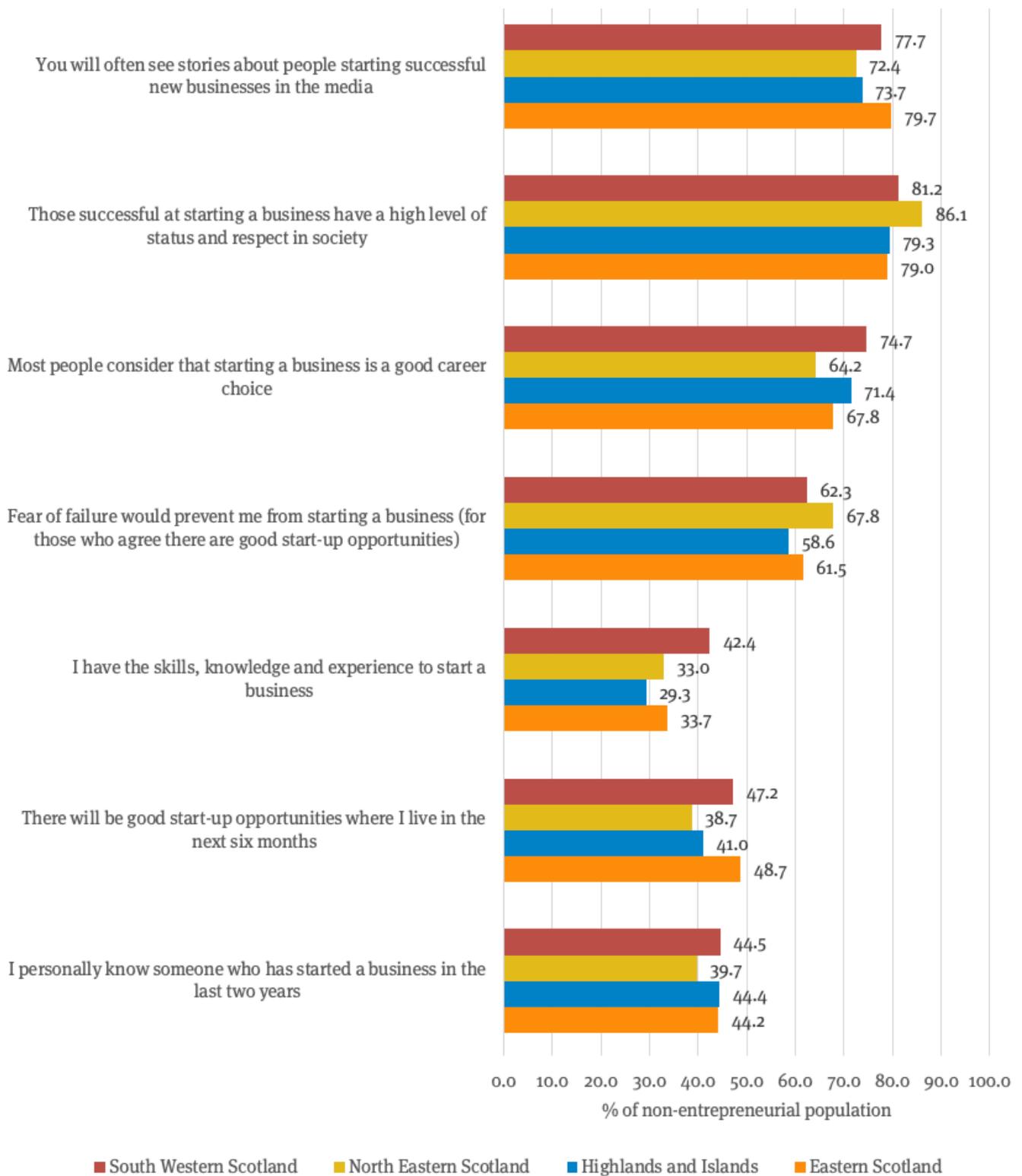


Figure 4.2: Entrepreneurial Attitudes and Perceptions in Scotland by NUTS2 regions 2021
 (Source: GEM APS)

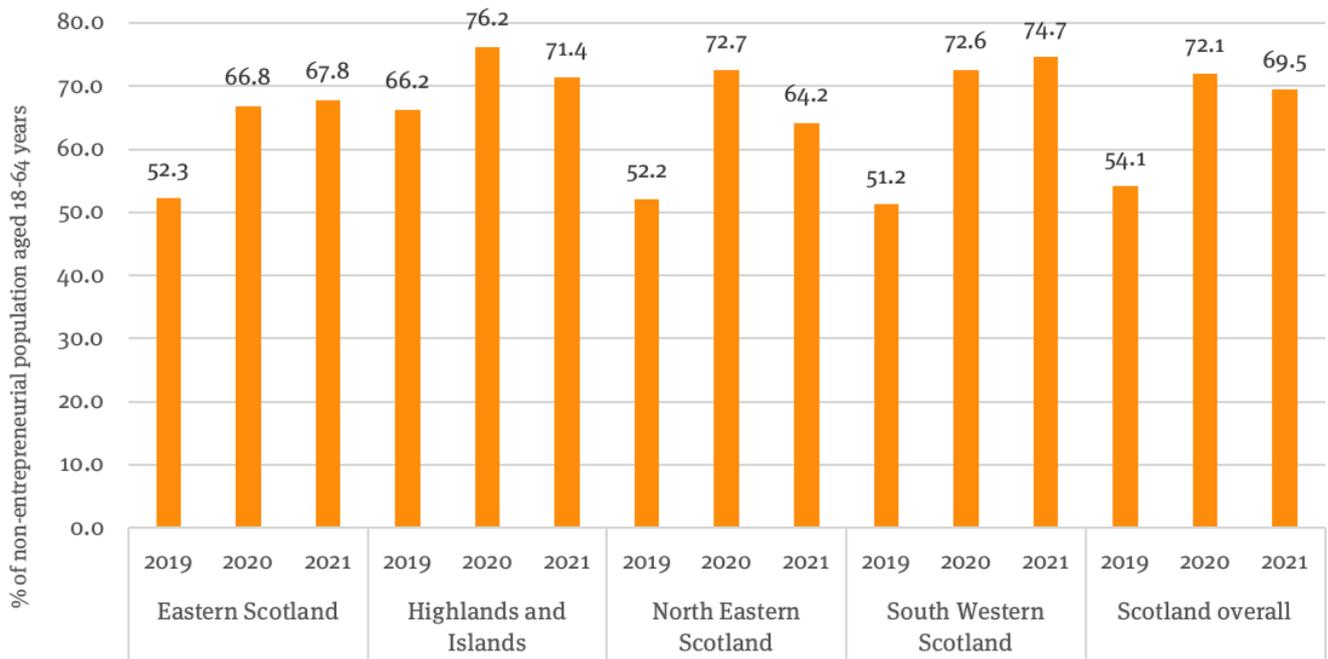


Figure 4.3: Consideration of entrepreneurship as a good career choice in Scotland's NUTS2 regions 2019 - 2021 (Source: GEM APS)

