

# BUSINESS START-UP SUPPORT IN NORTHERN IRELAND; A CRITICAL REVIEW AND FUTURE PERSPECTIVES

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**FSB Joint Report with Ulster University Business School**

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# 1 FOREWORD

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Northern Ireland has produced great entrepreneurs who have gone on to develop globally significant innovations and build world class businesses. In engineering, the arts, medicine, technology and beyond, Northern Ireland has much of which to be justifiably proud. Inspirational figures have created employment, wealth and reputation, bringing the benefit of their vision and drive to the whole economy. Our entrepreneurial successes prove that it can be done - but we need to ask ourselves if society responded sufficiently to stimulate an entrepreneurial orientation as a cherished quality. We need to determine whether we have done enough to help make entrepreneurship an attractive career option for our young people, and *then* if we have done enough to support the creation and success of new businesses - alongside the growth of existing businesses, by those who have already made that choice.

Regrettably, in Northern Ireland, those who walk this path remain relatively few in number and, as a result, our business base is much less than it needs to be. Unless we do much more to stimulate entrepreneurship and provide a more supportive response, we will not see the growth that is required to deliver the transformative effects provided by a burgeoning economy. To achieve this there needs to be a conducive environment where starting and growing a business is seen as a more realistic career. It has been an ambition of numerous government Ministers, their Departments and agencies over many decades, with vast sums poured into schemes and initiatives, to try to inspire and foster the entrepreneurial spirit.

Over that time, recessions have ravaged the economy, to be followed by the inevitable booms – ebbing and flowing within disappointingly limited parameters in which the size of the private sector remains small. Other economies have faced the same recessions but have responded differently, thriving in the face of adversity. In other countries, cultural and systemic enablers exist that not only allow entrepreneurs to flourish, but also help create a climate that encourages people to prioritise starting and running their own business.

No one ever launches a big business - they all begin as tiny start-ups which, given the right conditions, can go on to become titans. Many of today's global giants began in garages – Amazon, Apple, Disney, Google - all saw their creators emerging from the most humble of circumstances, whilst the Martin-Baker Aircraft Company, whose pioneering ejection seat has now saved over 7,600 lives, had its origins in the barns of a Co Down farm. The key ingredient was that, in each case, they established their ventures in a climate where taking risk and, indeed, experiencing failure are the norm, and where ambition is lauded; and where there is a greater value placed on building it at home than on buying it in from abroad – indigenous growth versus foreign investment.

The Federation of Small Businesses has viewed this problem – both the subdued entrepreneurial appetite and the public sector efforts to foster it - with increasing concern, as has the Ulster University Business School. Collectively, the two organisations recognised that the traditionally negative attitude to business failure, alongside the apparent lack of a genuinely supportive and responsive environment in which to start new enterprises, may be contributing to an unambitious ecosystem in which entrepreneurs are less likely to emerge, let alone succeed.

That collective sense - that Northern Ireland hasn't effectively matched its growth ambition with action or results - stimulated considerable debate within FSB and UUBS and led to the commissioning of this report into Northern Ireland's business start-up support and associated outcomes.

In order to work out how best to achieve the growth ambition, we need to consider current delivery and performance measurement so that consideration can be given to how future performance might be better directed and supported. The report also looks at the way measurement has been applied in the past, considers start-up interventions, the scale of ambition, and the metrics used to verify performance, and assesses whether all of that combined had delivered the substantial growth required to sustain and grow our economy.

Beyond the need to see many more businesses starting, there is an additional need to consider their longer-term survival and growth, which can be enhanced by giving them a properly supportive environment in which to establish themselves. The sense that the situation was already precarious was identified pre-COVID and before the end of the Transition Period, both of which have since visited destruction on many businesses. FSB and the Ulster University Business School believe there is a need to see the situation greatly improve from the status quo and, doubly so, to repair the damage done in recent months by these two huge external forces.

Many businesses will have failed already, and more will meet their demise in coming months, as they are subject to extraordinary forces utterly beyond their control. Enforced closures brought about by government action to address the pandemic, and suffocating bureaucracy arising from the operation of the new post-Brexit arrangements should, in no sense, be viewed and weighed as anything other than factors totally beyond the control of the business. Indeed, the knowledge gained from the process of failure should be regarded as an asset in getting these entrepreneurs back into a new business. That would be the natural response in a more entrepreneurial society - it needs to become embedded in the culture and fabric of Northern Ireland, so this Report is timely in mapping the start-up environment into which these entrepreneurs will be emerging.

**Tina McKenzie**  
FSB NI Policy Chair

**Prof Mark Durkin**  
Executive Dean, UU Business School

## 2 INTRODUCTION

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As many businesses grapple for survival and stability in the context of Brexit or COVID-19, some are fortunate to thrive. It is said that the mark of an entrepreneur is to adapt and find another way in times of difficulty, and never have we seen the small business owner tested more. Where the challenge presents opportunity for some, others are not so fortunate – but we also have an opportunity to learn from their experience and a responsibility to help people start over once more. Given the progress in our global vaccination programme, we now know there is a rough path to stability. Of course, some of our longstanding challenges will remain – and so, taking inspiration from our self-employed and small businesses, we must engage our entrepreneurial spirit to adapt and to find another way.

Against that backdrop, this report is prompted by a long-held, historical concern within the Federation of Small Businesses (FSB) and the Ulster University Business School (UUBS), that Northern Ireland's performance, in terms of the rate of business start-ups, has been consistently less than what it could, or indeed *should* be. This is in both relative and absolute terms, over many decades relative to other regions in the UK, and despite a plethora of institutional interventions through various organisations and programmes.

Aside from highlighting our gains or suggesting improvements, this report is an acknowledgement that an increase in businesses start-ups cannot be viewed in isolation by tasking one person, programme or department. Ultimately, it aims to stimulate further discussion by making a case for us to harness our societal and cultural norms as a way of addressing the underperforming level of business start-ups – by inspiring a new wave of entrepreneurship across all generations, where people are unafraid to try and to risk failure, along a path to success.

Important to note throughout this report is the context or labelling of 'failure' and how it may be applied in different ways:

- a. To something which goes wrong because of poor planning or preparation – this is not helpful and should be rightly be denounced or censured.
- b. To something which is found not to work when the only practical way to proceed is by careful experimentation i.e. trial and error. This is merely good innovation practice and should be encouraged.

Perhaps, because of a subconscious belief in determinism, it might be that we tend to think all failures are of the first sort – and so we denigrate them. But neither should we applaud all failures - instead we need to distinguish between them, and encourage one sort over the other.

### 3 SKETCHING OUT THE PROBLEM

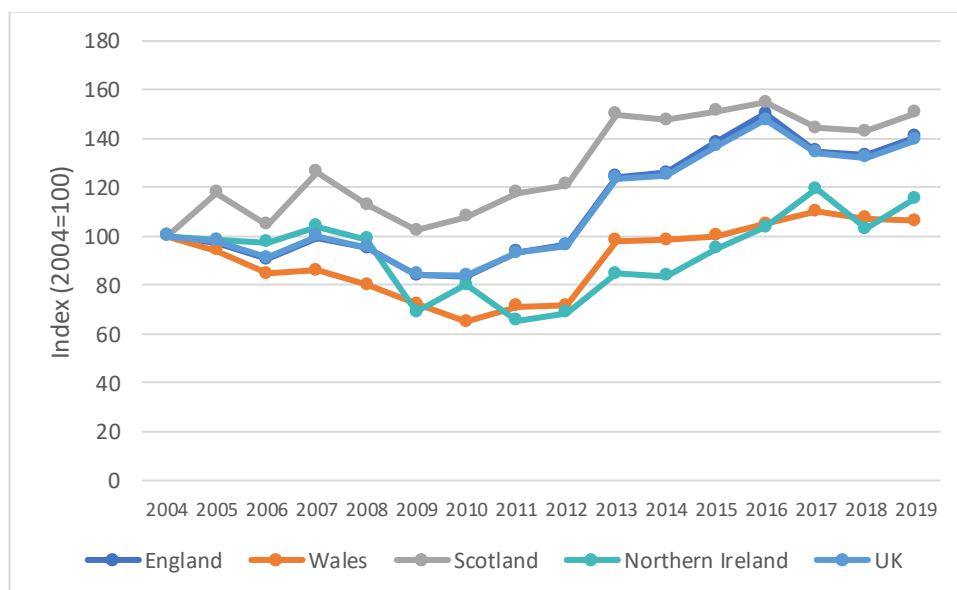
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This summary report explores some of the key threads analysed in greater depth across the main report. For the purpose of the report and benefit of the reader, a business is defined as a non-agriculture private sector business registered for either PAYE or VAT. Furthermore, given the longstanding structural history on this subject, we have chosen to use statistics up until directly *prior* to the COVID-19 Pandemic rather than those published since.

Such statistics show there were 6,625 new enterprises – or businesses - created in Northern Ireland during 2019. The rate of business creation has been increasing since 2011-12, when Northern Ireland was in a recovery period from the previous recession. Using 2004 as a base year - when comparable data first became available - **the overall increase in new Northern Ireland businesses created is 16%.**

However, while this increase in new businesses created can be seen within the context of a **6% increase in Wales, there were increases of 41% in England and 51% in Scotland between 2004 and 2019.** Therefore, some may argue that the performance in Northern Ireland is poor despite significant financial investment and a range of programmes, organisations and policy statements - each developed to provide support with the explicit ambition of increasing the relative rate of start-ups.

This rate has been relatively static since 2014. **If Northern Ireland had matched the overall UK rate and increased its business births by 39% between 2004 and 2019, then it would have needed 7,965 births in 2019 - an additional 1,300 in that year.**<sup>1</sup>



<sup>1</sup> Please refer to Appendix D in the full report for details of significant performance measures



## Index of New Enterprise Creation 2004-19 (Business Demography, ONS)

Furthermore, if we restrict business start-up analysis to UK-owned employer businesses i.e. those with at least one employee at the time of the business birth, then we get more of a sense of domestic business creation compared to the overall figure, which also includes Foreign Direct Investment (FDI). When we take both of those measures into account, what emerges is that Northern Ireland creates only half as many UK-owned new employer businesses compared with the UK overall – measured as business births per 10,000 population.

### 3.1 Digging deeper

The importance of small businesses in economic development was recognised in the UK in 1969 by Bolton, and in the US in 1979 by Birch. **Evidence of enterprise policy exists in Northern Ireland since at least 1971**, with the creation of the Local Enterprise Development Unit (LEDU) - a government agency to assist small businesses.

**Since the 1980s, many governments around the world have viewed small businesses as an essential part of a thriving economy. In particular, they have viewed the launch of new small businesses as a key source of new employment.** An early expression of this in Northern Ireland was in 1990 when, following its *Pathfinder* initiative, the then Department of Economic Development (DED) published *Competing in the 1990s: The Key to Growth*, in which the authors stated:

*“A key force in any economy is the entrepreneur who can create and develop a business and who can identify and exploit market opportunities.... the aim of the Government’s approach in this area is directed at those who wish to start up new businesses.... Research suggests that the key role for the Government is to remove a number of constraints which may hold back growth in the supply of entrepreneurs.”*

Since then, although the name of the Department responsible for economic development has changed more than once, its enterprise objectives have remained constant. For example, in 2002 a new agency was created - Invest Northern Ireland (Invest NI) – which in the following year launched its *Accelerating Entrepreneurship* Strategy. In introducing the strategy, Invest NI noted that **Northern Ireland had one of the lowest rates of VAT registrations in the UK - 28 registrations per 10,000 resident adults, compared to 37 for the UK as a whole.**

Invest NI’s vision for the new *Accelerating Entrepreneurship* strategy was ‘to make Northern Ireland an exemplar location for starting and growing a successful business’. The realisation of the *Accelerating Entrepreneurship Strategy*, it said, ‘will be an increase in the level of entrepreneurial activity and a new increase in the volume and value of new business ventures to the Northern Ireland economy’.

‘Economy 2030’ is the Northern Ireland Executive’s proposed long-term ‘industrial strategy’. In draft form since 2017, it presented a long-term vision for Northern Ireland as a ‘globally

competitive economy that works for everyone', identifying as of '*paramount importance*' the need for a '*strategy and infrastructure to encourage and grow small business units effectively*'.

In its current strategy for 2017-2021, Invest NI repeats its commitment to entrepreneurship, with the additional dimension of developing a strong, supportive '*ecosystem*' – reaffirming earlier commitments to make Northern Ireland the best region in which to start and grow a business. For this aspiration to become reality, Invest NI notes:

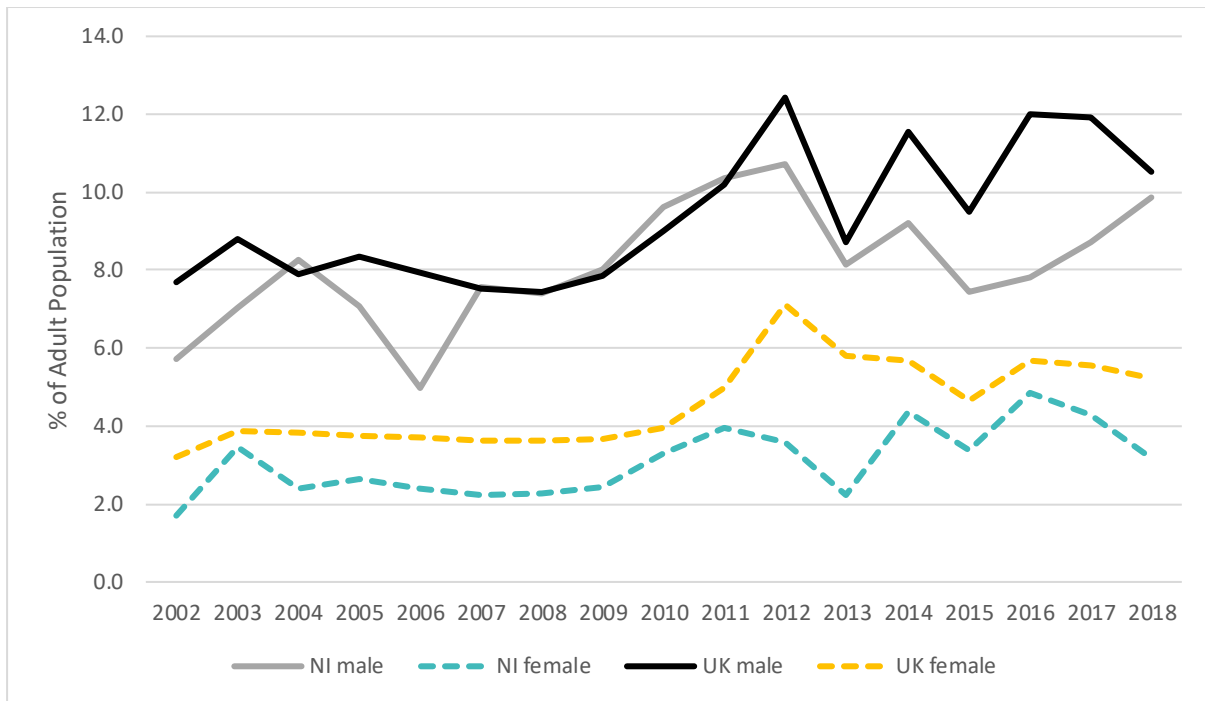
*'We are developing a comprehensive Entrepreneurship Action Plan, which will see Invest NI be a champion for entrepreneurship around which all of the various stakeholders can coalesce. This will provide a strong ecosystem in which businesses can start and grow.'*

### 3.2 Performance indicators

However, key performance indicators further outlined in Appendix D of the full report raise questions about the efficacy of current endeavours. For example, 'total early-stage entrepreneurship activity' (TEA) is defined as percentage of our 18 - 64 population who are either an emerging entrepreneur or 'owner-manager' of a new business. The Global Entrepreneurship Monitor (GEM) outlines how Northern Ireland has almost doubled its rate from 3.7% to 6.6% between 2002 and 2019. However, the NI rate has remained low relative to the UK average, which saw TEA rising from 5.4% to 9.9% within the same period.

'Opportunity Perception' is the extent to which people perceive likely potential for entrepreneurial activity. Statistically, this has been significantly higher in England than Northern Ireland, with 31% perceiving good start-up opportunities in NI compared to 40% in England.

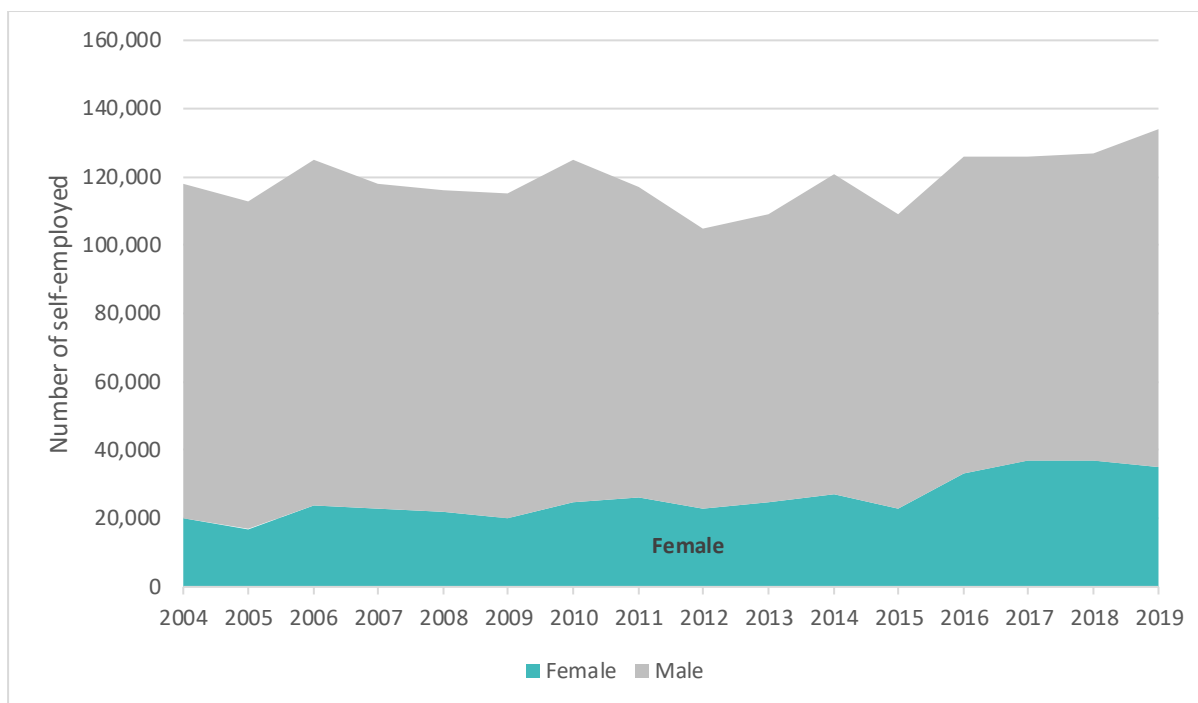
In addition, and of significance, entrepreneurial activity is typically lower for women than men, **with** female rates of engagement particularly low, typically at around a third of male rates.