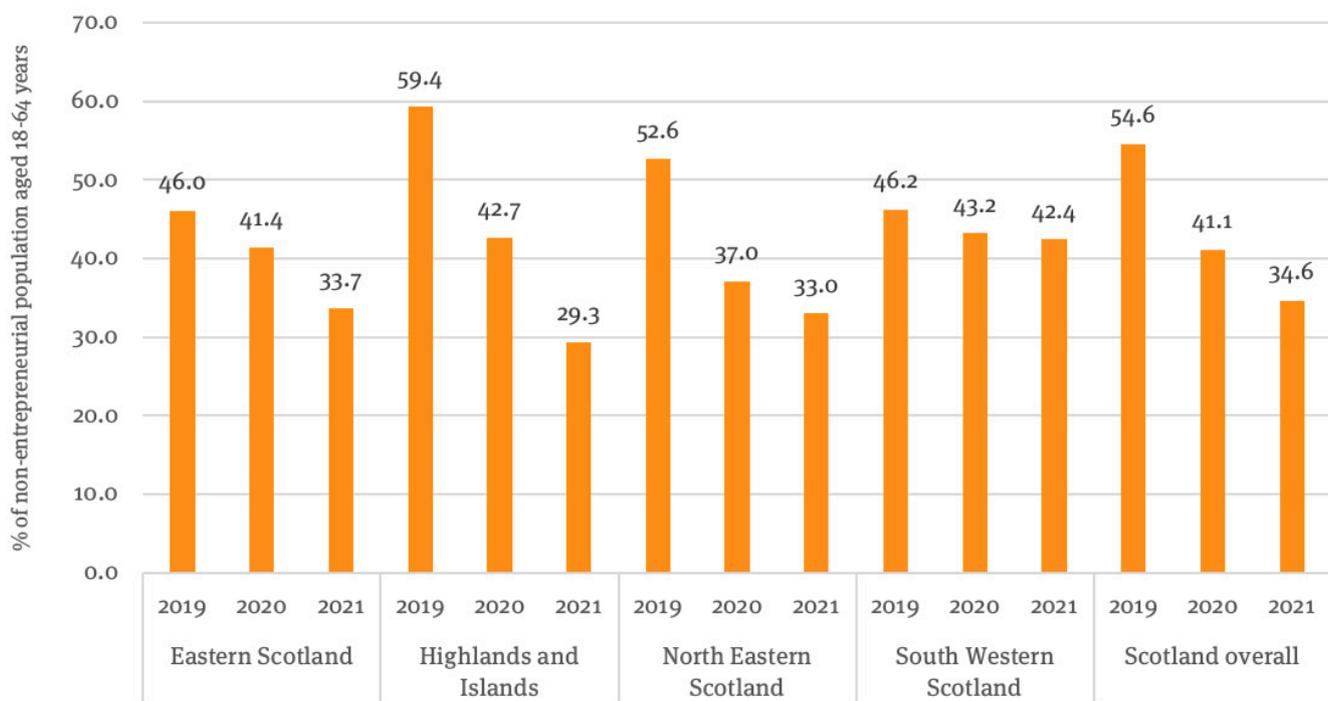


Figure 4.4: Entrepreneurial self-efficacy in Scotland's NUTS2 regions 2019 - 2021 (Source: GEM APS)

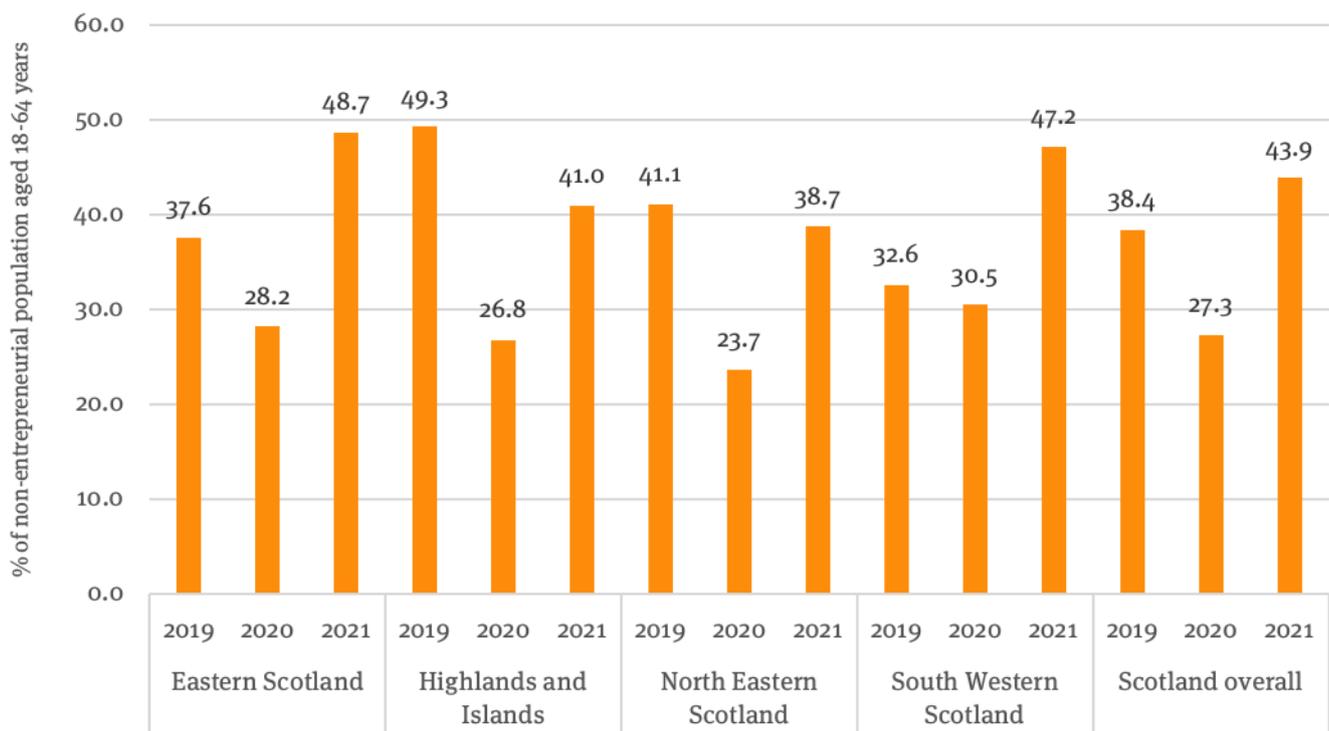


Figure 4.5: Perception of good start-up opportunities in the next 6 months in Scotland's NUTS2 regions 2019-2021 (Source: GEM APS)

Indeed, despite the many positive attitudes towards entrepreneurship in Scotland, a majority of Scots that perceived good start-up opportunities in 2021 indicated that the fear of failure would prevent them from actually starting a business. All home nations appeared to return similar concerns with this matter. However, within Scotland, the North Eastern region again stands out in this regard. These fears have hardly abated from their highs in 2020 in North Eastern Scotland. Moreover, notable regional idiosyncrasies remain with the Highlands and Islands yet returning the lowest rates of fear of failure in Scotland (Figure 4.6).

Among the home nations, Scotland nominally appears to struggle the least with the fear of failure among working-age adults perceiving good start-up opportunities. Yet Scotland appears to lag behind other home nations in terms of the rate at which adults not presently engaged in entrepreneurship expect to start a new business within the next three years (Figure 4.7). It would appear, therefore that, other factors are dampening actual start-up expectations to a greater extent in Scotland than in other home nations despite the relative Scottish advantage in raw pluck against the fear of failure.

Previous research has established that growth intentions do directly impact subsequent growth⁷ and that a relatively small number of firms that survive the failure-prone early years can create a disproportionate number of jobs.⁸ Thus, beyond investigating the start-up expectations of would-be entrepreneurs, it is important to evaluate growth expectations among those already undertaking entrepreneurial activity, both early-stage and established, as this has real implications on their potential contributions to wider jobs growth in the economy. To capture this dynamic, GEM employs a variable that measures the percentage of all early-stage entrepreneurs (and, separately, established business owners) who expect to create more than ten jobs with growth in employment of more than 50% in the next five years.

Figure 5.8 displays the levels of these high growth expectations among entrepreneurs for Scotland and the UK in 2021. In the UK as a whole, high growth expectation rates amongst TEA entrepreneurs are higher than those for established business owners. This is mainly driven by a greater prevalence of high growth expectations amongst TEA (nascent and start-up) entrepreneurs than EBOs in England and Northern Ireland. Wales also has high growth expectations amongst TEA entrepreneurs, but established business owners are just as buoyant.

7 Levie, J., & Autio, E. 2013. Growth and growth intentions: A meta-analysis of existing evidence: Enterprise Research Centre

8 Hart, M. and Anyadike-Danes, M. (2014) "Moving on from the vital 6%"; Enterprise Research Centre Insight Report, February

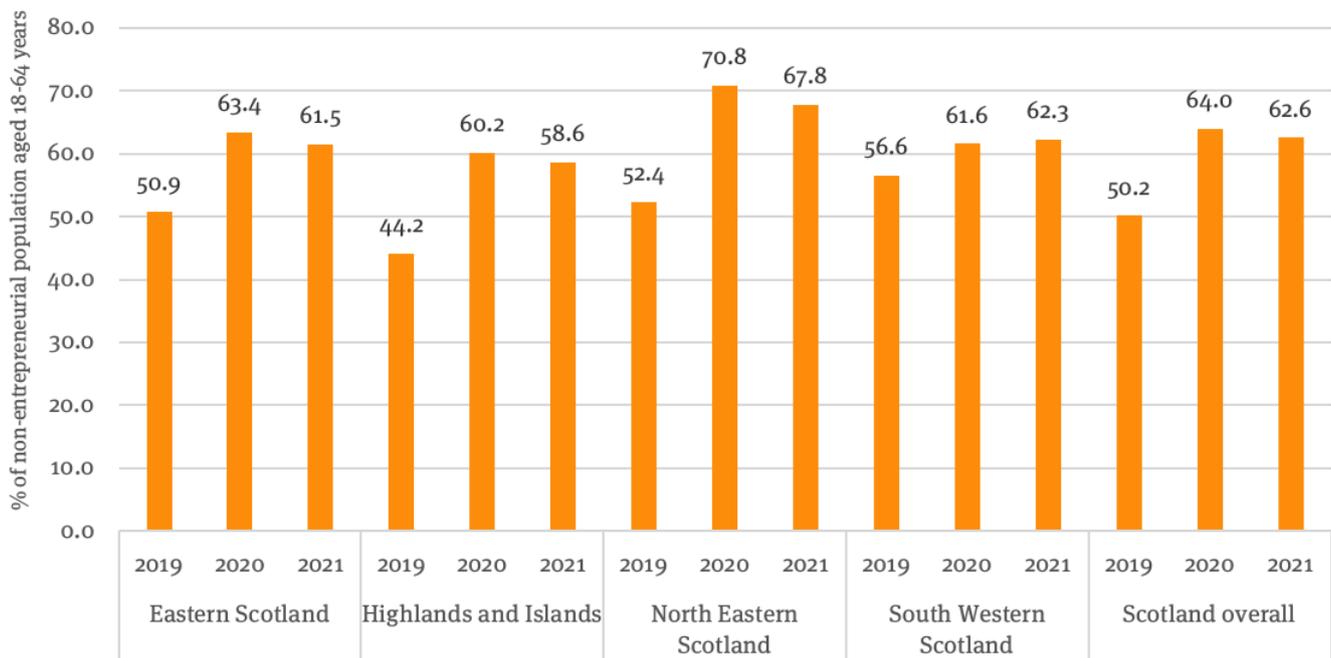


Figure 4.6: Fear of failure among non-entrepreneurial population in Scotland's NUTS2 regions 2019 -2021
(Source: GEM APS)