**Total Early-Stage Entrepreneurial Activity as % of population 2002-19**

This is despite a vast recognition, including by HM Treasury in 2019, that more effective policy development to engage and support females in New Business Ventures (NBV) at levels commensurate with their male counterparts, had the potential to add £120 billion to the UK economy. Persistent calls over decades have encouraged more women to engage in business (Rose 2020). Yet, there remains a need for clearer insights to, and specific commitments for, addressing the expectations of women as the issue of potential new business starts is widely unaddressed.

Reflecting this, perhaps, the 'Self-employed' constituency in Northern Ireland is male-dominated. Only 35,000, or around a quarter of the total 134,000 self-employed are female, representing an absolute increase of only 17% between 2004 and 2019.



**Number of Male and Female Self-employed in Northern Ireland 2004-19**

Although 6,625 new enterprises were created in Northern Ireland in 2019, figures also show that the net number of new firms, at 860, was lower than in any of the pre-recession years with net new businesses accounting for just 1.3% of active enterprises. This is compared to an average of 4% over 2004-07.

With respect to survival rates, however, Northern Ireland has previously performed relatively well. Between 2002 and 2006, around 70% of new firms in Northern Ireland survived for three years compared to around 65% in the UK. **Since 2010, survival rates across the UK have converged downwards and in 2015, Northern Ireland's rate of 57% was comparable to the UK and other devolved regions.**

Linked to business survival is growth and scaling. Along with the absolute measures of business start-up, growth of new businesses is regarded as an important measure by way of value creation aspects in entrepreneurship.<sup>2</sup> Using a measure of 'ambition', often quoted by entrepreneurs (ERC, 2019), research demonstrates the share of surviving firms over a three-year period that reach £1m in turnover by year three - having started with a turnover less than £500k. **Northern Ireland firms consistently performed more strongly in this measure when compared to all other UK regions, with around 2.7% of new surviving businesses reaching this threshold - the UK average is around 2%<sup>3</sup>.**

The number of High Growth Firms over the period from 1998, defined as either employment-driven, or employment and turnover-driven, has remained relatively constant in comparison

<sup>2</sup> Readers should be mindful of the need to support business 'success' in whatever particular form this might come, rather than focus on 'growth' as exclusively superior.

<sup>3</sup> Note that this relates to a relatively small number of firms with approximately 3,000 UK-owned firms in the UK and 60 in Northern Ireland meeting this criteria.

- each fluctuating at around 200 in Northern Ireland. However, the share of High Growth Firms as a proportion of all surviving firms in the period with 10+ employees, shows an overall drop from around 20% of the total in 1998-01 to 14% in 2016/19. The share of employment-related High Growth Firms, including those with employment *and* turnover growth - who are considered to contribute most to job generation - has also declined, with their contribution more than halving from 9% in 1998/01 to 4% in 2016/19.

It would therefore appear that while the prospects for survival and growth, including high growth, offer possibilities, policies designed to improve Northern Ireland's relative start-up performance, vis-a-vis the wider UK average, have in fact had relatively little impact for over the 30+ years of relevant policy.

### 3.3 Go for it

In Northern Ireland, regulations that ease barriers - particularly the costs of starting a business such as including fiscal or taxation provisions - have been equal to the rest of the UK during the period in question. Similar support has been available based on the provision of extensive and indeed, when compared to other places, *enviable* start-up assistance. Provision includes direct and indirect help with grants or finance, premises, training and more recently, the production of a 'business plan'. The aim of this support is to make business start-up easier for an individual and to reduce the risks involved, thus encouraging more individuals to go for it.

Since Local Government Reform in 2015, councils are seen as best placed in driving efforts to increase these business start-up rates at a local level because they now have responsibility for local economic development and community planning. A key facet in delivering these responsibilities is the 'Go for It' programme. The specific focus of this programme is *'to provide free mentoring to enable new businesses to complete a business plan with the support and expertise provided by a network of experienced business advisors'*.

This support sits within the Invest NI *Entrepreneurship Action Plan* as the NI Business Start-Up Programme (NIBSUP) - formerly managed by Invest NI itself and branded 'Go For it'. While Invest NI retains oversight and the programme is a responsibility of local councils, it is delivered under contract by the Local Enterprise Agencies (LEAs). A number of specific key aims are identified for the programme, including an increase of the overall number of business start-ups and new jobs per annum, reducing the perception of risk in business start-up, and enabling entrepreneurs to develop a *'credible and high quality business plan'*.

An internal review of NIBSUP carried out for the period 2017-2019, concluded that the programme had achieved its key aims in this period and was 'value for money'.<sup>4</sup> However, as aforementioned, research shows that the number of start-ups in Northern Ireland fell between 2017 and 2019 from a high of 6,855 to 6,625 - *despite* the availability of NIBSUP and the many other initiatives. It appears there are questions to be asked relating to the design and delivery of the programme, with respect to the clear emphasis on the development of a business plan as a structure and the key measure of *'success'*.

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<sup>4</sup> The Northern Ireland Business Start-Up Programme Mid-Term Evaluation 2017-2021 – commissioned by Lisburn & Castlereagh City Council.

Indeed, much recent research calls into question the value of writing a business plan, as this can be an overly linear and structured modelling of what is, in reality, a challenging but only potentially fulfilling enterprise for many different reasons. To this end, consideration could first be given to validating the key aims that determine the success of the *Go for it* programme, which recently retendered for a period of at least two years from 2021 to 2023 - but without any substantive change in approach.

Further consideration should also be given to how much the business birth rate is impacted by the economic life cycle, within the context of publicly funded support programmes such as *'Go For It'*.

### 3.4 The ecosystem

The most recent focus of institutional interventions has been on the generation of an 'enterprise ecosystem' designed to further encourage and support individuals in business start-up activity and growth. An underlying assumption to the generation of various interventions, in terms of policies, organisations and programmes appears to be that their subsequent implementation will reduce the barriers apparently holding individuals back – those who would otherwise engage in business start-ups.

In its 2017-2021 strategy document, Invest NI provides a model of an 'Entrepreneurship Ecosystem', identifying programmes and some, but not all, of the many providers in the industry. Research, however, demonstrates that their perspective may be too limited. As is discussed further in this paper, the adoption of a particular focus to encourage individuals to start a business, focusing *only* on institutional interventions, is likely to have, on a consistent basis, a relatively limited impact. This is because it does not take into account the many other elements that form a truly balanced enterprise ecosystem, including the cultural and societal dimensions.

Evidence suggests that policies and methodologies designed and implemented over the past decades to increase the rate of business start-ups, relative to the UK, have been consistently less successful than planned. Despite encouraging headlines, it appears that, while the aspiration to make NI *'the best region in which to start, and grow, a business'* might have been relatively successful, it was the wrong approach - as too few people actually want to do it. Instead, it *should* have been *'to make Northern Ireland the region in which most people want to start and grow a business'*. It is difficult to reach any other conclusion and this raises a number of important questions.

**Firstly, if the policies and methodologies are not actually achieving desired outcomes to increase the rate of business start-ups relative to the UK, then why are they still being pursued, and is this an appropriate response?**

The proven way to innovate successfully is by applying 'trial and error' - but while the narrative across the economic development system seeks to promote 'innovation in business', it does not seem to have applied such thinking to itself. The successful application

of 'trial and error' requires a conscious assessment of trials to identify what isn't working well so that it is examined and improved.

While new people or organisations have emerged and tried to introduce new institutional interventions, what has emerged has been, essentially, 'more of the same' and there have been no radical examinations on past efforts against results. Perhaps it is possible that decision makers are not fully aware of the significance in current policy approaches.

**Secondly - are the policies and methodologies being pursued, alone, up to the challenge - are they adequate and what might alternatives look like?**

Over the years, policies and methodologies have been refined and then re-presented but the rationale, and the reasons for selecting chosen methodologies, have not always been exactly clear – except, perhaps, to some of those policy makers more closely involved in their development.

Take, for example, the focus in recent policy statements, to '*provide a strong ecosystem in which businesses can start and grow*'. An examination of the concept of an enterprise ecosystem will emphasise the need to understand that a particular focus on any one aspect of the system to the exclusion of others, is to make it quite impossible to achieve such an ambition.

The factor limiting individuals' ambitions to engage in business start-ups is not the support provided for those who might want to do it - as stated, current provision in Northern Ireland could be considered the envy of many. **However, any review of the ecosystem concept in the context of Northern Ireland would conclude that what is missing may be the 'cultural dimension'**. And so, despite extensive provision, the cultural dimension may point us further to why, relative to the UK average, too few people here consider business start-up as a viable career choice.

The label 'ecosystem', it seems, is applied to just the 'institutional' support elements that policy finds easiest to provide and measure. The review of NIBSUP and its providers, for example, indicates that as providers they are doing what they are being asked to do. For instance, the *Go for It* campaign and supporting programmes are meeting required targets in terms of business plans prepared, but not necessarily new businesses started. Thus, it would seem that the support prescribed is being delivered, but we then return to the primary question - where are the actual business start-up numbers relative to the UK average?

### **3.5 Social and cultural norms**

Economic momentum, based on enterprise, is a social and cultural phenomenon. Research has demonstrated that *individuals* are strongly influenced by the attitudes of other people, determining and moderating what they do and think, reflecting often long established, recognised and accepted societal and cultural norms. These norms are a critical part of properly understanding any enterprise ecosystem and how it might develop, and one that is too often overlooked.

A view about 'building' an 'ecosystem' that focuses primarily on institutional interventions is therefore limited - as is the idea that an ecosystem can actually be 'built' rather than be allowed and encouraged to evolve. While it is sometimes claimed that research has demonstrated that in Northern Ireland, when it comes to engaging in business start-up or not, fear of failure and a reluctance to take risks are key restraints, this is questionable. For example, it might not be a fear of failure but a lack of confidence and/or of social approval.

Research has further demonstrated time and again, that if unrecognised or ignored, cultural and societal norms can actually be a limiting factor in any ambition, policy or methodology to increase the rate of business start-ups. If properly considered, however, the potential to harness their influence could be substantial in realising those much sought-after higher rates of business start-ups.

During the 1980s in the *Pathfinder initiative*, it was suggested that attention should be given to the potential of 'attitudes' and 'social networks' in determining the likely success of initiatives to support business start-ups and growth. As it turned out the *potential*, inherent in understanding how attitudes might influence an individual's decision within their social group, was not pursued - the potential of social networking as a support component to methodologies supporting business start-ups was later dropped.

The underlying assumption that more people would consider starting a business if they were not held back because they see it as too risky, too hard or too costly dominated thinking on the formation of policy and methodologies to support the ambition for ever higher rates of business start-ups. However, the notion that cultural and social norms might be a drag on that ambition, was, and continues to be little understood or largely ignored here - to the detriment of policies that could increase small business start-up rates relative to the UK overall.

## 4 OVERALL

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This review suggests that, for the last 30 years or more, the rationale behind most enterprise policy in Northern Ireland has endeavoured to encourage business start-up and growth. Furthermore, on the apparent assumption that people will consider starting a business but are dissuaded because it appears to be too risky, too costly or too hard, the policy has been constructed around providing a range of support measures to make it less risky, less costly and generally easier.

The available evidence suggests that, alone, these policies have not worked - not least, because they appear to have had no meaningful effect on the rate of start-ups relative to the UK average over years. Such policies may conform to traditional economic thinking that people act rationally to maximise their benefit, and that starting a business will be beneficial for many people. However, in behavioural economics the relative influence and importance of social pressures and cultural norms in influencing individuals' decisions are now being increasingly recognised for their importance.



The strategic importance of encouraging and supporting the emergence of a robust and comprehensive entrepreneurial ecosystem remains germane. It is now even more acute, with the advent of both Brexit and more recently, COVID-19. These events present challenges and opportunities now and into the future. While uncertainty has evolved around Brexit, we can be certain that businesses are suffering now and may continue to do so in the immediate term.

COVID-19 has had a devastating impact, reinforcing feelings of uncertainty and crises of confidence amongst business owners and of course - those who might be considering starting a business. However, also to be considered will be many who are interested in, and keen to engage on business re-start following failure of their business through no fault of their own – but perhaps solely as a consequence of COVID-19 or Brexit.

Indeed, commentators from the world Economic Forum commenting on the impact of COVID-19 argue for greater collective purpose in the support and encouragement of more entrepreneurship from ‘Governments, businesses, civil society, academia, media, innovators, philanthropists and developmental institutions’<sup>5</sup>. The need for greater concerted and coherent action seems clear.

If policy is to be developed that can really make a difference going forward and increase the prospects of achieving higher levels of business start-ups in years to come, then there is also a need to consider the key role social and cultural influences can play in people’s life choices. If the emergence of an ‘enterprise ecosystem’ within Northern Ireland will allow more and more individuals to engage in business start-up, and growth is to happen in a sustainable way, then the totality of influences should be considered - not just the institutional ones.

## 5 POSSIBLE NEXT STEPS

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With this context in mind, the challenge here is to consider and disaggregate a number of important issues in order to proceed.

- The extent to which policy and programmes serve to achieve the policy objective of increasing start-ups, given, for example, that the focus of *Go for It* is on ‘action’ rather than ‘awareness’ - suggesting that it supports people already *in* business or already *thinking* of starting a business.
- The extent to which the programme(s) supporting people already in business or already thinking of starting one, are sufficiently well designed to attract those who have not yet done so.
- The extent to which programme design reflects the policy objectives of greater collaboration and simplification from the perspective of end-users.

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<sup>5</sup> <https://www.weforum.org/agenda/2020/05/covid-19-is-showing-us-a-new-model-of-entrepreneurship/>

- The extent to which all of the above meets the needs and expectations of women as potential new entrepreneurs.

We propose that there is real value in seeking to develop a *truly* balanced enterprise ecosystem across Northern Ireland - one with more than a single focus on leveraging the institutional supports available with an ambition and that this, in itself, will be enough to increase the rate of business start-ups.

It would be an intermediate to long-term strategy requiring more vision, self-belief, determination, calculated risk-taking as well as strategic leadership. All of these traits are well-recognised behavioural traits and competencies of entrepreneurial people.

If this assertion is to be accepted by policymakers, it would suggest a need for new strategic thinking to ensure more deliberate and even more coordinated action by partners crucially including, and perhaps led by, representatives of the private sector, the community sector, the education sector and finally, government. It would also suggest the need for a critical, root and branch review of Northern Ireland's base potential to develop a truly balanced enterprise ecosystem - including cultural and social aspects alongside institutional support.

It also reiterates the need constantly to research what is working, what isn't working and why - and for the partners, guided by the available intelligence, to have the courage to make necessary changes. A 'coming together' of relevant stakeholders in what could be a business start-up 'Forum' could be charged with responsibility and corresponding authority, to overview the development and implementation of a coordinated strategy that fosters an enterprise ecosystem in Northern Ireland.

Northern Ireland also needs to celebrate entrepreneurial people, in every context, from business start-ups, to those who choose to grow their businesses, to those active in developing social enterprises, right through to entrepreneurial individuals within our health and social care sector, our universities and our communities. We should make a big deal of enterprising and entrepreneurial people in Northern Ireland who challenge the status-quo in markets, technologies, institutions and in society in ways that add value to citizens - including those who start-up businesses. We need to start a revolution in this regard - success in *this* enterprise will, in consequence, bring the business start-up rates we seek.

## **5.1 Finally**

As the reader, are you questioning the efficacy of current policy to stimulate greater levels of business start-ups? Are you persuaded as to the potential of cultural or social influences, combined with policy as a promising avenue to consider going forward? If so, then the FSB and UUBS would encourage you to join with us and other interested groups to discuss and formulate ways in which we could respond to the challenge.

## 6 APPENDED MATERIAL

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The following outline will guide readers to relevant sections of the full report.

**Appendix A - Current Policy Perspectives:** reviewing current policies in support of new business start-up activity, reflecting on the role of Invest Northern Ireland and local government and the development of an entrepreneurship ecosystem.

**Appendix B - Current Programmes and Provider Perspectives:** Current Programmes and Provider Perspectives, providing a critical review of current programmes and the range of support providers. A specific focus is on the Northern Ireland Business Start-Up Programme (NIBSUP) branded *Go for It*, acknowledged as the single largest business start-up intervention in Northern Ireland, funded by Invest NI, Local Government and the EU. Attention is given, for example, to the extent to which a programme of this nature contributes to higher start-up activity as well as the extent to which it is effective as an intervention in terms of supporting those who already have an interest to start a business.

**Appendix C - A Reflection on Policy:** providing a critical reflection on the background to the development of enterprise policy, with respect to Northern Ireland and the assumptions on which much policy is based, particularly with respect to 'growth', 'motivation', 'planning', and 'predictability'. In an annex to Appendix C, a review of policy and practice is provided, which looks at the historical development of the enterprise support agenda. Included in the review is the role of LEDU, the local enterprise unit in the 1970's, 'Pathfinder in the 1980's, the Growth Challenge and Strategy 2010 in the 1990's. Developments in the new century include the impact of local Ministers to Northern Ireland, the launch of Invest NI, the Enterprise Strategy Consultation and the Barnett review through to, in the last decade, a focus on Corporation tax and more consultation targets.

**Appendix D - Measuring Outcomes:** presented is statistical data on key performance matrices including the level of Entrepreneurial Activity, Entrepreneurial Conditions, Self-Employment, Business Start-Up and Survival. Additional measures presented consider SME Growth, Research & Development, Innovation, Patents, Academic Spin-Outs and the contributions of Venture Capital within Northern Ireland.

**Appendix E - Stakeholder Perspectives:** provides insights from a survey, undertaken by UU in June 2020, to seek the views from a range of key stakeholders based on their experiences of business start-up support in Northern Ireland. The research focused on a series of topics including available support, advice and mentoring, support programmes and providers, and existing culture. In addition, a critical business perspective from the Federation of Small Businesses (FSB) Report in 2015 is presented.

**Appendix F - The Ecosystem Analogy:** understanding the eco-system complex is reflecting many complicated interrelationships and most of the components are affected by many of the other components Analogies are often made with natural ecosystem to understand the complexities of those interrelationships. Numerous attempts have been made to 'unpack' this concept and its varied interpretations. The rising interest in Enterprise Ecosystems is

explored in this appendix, while reflections on this naturalistic analogy are provided and the introduction of concept to the field of enterprise is reviewed.

**Appendix G – Social and Cultural Influence:** presented is the case arguing that institutional policy and the cultural dimensions of enterprise development are two critically different but, essentially, complementary dimensions likely to determine levels of success in that effort. That a deficiency or even absence in one cannot be compensated for by improvements in the other is debated. Why Social or cultural influences may be crucial is explored.

**#BackToTheStartUp**

## 7 APPENDIX A - CURRENT POLICY PERSPECTIVE

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### 7.1 A Current Policy Perspective – Invest NI and Local Government

The Draft Programme for Government or Northern Ireland Civil Service outcomes plan contains 14 strategic outcomes which, combined, aim to set a clear direction of travel for Northern Ireland and enable continuous improvement on the essential components of societal wellbeing. The outcomes cover every aspect of government, including the attainment of good health and education, economic success and confident peaceful communities.

The outcomes are supported by 48 indicators which are clear statements for change, from which measures of impact and progress can be derived. A key feature of the Programme is its dependence on collaborative working between organisations and groups, whether in the public, voluntary, or private sectors.

Economy 2030 is the Northern Ireland Executive's long-term industrial strategy. In draft form, it seeks to set a long-term vision for the Northern Ireland economy that combines ambition and inclusivity and contributes to the outcomes set out within the NI Civil Service Outcomes Plan. Its focus is on Northern Ireland's ability to compete on the world stage.

The Economy 2030 vision is *"To be a globally competitive economy that works for everyone"*. The target is to move Northern Ireland to becoming a top three performing small economy in the world.

New Decade New Approach (NDNA) commits the NI Executive through 'Investing for the Future' to ensure Northern Ireland is equipped to harness opportunities and drive sustainable productivity, including opportunities for future trade as Northern Ireland leaves the EU. A stated top priority is the need to develop a regionally-balanced economy with opportunities for all.

New Decade New Approach places great emphasis on outcomes and the need for an ambitious strategic vision for the future, with the aim of improving lives across Northern Ireland. Central to this is a commitment to tackling disadvantage and driving economic growth on the basis of objective need. In addition, to objective need, New Decade New Approach commits to maximising impact and delivery of best value for money (encompassing all costs and benefits).

Recognising that this will likely require new ways of working in paragraph 4.6.9 of NDNA the Executive states that:

'Existing programmes and priorities will be continuously evaluated to identify their impact on outcomes. Those which are no longer relevant or which are not delivering the desired results will be amended or stopped.'

In addition, the Executive recognises that achieving real change requires a need to focus on long term interventions in order to address economic and societal challenges that have themselves existed over decades.

With 97% of all enterprises in Northern Ireland indigenous, and 90% of these employing less than 10 people, a strategy and infrastructure to encourage and grow small business units effectively is of paramount importance.

## **7.2 Invest Northern Ireland Strategy 2017 – 2021**

Within this strategy Invest NI seeks to prioritise its resources to those businesses with the greatest potential for growth and export.

‘Our core support will focus on those small and medium sized enterprises (SME’s) and large companies with the greatest ambition and potential to contribute to economic prosperity in Northern Ireland. It is with these companies that we will have a one-to-one account managed relationship.’

The priority for Invest NI being on High Potential Start-Up’s, Pre-Scaling and Scaling companies with a focus on identified sectors and niches with the most potential for growth. For these businesses they have developed an account management model enabling one to one support.

In supporting the wider business base Invest NI has adopted a Regional Growth Model in which they provide ‘both ‘volume’ solutions to stimulate awareness and ambition, and ‘value’ solutions to deliver the maximum benefit to all of our economy.’

For those businesses with whom Invest NI does not have a direct relationship they committed to:

‘provide wider and more coherent support, through simplified and improved self-serve web-based delivery and one-to-many engagement. This enhanced digital approach will be supplemented by advisory and signposting services we provide directly and with greater collaboration and alignment with partners to ensure a seamless journey for all our customers across the full spectrum of support.’

This drive toward greater collaboration and alignment within the support structures for business including business start-up is further reinforced. Throughout the strategy there is reference to the intention to promote a collaborative approach to business support including the following quotations taken from the strategy document:

‘Be a catalyst for sustainable regional growth and support our economic statutory partners, business and sector organisations, the private sector and communities to grow their local economies and enhance the lives of those living in their area.’

‘Forge new relationships, deepen existing ones and work in much closer collaboration with all our partners regionally, nationally and globally to deliver against our remit in the most efficient and effective way.’

‘Be a champion for entrepreneurship around which all of the various stakeholders can coalesce to provide a strong ecosystem in which businesses across Northern Ireland can start and grow.’

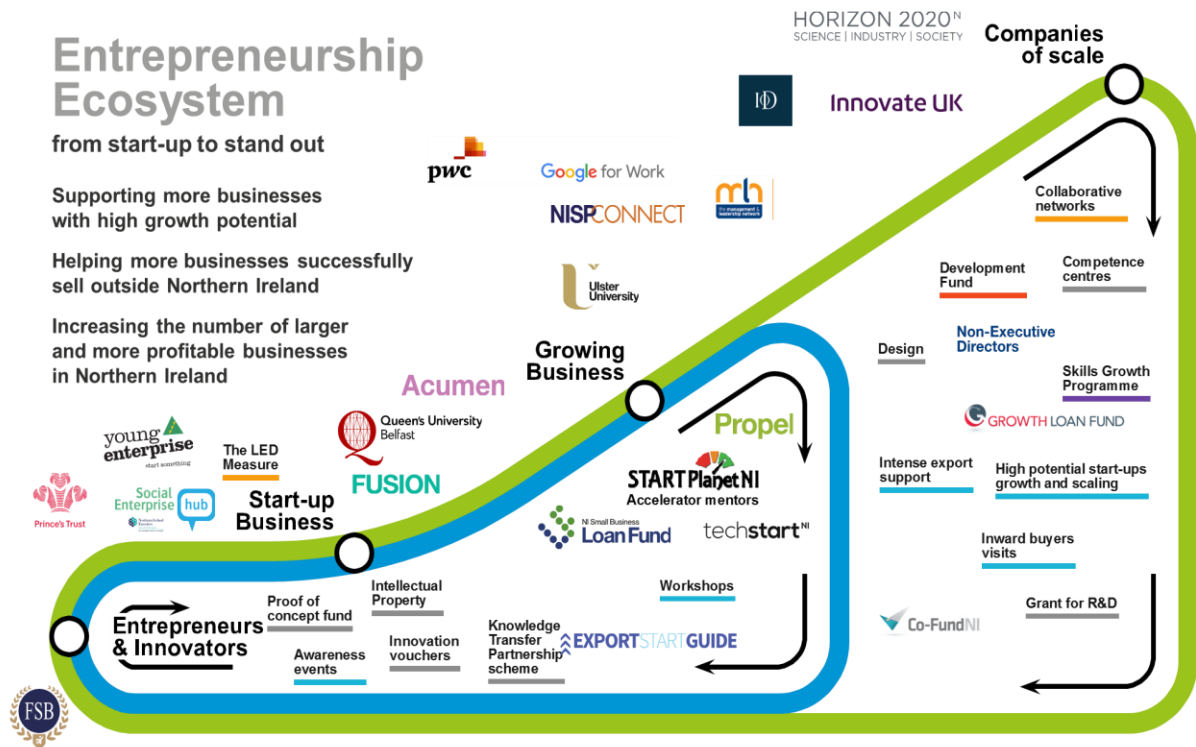
‘To support sustainable, balanced regional economic growth we will work in much closer collaboration with partners to enable all parts of Northern Ireland to realise their potential and the contribution they make to wider economic development.’

‘Following Local Government Reform, councils now have responsibility for Community Planning and with it, a greater opportunity to shape how enterprise is supported in their local communities. As a statutory partner in this process, Invest NI has been working closely with councils in the development and refinement of their respective plans. We will continue to work with councils on the development and implementation of Community Plans built on regional strengths and opportunities.’

‘Invest NI is only one of many providers of support for economic development throughout Northern Ireland. We are developing a comprehensive Entrepreneurship Action Plan, which will see Invest NI be a champion for entrepreneurship around which all of the various stakeholders can coalesce. This will provide a strong ecosystem in which businesses can start and grow- helping existing companies to get involved in innovation for the first time, current non-exporters to begin their journey and new export-focused business, both locally and internationally owned, to establish here.’

It is evident that Invest NI’s strategy 2017 – 2021 places great value in a collaborative approach as one of many providers of support for economic development. The strategy positions them as a partner and a champion within a business support ecosystem. The strategy also recognises that the business support ecosystem is complex. To illustrate or map the ecosystem, they include a graphic showing providers at various stages of development.

Whilst referred to as the ecosystem the graphic representation in the strategy might be more accurately referred to as available institutional supports. It appears to position various providers according to where their work is relevant. What is perhaps most interesting is those institutions that are not included and where the organisations that have been included are placed in the representation.



The strategy places emphasis on the priorities of Invest NI and its role within the business support system. What is not clearly evident in the Invest NI strategy is strong recognition that in UK and national terms, the Business Start-Up rate in Northern Ireland remains low despite decades of programmes of support. The strategy does not really question this level of performance nor offer potential alternative solutions. Perhaps this is now considered to be implicit and therefore does not need to be stated.

In seeking to examine the performance of institutional supports for business start-up in Northern Ireland there is no single point of information showing funded interventions (and others), the level of public sector investment or results obtained.

In a public policy context spend on promoting and supporting business start-up sits across multiple agencies and is delivered by a significant number of providers with very many programmes / interventions. Understanding what is spent and where is challenging enough, making an assessment of the impact of policy and programmes is even more challenging. It may be that within Government this information is available however to our knowledge it is not publicly available.

This appears at odds with the Open Data Strategy for Northern Ireland which states that:

‘The Strategy will seek to embed Open Data into the business culture of organisations across the Northern Ireland public sector. By freeing up their data for re-use, public sector organisations are opening up possibilities that can be powerful drivers for social and economic benefit, provide transparency in government decision making and hold public authorities more accountable to the public.’



We presume that individual policies and programmes are subject to policy evaluation with this information being used to determine whether individual policies and individual programmes should continue. However, Northern Ireland business start-up performance remains relatively low as compared with UK and international performance which might lead one to question whether, after decades of intervention, current policies and practice are effective.

### **7.2.1 Summary**

- Invest NI plays a significant role in promoting business start-up.
- It has a particular focus on high growth potential start-ups and seeks to actively champion and support wider efforts to promote business start-up. Through collaborative working, funding other actors and indirect support, it seeks to act as a champion of the enterprise ecosystem around which others can coalesce.
- It is notable that whilst referred to as the enterprise ecosystem the strategy really refers to what might be called institutional supports. Recognising the complexity of the support system it seeks to map providers. However, it misses providers and it is questionable where those providers are placed in that map. This is not surprising given the number of programmes and providers.
- We find no explicit fundamental consideration by Invest Northern Ireland of why the Northern Ireland Business Start-Up rate remains relatively low despite being a high policy priority and significant investment in institutional support.
- In line with the aims of the Open Data Strategy for Northern Ireland, understanding the full extent of public spending on promoting and supporting business start-up is challenging. Likewise understanding the impact of policy and programmes on business start-up is challenging. It may be that this information is available to policy makers but to our knowledge it is not publicly available.
- Given business start-up has been a high policy priority for decades and given all the institutional supports available there has been relatively limited policy impact.
- There are good news stories, for example in digital technologies, where Northern Ireland is performing well. Further research to explore the performance of the digital technologies sector and lessons that can be learned may be worthwhile. It would also be useful to be able to better understand indigenous business start-up performance and inward investment business start-up performance to gain a more nuanced understanding. Data may well be available but is not easily accessible.
- The Northern Ireland Government strategy involves a move toward outcomes or outcomes-based accountability. Therefore, central to policy and programme intervention there must be a focus on achieving outcomes. In this case a policy focus on increasing the business birth rate. The performance of Northern Ireland in

relation to business birth rate would cause us to question whether outcomes are being achieved. We would further question the extent to which there is accountability given the challenges associated with no single data point in terms of performance or a single source of information showing public spending. Whilst evaluations will have been undertaken at programme level and there will have been policy evaluation work undertaken, we see no explicit evidence, publicly available, of any questioning as to whether the approaches being taken are achieving the desired results, let alone consideration as to whether alternative approaches are required.

We have to conclude therefore that we should, as a minimum, be cautious about the value of public sector investment in increasing the business birth rate. This is not to say that current policies are not working. However, if it is, we would expect to see more positive indications of success. This leaves the questions:

- Have we created an environment which lends itself to more business start-ups?
- Is business start-up more prevalent and more self-sustaining?
- Are we making progress?
- Is the way public funding is spent to promote business start-up providing value for money?

### **7.3 Local Government**

There are 11 local councils in Northern Ireland. The councils are steered by democratically elected Councillors and managed by executive management teams and workforce. Councils deliver on a range of roles and responsibilities. With relevance to this report, they have community planning responsibility and have responsibility for local economic development, including business start-up.

According to the Department for Communities NI, Community Planning aims to improve the connection between all the tiers of Government and wider society work through partnership working to jointly deliver better outcomes for everyone. Community plans identify long-term priorities for improving the social, economic and environmental well-being of districts and the people who live there. The key policy objective underpinning community planning is the development of an integrated approach to local strategic planning that is reflective and complementary to the Programme for Government outcomes and the associated delivery plans. Planning is based on meaningful co-operation and collaboration across the Public Sector with a shared responsibility between partners to achieve outcomes.

Councils recognise the challenge Northern Ireland faces in terms of seeking to increase the number of business start-ups. The Councils themselves provide direct support to business, commission programmes of support, including the Northern Ireland Business Start-Up programme, for their areas based on identified priorities and work with other identified providers of support.

Through the Community Planning process, the Councils are creating frameworks for support. The rationale being that institutional support for business can be managed to create a support system that is more efficient and effective which will in turn have a positive impact on rates of start-up and on business growth.

Whilst every Council has developed their own strategy by way of illustration, we have selected the Enterprise Framework developed by Belfast City Council. (Steed Report, 2019)

A review of the Enterprise Framework developed by Belfast City Council indicates an understanding that the focus of enterprise policy is to promote enterprise and entrepreneurship by creating the right conditions. This is important distinguishing as it does between the conditions and available supports. Implicit in this is a recognition of wider influences beyond programmes of support.

Belfast recognises the continuing challenge in terms of the volume of business start-ups. The framework presents an openness to new ways of working and an emphasis on the need for a more entrepreneurial culture.

‘An issue returned to frequently in the Framework consultation was the extent to which Belfast’s enterprise successes are sufficiently shared and celebrated. Crucially this is not only about publicising international success stories (though there are plenty of these), but about championing entrepreneurship in all its forms, from a university to spin-out, to a home-based start-up, to demonstrate that it is viable and valuable. This aligns with the concept of an Enterprise Champion (or champions) for Belfast proposed by consultees, and mirrors current plans for an NI-level Entrepreneurship Champion hosted by Invest NI.’

However, the conclusion that “this points to the need for a consistent programme of support to raise the absolute number of business start-ups and enable sustainable businesses to survive and enjoy a productive growth trajectory” is something that would bear further examination. Is the logic that to have more business start-ups we need to improve the programmes of support? Or is the logic that ‘consistent support’ means that it continues to be delivered over a longer timeframe? Is there an alternate policy approach that might lead to more business start-ups? This is an important consideration given the current policy assumption that improved start-up programmes will lead to more start-ups with higher survival rates.

Mapping work undertaken by a Belfast City Council working group identified 27 providers operating across the City, delivering 176 initiatives/programmes, across different stages of the enterprise development cycle. The system is recognised to be fragmented making it confusing for people and businesses to engage with. In terms of leading the system there is a sense that the role of Local Government and that of Invest NI Leadership of the agenda is being worked through being described in the framework as ‘not yet optimally clear, as the new economic development responsibilities of the City Council are bedding down.’

The framework recognises a high degree of reliance on publicly funded initiatives to the detriment of market provision, noting that public sector provision is unable to move at the

pace of the market and that provision is often linear, driven by process and therefore struggles to meet the needs of individual entrepreneurs according to their context.

### **7.3.1 Summary**

- Local Government is well placed to drive efforts to increase the business start-up rate at the regional level having responsibility for local economic development and through its community planning responsibilities.
- Leadership of the business start-up agenda between Invest NI and Local Government appears confused.
- Provision remains crowded and confusing.
- Attempts have been made to map institutional supports and seek to improve the efficiency and effectiveness of those supports through increased co-ordination and collaboration. This is problematic given the number of them. A review of the mapped providers allows an experienced eye to quickly identify missing providers and programmes as well as misconceptions about what providers do and don't deliver.
- There is a policy assumption that improving the efficiency and effectiveness of programmes of support will lead to higher start-ups. Though, in the case of Belfast City Council, there is a recognition that this has included a focus on institutional supports rather than the broader ecosystem which would include influences on start-up rates beyond programmes or institutions.
- In the case of Belfast City Council and their enterprise framework there is a recognition that start-up rates remain a challenge and an openness to new ways of working which is mirrored across Local Government in Northern Ireland.

## 8 APPENDIX B - CURRENT PROGRAMMES AND PROVIDERS PERSPECTIVE

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### 8.1 NIBSUP and The Range of Support Providers

Whilst there is a plethora of business support available specific consideration has been given to the Northern Ireland Business Start-Up programme (NIBSUP) branded Go For It as the single largest business start-up intervention in Northern Ireland, funded by Invest NI, Local Government and the EU.

The primary source for this consideration is The Northern Ireland Business Start-Up Programme Mid-Term Evaluation 2017-2021 – Draft Final commissioned by Lisburn & Castlereagh City Council as programme managers. Written in January 2020 this evaluation covers the two year period from the programme launch in September 2017 to the period ending 31<sup>st</sup> August 2019. The current programme runs until 2021.

The Report provides opportunity to consider the extent to which the institutional supports provided, in this case NIBSUP, contribute effectively to Northern Ireland policy objectives. The report recognises the wider strategic context and makes reference to it.

It is important to highlight that the interim evaluation report's objectives are limited to the *delivery* of the NIBSUP only. Including the extent to which aims, objectives, targets and outcomes have been met. It was not therefore a requirement of the interim evaluation that the authors consider alternative approaches to promoting increased business start-up in Northern Ireland.

The key aims of the NIBSUP are:

- To raise the overall number of business starts and new jobs per annum in NI;
- Provision of a start-up programme that is universal (i.e. offers support to anyone seeking to start a business) and that is regionally consistent such that the same level of support would be available everywhere in NI;
- Provide an information, diagnostic and start-up support service to ensure businesses are able to access the most appropriate services to address specific business issues and help them realise future opportunities;
- Provide access to a range of information that will help reduce the perception of risk and increase the level of awareness and understanding of the business start-up and development process, thereby increasing activity;
- Supporting enterprise (and employment) activity across the region to obtain a more optimal distribution of economic activity.

- To deliver an accessible service that delivers on Local Government's equality and diversity agenda;
- To effectively signpost all new business starts to the wide range of support and advice available through the network of organisations servicing this customer base (e.g. Councils, Local Chambers of Commerce, Enterprise Agencies and Invest NI);
- To provide specific advice and capability to enable entrepreneurs to develop a credible and high-quality business plan;
- To provide a flow of new businesses that will access further financial direct support from Invest NI.

The NIBSUP key performance indicators are:

1. At least 12,192 NIBSUP specific enquiries by 31 March 2021.
2. At least 8,047 individuals complete Initial Assessment of a business idea by 31 March 2021.
3. At least 7,000 individuals participate in a business planning workshop by 31 March 2021.
4. Approve at least 5,230 quality-assured business plans by 31 March 2021
5. Establish at least 3,556 new businesses by 31 March 2021.
6. Maintain at least 2,844 businesses to survive at least 2 years.
7. Create at least 3,215 new (gross) jobs by 31 March 2021 (based on the approved conversion formula of 0.6147 jobs per business plan approved).
8. Refer at least 52 businesses to Invest NI by 31 March 2021 that are capable of accessing financial support from Invest NI

There is reference in the interim evaluation document to a Key Actions Annex. However this is not available to the authors as it is not contained within the Report provided. The Evaluation Report specifically covers the following:

- Operation and Delivery of NIBSUP
- Performance, Impact and Value for Money
- Return on Investment and Value for Money
- Equality Considerations
- Overall Assessment and Recommendations.