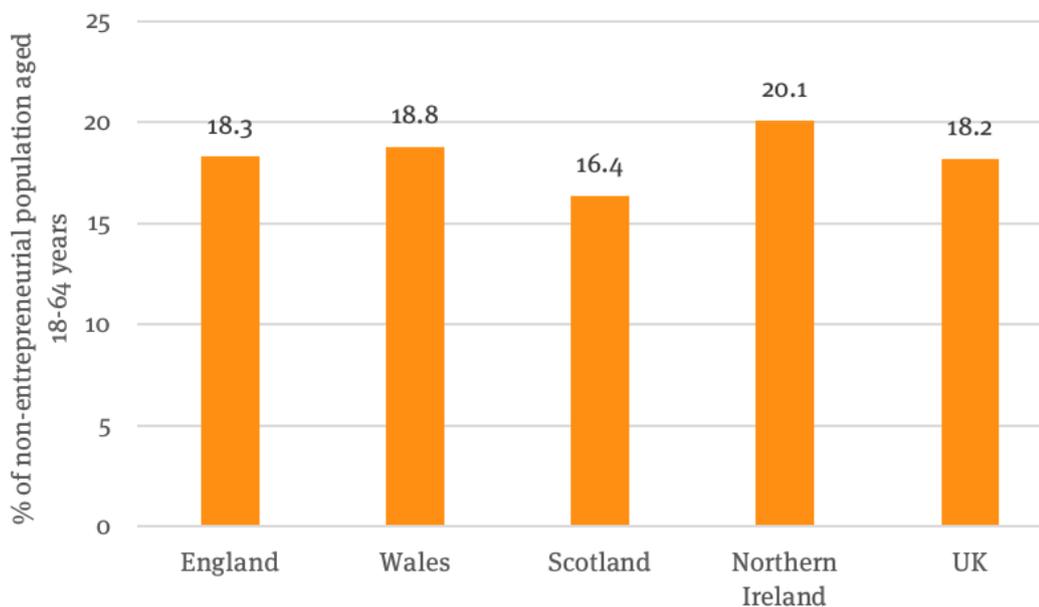


Figure 4.7: Future Start-up Expectations (within 3 years) in the UK Home Nations 2021
(Source: GEM APS)

In contrast, in 2021, the prevalence of high growth expectations was relatively low amongst both early-stage entrepreneurs and established business owners in Scotland with both at around 10% and below the UK average. This suggests that the Scottish economic context may be fraught with unique challenges that appear to disproportionately suppress high-growth

expectations among both early-stage entrepreneurs and established business owners. This is a matter of concern for enterprise policy in Scotland as the economy will require an army of sanguine entrepreneurs, both early-stage and established, to lead the recovery and growth effort against the ongoing multipronged crises.

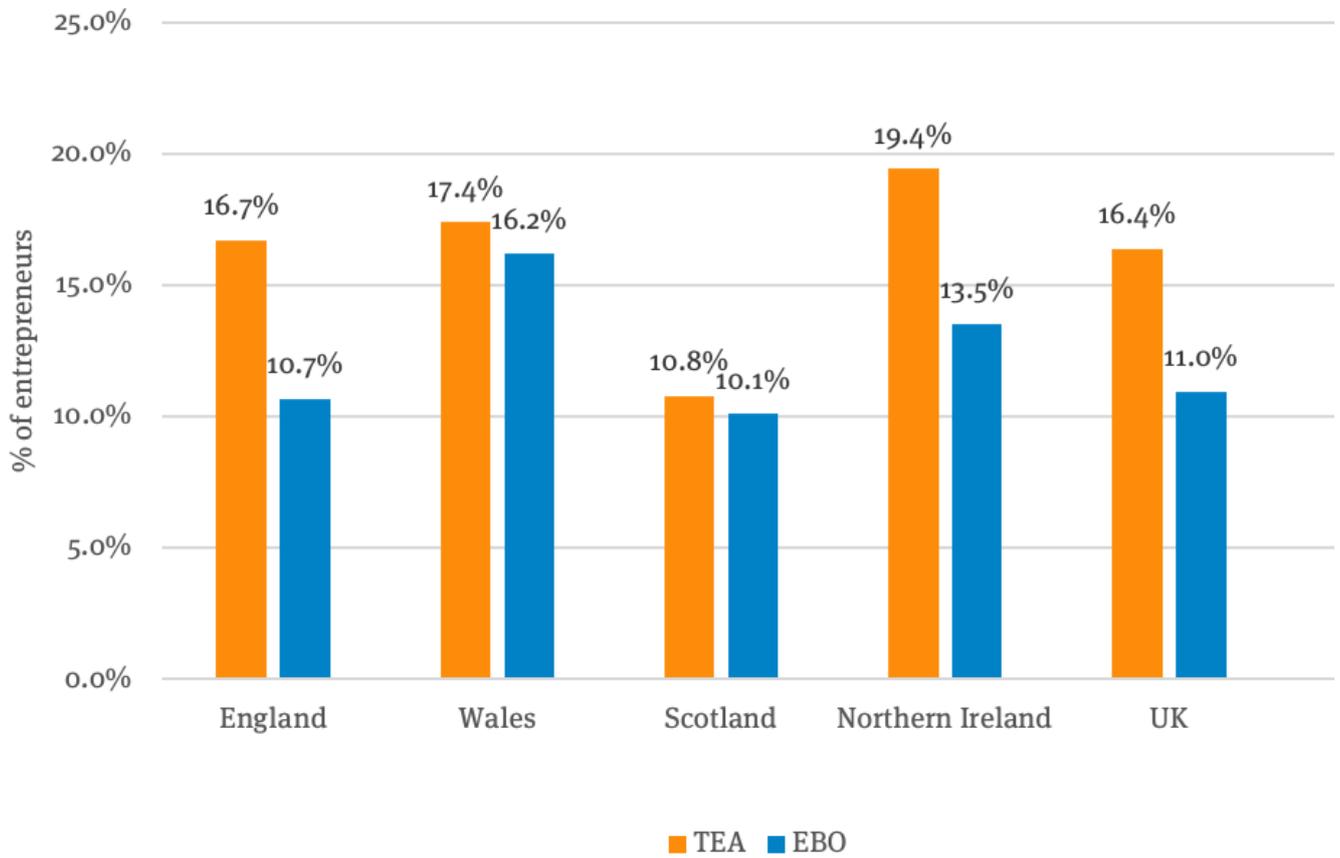


Figure 4.8: Relative Frequency of High Job Expectation among Early-stage Entrepreneurs and established business owner in Scotland and UK 2021 (Source: GEM APS)

5. Impact of COVID-19 pandemic on entrepreneurs in Scotland

The impact of the Covid-19 pandemic on entrepreneurial activity in Scotland will have been apparent in the results above as the pandemic continued to impact many aspects of social and economic life in 2021 globally. While the fallout has been largely deleterious, the crisis did also provide some unique entrepreneurial opportunities. As Figure 6.1 shows, entrepreneurs at different stages (early stage vs established) appear to have had different outlooks on pandemic-related opportunities in 2020 and 2021 across the UK. In Scotland, around half of all entrepreneurs engaged in early-stage entrepreneurial activity thought that the pandemic had provided new plausible opportunities in both 2020 and 2021. In contrast, less than a third of

established business owners had similar sentiments in 2020 but this improved to 42% in 2021. It is likely that many established business owners initially saw the pandemic as a disruptive, or indeed a destructive crisis, but a significant number appear to have since changed hearts. Still, in 2021, Scotland appears to trail other home nations a little with the rates of perception of good opportunities amid the pandemic hardly changing between 2020 and 2021 among TEA entrepreneurs while EBOs saw a ten-percentage point growth. Other home nations had different growth patterns, and marginally better, suggesting that the pandemic environment was perceived differently among entrepreneurs in the respective home nations over the two years.