The programme is of particular interest in the context of our report given the number of people participating in it. The Report identifies that in the two year period being evaluated:

- There were 11,556 enquiries resulting in 8,509 'Initial Assessment Meetings.'
- Some 2,778 attended workshops (60% below target)
- 5,546 business plans were approved.

The evaluation team estimates that this resulted in 2,718 new business start-ups being supported creating an estimated 2,999 gross FTE jobs (including the owners). After applying deadweight 684 net additional FTE jobs and £11.5m net additional GVA to the NI economy. The Report concludes that the programme has achieved each of its key aims in the period September 2017 – August 2019 including value for money.

Our own consideration of the programme informed by the findings of this interim evaluation report caused us to question:

- The extent to which a programme of this nature contributes to higher start-up activity.
- The extent to which the NIBSUP as an intervention is effective in terms of supporting those who already have an interest to start a business.

## **8.2 The Extent To Which A Programme Of This Nature Contributes To Higher Start-Up Activity**

The NIBSUP has in effect four targets:

- Business Plans approved;
- New businesses created;
- Jobs created and
- Businesses surviving after two years.

The interim evaluation report indicates that the focus of the programme is to promote action (start-ups) rather than intentions (more people having the intention to start a business). In terms of the segmentation of business support in Northern Ireland, this programme is positioned as a volumes programme. That is, support for and delivery of the programme will lead to a higher number of business start-ups with a higher number of those businesses that start surviving beyond two years. A major focus of NIBSUP as an intervention is job creation. In its findings the Report, rightly in our opinion, questions this focus on job creation. However, for the purposes of this Report our focus is on the NIBSUP impact on Business Start-Up Rates in Northern Ireland.

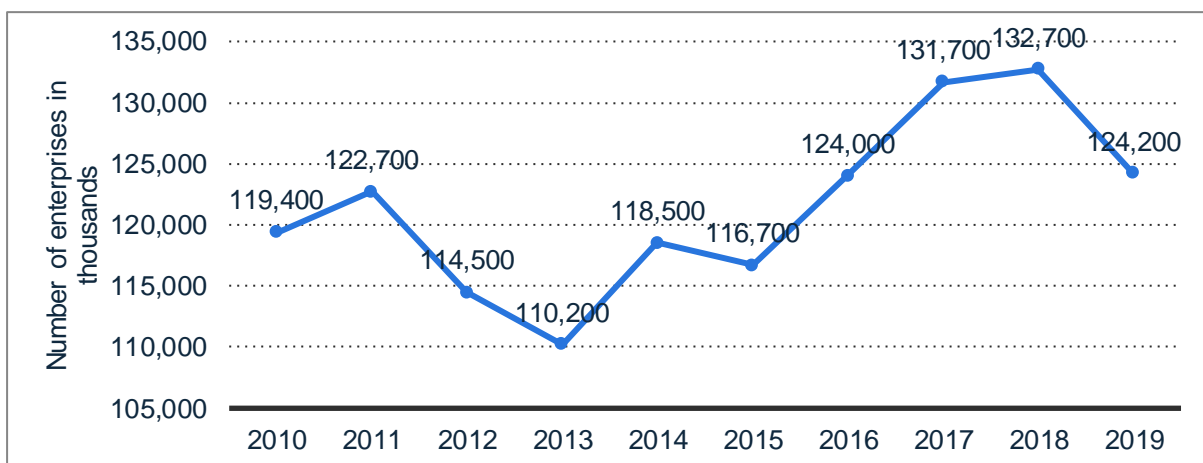
The programme interim evaluation recognises that a significant proportion of the businesses that start would do so anyway and recognises a range of supports are available. The authors therefore apply deadweight /additionality based on figures that broadly align with comparable provision. On this basis of the 2,718 businesses estimated to have started 735 of these are net additional businesses, of which circa 680 continued to trade at the time of writing.

The Northern Ireland business birth rate (IDBR) is:

2015	5440
2016	5935
2017	6855
2018	5900
2019	6625

Assuming the main 'volumes' programme in Northern Ireland was contributing to increased start-ups in Northern Ireland one would expect to see a commensurate rise in the Northern Ireland Business Birth Rate. In actuality in 2018 the number of start-ups in Northern Ireland has fallen substantially year (2017) to year (2018) from a high of 6,855 to 5,900.

Interestingly the overall number of enterprises in Northern Ireland also began to decline in 2018 following a period of sustained growth. One might question whether the business birth rate has more to do with the economic cycle than it does with publicly funded programmes.



**Source:** Parliament of the United Kingdom; BIS; [ID 668790](#)

It is important to note that unlike the figures used for business births, this chart comes from Business Population Estimates - not Business Demography stats. This is important given the significance of 'unregistered' businesses affecting the total (wild fluctuation). However, it has been retained on the basis that it informs potential consideration of the extent to which the business birth rate and business demography statistics are impacted by the economic cycle rather than the impact of policy interventions.

A programme output of 2,718 start-ups in 2017 and 2018 equates to approximately 1 in 5 or 21% of all start-ups. This is a significant proportion of the total number of start-ups in the same period. If the programme is achieving its aim of creating more start-ups then one might expect to see continued growth in the rate of start-ups and an increase in the survival rate. What we do know is that despite successive business start-up programmes over decades the NI Business birth rate remains low by UK and international standards. The questions remain therefore:



- To what extent is the NIBSUP programme actually contributing to increased business start-up rates in Northern Ireland?
- Are there alternate policy interventions that would achieve greater impact?

### **8.3 The Extent To Which The NIBSUP As An Intervention Is Effective In Terms Of Supporting Those Who Already Have An Interest To Start A Business**

A key argument in support of the NIBSUP is that of market failure. The interim evaluation of the programme refers to the findings of the evaluation of the Go For It pre-cursor programme known as Regional Start Initiative which found:

- A high degree of consistency with the aims of economic development policy at the NI level;
- Compelling evidence of market failures affecting enterprise development in NI;
- Strong support for a universal, high volume start-up support programme amongst relevant stakeholders;
- A clear need to stimulate private sector growth and employment creation in the NI economy post-recession;
- A need to address persistent underperformance in business creation and entrepreneurship in NI relative to the rest of the UK; and
- A gap in the landscape of available start-up support following the discontinuation of the RSI in 2016.

#### ***8.3.1 Market Failure – Addressing Inefficiencies In the Operations of the Market***

Evidence of market failures is made on the basis that the programme achieves economic objectives and addresses inefficiencies in the operation of markets. If we accept that the programme does at least seek to achieve the economic objectives even though we might argue that there are potentially more effective and efficient means by which the number of Business Start-Ups in Northern Ireland can be achieved. The question still arises as to whether publicly funded support addresses inefficiencies in the operations of the market.

The interim evaluation makes the case that

‘for some groups in the population the transition from an interest in starting up to running a business is made more difficult because of wider social and structural issues. The market will not of itself eliminate these barriers because they are expensive to overcome and offer a poor return on investment.’

‘In addition, some individuals are less likely to be able to afford business support from the private sector; therefore, publicly subsidised business support for this group is less likely to

lead to a deadweight loss (where businesses use a public subsidy for a service they would have purchased from the market without government intervention).’

This argument justifies public policy intervention. However, the question has to be asked does it justify a policy intervention in the form of the NIBSUP.

An argument in favour of funding the NIBSUP is that some people are unable to afford business support from the private sector without public subsidy. This makes a case for public intervention. However, this is not the same as a case for that intervention being programme support in the form of the NIBSUP or comparable.

This is an important consideration given the sums of public money involved. In the period October 2017 to September 2018 eligible costs for the programme were £1,357,781 (£1.36m) and in the period to September 2019 eligible expenditure was £1,327,836 (£1.32m). At the same time according to the interim evaluation total costs over the two year period September 2017 – August 2019 amounted to £3,388,150 (£3.39m).

Importantly, consideration does not appear to have been given to the extent to which the market for business support might be suppressed by an intervention of this nature. A significant number of Business Advisers providing start-up advice on the NIBSUP are independent advisers contracted to deliver on the programme and paid on a case by case basis. Given the nature of the interventions (the activities required to be delivered under the contract), compared with the throughput (the number of participants progressing through each stage) and the output (the number of business plans) the fee per business plan would appear to be less than £500 per business plan completed). It is likely that a margin is made by the contractor requiring a lesser fee be paid to the independent advisers.

In addition, for those with an interest in starting a business this public subvention provides limited options in terms of where to go for that support. It might be argued, for example, that a start-up voucher of £500 that allows participants to choose from a range of private sector and other providers would increase choice and serve to stimulate private sector and other provision in Northern Ireland. This serves to provide access for those for whom affordability is an issue as well as providing a greater range of options for all.

One argument in favour of market failure made in the interim evaluation is that people may have difficulty distinguishing between good and bad advice. However, on the basis that the evaluation itself is informed by participant feedback, seeking their views on the support received, this is not considered to be a strong argument. However, were it to be accepted as an argument a diligent procurement exercise and contract management would mitigate this risk.

No assessment is made in the interim evaluation of whether the availability of free to the user support acts to suppress demand for paid for support which again has the potential to suppress the market for private sector and other providers. This has the potential to lead to a self-fulfilling prophecy in that the suppression of private sector provider support in itself leads to the need for continued public intervention.

Explicit consideration is not given to the development of alternative forms of public policy intervention that might achieve greater impact in terms of the Northern Ireland business birth rate.

### **8.3.2 Programme Design**

The NIBSUP offer includes:

- Up to 6 hours of bespoke mentoring support delivered by a business adviser through a series of 1-1 meetings, group workshops and phone calls to assess and develop their business idea and to develop their bespoke business plan;
- Finance and business planning workshops;
- Tailored mentoring, guidance and support covering everything from sales and marketing to accessing funds and securing premises;
- Best practice tools, videos and more to help the participant get started.

The evaluation identifies low uptake of the workshops (60% below target) and makes the recommendation that consideration be given to making the workshops compulsory or removing the workshop support from the programme. Where there is no demand for or perceived value in an intervention then questioning the need for them appears valid. Driving people to attend workshops they see no value in would appear harder to justify. Either way, for the majority of participants these workshops would not appear to offer perceived value.

An assumption within the programme design is that development of a business plan is central to effective business start-up support. Indeed, in the programme evaluation this approach is reinforced through reference to Business Plans as best practice. Inputs include 'bespoke mentoring support' delivered through either 1-1 meetings, phone calls or group workshops. The output being a 'bespoke' business plan.

Tailored mentoring support covering anything else is then listed. It is assumed that this is to support individuals to address areas where they feel they need extra help but that does not include the knowledge required to populate a business plan.

Best practice tools, videos and more to help the participant get started it is assumed relates to resources that will support the individual in the development of their business plan and in addressing knowledge or skills gaps.

There is considerable emphasis in the programme design on universality. In this context this includes free access by all, consistent offer across the regions and the same offer regardless of the background of the individual or the nature of the business idea being pursued.

The NIBSUP sets out to provide specific advice and capability to enable entrepreneurs to develop a credible and high-quality business plan. The rationale being that the business plan itself leads to more start-ups and higher success rates? This is an approach that runs counter to current academic and other research in relation to entrepreneurial learning and practice. In designing an intervention that seeks to increase the number of business start-ups we would recommend consideration be given to an approach informed by the latest thinking. A number of broad headings are provided below with a view to stimulating further consideration:

- Entrepreneurial Culture
- Entrepreneurial Motivation;
- Entrepreneurial Thinking;
- Entrepreneurial Method;
- Entrepreneurial Ambition;
- Entrepreneurial Confidence.

### **8.3.3 *Bureaucracy***

The evaluation indicates concern that the programme is highly bureaucratic and inflexible. It appears to be largely driven by process. This leads to additional challenges for the provider in seeking to meet client needs and to be a cause of frustration to clients and advisers alike. This focus on process is comparable to the focus on the business plan as an output. It leads to provision designed to meet the needs of the funder and not the needs of the person wishing to start a business

### **8.3.4 *Cross Referral with other Institutional Supports***

Given that there is a plethora of institutional support for people seeking support when considering starting a business and in recognition that the programme cannot address all the needs of everyone, the programme design includes a requirement to provide an information, diagnostic and start-up support service. The intention being to ensure businesses are able to access the most appropriate services to address specific business issues and help them realise future opportunities. However, whilst there are measures regarding effective signposting, the design of the programme is such that it appears to reward recruitment, retention and progression – not referral – other than to Invest NI.

The key stages of the programme against which the provider is measured include:

- Enquiries
- Initial Assessment
- Business Plans
- Businesses Started

The financial elements of the programme delivery are fully redacted in the evaluation which is necessary given that this is a commercial contract. The payment mechanisms are therefore unknown. It is not considered unreasonable to assume however that the contract is structured such that contract payments are made against performance at each stage. It is no criticism of the providers who, as the evaluation shows, have referred clients to other provision.

In terms of programme design the likely payment structure has the potential to encourage providers to 'hold on' to clients and only refer them once there is a degree of confidence that the client will progress within the programme. In addition, a programme structure of this nature risks incentivising providers to push clients through. The alternative being a commitment of hours to a client who does not complete a plan resulting in no payment to the provider. This again hints at a bureaucratic, process driven approach that does not recognise the needs of the client.

Invest NI has recognised the complexity within what is referred to as the entrepreneurship ecosystem (though what that usually means in practice is the institutional supports available). It is not surprising therefore to see reference to 'the ecosystem' having prominence within the Invest NI Strategy 2017-2021.

According to the Interim Evaluation of the NIBSUP the focus is on action rather than intentions which appears at odds with the application of "volume solutions to stimulate awareness and ambition." Given the range of institutions working to stimulate awareness and ambition combined with a desire to champion the system might lead one to conclude that a start-up intervention of this nature should have within it strong mechanisms for collaborative working, beyond a single provider who is encouraged to refer clients on to other providers.

It is worthy of note that this Agenda has been taken up by a number of the Local Councils who have adopted strategies to create the conditions for increased start-ups and to develop frameworks / models to seek to better manage the institutional supports. Future design of any replacement to the NIBSUP will, it is assumed, take in to account the desire for a more coordinated and collaborative approach to supporting those wishing to start a business.

### **8.3.5 *Universality***

The programme design does include a commitment to supporting enterprise (and employment) activity across the region to obtain a more optimal distribution of economic activity. To deliver an accessible service that delivers on Local Government's equality and diversity agenda.

However, at the same time there is strong emphasis on a consistent service across all geographic areas with little scope for differentiation based on client need. The challenge with universality is that it assumes traits, personality, outlooks and so on are universally shared. The programme, as structured, lacks flexibility in terms of designing interventions tailored to meet individual need. Consideration might be given to targeted interventions.

### **8.3.6 Equality & Diversity**

The interim evaluation requirements include a commitment to equality and diversity with the Report being required to.

- Take into account the requirements of Section 75 of the Northern Ireland Act 1998;
- In respect of any recommendations made, consider whether there are any likely impacts on anti-poverty, social inclusion, equality of opportunity or good relations. In doing so, the service provider may recommend measures to mitigate against any adverse impacts;
- Consider the accessibility of the programme for all, in line with the Disability Discrimination Act 1995.

The interim evaluation concludes that there has been a relatively equitable distribution of activity across each of NI eleven council areas, with a broadly representative profile between genders. It is notable that reference to gender only is made.

If this is not in place a further review taking a wider view is something that may merit consideration. In particular, to consider equality of opportunity between the nine equality categories of persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation; men and women generally; persons with a disability and persons without; and persons with dependants and persons without.

In terms of consideration of female entrepreneurship the proportion of programme enquiries that are female is 48% compared to a population of 51%. This appears, at first glance, encouraging given that the Total Entrepreneurial Activity Rate in Northern Ireland shows that women are half as likely as men to start a business. However, this is a measure of enquiries only. Further analysis is required to assess the true programme impact in terms of programme attrition rates, female start up rates including the nature of the businesses started. Consideration may need to be given to the use of 'Target Programmes' designed specifically to meet the needs of women.

### **8.3.7 Sectoral**

As with female entrepreneurship, the interim evaluation measures the number of enquiries received by sector requiring further analysis to assess the conversion to start-up by sector, including the nature of the businesses started. The interim report identifies a potentially significant issue in relation to programme engagement by sector in that there is a notable concentration of sectors that do and do not engage with the programme.

The interim evaluation identifies that the NIBSUP only received 15% of its enquiries from those sectors that have enjoyed most growth in terms of the number of businesses, suggesting that the programme may need to review its marketing including messaging. It is suggested in this Report that whilst Marketing may be one issue, another might be the perceived relevance or otherwise of the programme. The development of 'Target

Programmes' might be one way to address this apparent discrepancy. For example, the following sectors alone represent some 68% of the business birth rate in 2018 against a programme *enquiry* rate of 22%.

Sector	Programme enquiry rate %	NI Birth Rate 2018
Construction	4%	9.9%
Professional, Scientific & Technical	-	10.6%
Production	-	9.2%
Accommodation & Food Services	10%	12.6%
Retail	7%	10%
Business Admin & Support Services	1%	15.6%

### 8.3.8 Employment Status

The interim evaluation identified the employment status of survey respondents. It does not identify whether employment status is recorded for all enquiries or whether patterns of progression by employment status are analysed against stage of the programme. This would as with the factors highlighted above appear to merit further analysis, speaking as it does to, for example, motivation. The interim evaluation indicates for example:

Employment Status	On Entry	Now
Employed p/t (less than 30 hours)	16%	18%
Employed Full-Time (more than 30 hours)	32%	21%
Unemployed	21%	12%
Running own Business P/T	10%	31%
Running Own Business F/T	8%	19%

### 8.3.9 Stage of Development

Not all people considering starting a business will be at the same stage of development. Tailored interventions that address the specific needs of clients at their stage of development would be worth further exploration.

### 8.3.10 Summary

NIBSUP is positioned as a 'volumes' programme designed to increase the number of start-ups, the sustainability of those start-ups and to create jobs.

Although positioned as a programme that will increase the number of start-ups in Northern Ireland the primary focus is, in reality, on action rather than intentions. In effect this means supporting those already starting a business or actively considering starting a business.

Indeed, the Northern Ireland business start-up rate fell significantly from 2017 to 2018 despite the availability of the programme.

Despite successive business start-up programmes over decades, the NI Business birth rate remains low by UK and international standards.

The providers are delivering the programme they were contracted to deliver.

As this is an intervention that supports people already trading and already considering self-employment the NIBSUP has, in our view, a number of issues in relation to its design and therefore delivery:

- **Market Failure** – the availability of a low-cost high volume programme free at the point of access appears to be argued on the basis that this ensures equality of access for those that would not otherwise be able to afford private sector support. It can be argued that a free programme delivered by a single provider runs the risk of suppressing the private sector and other market. For independent advisers contracted to the programme, in the absence of a more vibrant private sector business support market, the low cost is likely to lead to low ‘daily rates.’ It can also be argued that whilst some are unable to afford advice from private sector providers and others are. It might be, for example, that a voucher scheme, would provide an alternative approach enabling people thinking of starting a business to choose where they purchase support.
- **Bureaucratic and Process Driven** – A key finding in the interim evaluation is that the programme is highly bureaucratic, inflexible and process driven.
- **Universality** – The programme seeks to provide a common and consistent approach across the regions. However, this leads to inflexibility in terms of delivering in ways which best meet the needs of clients.
- **Equality & Diversity** – The interim evaluation makes reference to equality and diversity. However, consideration appears limited to gender.
- **Targeting Support** – People starting businesses do so for a diverse range of reasons. People starting businesses have diverse needs in terms of the support they need. There are notable growth sectors in Northern Ireland where the programme has limited reach. In order to meet diverse needs whether that be personal background, employment status, stage of development or business sector the programme appears to lack flexibility. One option might be to develop a range of targeted interventions.