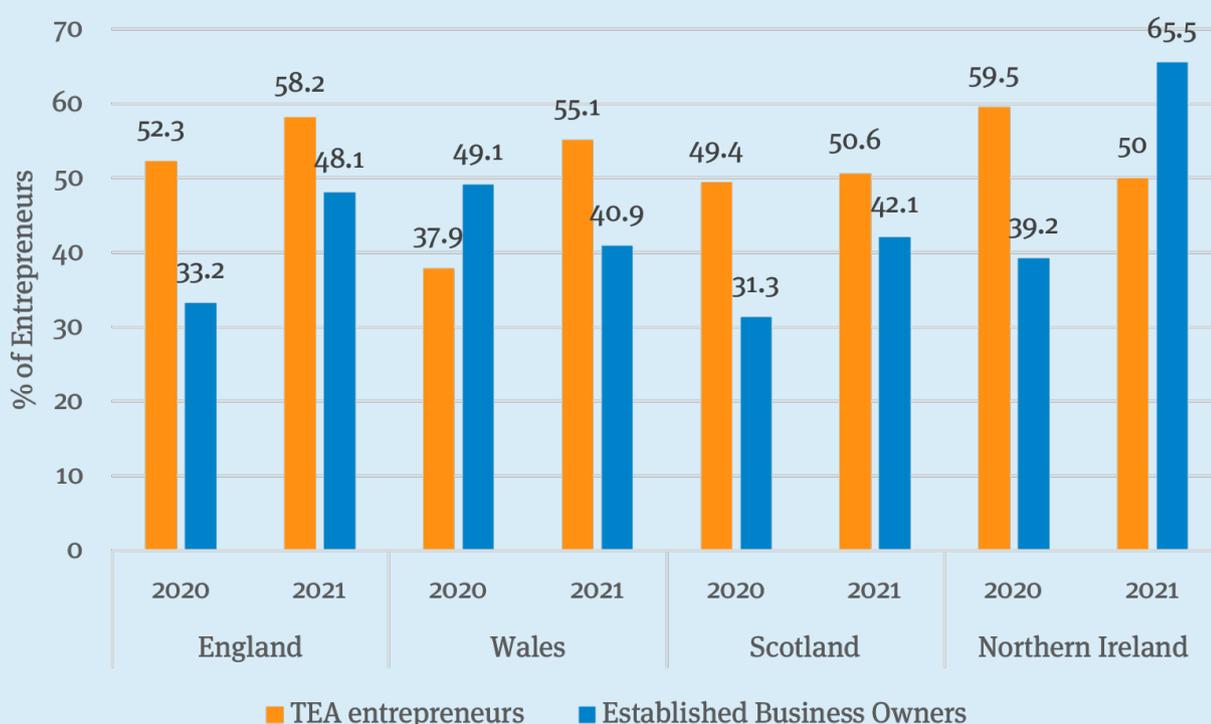


Figure 5.1: Incidence of perception of plausible new opportunities due to the coronavirus pandemic among TEA entrepreneurs (nascent and startup entrepreneurs) and established business owners for 2020 and 2021 (Source: GEM UK APS)

6. Entrepreneurial framework conditions in Scotland

So far, this report has been focusing on the personal motivations and decisions to start a business at the individual level. That decision is however not made in a vacuum but rather taken in a specific context, or entrepreneurial environment, which encompasses a wide range of economic, political, institutional, financial, and social conditions. That context may be supportive - and encourage the decision to become an entrepreneur and further facilitate the progression from a start-up to an established business. By the same token, they could yet prove discouraging and burdensome for some. The context for entrepreneurship also evolves and may be dramatically impacted by national and global events and societal challenges as recent events have shown.

The GEM 2021/22 report⁹ includes a comprehensive globally comparative National Expert Survey (NES). The NES captures the perspectives of over 2,000 relevant experts (a minimum of 36 per country) across the 50 participating countries, about the conditions governing entrepreneurship in their countries. Table 6.1 shows the 13 Entrepreneurial Framework Conditions through which GEM assesses how well each country supports entrepreneurship. To allow both an overall picture and the ability to investigate specific factors granularly, each condition comprises a set of questions whose responses are scored out of ten. An overall score is then generated per condition. In turn, GEM produces its National Entrepreneurial Context Index (NECI) by averaging the scores from these 13 conditions. The UK was ranked 18 on this index in 2021.¹⁰

In 2021, we also conducted an Expert Survey at the home nation level in Scotland and Northern Ireland. This allows us to identify specific factors and conditions that may be unique at that level that could advise enterprise policy in the respective home nations. In 2021, the NECI was 4.98 in Scotland and 4.96 in Northern Ireland compared to 4.94 in the UK, all below the five-point mark suggesting that the entrepreneurial context in Scotland, Northern Ireland, and the UK, in general, is not very strong. As Figure 6.1 shows, Entrepreneurial Framework Conditions in Northern Ireland and Scotland in 2021 followed the same pattern as in the UK

A1. Entrepreneurial Finance

Are there sufficient funds for new startups?

A2. Ease of Access to Entrepreneurial Finance

And are those funds easy to access?

B1. Government Policy: Support and Relevance

Do they promote and support startups?

B2. Government Policy: Taxes and Bureaucracy

Or are new businesses burdened?

C. Government Entrepreneurial Programs

Are quality support programs available?

D1. Entrepreneurial Education at School

Do schools introduce entrepreneurship ideas?

D2. Entrepreneurial Education Post-School

Do colleges offer courses in starting a business?

E. Research and Development Transfers

Can research be translated into new businesses?

F. Commercial and Professional Infrastructure

Are these sufficient and affordable?

G1. Ease of Entry: Market Dynamics

Are markets free, open and growing?

G2. Ease of Entry: Burdens and Regulation

Do regulations encourage or restrict entry?

H. Physical Infrastructure

Is this sufficient and affordable?

I. Social and Cultural Norms

Does culture encourage and celebrate entrepreneurship?

Table 6.1: Entrepreneurship Framework Conditions (EFCs) (Source : GEM (Global Entrepreneurship Monitor) (2022), p. 86)

punctured by some differences. Thus, government support policies, easiness to get funding, R&D transfer, and government entrepreneurship programs scored higher in both nations compared to the UK. In contrast, the EFCs scores indicate less favourable conditions in Northern Ireland and Scotland than in the UK overall

9 GEM (Global Entrepreneurship Monitor) (2022). Global Entrepreneurship Monitor 2021/2022 Global Report: Opportunity Amid Disruption. London: GEM.

10 Source: <https://www.weforum.org/agenda/2022/04/new-research-reveals-best-countries-entrepreneurs/>

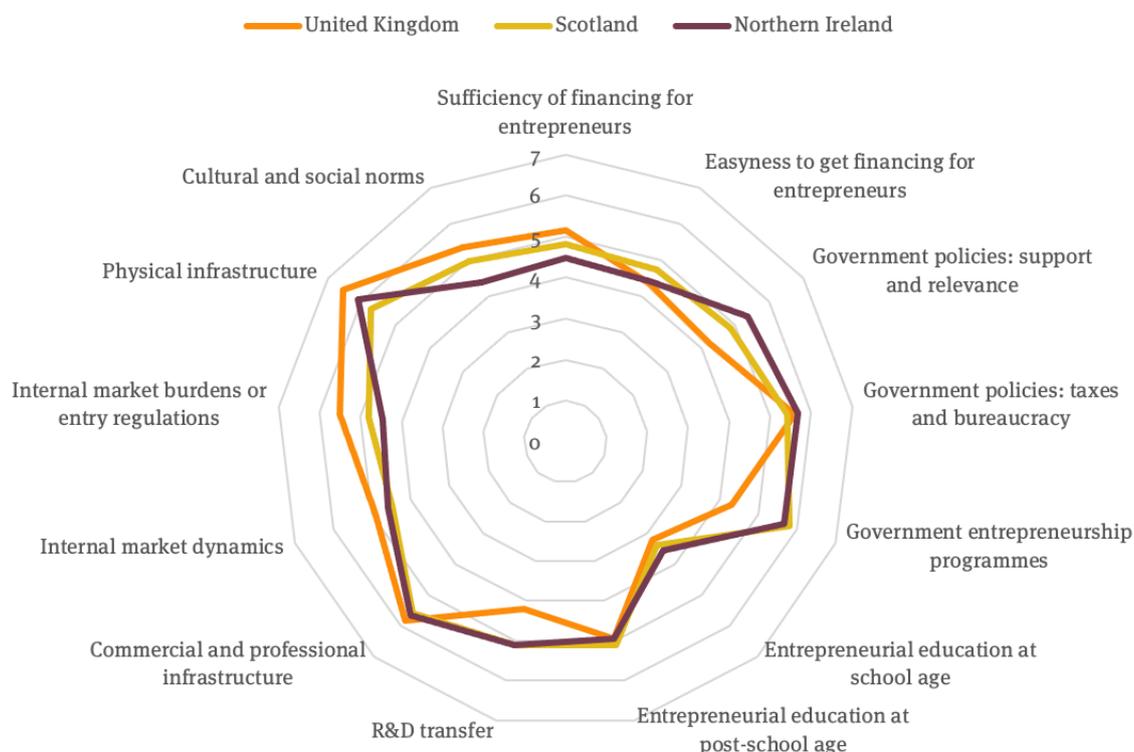


Figure 6.1: EFCs in Scotland and Northern Ireland compared to the UK in 2021

(Source: GEM Scotland NES 2021, GEM NI NES 2021, GEM UK NES 2021)

when it comes to sufficiency of entrepreneurial finance, cultural and social norms, physical infrastructure, and internal market burdens. However, only the difference in government entrepreneurship programmes was statistically significant, suggesting that Scotland and Northern Ireland are deemed by experts to offer substantively better support in this regard relative to the UK as a whole.

Figure 6.2 presents the scores for Scotland identifying performance in each EFC more clearly. Of the 13 conditions, seven scores are below five and this highlights key areas of relative underperformance in Scotland. While post-school enterprise education scored well, entrepreneurial education at the school-age was a major concern highlighted by respondent experts. This is not an issue that is unique to Scotland¹¹ but is clearly one that has important implications for the cultivation of future entrepreneurial potential that Scotland will look to in the years to come.

Another key theme surrounds enterprise finance, both in terms of sufficiency and ease of access. Formal Venture Capital funding and IPOs were identified as areas of significant weakness in Scotland with availability and accessing bank financing also

highlighted as a matter of concern in Scotland. However, business angels stood out as a strong area for Scotland with the availability of government subsidies and grants also well acknowledged by our respondent experts. Modern alternative financing, such as crowdfunding is gaining traction in Scotland but only moderately so and respondents also felt that entrepreneurs in Scotland do not have sufficient personal or informal (family and friends) resources to draw on, which necessitates the need to strengthen external sources of enterprise finance for entrepreneurs in Scotland.

On matters of government policy, while the speed of registration is appreciated, other issues such as legislation, regulation, licensing, public procurement, and general government bureaucracy return middling scores suggesting these are deemed to somewhat disfavor new and growing firms. Public procurement and local government matters are especially key areas of concern in Scotland. Also, while respondents are generally positive that there is an adequate number of government programmes for new and growing firms, they are only modestly content with their effectiveness, relevance, and ease of access.

¹¹ Source: <https://www.weforum.org/agenda/2022/04/new-research-reveals-best-countries-entrepreneurs/>

While the presence and support provided by business incubators scores well, access to and ability to afford new technology and support services is relatively weaker, with adequate government support for new and growing firms deficient in this regard with an average score of 3.75 out of 10. This is despite the presence of a world-class science and technology base in Scotland, a robust technology commercialization infrastructure, and a good supply of subcontractors, suppliers, and consultants to support new and growing firms (all scoring six and above).

There are concerns further that both consumer and business-to-business markets can change dramatically from year to year and that the cost of market entry can be prohibitive for many new and growing firms. Physical infrastructure as well as access to office and production space, utilities, and good internet score well although affordability is a challenge.

The issue of culture and social norms in Scotland and how this supports entrepreneurship is seemingly a complex one with some tensions. The experts' survey suggests that while creativity and innovativeness are fairly celebrated, entrepreneurial risk-taking is rather less encouraged. Scottish national culture is also deemed to be moderately supportive of individual success achieved through own personal efforts (5.4/10). However, on the question of whether national culture does "emphasize the responsibility that the individual (rather than the collective) has in managing his or her own life" or "self-sufficiency, autonomy and personal initiative", average scores for Scotland in 2021 were below 5/10.