- Programme Design – In addition to the points already made the design of the programme of support and in particular its reliance on a business plan would not represent current best practice.
- System Design – There is emphasis in the strategies of both Invest NI and Local Government on managing the system of supports to people in business or thinking of starting a business. This is often referred to as the ecosystem. In the majority of cases it might more appropriately be termed the system of institutional supports. The NIBSUP includes referrals as a measure. However, by its design it rewards recruitment, retention and progression within the programme. Delivery by a single provider, where no reward is built in for referral, no matter how well intentioned, run the risk of incentivising providers to hold on to clients.

## 8.4 Catalyst

In their Impact Report 2018/19 Catalyst Chief Executive Steve Orr sets out the vision for Catalyst

*'Catalyst exists to make it easier to innovate; whether you are one of the world's biggest technology corporations, a local start-up looking to scale, an academic researcher who wants to see your work truly benefit people or a budding entrepreneur with the seed of an idea and a glint in your eye. It is only together, as a community centred on trust, shared learning, shared contacts and great experiences that we, as individuals, can win and take on the world.'*

The Catalyst Impact Report 2018/19 provides a useful insight in to their work. However, we are able to draw limited conclusions regarding impact. Impact Reporting is used to convey the change created by an organisation or activity, and how that change was created. An impact report is therefore not just a description of the activities affecting the change. The Catalyst Impact Report 2018 / 19 sets context and provides useful description of individual programmes including inputs and outputs. However, the Report does not provide insight in terms of outcomes or impact.

We are conscious that a report of this nature does not necessarily set out to include the theory of change underpinning the rationale for interventions. Likewise, it does not include the results of programme evaluations. However, we would see value in consideration of the impact of the work of Catalyst. In terms of the work being undertaken it is clear that with more than 900 startups and entrepreneurs engaged in their entrepreneurial support programmes in 2018/19 they are a very significant provider of entrepreneurial support. Particularly, given their focus on high potential starts and supporting businesses to scale.

Catalyst is an example of an organisation that is not only a part of the business support community, but can reasonably be said to have built a community. This is evidenced through its collaboration with the business community, entrepreneurs, government and academia. Unique in this regard Catalyst is actively supporting growth of the knowledge economy bringing a focus for a range of key stakeholders. It's work ranges from developing an innovative, entrepreneurial culture through engagement with schools and universities, to encouraging people to consider starting a business, encouraging and supporting businesses to innovate and grow to driving research and innovation.

Given the challenge faced by Northern Ireland in relation to its performance in terms of innovation, high potential start-ups and high growth firms, a further developed understanding of the actual and potential impact of Catalyst interventions is something that merits further research.

The Table below takes the information provided within the Impact Report. It groups interventions under themes (though we recognise these themes are likely inter-linked) and, from the Report seeks to show the interventions including inputs and outputs. It has not been possible, based on this Report alone, to show outcomes or impact.

Programme / Activity	Inputs	Outputs
<b>Overall</b>	Over 900 start-ups / entrepreneurs engaged in programmes	£10M total investment into NI Start-Ups NI start-ups from Catalyst funding introductions
<b>Start-Up</b>		
Invent	Proof of concept competition and funding	685 attendees, 131 applications. One overall winner. Six category winners. Prize fund £33,000
Frameworks Programme	Business education workshops for start-up entrepreneurs	20 events on topics relevant to start-ups. 69 speakers including domain experts and entrepreneurs. 523 attendees. 95.3% workshop rating
Co-Founders Programme	Helps teams to form, co-found a business and develop a product for which there is a market. 12 week p/t/ programme	171 people recruited. 52 teams formed of which 31 remained in existence. At date of report 19 teams received proof of concept funding 8 Teams progressed to full-time accelerator. 12 people have moved from employment to build their business. Programme also seeks to reach people who might not otherwise start a business 'the restless 10%.'
<b>Job Creation</b>		
	Physical workspace	2700 people employed across the Catalyst sites
	Physical Workspace	174 companies based on Catalyst sites
	Programmes	Not stated
<b>Community Building</b>		
	37 Catalyst partners	
	570 pro bono mentors and business experts	
	110 Venture Capital funds - relationships maintained	
	Entrepreneurs in Residence	
<b>Research &amp; Innovation</b>		
ECIT	180 academic researchers and staff at Queen's University 180 academic researchers and staff at Queen's University	Not stated
NW CAM	Interreg funded project involving academics from NI, ROI and west coast of Scotland. Lead Investigators plus 13 post-doctoral research fellows and 13 PhD students Project seeks to develop and deliver, in partnership with industry partners, 15 world leading research projects within the Life and Health Science Sector.	4 Research Institutions participating in cross-border research 9 businesses engaging staff to solve an R&D problem. 15 industry-led research projects underway to develop new products and processes within Life & Health Sciences sector applying advanced manufacturing technologies. 13 PhD Researchers gaining experience working with industry
<b>Innovative Entrepreneurial Culture</b>		
Generation Innovation	3 day work experience programme designed in collaboration with Deloitte and 10 of NI's	61 lower 6th students from 32 schools across NI participated
Innovation Founder	John Rainey Founder Denroy Group winner for 2018	Winner and Finalists. Role Model. Business Insights
4IRC Challenge Debate	9 events. 30 Connect Shapers	9 events. 300 new people. Networking. 30 Connect Shapers define questions and create learning platform
Knowledge Economy Report	Knowledge Economy Report 2018	The report highlights skills, increasing innovation within business
<b>Scale Up / Growth</b>		
Springboard Programme	Springboard programme supports innovation and growth for companies with ambition to grow revenue to over £10m and / or value to over £100m. Draws on expertise and experience of experienced entrepreneurs and business leaders	13 businesses graduated
Way to Scale	Programme to build entrepreneur skills and ambition to scale. Included input from MIT. 2 one week sessions in Boston. Belfast workshop series	9 Belfast participants
CEOs Connect	CEOs Connect is an exclusive peer to peer network supporting CEOs of high growth potential innovation companies in Northern Ireland as they scale and grow	Meets 6-8 times a year. Networking. Motivation. Mutual support

### 8.4.1 Summary

- Catalyst plays a significant role in encouraging and supporting business start-up in Northern Ireland with over 900 start-ups / entrepreneurs cited as being involved in programmes. The nature of the engagement is less clear. We do know 523 participated in start-up workshops, 131 applied to Invent and 171 joined Co-Founders which would appear to indicate a significant proportion are engaged at the pre-start and start-up stages.
- Catalyst has a focus on supporting high potential start-ups operating primarily in the knowledge economy sectors.
- Catalyst has been highly successful at building a community that includes the institutions that support entrepreneurial new venturing as well as the wider community including successful entrepreneurs, domain experts, business partners and academia. This community is both Northern Ireland based and international.
- As we are drawing on the Catalyst Impact Report 2018 / 19 only, our ability to consider the impact of Catalyst on encouraging a greater number of start-ups in Northern Ireland is limited.
- The wider role of Catalyst in encouraging and promoting innovation and growth in existing businesses, developing the effectiveness of links between academia and business and encouraging students is likely making a highly positive contribution to an entrepreneurial culture. However, we cannot evidence this based on publicly available information.
- Further research is required to understand the contribution of Catalyst to efforts to promote higher start-up activity and the extent to which Catalyst intervention are effective in terms of supporting those who already have an interest to start a business. This will be of particular interest given the focus of Catalyst on knowledge economy sectors and high potential start-ups.
- Given the continued and growing support of businesses, partners and entrepreneurs it is clear that the work of Catalyst is, within these constituencies, highly regarded and perceived as delivering value.

## 8.5 Wider Institutional Supports

Various attempts have been made to identify and map all existing supports. The table below is taken from a mapping exercise undertaken within Belfast City Council. The purpose of its inclusion in this Report is to illustrate the full extent of the organisations and programmes encouraging and supporting business start-up. The authors suspect that there will be individuals and organisations that read this report and are immediately able to identify that their organisation or programme(s) are not included. For example:

- In the third level education sector alone there is no reference to work embedded within and delivered through the curriculum or of provision that directly targets business owners / leaders or of wider supports such as entrepreneurial societies. In addition, for example the Universities and Colleges encourage and support spin-out.
- City Start Programme - Belfast City Council and Derry City and Strabane District Council are offering Go for It participants a bespoke support package of mentoring and workshops to help put business start-up plans into action for food, fashion, retail and tourism sectors. Whilst referenced in the table this is an additional layer of support for Go For It participants.
- Providers such as Ignite are not included. Ignite is a UK based organisation providing start-up support and an investment network. The Ignite Accelerator programme commissioned by Invest NI to support businesses from launch to scale up.
- Likewise, Techstart NI again funded by Invest NI provide proof of concept support.
- Halo is the business angel network for Northern Ireland, a joint initiative between Invest NI and InterTrade Ireland. It matches companies with growth potential with high net-worth individuals – the angels – who may wish to invest in them. Currently has over 180 investors in the network. The majority of companies pitching for investment are start-ups or early stage businesses, however Halo also works with established companies.
- In the Creative Industries for example there are supports available through Northern Ireland Screen and the Arts Council NI
- Banks that have engaged in start-up support such as Ulster Bank, Danske Bank through the Catalyst managed Fintech Hub and Eagle Labs through Barclays.
- Private sector-led initiatives to develop ‘the ecosystem.’ An example of which is Fintech NI.
- Private providers such as Raise Ventures.

We are sure there will be more. However, this exercise serves to illustrate that even for individuals working to promote business start-up in Northern Ireland a comprehensive understanding of all providers and programmes is difficult. Even more challenging is to assess their individual impact.

Stage/Sector	Organisation	Programme	Target Market	Programme term	Target Geography
Engage (pre enterprise)	Young Enterprise NI	YE programmes	Programmes delivered across primary, post primary, community and shared education programmes designed to provide young people with an opportunity to understand, develop and apply competencies. Also introduces them to business concepts at an early stage.	Ongoing	NI wide
	Princes Trust	Enterprise Programme	Individuals aged 18-30 working less than 16 hours a week interested in starting their own business, not on Steps to success through the Job Centre or any other ESF funded programme	Ongoing	Across NI
		Get into - 4 week programme aims to give young people, who are work ready but do not have vocational skills, the opportunity to develop relevant skills and experience to enable them to move into a sustainable job in a specific sector. Examples of sectors include: Retail, Hospitality, Cooking, Warehousing	Age 16-30, Unemployed, Educational under achiever, In care/leaving Care, Ex offender		NI wide
		Development Awards are cash awards of up to £500 to help young people access education, training and employment. Young people also receive help with action planning and ongoing support and monitoring.	Age 16-30, Unemployed, Educational under achiever, In care/leaving Care, Ex offender		NI wide
	Princes Trust (Contd.)	Team programme - A 12 week personal development programme which begins with team-	Age 16-24, Unemployed, Educational under achiever, In care/leaving Care, Ex offender		NI wide

		building activities, including a week at a residential activity centre, followed by teamwork on real projects in the local community as well as individual work placements.			
		The Achieve programme helps young people aged 11–19 to develop the skills and confidence they need to engage and succeed in education.	Age 11-30, Young people at risk of exclusion or under achieving in school – mainstream, alternatives and special schools		NI wide
		Fairbridge - Fairbridge is an individually tailored personal development programme combining one to one support and groups activities.	16-24, The most disengaged young people aged 16-24 who are far away from reaching their potential, have chaotic lifestyles and are unable overcome problems in their lives		Greater Belfast
		Get Started Short, 1 week courses that engage and develop young people through themes such as sport or the arts and support them into further education, training or employment. Young people develop their skills through practical activities, giving them confidence and motivation to move forward with their lives	16-24, Unemployed, Educational underachiever, In Care/Leaving Care, Ex offender		NI wide
		One to one advice and guidance to student wishing to start their business	All Current and past QUB students (2 years post-graduation)	Ongoing.	Belfast
		Innovateher - Female entrepreneurship Programme. Includes	All QUB female students (Undergrad and Postgrad)	TBC	Belfast

		marketing masterclasses, pitching sessions, networking and inspiring speakers.			
		What's the Big Idea - Open to all QUB students who have exciting and novel business ideas (Prize pot of £2,800)	All current QUB Students	TBC	Belfast
Queens University Belfast		Dragons' Den - Students who take part can master the boardroom pitch, improve their business skills, meet successful entrepreneurs and compete to win £15,000 investment.	All current QUB Students	TBC	Belfast
		Make It Happen Fund - £500 funding to help start or diversify your business	All current QUB Students	TBC	Belfast
		Start-up Fest: A celebration of entrepreneurs, risk takers and game changers	All QUB Students and Staff	TBC	Belfast
		The Hatch: A dedicated space in the Union for students to use as their own office space for a year free of charge.	All Current and past QUB students (2 years post-graduation)	Ongoing.	Belfast
Ulster University		One to One Business Consultations	Students from all campuses and Ulster University graduates		
		Launch @ Lunch	All Students from all campuses		
		Generate (Idea Generation & Mentoring 10 month Programme)	All Students from all campuses		
		UUSU Shark Tank ( Start Up Competition)	All Students from all campuses		



	Belfast City Council	Pre enterprise support	Promotes enterprise and supports individuals wishing to develop ideas with a focus on underrepresented groups.		Belfast
		Belfast Entrepreneurs Network	Individuals who are interested in starting or growing their business and learning from like-minded individuals	Ongoing	Everyone welcome but focus on Belfast
	Enterprise Northern Ireland	Exploring Enterprise Programme	Not in employment or working/in education/training less than 16 hours a week; Legally resident in a European Union member state; and Able to take paid employment in a European Union member state		NI wide
		Calendar of employability and self-employability workshops and clinics across five Local Enterprise Agency locations.	Not in employment - Interested in business start-up.	Throughout the year	Belfast and NI-Wide
		Enterprise NI Autumn Enterprise Impact conference	Interested in enterprise and enterprise support	Autumn - Date/Venue TBC in June '19 for 2019 event	NI-Wide
	Women in Business	Yes You Can Female Entrepreneurship Programme	Pre enterprise support for female entrepreneurs delivered through local networking and Imagine It Bootcamp events	Jan 2019-Dec 2021	Women across NI
	Disability Action	ESF Job Match Project	People with a disability aged 16+ interested in enterprise/self-employment	Call 1 till March 18 & Call 2 till March 2022	NI wide
	Work West	Community Innovators Programme	a third sector organisation facing a social challenge will be supported through a design thinking process to come up with solution. 3 calls in 2019		Ni wide
		Thinc schools programme	Working with school children to develop an innovators mindset	School by school basis subject to funding	Belfast
	Catalyst Inc	Frameworks - provides innovators/entrepreneurs with grounding in business fundamentals	Innovators/Entrepreneurs/	Monthly 2 hour seminars across a variety of business areas - e.g., Licensing, Doing Business in US, Intellectual Property,	NI wide

				Financing- <a href="http://connect.catalyst-inc.org/programmes/frameworks">http://connect.catalyst-inc.org/programmes/frameworks</a>	
		Co-Founders	FOC (supported by Catalyst Inc - investment of surplus from property side of business). This unique programme aims to bring together only the most skilled and talented individuals who dream of entrepreneurship. To be considered for Co-Founders, you must have a unique set of skills. You are able to see problems that others simply can't. And you possess the experience and resilience to build a product and business with massive potential. Sectors of the Knowledge Economy	A 10 week programme that runs 2-3 times per year. Application process and up to 40 people selected. Hothouse weekend to enable teams to self-select and 10 week programme to develop idea and company <a href="http://connect.catalyst-inc.org/programmes/co-founders">http://connect.catalyst-inc.org/programmes/co-founders</a>	NI Wide (different locations for each programme)
		4th Industrial Revolution Challenge (4IRC) - programme of 10 debates to stimulate discussion about the impact of emerging technology on Life, Work and Society	Anybody with an interest in emerging technologies - includes inputs from academia, entrepreneurs and knowledge based companies	Yearly programme - 10 monthly debates	NI Wide
		Techwatch - Fortnightly newsletter showcasing most significant technological developments in NI - aim to inspire	Anybody with an interest in technological developments in NI	Fortnightly - <a href="http://connect.catalyst-inc.org/techwatch">http://connect.catalyst-inc.org/techwatch</a>	NI Wide utilising our campuses in Belfast, Derry and Ballymena and partner premises
		Generation Innovation programme	14-18 year olds across NI - programme to provide inspiration and experiential opportunities about careers as Innovators, including entrepreneurship	Programme is supported by Catalyst Inc (investment of surplus from property side of business) and runs all year. Programmes include Re-Imagining Work Experience, Days of Ambition. More details <a href="http://connect.catalyst-inc.org/programmes/generationinnovation">http://connect.catalyst-inc.org/programmes/generationinnovation</a>	
<b>Start (Business Start)</b>	Princes Trust	Enterprise Programme	Individuals aged 18-30 working less than 16 hours a week interested in starting their own business, not on Steps to success through the Job Centre or any other ESF funded programme	Ongoing	Across NI

Belfast City Council – by way of illustration as each Council commissions and delivers its own programmes	Northern Ireland Business Start Up programme	Generic business start-up support for anyone wishing to start a business	on going	Individuals in the Belfast City Council area however support available in each council area, 0-6 months trading. Participant willing to take an active role in the business (min. 36 hours per week)
	Kickstart	Businesses 0-2 years to put business plan into action	Dec-23	individuals in BCC area and business 0-2 years
	Go Social	New and emerging social enterprises and cooperatives	Three year programme from 2016-2019	Individuals or organisations in the Belfast City Council area
	Venture For Success	Businesses less than two years old with high growth potential	2017 - 2020	New Businesses (0-2 years) based in Belfast focussing on BCC's priority sectors. Participants must demonstrate growth potential: T/O £150k in 3 years 2.1 staff (average) in 2 years
Belfast City Council (Contd.)	Mentoring Programme	Women interested in receiving mentoring guidance from an experienced mentor	2017. Further provision to be confirmed	NI wide
	Yes You Can Female Entrepreneurship Programme	Meeting every other month, and via a Facebook group- the Business Owners' Group connects self-employed women for support and development		
	WIB events programme	Pre enterprise support for female entrepreneurs delivered through local networking / Imagine It Bootcamp events / Explore It workshops and buddy support	Yes You Can three year programme from 2019-2021 - Collaboration between 11 councils, Invest NI and Women in Business	