In 2021, as in 2020, the entrepreneurial environment was greatly influenced by the coronavirus pandemic. Crucially, in 2020, it became clear that the coronavirus pandemic created not only hardships but also opportunities. Thus, as governments across the world sought to alleviate a decline in start-up activity and the demise of established businesses, there were also efforts to boost more innovative, sustainable, and responsible business practices. Digital transformation is often considered one of the enablers of innovation helping new and established businesses seize new opportunities arising in the digital era. To take these factors into account, in 2021, the NES introduced additional questions. These were used to assess the effectiveness of government measures to avoid a significant decline in the number of new and growing firms and understand support for digitalization during the pandemic. Furthermore, two additional constructs captured: 1) the rise of the gig economy as a start-up driver and a new business model for many due to the

pandemic, and 2) the prioritization of environmental protection by businesses and governments' impulse of the green agenda. In addition, NES 2021 introduced a new construct to assess support for women entrepreneurs (Table 6.2).

CV1. Progress and support of digitalization and teleworking

Can firms afford the cost of digitalisation? Are firms promoting teleworking? Are there sufficient support for digitalisation?

CV2. Rise of gig economy as a start-up driver and business model

Is gig economy an important start-up driver? Are firms adopting gig-based models?

CV3. Prioritisation of environmental protection

Are firms prioritising environmental protection? Are governments accelerating green agenda?

CV4. Government mitigation of decline of new firms

Were government measures effective?

P. Support for women entrepreneurs

Are there sufficient support services for women entrepreneurs available? Does culture encourage women entrepreneurs? Are regulations favourable? Is access to financing equally granted?

Table 6.2: Special topics (Source: GEM (Global Entrepreneurship Monitor) (2022))

Figure 6.3 presents the 2021 scores for Scotland on these framework conditions. Female entrepreneurship in Scotland has been an important policy issue warranting more attention. With a score of below 5/10, our expert survey as well as findings from the Adult Population Survey (APS) discussed previously underscore this. Particularly, regulatory burdens appear to unduly disfavour female entrepreneurs, and the lack of sufficient and affordable family support services such as care for children and the elderly score rather weakly. National culture is not found to encourage female entrepreneurship to the same levels as males and there is a sense that gender inequities remain in public procurement opportunities, access to financing, and work-life balance despite increased teleworking.

Overall, government efforts to mitigate declines in start-up activity only got a tepid score but experts observed that measures taken in the first 12 months of the pandemic to safeguard new and growing firms and associated jobs were laudable with an above average score of 5.6/10. Similarly, along expected lines, experts

see the progress towards digitisation and gig economy business models to have had moderate success during the pandemic.

Nevertheless, our expert survey suggests that as a result of the pandemic, and perhaps as part of the legacy of COP26, the government is seen to be

taking effective measures to promote sustainability and environmental awareness among all firms. There are also encouraging, albeit thus far only modest, indications from our experts survey that there are increasingly a greater number of new and growing firms that are now prioritizing protecting the environment above growth and profitability.

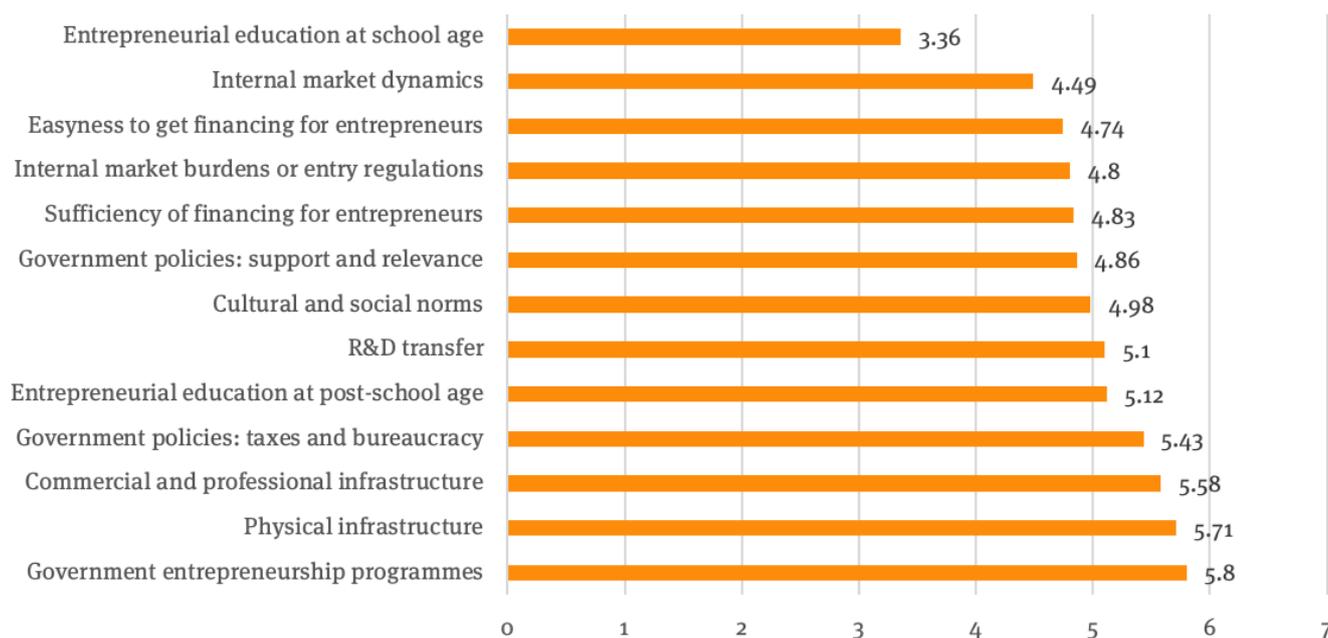


Figure 6.2. Entrepreneurial Framework Conditions in Scotland in 2021
(Source: GEM National Expert Survey (NES) 2021)