		WIB Entrepreneurs' Conference	Annual conference (March 2020)- inspirational speakers, networking, advice on growth and development. £20k Yes You Can Pitching Competition opened to all female entrepreneurs, applications open Dec 2019		
Ulster University		UU Create - Focused on self-employment support for creative industries	All Students from all campuses		
		UU Start - A comprehensive programme with 3 stages - Ideation, Validation, Incubation	All Students from all campuses		
		Business Start Programme (Rural Youth Entrepreneurship)	All Students from all campuses	Academic Year	
Ulster Bank		Entrepreneur Accelerator	3 month pre accelerate for those who have an idea, are early stage, need to validate or are undertaking customer discovery	on going	
		Entrepreneur Accelerator	up to 12 months and in addition to the support pre accelerate get, one to one coaching with Entrepreneur Acceleration Managers and up to 6 workshops over 6 months		
		Back her Business	designed to support the set-up of new women-owned or led businesses		NI wide
Disability Action		ESF Job Match Project	Up to six months personalised one-to-one support for someone with a disability from a Supported Employment Officer	Call 1 till March 18 & Call 2 till March 2022	NI wide
Enterprise Northern Ireland		Delivery partner of NI Business Start-up Programme	Generic business start-up support supporting 'wantpreneurs' to build and produce their business plan	Ongoing	Individuals in Belfast area and across NI in all council areas.
		Enterprise NI Autumn Enterprise Impact conference	Interested in enterprise and enterprise support	2019	NI-Wide
		Calendar of start-up workshops and walk-in clinics across five Local	Interested in business start-up.	Throughout the year	Belfast and NI-Wide

		Enterprise Agency locations			
Invest NI	Pre-accelerator	Programme of support for high growth businesses from across Northern Ireland	Current 4 year programme 2017-2021	New Businesses (0-2 years), Northern Ireland wide, No sectoral Priorities, Participants must demonstrate significant growth potential: T/O £250k in 3 years, with majority from external markets and ability to secure external investment	
	accelerator	New business high tech business accelerator programme	Yearly Call - Ongoing	Half from NI and remainder from outside the region.	
Catalyst Inc	Springboard - an intensive, in-business process that challenges, supports and expedites robust go-to-market strategies, by leveraging the collective knowledge of a unique network of experienced entrepreneurs and business leaders in an open, nurturing environment	The programme is open to companies with the potential to grow revenue to, or beyond, £10Million in 5 years.	On-going - companies can apply at anytime	NI Wide	
	Frameworks - provides innovators/entrepreneurs	Innovators/Entrepreneurs/	Monthly 2 hour seminars across a variety of business areas - e.g., Licensing, Doing	NI wide	

		with grounding in business fundamentals		Business in US, Intellectual Property, Financing	
		Invent - annual competition which showcases and rewards local innovations and proof of concept ideas that have the greatest commercial potential.	The competition is open to anyone with an innovative idea, from students, postgrads and researchers through to executives with side projects and retired people with a solution across 6 categories of the Knowledge Economy - Life & Health, Agri Science, Engineering, Electronics, Consumer & Creative, Enterprise Software	Application process opens in January with Awards dinner in October	NI wide
		Co-Founders	FOC (supported by Catalyst Inc - investment of surplus from property side of business). This unique programme aims to bring together only the most skilled and talented individuals who dream of entrepreneurship. To be considered for Co-Founders, you must have a unique set of skills. You are able to see problems that others simply can't. And you possess the experience and resilience to build a product and business with massive potential. Sectors of the Knowledge Economy	A 10 week programme that runs 2-3 times per year. Application process and up to 40 people selected. Hothouse weekend to enable teams to self-select and 10 week programme to develop idea and company	Belfast
<b>Grow (established business)</b>	Belfast City Council	Think Do Be	Belfast based small businesses / social enterprises who have been trading for more than a year. Non Invest NI Client		Belfast
		Retail Support	SMEs employing 20 people or less within the Belfast City Council boundary area.		Belfast
		Procurement Support	Belfast based small businesses with little or no experience of public sector tendering and/or Local small businesses that could benefit through sub-contracting opportunities on major capital build projects		Belfast
	Innovation Factory	Masterclasses	series of monthly masterclass workshops/seminars on growth and innovation topics. Up-coming topics include Intellectual Property, New		

			Product Development, Product Design and Prototyping, App Development, Disruptive Innovation		
		strategic and diagnostic for IF customers	IF customers		
		Co-Create events	networking and collaboration workshops to bring together businesses exploring collaborations		Open to all
		collaborative innovation support	1-2-1 surgeries and follow-on mentoring for businesses exploring collaboration as a means of innovating		Open to all
		Applied Innovation Events	large scale events twice a year. Upcoming events will focus on Artificial Intelligence and Immersive Technologies for businesses who are interested in exploring new technology in their business model.		Open to all
		Innovation Vouchers	up to 80 hours R&D support via Invest NI		NI wide
	Innovation Factory Contd.	Innovate Us	InnovateUs is a funded skills development programme which offers a unique, tailored training solution for small businesses. The programme delivers bespoke training solutions that encourage and enable a business to bring an idea to the market through new product, service or process development through the provision of 10-60 hours training	Ongoing	Northern Ireland
	Ulster University	Lean Launch Pad - Commercialising Research	PhD Researchers & Staff		
		Innovation Ulster Ltd Pitch & Investment	All Students & recent graduates (up to 2 years)		
		Innovate Us	up to 60 hours free specialist technical upskilling		
		Innovation Vouchers	up to 70 hours R&D support via Invest NI		
		Connected Programme	funded specialist technical guidance and consultancy - with specific focus on Emerging Technology & NPD projects		

	Belfast Met	Skills Focus	75% funding for upskilling existing staff for companies with under 250 employees (Specific focus on priority sector support and Leadership & Management)			
		Assured Skills Funding for FDI Businesses	funding for recruitment and training of graduates in STEM sectors (training funded up to 12 weeks)	3 year initiative to 2020		
	Northern Ireland Chamber of Commerce	NI Chamber Connections	Open to all, emphasis on early stage growth companies	3 year initiative to 2020		
		International Trade Training	Open to all manufacturing exporter	3 year initiative to 2020		
		Near Market Trade Visit Programme	Companies with business interest in GB	3 year initiative to 2020		
		Scaling for Growth Programme	Targeting a business ready for scale - selection through one to one meeting	3 year initiative to 2020		
		Developing Your Growth Potential Programme - sales & networks	Open to all growth orientated businesses	3 year initiative to 2020		
		Northern Ireland Chamber of Commerce (Contd.)	Annual Growth & Export Conference	Open to all	Annual	
			Mentoring Programme	Women keen to progress and develop their careers/ business through mentoring.	ongoing	NI wide
			Developing Your Growth Potential Programme - sales & networks	Open to all growth orientated businesses	ongoing	
	Women in Business	Events programme	Ongoing work in support of businesses and business owners- 70+ events annually	Ongoing	NI wide	
		Yes You Can Female Entrepreneurship Programme	Networking and Sell It Residential for female entrepreneurs to support upscaling of business	Jan 2019-Dec 2021		
		WIB Entrepreneurs' Conference	Annual conference (March 2020)- inspirational speakers, networking, advice on growth and development			



	SENI		Ongoing work in support of the social enterprise sector	Ongoing	NI wide
	The Foundry	The Foundry co-working incubation space	Open to all growth orientated businesses	ongoing	
	The Foundry Workshops	A Series of Workshops helping SMEs to grow	Delivered monthly on a range of subjects	Ongoing	
	East Belfast Enterprise (& Others for ENI/Intertrade Ireland)	Co-Innovate Programme	Open to manufacturing and tradable services companies look to innovate and grow their business	Ongoing	
	Catalyst Inc	Springboard Scale/Springboard+ - SB Scale - structured workshops specifically developed to address fundamental business growth blockers, including marketing, sales and access to capital. Through SB+, our unique global entrepreneur network, we can offer additional assistance to expose you to a larger global market and help secure export business.	Alumni of the Springboard core programme	Through application process - anytime	NI Wide
		CEO's Connect - a new and exclusive peer to peer network supporting CEOs of high growth potential innovation companies in Northern Ireland as they scale and grow.	Open to CEOs of an innovation company who have raised at least one round of seed funding, bootstrapped their way to sales & have ability to raise further funding or high growth potential innovation companies with sales of £500K	Annual intake - through application process	Belfast/Derry/Ballymena
		Three campuses providing agile work space (including Co-working) in Belfast, Derry and Ballymena	Open to knowledge economy companies - entrepreneurs/FDI/indigenous/research	Ongoing	NI wide

	Enterprise Northern Ireland	Co-Innovate Programme	Open to businesses who through investing in innovation aim to grow their business	NI-wide	
		Enterprise NI Autumn Enterprise Impact conference	Interested in enterprise and enterprise support	2019	NI-Wide
		Growth support workshops and walk-in clinics across five Local Enterprise Agency locations	Interested in business growth, advice and sign-posting	Throughout the year	Belfast and NI-Wide
	Ulster Bank	Entrepreneur Accelerator	up to 12 months and in addition to the support pre accelerate get, one to one coaching with Entrepreneur Acceleration Managers and up to 6 workshops over 6 months		
<b>Enable</b>	Enterprise Northern Ireland	Start Up Loans	Start-up businesses that are able to demonstrate by means of a business plan and cash flow forecast a commercially viable business proposal.	ongoing	NI wide
		NI Small Business Loan Fund	access to finance for small businesses, sole traders and partnerships which are keen to develop their business, but find it difficult to access funding through traditional sources. Start-up businesses trading less than two years can access up to £15k whereas companies trading longer than this can apply for up to £50k.		NI wide
		Five accessible locations providing workspace for start-up, early stage, growing businesses. Flexible terms, incubation and growth support.	Open to businesses wanting premises plus support/guidance/incubation to grow their business in Belfast	High demand but always spaces available	Five LEA's and 7 locations in Belfast - 44 locations across NI
	Ulster University	Crowdfunding 101	All Students from all campuses		

Invest Northern Ireland	Nlbusinessinfo.co.uk	Official online channel for business advice and guidance in Northern Ireland. It contains essential information, support and services for you and your business.	Ongoing	NI wide
	Innovation Vouchers	£5000 voucher. Businesses may receive up to three vouchers for different project but may only have one 'live' voucher at a time.	Quarterly call	NI wide
	Business Information Centre  Business Information Centre (Contd.)	Free business library that can be used to: research your markets; identify new customers or suppliers; find intelligence on competitors; get basic guidance on licensing, distributorship and other agreements; find out about European legislation; get alerts for public sector tender opportunities	Ongoing	NI wide
	Support Finder	UCIT - Loans are available for NI based individuals, private companies and social enterprises in the SME and micro enterprise size range, in the start-up and growth phases of development.	Ongoing	NI wide
	Employers Handbook	Employers Handbook: <ul style="list-style-type: none"> <li>• Legal essentials and best practice</li> <li>• Hard or e-copy</li> <li>• Covers recruitment, contract of employment, benefits, leave, performance, conflict, absence, welfare and redundancy</li> </ul>		NI wide
	Export Start Guide	Export Start Guide: <p>Standalone web-guide &amp; pdf guide covering:</p> <ul style="list-style-type: none"> <li>• Why Export</li> <li>• Questions to Ask</li> <li>• How to Export</li> </ul>	Ongoing	NI wide

			<ul style="list-style-type: none"> <li>• Export Planning</li> <li>• Resources</li> </ul>		
		Business Diagnostic Tool	Equity funding for the best and most ambitious founding teams in NI. Support for entrepreneurs, seed and early stage SMEs and university spin-outs seeking first round funding up to £250,000 (which can be greater with syndication) to fund ventures for up to 18 months to a series A funding event and beyond.	Ongoing	NI wide
	Innovation Factory	Innovation Factory	Accommodation and services with business support, including events for innovative businesses to develop and grow		
		Pioneer 10	free space at IF, workshops and mentoring for established businesses seeking to scale and innovate.	open to established businesses (2yrs+) by application	
	ENI	5 Belfast based LEAS (North City, Ormeau, East Belfast Enterprise, Work West and Ortis)	provide rented workspace, training facilities and enterprise training and mentoring		
	Belfast Met	Connected Programme	funded specialist technical guidance and consultancy - with specific focus on Emerging Technology & NPD projects	Ongoing	NI wide
		Springvale Incubation Units	10 incubation Units	ongoing	
		Skills Focus	75% discount off accredited training i.e. ILM 3,5,7 etc. - social media, engineering etc.		
		KTP	60% funding towards Graduate Salary for 2/3 year Innovative project		
	Catalyst Inc	Three campuses providing agile work space (including Co-working) in Belfast, Derry and Ballymena	Open to knowledge economy companies - entrepreneurs/FDI/indigenous/research	Ongoing	Belfast/Derry/Ballymena

<b>Upskill (employability and skills)</b>	Belfast City Council	Hotel Employment Academy	Unemployed, working less than 16 hours a week and economically inactive or Long term unemployed		Belfast
		Construction Academy	Unemployed, working less than 16 hours a week and economically inactive or Long term unemployed		Belfast
		Healthcare Academy	Unemployed, working less than 16 hours a week and economically inactive or Long term unemployed		Belfast
		Public Hire Black Taxi Employment Academy	Unemployed, working less than 16 hours a week and economically inactive or Long term unemployed		Belfast
		Urban Digital Futures	Post primary schools and community groups across Belfast and Derry and Primary Schools around city of culture theme with Derry Urban Villages area		Belfast
		career Development Programme	post primary school		Belfast
		Paid Work Experience	post primary school		Belfast
	Belfast City Council (Contd.)	School based employment Academy	Post primary schools and alternative education providers		Belfast
		Childcare and Childminding Academy	Unemployed, working less than 16 hours a week and economically inactive or Long term unemployed		Belfast
	Ulster University	Leadership Development Programme	Students currently in UUSU Leadership Positions		All Campuses
	Disability Action	ESF Job Match Project	all disabilities, meets DDA, u/e or inactive		NI Wide
		Workable NI	all disabilities, meets DDA, working 10hrs+ p/w		NI Wide
		Disability Support on Training for Success (TFS) & Apprenticeships NI	all disabilities, meets DDA, aged 16-22		NI Wide
		Employment Advocacy	all disabilities, meets DDA, employment queries		NI Wide
	SENI	Working with Educational bodies	Universities, FE Colleges, schools		
	Belfast Met	Innovate US	up to 60 hours free specialist technical upskilling		

		Skills Focus	75% discount off accredited training i.e. ILM 3,5,7 etc. - social media, engineering etc.	Ongoing	NI wide
		Assured Skills Funding for FDI Businesses	funding for FDI businesses- funding for recruitment & training of graduates in STEM sector (training funded up to 12 weeks)	Ongoing	NI wide
		Student Projects		Ongoing	NI wide
		Student Placements		Ongoing	NI wide
		Apprenticeships & Higher Level Apprenticeships		Ongoing	NI wide
	Women in Business	Yes You Can Female Entrepreneurship Programme	Programme of 5 interventions per year for next 3 years 2019-2021 to support female entrepreneurs at any stage of their journey to upskill to support their business	Jan 2019-Dec 2021	NI wide
		WIB programmes	Mentoring and various Programmes to support personal professional development and communication skills	ongoing	NI wide
		WIB events programme	70+ events annually to support personal and professional development	Ongoing	NI wide

## 9 APPENDIX C - A REFLECTION ON POLICY

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### 9.1 Policy Background

The middle of the 20<sup>th</sup> century was probably the apogee of the age of big businesses with Fordism and the search for the supposed economies of scale. Small businesses, if they were noticed as a category, were seen as a sort of endangered species. It was that sort of thinking which led to the appointment in the UK of the Committee of Inquiry on Small Firms which was set up under the chairmanship of J E Bolton in 1969 with the remit 'to consider the role of small firms in the national economy, the facilities available to them and the problems confronting them; and to make recommendations. (Bolton, 1971)

The Bolton Committee's report was published in 1971 and it concluded that, although the small firm sector was of substantial importance to the UK economy and the contribution of small businessmen to the vitality of society was inestimable, the sector was in a state of long term decline. Also at this time in Northern Ireland, and again probably more from a view that small businesses were imperilled and needed some help, LEDU (the Local Enterprise Development Unit) was established in 1971 by the Northern Ireland Government to support small businesses – which it did largely by offering grants to businesses for projects which secured existing jobs or had the potential to create new ones.

Despite the increase in such recognition as a subject of academic and/or official attention, enterprise/'entrepreneurship' had remained something of a minority interest and, as one commentator put it, even in the 1970s entrepreneurship was 'academically "flaky" and lacking in a scholarly body of knowledge' and 'little research in entrepreneurship [went] on and consequently the literature on it remained thin' (Plaschka, 1992). Nevertheless, interest in it was growing and it was observed that by the end of the 1970s 'an entrepreneurial "something" was in the air', at least in the USA, exemplified by a growth in writing about 'small business' and 'entrepreneurship' along with associated stirrings in the policy/political arena (Dennis, 2016).

However, in the 1970s a number of other factors combined to upset the economic *status quo* and/or to challenge the theory behind the mechanisms which appeared to have controlled it. Among these were the condition known as 'stagflation' which seemed to affect economies in the early 1970s and which included a rise in unemployment. It had been thought that, since the war, in the UK and in other economies, the lessons of the earlier depression had been learnt and Keynesian economic policies were being applied, with the result that unemployment had remained relatively low and steady for about 25 years. Nevertheless, after about 1970 it started to rise and by the end of the decade, when it was clear that this was not just a temporary fluctuation, new approaches were sought as the previously accepted methods for economic control, and especially for the maintenance of full employment, no longer appeared to work.

Therefore, by the late 1970s many governments were looking around for solutions to their unemployment problems – and it was in 1979 that David Birch released results from his research into employment in the USA in which he found that it was small firms which

created the most jobs (Birch, 1979). Thus, in the expectation that small businesses would create jobs and entrepreneurs would start small businesses, governments wanted more entrepreneurs and small businesses and started to pursue policies to get them. These policies have been categorised as entrepreneurship policies if their aim is more business starts and small business policies if their aim is growth of existing small businesses and jointly linked under the label of enterprise policy.

## 9.2 Enterprise Policy

Bridge and O'Neill (2018) have suggested that, when examining policy, it can be helpful to distinguish between different components of the process such as:

Policy Drivers - which are the overall political reasons for having a particular policy.

Policy Objectives - the overall aim(s) of the policy in question.

Policy Justification - why intervention is unlikely to be counter-productive

Performance Indicators – what is to be measured to assess policy success (or failure).

Policy Approaches and Instruments – the methods to be used to achieve the objectives.

Delivery Vehicles – the agents or initiatives which will undertake the implementation work.

Policy Budgets – how much money is available to implement the policy.

In the case of enterprise policy, the key drivers would appear to be a perceived need to have a stronger economy and to reduce unemployment – and the objective is generally to have a bigger and/or faster growing small business sector. The justification frequently given for taking action is that of “market failure” in that, without intervention, deficiencies in the normal working of the market will preclude the desired outcome – and the performance measures often used are the rates of business start-up and early stage growth.

To achieve the objectives of enterprise intervention, a number of broad approaches are generally available – and two are sometimes distinguished: one concentrates on the creation of an environment favourable to the establishment and growth of enterprise and the other supports more directly the actual start-up and growth of individual enterprises. These are then given effect through a range of instruments, delivered by a variety of agents – and this appears to be to sort of menu from which the instruments are selected:

- Actions in the regulatory environment – for instance minimising ‘red tape’.
- Actions in the fiscal environment – for instance tax concessions.
- Actions in the support environment – a selection from:
  - Finance programmes
  - Premises programmes
  - Advice and mentoring programmes
  - Business training
  - Marketing programmes
  - Management development provision
  - R&D and innovation programmes
  - Start-up programmes
  - Awareness raising programmes
  - Assistance with business plans



If, as appears to be the case, most enterprise policy is, in effect, selected from such a menu then it implies an assumption of logical decision making. For instance, in England in 2003 the Small Business Service (SBS) had the declared objective of 'making the UK the best place in the world to start and grow a business' (SBS, 2003) which is explainable if it is assumed that people think about starting a business but then make some form of logical risk-cost-benefit assessment before deciding whether to proceed or not. Therefore, if somewhere is a better place to start a business because the risk and cost are reduced and the potential benefits increased, then more people should decide to do it. And that is what these instruments do: reducing red tape reduces the cost, tax concessions increase the retainable benefits, and the various support offerings make it easier to do which thus reduces the cost and the risk of trying to do it unaided.

### 9.3 The Northern Ireland Case

Annex 1 to this Appendix presents a short summary of economic policy for Northern Ireland for the last 50 years and the place in it of strategies for supporting and/or promoting enterprise and small businesses. In this it would seem that Northern Ireland is no exception to the general outline presented above. For instance in the 1980s enterprise did start to take off as an issue of interest and official action:

- LEDU grew – its budget increased, it took on more staff, and extended its support for instance to one person start-ups and to helping the emerging local enterprise agency (LEA) network.
- NISBI (the Northern Ireland Small Business Institute) was established as the small business department of the University of Ulster.
- The then Department of Economic Development launched an initiative called 'Pathfinder' to address key issues perceived to be limiting the development of Northern Ireland's economy. One of these was the lack of an enterprise tradition.

The subsequent Pathfinder enterprise recommendations included support for people who did want to start a business and a recognition of the need to change attitudes if more people were to want to do that. The Pathfinder recommendations then became policy and LEDU started to implement them. When it was first formed LEDU supported small businesses through grants of money – which might have seemed the obvious thing to do because, if asked, small businesses often said they need money and a budget was what LEDU had. However, after it began to support one person start-ups, LEDU also began to offer them training in money management and then also in sales and marketing. Pathfinder had suggested that a combination of finance and training help should also be accompanied by networking and, as the LEAs were in good position to introduce clients to local networks, the start-up training (and eventually some of the financial support) was eventually delivered through them – and they also had premises for start-ups.

LEDU also started work on attitudes – including conducting a base-line survey which it was intended should be repeated at ten year intervals to assess progress (but in practice this was never done). Much of the early attitude effort was delivered under the label of Enterprising Northern Ireland – and one of the things it did was to publish a business plan

format which was agreed by all the main banks (which had started to ask for such plans) – and this was the first introduction of business plans into the official support provision.

However, since then this attention has, in effect, been diluted. Over time and with a change in personnel within policy (and practice) the objective of attitude change was soon forgotten as a deliberate policy objective, apart for some lip service, and overall the regard for enterprise was in effect downgraded. For instance LEDU was wound up when Invest NI was created so there was no longer a separate entity focusing on this area, and enterprise not recognised in initiatives such as the NI Growth Challenge and the lobbying for Corporation Tax changes. Apart from those few initiatives which appeared to promise early and high-tech based growth, officially funded start-up support was reduced more or less to a uniform one-size-fits-all help with business plans – despite Invest NI copying the example of SBS in claiming that it was seeking to make its location the best place in which to start or grow a business. Thus Invest NI also appeared to adopt the rational decision making assumption then people would start businesses if they were supported to do it, and were aware of the support - instead of trying to make Northern Ireland a place where more people wanted to do it.

## 9.4 Examining Enterprise Policy

That is essentially the policy position today but is it a good position? Examining an economic policy might be likened to examining a prescribed medical cure – for which is it relevant to consider a number of issues including:

- Is the patient ill - and is a cure needed?
- What is the diagnosis and is it correct? Is the patient's condition something which is correctable?
- Is the medicine prescribed appropriate for that diagnosis?
- Are there any significant side effects which might preclude that prescription?
- Who administered the medicine and was it what was prescribed and administered as prescribed?
- And finally did it work?

### 9.4.1 Northern Ireland's Enterprise Policy in Practice

Therefore, to examine the effectiveness of a policy, all the policy components indicated earlier may be relevant considerations. In examining the policy that might relate to 'entrepreneurship' ecosystems in Northern Ireland it is suggested that this is the situation:

Drivers. Northern Ireland is still considered to have a weak economy and too high a level of economic inactivity and under-employment (even before COVID 19). So there is a desire for a stronger economy and especially more employment – and that has not changed. Jobs remain the overall aim – plus economic growth.

Objectives. The policy is supposed to lead to more business starts and more growth in businesses once they have started (and in both cases supposed high-growth / high tech ventures are thought to be especially desirable).

Justification. It is supposed that some form of ‘market failure’ is holding back start-ups and growth – and that this can be addressed by policy.

Indicators. The suggested indicator is usually the rate of start-up (usually expressed as the number of new starts per 10,000 population) although the GEM TEA is also sometime quoted because it is available.

Approaches and instruments. The basic approach is suggested by the statement in Invest NI’s Accelerating Entrepreneurship Strategy, launched in June 2003, that Invest NI’s vision was ‘to make Northern Ireland an exemplar location for starting and growing a successful business’. The thinking behind this seems to be that the more Northern Ireland is a good place for starting or growing a business - for instance because red tape is minimised, tax concessions are available help is provided with things like finance, training, premises and preparation - then the more people will do it. However, when it comes to current instruments the basic assistance provided is mainly for start-ups and it consists essentially of advertising that that help is available (presumably to raise awareness) but the basic support actually provided has been reduced essentially to standardised one-size-fits-all help with the development of a business plan.

Vehicles. The basic start-up provision is the responsibility of the Councils which contract the LEAs to deliver it.

Results. If the results indicate a failure to achieve the objectives - why? Is it due to problems in the methods/instruments or in their delivery? As it would seem that the methods were indeed delivered as specified, failure would suggest that it was the methods themselves, and therefore the assumptions on which they were based, which should be questioned.

## **9.5 Reflections**

### **9.5.1 Assumptions**

If failure raises questions about the policy and therefore about the assumptions apparently underlying it – what are they? Might they include the following?

### **9.5.2 Assumptions About Growth**

It would seem that policy starts with an assumption that economic growth is always good – without considering the extent to which, in a world with limited natural resources, indefinite growth might actually be harmful. There also seems to be an assumption that growth is always good for businesses and that, once a business is established a working model, growth can be achieved just by scaling up the model. However, those who have examined this, such as West (2017), find that businesses don’t ‘scale’ continuously. For instance, they have to change structure radically as the number of employees passes Dunbar’s number (Dunbar, 1992) – which is what Penrose (1959) recognised when she observed that ‘as firms grow larger ... it is much more likely that their organization will

become so different that we must look on them differently; we cannot define a caterpillar and then use the same definition for a butterfly’.

West also shows that the more firms grow the more that growth can actually limit their life – and the really long lived businesses are those which have tried to inhabit a niche well and have not sought to expand beyond that. Others have also found that many business owners are not primarily seeking profit growth and Pink (2011) suggests that even in employment situations money is not a good motivator – and autonomy, mastery and purpose are much better.

Nevertheless, there seems to be an assumption that businesses have a sort of growth imperative – not only because it is the natural thing for them to do and but also because their owners want to maximise profits. Therefore, if they aren’t growing, that must be because there are (external) constraints on growth – which policy should seek to remove. In this context it may also be interesting to reflect on Harberd’s research (2007) into the growth of plants. Despite an expectation that plants tried to grow and, given sufficient sunlight, water and nutrients, plants would grow, he found growth inhibitors in a plant’s DNA. In the right conditions the plant produced a hormone which turned off the inhibitors but otherwise the constraints on growth were internal and had the benefit of preventing the plant from growing too big to survive for long if the environment in which it had taken root was poor.

### **9.5.3 Assumptions About Motivation**

Invest NI’s Accelerating Entrepreneurship Strategy launched in June 2003, stated that Invest NI’s vision was ‘to make Northern Ireland an exemplar location for starting and growing a successful business’. The thinking behind this (as noted in 4.4.1 above) seems to be that if Northern Ireland is a good place for starting or growing a business, then more people will do it. That in turn seems to be consistent with an assumption that people will consider whether to opt for employment or self-employment and decide based on some sort of logical risk-cost-benefit assessment - because the policy instrument seems to be designed to reduce the risk, reduce the cost and/or increase the benefits of self-employment so such assessments would be more positive. Assuming that people benefit-maximise like that would be consistent with traditional economic thinking but it ignores the impact of social influence.

### **9.5.4 Assumptions About Planning**

It appears to be assumed that business plans are an essential tool for start-ups – and therefore they are the key thing all start-ups should do to help to prepare for their venture. Therefore they are the core of the support provided and the recent evaluations of Go-For-It report that business plans have indeed been delivered as intended - and have been accepted by the recipients. However, they do not comment on whether business plans are indeed helpful and on what alternative advice might be. The answer is unlikely to be found by asking the recipients as they will tend to believe the authorities which advocate the plans and, in any case, have no alternative with which to compare them. For instance, when

bleeding was a common medical procedure for curing fevers, patients believed in it as the received wisdom and wanted it to be done to them - and the doctors were paid for doing it so they wouldn't be motivated to query it either. In effect, the evaluations have reported on whether the prescribed treatment has been applied as specified (i.e. whether business plans have been developed for aspirant start-ups) but not on whether that is the right/best treatment to deliver to achieve the desired outcome.

### **9.5.5 Assumptions About Predictability**

Actually, business planning encourages, and/or is based on, on a deterministic view of the world which thinks that with appropriate application it is possible reliably to forecast the future and plan for it on that basis, instead of accepting that it is uncertain and preparing on accordingly. Business plans are advocated as 'route maps' to success for business to follow so, once you know the route you are going to follow, all you have to do is follow it. But, as Henry Mintzberg once observed: 'the future does not exist; [so] how could there be knowledge about something non-existent'. Is this another assumption which has not been questioned despite contrary views being expressed?

### **9.5.6 Other Assumptions**

There are also other assumptions such as the apparent belief that maximum economic return can be obtained by targeting assistance on high-growth start-ups – which even leads to a narrow/limited vision: of entrepreneurship as encompassing only such businesses. For this targeting assumption to be correct a number of conditions to be met – including that high-growth businesses do make the biggest contributions to growth and jobs, that such businesses can be identified early on, that assistance can be targeted to just those businesses and that the assistance is effective and does lead to those businesses growing more than they would otherwise have done. Therefore, all those conditions have to be met for such a policy to be effective but, in practice most if not all are very doubtful.

### **9.5.7 Reflections**

So – where does the ecosystem come in to these considerations? It is suggested here that a proper consideration of the enterprise ecosystem – one which encompasses all the possible influence on the birth and growth of an enterprise – is one which is not limited to just those components officially recognised but to other possible influences such as culture and micro-social groups. If business owners are considered as humans and not as just figureheads of inanimate and objectively rational model businesses, then the significant influences on their behaviour might be more apparent.

The ‘streetlight effect’ (or the drunkard’s search)

There is a well known story about a policeman who sees someone who, after having had rather too much to drink, is looking for something under a streetlight. He tells the policeman he has lost his keys so the policeman helps him to look for them. After a while of fruitless search the policeman asks if he is sure he lost them there – but the drunk replied no, he lost them on the other side of the road. “Then why”, asked the policeman “are you looking here?” – to which the drunk replied “because this is where the light is”.

If social influence is critical, but often is not recognised, then the ‘streetlight effect’ may indeed be impacting on policy making: Do we look for relevant ecosystem interconnections where it is easiest to look because it is part of the system we know best – rather than where they are likely to be strongest and most meaningful? As a result is the term ecosystem being used in (two) different ways? One way is aligned to the original biological use where the ecosystem is all the relevant (i.e. influential/having an effect/impact) relationships in a complex environment. However does the other way encompass only those parts of that environment which are official, acknowledged, familiar, traditionally recognised and/or customarily used by policy – or variations on that such as segments (for instance financial) or those parts most desired to be relevant (wishful thinking)? Have we arrived at a position where, instead of referring to the institutional provision as an ecosystem because it includes all the relevant relationships, it is assumed to include all the relevant relationships because it is referred to as an ecosystem?

## **9.6 Further Reflections**

### **9.6.1 A misconception of the components of an ecosystem**

It would seem that the introduction of an ecosystem as a metaphor for the start-up and small business support system came from a desire to understand what does have an impact on the behaviour of components in the system – whereas some uses of the term now seem to indicate a wish that start-ups and small businesses should be influenced primarily by those parts to which the label is being applied. In this it would seem that a domain often overlooked is that which Isenberg labelled ‘culture’. In the enterprise policy world it would seem that, whether from short-sightedness or wishful thinking, often only the formal / official / institutional support is noticed and/or acknowledged - not least because that is the bit that can be ‘built’. Can it be that, in effect, rather than applying the label ‘ecosystem to

those parts of the environment which do have an influence, it is applied to only some components and then assumed that, because they have been labelled as an ecosystem, they must be the ones with influence?

If that is so then has this happened, at least in part, from having a focus on businesses rather than on people? It has been noted that in policy and research the focus in the field of enterprise has often been on the businesses rather than the people behind them. This may be because the businesses are much easier to measure and study and because it is businesses which are seen to employ people and employment is a key reason for promoting enterprise. However, it has also been pointed out that it is the people who make the decisions and small businesses in particular are often, in effect, an extension of the life and personality of their founders/owners.

### **9.6.2 A farming analogy**

Could a focus on businesses be consistent with a farming analogy, because the aspiration is to multiply and grow businesses to provide the employment sought – and could this also be a reason why cultural issues, which affect people, are often overlooked?

The entrepreneurial ecosystem approach can be likened to farming in that it involves trying to create an environment in which the sort of businesses that policy makers most want to rear can best start and grow. Therefore, are policy makers, in effect, trying to ‘farm’ enterprises – and therefore to build ecosystems in the way that agriculturalists construct farms? Farmers try to create ecosystems in which the animals they want to grow and harvest will thrive and increase. But the owners of targeted businesses cannot be separated from the rest of the population in the way that farmed animals are separated from their wild counterparts. Also farming has many drawbacks including

- It takes a long time to learn how to do it well.
- Many desirable animals are not suitable for domestication not least because their temperament will not allow them to settle in restricted artificial conditions.  
Animals that are domesticated become totally dependent on the farmer (for instance for food, water, shelter, safety and even reproduction) and are no longer capable of living independently – so, once farmed, they cannot revert back to independence.

### **9.6.3 Good policy**

However, could there also be another factor at work in the underlying motivation of policy makers? Is the desire of those charged with drafting policy often more to present a good looking policy (see Box below) rather than actually to make a difference? It would be understandable because it seems that having a good policy earns plaudits in the short term, whereas actually making a difference might require significant change (which is uncomfortable) and, if it happens, is only apparent in the longer term. Also, could it be that it is so rare for policy in this area actually to make a difference that it appears to be pie-in-the-sky and is not a credible objective?

### **Good Policy?**

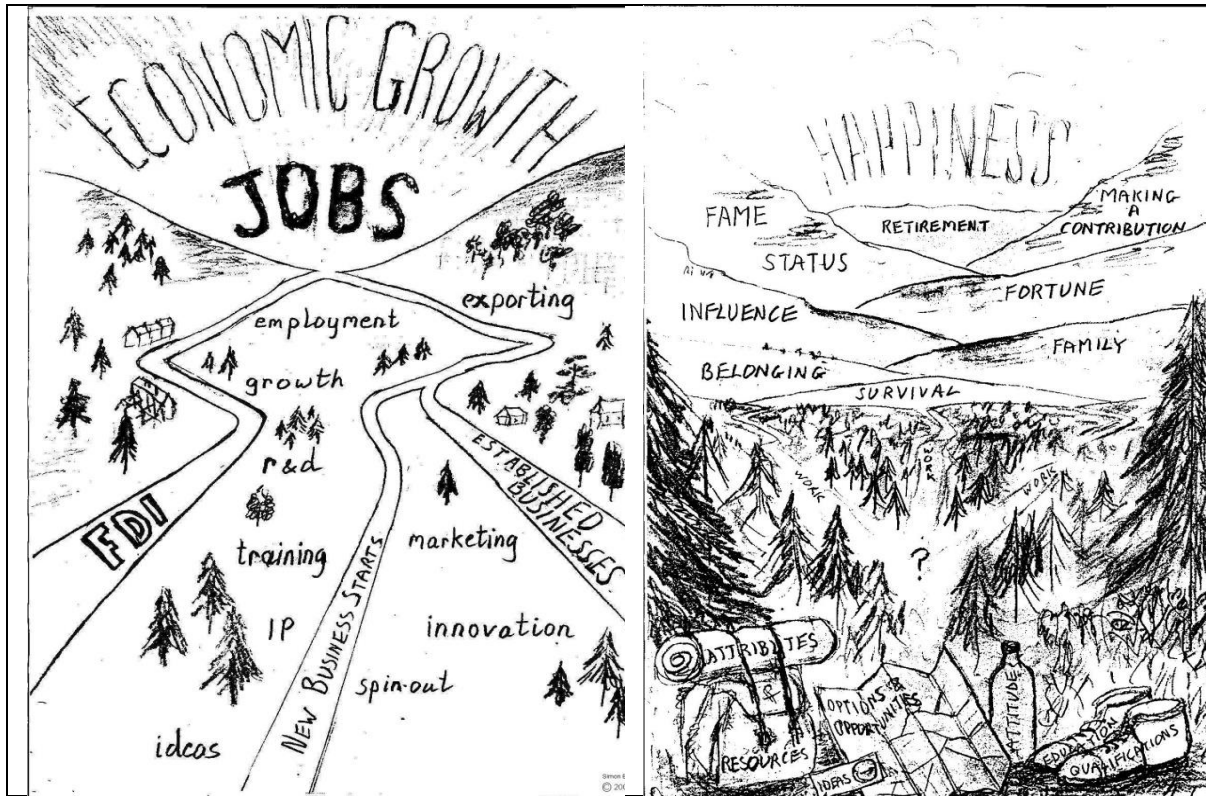
What makes a policy (look) 'good'? Is it because:

- It includes laudable targets and the generally accepted ways to address them?
- It has lots of reassuring justification and tidy categorisations?
- Instead of drastic change, it offers variations and improvements to familiar methods - and so does not require a tiresome and hard-to-implement break with the past?
- It conforms to conventional wisdom - so is comfortable and doesn't rock the boat?
- It uses currently popular buzzwords - such as 'high-growth', 'scaling' and 'ecosystem'?
- It makes a difference - or could it be that this is not seen as necessary because it takes too long to assess and, anyway, happens so rarely that it is not really credible?