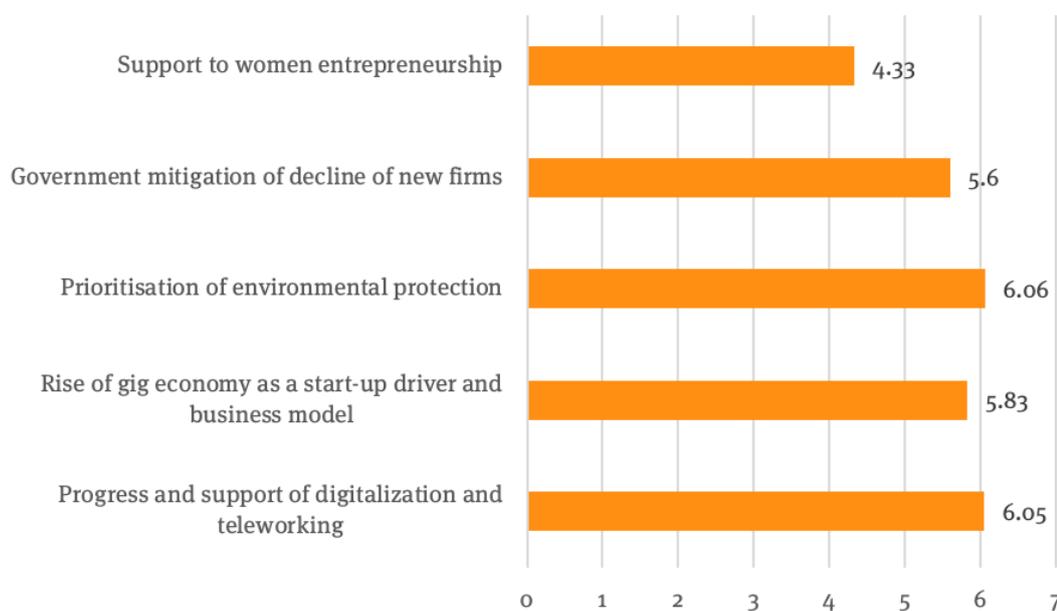


Figure 6.3. Entrepreneurial Framework Conditions in Scotland on women entrepreneurship, green entrepreneurship, digitization, pandemic response, and gig-economy in 2021
(Source: GEM National Expert Survey (NES) 2021)

7. Conclusions

It is well established that the creation of new ventures contributes to economic performance through increased competition, innovation, productivity, and job creation, among others. Levels of entrepreneurial activity are therefore an important sign of the health and vitality of any economy.

In 2020, while other home nations experienced a major slump, the TEA rate for Scotland held steady in the face of the pandemic, highlighting a relatively strong degree of resilience and entrepreneurial adaptation to the crisis. Scotland's TEA rate has historically often been below that of England and the UK average. The steady TEA rate during the pandemic, while others experienced a decline, therefore, led to something of convergence amongst the home nations in 2020. As the initial pandemic shock waned, 2021 provided an opportunity to assess developments in entrepreneurial activity levels and how they could be contributing to the rebuilding effort. This report finds that Scotland has not built on her strong 2020 position and there is something of a leaky pipeline along the entrepreneurial life cycle that will need to be fixed.

In 2021, Scotland only registered a nominal uptick in total early-stage entrepreneurial activity. Further, there was a slight decline in the rate of established business owners in the population such that at 4.9%, this is the lowest EBO rate among the home nations and two points below the UK average. In contrast, the rest of the UK experienced greater recoveries in TEA (three to four percentage points) and relatively lower declines in EBO. Still, in 2021, it is laudable that TEA rates were more or less even across Scottish regions and that almost half a million people in Scotland were engaged in independent entrepreneurial activity in Scotland. This included around 320,000 in early-stage enterprise comprising 130,000 women and 60,000 young adults (18–24-year-olds).

There is a need, nevertheless, to revitalize entrepreneurial activity in Scotland to be able to not just hold steady but to build on such solid figures and forge ahead emphatically with greater participation rates, especially within underrepresented sections of society that appear to have struggled a bit with the rebuild amidst the pandemic. Indeed, experts surveyed in this study were of the view that government efforts to support female entrepreneurship in the face of the pandemic were especially under par with support in other areas of enterprise also merely modest. Success

was however recognized more when it comes to policy measures promoting sustainability and environmental awareness and its links to increasing entrepreneurial activity in Scotland. Some best policy practices can thus be drawn there and the legacy of COP26 must be fruitfully sustained and built on.

This report also demonstrates that entrepreneurship is generally held in high regard in Scotland with more than seven in ten non-entrepreneurial adults indicating that starting a business is considered a good career choice. Indeed, more than four in ten non-entrepreneurial adults perceive good start-up opportunities in Scotland in the next six months. There are significant gaps though in the confidence that these Scots have in their own abilities to undertake entrepreneurship. Almost two-thirds of those that perceive good start-up opportunities indicate that the fear of failure would stop them from going ahead and starting up a new business. In the end, only about 16% of non-entrepreneurial adults expect to actually set up a start-up over the next three years, the lowest rate among the home nations.

The pipeline is clearly a little leaky here with entrepreneurial potential not materializing into starting-up. Therefore, more needs to be done to build on the high regard people have for entrepreneurship in Scotland to instil confidence, self-efficacy, and substantive entrepreneurial skills to inspire people to actually go ahead and engage in early-stage entrepreneurial activity and onwards. This must start with entrepreneurial education in the formative school-age years which this report finds to be a key area of weakness in Scotland.

Scotland must, however, do more than just seek to increase participation rates. Motivations to engage in entrepreneurship also matter. For example, it is certainly important to recognize that female activity rates have improved, thanks to much ongoing support in this area led by NatWest and the Rose Review. Yet this has only been marginal and considerable gender disparity remains at varying levels across Scottish regions. Further, three-quarters of female early-stage entrepreneurs elect to engage in entrepreneurship in part “to earn a living because jobs are scarce” – a factor cited by far fewer male TEA entrepreneurs at 57%. This must be highlighted as a matter of lingering concern with wider implications for economic and labour market policy.



Indeed, for entrepreneurship to make substantive and substantial contributions to the wider Scottish economy, efforts to fix the leaky pipeline must extend to growth expectations, and therefore the pursuit of growth and achieving growth, are areas that require to improve. In 2021, only about 10% of both early-stage entrepreneurs and established business owners expected to create more than ten jobs and grow employment by more than 50% in the next five years. This is below the UK average, thereby indicating that compared to elsewhere in the UK, there are proportionately fewer entrepreneurs in Scotland that expect to make substantive growth contributions to the economy.

Experts highlighted relatively unstable markets, prohibitive market entry costs, and affordability of key infrastructural resources as areas that hinder new and growing firms in Scotland. Further, government organs in Scotland, including local governments, could do more to directly support new and growing firms through their own public procurement policies which is presently an area of weakness. More generally, entrepreneurship support programmes in Scotland, while presently abundant, require to be more effective, relevant, and easily and inclusively accessible.

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.

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