#### **9.6.4 The overall objective**

A further consideration is what should be the overall objective of enterprise policy? Is it just to encourage people to contribute to economic growth and job as the agency view below might suggest? Is it correct to assume that enterprise is about the new business start-up route in the agency view – and that many people would like to follow this path if the conditions were right? Or should enterprise be seen as something that offers people a choice of route in their lives as the life view suggests. In this view enterprise for someone might lead to them starting a 'business' if that seems an appropriate thing to do at the time to get them to where they want to go in life - **and** if their peers and other influential social contacts commend and support it? If the reality is that most people see something like the life view then it will not be productive to assume that most of them share an outlook more like the agency view.





An economic agency view

A life view

### 9.6.5 Postscript

Therefore, to summarise – this review suggests that, for the last 30 years or more, most enterprise policy has, for economic development reasons, endeavoured to encourage business start-up and growth. Further, on the apparent assumption that people will consider starting a business but are dissuaded because it appears to be too risky, too costly and/or too hard, the policy has been constructed around providing a range of support measures to make it less risky, less costly and generally easier. However, the available evidence suggests these policies have not worked - not least because they appear to have had no noticeable effect on the rate of start-ups.

Such policies may conform to traditional economic thinking that people act rationally to maximise their benefit – and that starting a business will be beneficial for many people. However, in behavioural economics the assumption of impartial logicity is now being reconsidered and the influence of social pressures and norms are instead being recognised – and there is evidence that for many people employment is financially better for them than self-employment.

Therefore, if policy wants to make a difference, it should consider what it should actually be trying to achieve and the key role that social influence can play in people’s choices of what they will do. And, if ecosystems are to be a useful model, the totality of influences should be considered, not just the official ones.

## **10 ANNEX 1 TO APPENDIX C**

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A brief history of Enterprise and small business strategies in Northern Ireland

This annex presents a short summary of economic policy for Northern Ireland for the last 50 years and the place in it of strategies for supporting and/or promoting enterprise and small businesses.

### **10.1 1970s - LEDU**

If enterprise is primarily about small businesses then an enterprise policy might be said to have been in place in Northern Ireland since at least 1971 with the creation in that year of the Local Enterprise Development Unit (LEDU) as a government agency to assist small businesses. However, this was time when the focus was mainly on larger businesses and inwards investment and it would seem that LEDU was formed more because small businesses were then seen as in some way endangered than because they were considered to be central to a thriving economy – and LEDU initially worked more to support existing businesses than to help set up new ones. Essentially, it used its budget to provide grants for small businesses which said that with financial help they could employ more people than would otherwise be the case.

### **10.2 1980s - Pathfinder**

However, not least because of the influence of Birch's findings, that view changed in the 1980s. In this decade LEDU grew – its budget increased, it took on more staff, and it extended its support for instance to one person start-ups and to helping the emerging local enterprise agency (LEA) network. This was also the time when The University of Ulster (as it was then titled) established NISBI (the Northern Ireland Small Business Institute) as its small business department. Its first course was run in 1980 but it was not officially named until a couple of years later.

Then, in the middle of the 1980s, the Department of Economic Development launched an initiative called 'Pathfinder' to address key issues perceived to be limiting the development of Northern Ireland's economy. One of these was the lack of an enterprise tradition and, for this, a wider interpretation was used as it defined 'enterprise' as 'the propensity of people to create jobs for themselves and others, by engaging in and developing a legitimate activity which will earn them a living or by developing their existing jobs'.

Pathfinder proposals were produced after a search for new thinking, relevant ideas and best practice. The enterprise recommendations included both a range of support for people who did want to start a business and a recognition of the need to change attitudes if more people were to want to do that. The Pathfinder recommendations then became policy and LEDU started to implement them. When it was first formed LEDU supported small businesses through grants of money – which might have seemed the obvious thing to do because, if asked, small businesses often said they need money and a budget was what LEDU had. So LEDU awarded grants and did not seem to have asked whether the budget

could have been converted into a more effective economic development ‘tool’. However, after it began to support one person start-ups, LEDU also began to offer them training in money management and then also in sales and marketing. Pathfinder had suggested that a combination of finance and training help should also be accompanied by networking and, as the LEAs were in good position to introduce clients to local networks, the start-up training (and eventually some of the financial support) was eventually delivered through them – and they also had premises for start-ups.

LEDU also started work on attitudes – including conducting a base-line survey which it was intended should be repeated at ten year intervals to assess progress (but in practice this follow up was never done). Much of the early attitude effort was delivered under the label of *Enterprising Northern Ireland* – and one of the things it did was to publish a business plan format which was agreed by all the main banks (which had started to ask for such plans) – and this was the first introduction of business plans into the official support provision.

### **10.3 1990s – The Growth Challenge and Strategy 2010**

Following Pathfinder DED produced *Competing in the 1990s - The Key To Growth* as a framework for the work of its various agencies (including LEDU) in the 1990s. Among other things it claimed that research suggested the key role for the Government was to remove a number of constraints which may hold back growth in the supply of entrepreneurs. However, no indication was given of the nature of this ‘research’ and it seemed more like conventional thinking than any new ideas. Further, it might be said that changes in personnel led to a loss of institutional incentive and memory. DED had a new Permanent Secretary and LEDU a new Chief Executive, neither of whom had been involved in Pathfinder and who did not appear to have either the same understanding of it as their predecessors or a personal interest in championing its implementation. LEDU, for instance, changed the enterprise team (which had been largely responsible for much of LEDU’s Pathfinder implementation work) and made the director of that part of LEDU redundant.

However, in the 1990s industry leaders got more involved and in the autumn of 1993 the Northern Ireland Growth Challenge (NIGC) was founded by the CBI Northern Ireland as a private sector initiative to identify how growth of the local economy might be accelerated. It was private sector led and was very largely informed by people working in business. It produced an ‘Interim Report’ in 1995 but it did not appear to consider any specific need to address ‘enterprise’ and/or small business start-up rates – which suggested that the establishment in the private sector did not see them as being relevant.

After the Growth Challenge DED instigated consultation for a new strategy which resulted in the publication, in 1999, of *Strategy 2010*. Although this process was set up by government, its input came largely from selected private sector people assisted by civil servants. Its recommendations for ‘enterprise’ included rebalancing the incentive package, prioritising financial support, and encouraging private equity finance - but is it clear that in this context ‘enterprise’ covers a wide area of business and there was little new thinking.

## **10.4 The New Century – Local Ministers and Invest NI**

However, in 1998 the Good Friday Agreement was reached and this was followed, with some hiccups, in 1999 and 2000 by the ending of direct rule, a new Northern Ireland Executive, local ministers – and local initiatives. For instance, in a reorganisation long advocated by some people in the private sector, Invest NI was formed in 2002 to combine responsibility for larger and smaller businesses in the same organisation. Consequently, LEDU ceased to exist and, in effect, this move treated small businesses as small big businesses and not as a separate sort of organisation.

Soon after it was formed Invest NI launched its Accelerating Entrepreneurship strategy and indicated that its vision for this was 'to make Northern Ireland an exemplar location for starting and growing a successful business' (and a later Invest NI strategy declared that its aim is to 'make Northern Ireland the best region in which to start and grow a business'). This suggests that the source of this aim was a 'me-too' copy of others with a similar aim, such as SBS in England, and not original thinking. It was also consistent with a view that if there is good assistance more people will start business, as if it was a lack of support that was holding them back.

However, among the other initiatives, in March 2007 Invest NI organised a seminar on Fostering Entrepreneurship which included plenary presentations from three international experts, policy overviews from both parts of Ireland, parallel sessions on key policy areas and an ideas generation session. The declared objectives of the seminar included highlighting international best practice and stimulating discussion on entrepreneurship policy – and it was felt that these objectives were achieved and that the seminar had been a positive development (Bridge, 2007). Thus, while the aim of the seminar might have been to learn how to foster entrepreneurship better, it later appeared that some conversations during the seminar led Invest NI to conclude that its efforts in this area were not working and, rather than look for better ways to build entrepreneurship, the response had been essentially to give up and to downgrade this part of Invest NI's agenda.

### ***10.4.1 Enterprise Strategy Consultation and the Barnett Review***

In 2008 (possibly because the Westminster government wanted to be able to refer to the enterprise strategies in all parts of the UK) a transitional three year enterprise strategy for Northern Ireland was developed. However, when this was presented to a selected group of researchers for their comment (and expected agreement), they largely rejected it as being more of the same based on an assumption that more support leads to more enterprise which, they believed, was an approach that had not worked anywhere. However, this strategy was then dropped on the pretext that the Barnett review had been started.

In 2007 a new DUP/Sinn Fein led Northern Ireland Executive had been formed - and in June 2008 Arlene Foster became Minister for Enterprise, Trade and Investment. One of her early actions was to commission an independent review of economic policy from a panel chaired by Richard Barnett, the then Vice-Chancellor of the University of Ulster. This was described as a wide-ranging review of economic development policies with particular emphasis on the role of DETI and Invest NI and the panel was 'asked to advise on the need to realign existing

policies, or to devise new policies, in order to meet the Executive's goal of halving the private sector productivity gap between Northern Ireland and the UK (excluding the Greater South-East of England). The panel reported in 2009. In line with apparent thinking at the time, its findings focussed on productivity as NI's main economic challenge and, in its analysis of existing policies and acknowledgement of recent economic achievements, it made almost no mention of the enterprise and the small business sector and of start-up policies.

#### **10.4.2 The Last Decade – A Corporation Tax Focus Plus More Consultation**

In 2006, following a request from the Northern Ireland Industrial Taskforce, the Economic Research Institute in Northern Ireland had looked at the potential for a reduction in corporation tax to stimulate the Northern Ireland economy to emulate the 'Celtic Tiger' growth in the Republic. The resulting ERINI report suggested that lowering Corporation Tax might stimulate more inward investment - but only if many conditions were met. However, other voices were raised in favour of a tax reduction, not least those of politicians - to the extent that it began to be viewed as the key factor that was missing and therefore as a sort of magic bullet that would cure economic ills without the need for other efforts. And this focus continued for much of the following decade.

In 2011 the recently re-established NI Executive produced a new Plan for Government accompanied by a new Economic Strategy which had some local political input. Initially these were drafts for consultation and, although the response to this was deemed to have been supportive, it is known that an academic response (from Ulster University) did observe that the economic strategy proposed:

'nothing new to encourage and/or assist the creation of ... jobs and instead indicates old ways, including looking at best practice elsewhere and seeking inward investment jobs. The strategy itself proclaims the need for innovation and exporting yet, by advocating a continuation of the old ways while importing ideas and jobs, it appears to be unable to follow its own exhortation.'

Then, in 2017 the Department for the Economy produced *Economy 2030 – A consultation on an Industrial Strategy for Northern Ireland*. This gave some recognition to enterprise and, the indicators listed toward to end of the document included: business start-up rates. However, it also included a section on 'Learning from Global Best Practice because, it said, 'in seeking to become a leading internationally competitive economy it is important to examine economies which face similar challenges and opportunities'. It appeared essentially to be a repeat of previous efforts without any significant new thinking.

#### **10.4.3 Targets**

In all this time few targets have been set for Northern Ireland's enterprise ambitions. The target suggested by the original Pathfinder Enterprise report was to raise the rate of business starts to the UK average within five years but the Pathfinder Next Stage report suggested instead a target of a 30% increase over three years (although the starting rate

was not actually known). Strategy 2010 then suggested that registrations of new businesses per 10,000 of the population aged 16 or over should be raised from the then current average of 31 to 40. In 2002 the Economic Development Forum suggested that the business birth rate (new VAT Registrations per 10,000 business population), which was then 58% of the UK rate, should be raised to 87% of the UK rate by 2010.

In its Accelerating Entrepreneurship Strategy in 2003 Invest NI noted that 'VAT registrations are one indicator of business formation rates' and that Northern Ireland had 'one of the lowest rates in the UK with 28 registrations per 10,000 resident adults compared to 37 for the UK as a whole'. It did not set a specific target for reducing the difference but three years later did proclaim that the NI rate had risen from 60% of the UK average rate to 80%. It implied that this was due to Accelerating Entrepreneurship but the actual figures did not support this claim.

However, since then this attention has, in effect, been diluted. Over time, and with a change in personnel within policy (and practice), the objective of attitude change was soon forgotten as a deliberate policy objective, apart for some 'lip service', and overall the regard for enterprise was in effect downgraded. For instance LEDU was wound up when Invest NI was created so there was no longer a separate entity focusing on this area, and enterprise not recognised in initiatives such as the NI Growth Challenge and the lobbying for Corporation. Apart from those few initiatives which appeared to promise early and high-tech based growth, officially funded start-up support was reduced more or less to a uniform one-size-fits-all help with business plans – despite Invest NI drawing on the example of SBS in claiming that it was seeking to make its location the best place in which to start or grow a business. Thus Invest NI also appeared to adopt the assumption that more people wanted to start businesses and would do so if barriers were removed – as if they were making rational risk-cost-benefit assessments of this option.

### 11.1 Introduction

In order to adequately assess the effectiveness of any entrepreneurship policy or strategy the outcomes must be identified and measured. The measurement of entrepreneurship outcomes is not straightforward however, due to the lack of consensus as to what constitutes an entrepreneur or the breadth of activity that entrepreneurship encompasses. Different traditions in entrepreneurship theory offer distinct conceptualisations of the entrepreneur. A narrow interpretation, such as the Schumpeterian view connects entrepreneurship with innovation; the entrepreneur creating new products, processes and markets, driving economic growth through creative destruction (Schumpeter, 1942). In contrast, the Austrian view, promoted by Kirzner, takes a broader approach emphasising the opportunity recognition aspect of entrepreneurship. In this view entrepreneurship encompasses business creation in general, including replicative business and product ideas, instead of the narrower highly innovative type (Kirzner, 1973).

There have been attempts to develop a unified theory of entrepreneurship, however given the broad and narrow concepts, there is no accepted conceptual framework (Godin et al., 2008). Instead, a series of definitions are proffered. The OECD's (2008) definitions of entrepreneur, entrepreneurial activity and entrepreneurship are relatively narrow. They assert that:

- Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- Entrepreneurship is the phenomenon associated with entrepreneurial activity.

Their definitions take the Schumpeterian approach to entrepreneurship, however even within this narrow view there remain issues regarding measurement. Ahmad and Hoffman (2007) highlight, for example, that entrepreneurial activity can occur without the need for entrepreneurs, if it is undertaken by employees within a company.

Given the lack of consensus and the difficulties with measurement, it is important to recognise that no single indicator will adequately capture entrepreneurship in all its forms. To assess outcomes, the requirement then falls to policymakers to state at the outset the purpose of the entrepreneurship policy, be that business creation, an increase in entrepreneurial activity in general, or an increase in activities associated with innovation. Only then can the relevant indicator(s) be identified and the success or otherwise of the policy measured.

The remainder of this appendix gives an overview of the various metrics that can be used to assess the performance of entrepreneurship, across its various forms, to date in Northern

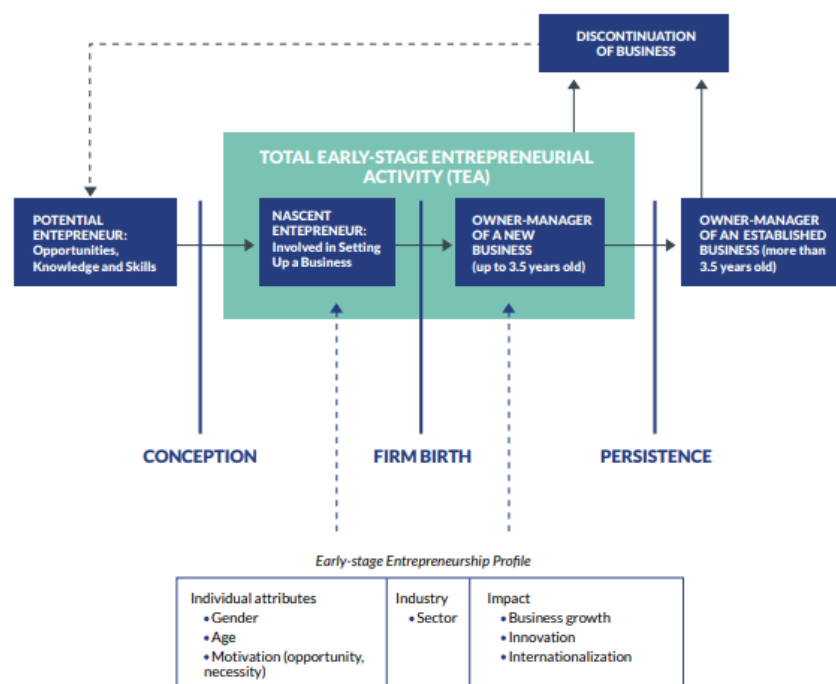
Ireland. The purpose is to provide a comprehensive overview of the various measures and assess Northern Ireland’s performance in each.

## Entrepreneurial Activity

The entrepreneurial activity of working age adults is measured annually across a wide range of countries by the Global Entrepreneurship Monitor (GEM) research consortium. The study conducts surveys in approximately 50-70 sovereign nations and, in policy terms, is regarded as the foremost comparative study of entrepreneurial activity in the general adult population. 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 start a business to exit. Individual entrepreneurs at three key stages are identified:

- Nascent entrepreneurs which is 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 are 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: Those whose business has been paying income, such as salaries or drawings, for more than forty-two months.

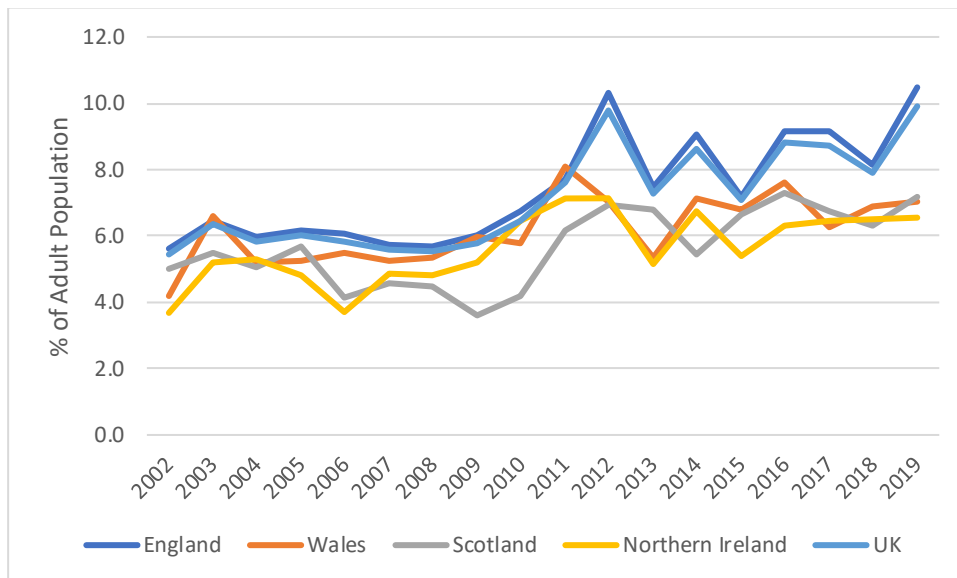
The first two stages of active business development, the nascent entrepreneur stage and the new business owner-manager stage, are combined into one index of Total early-stage Entrepreneurial Activity, or TEA, which is represented in Figure 7.1. TEA, as a measure, is considered one of the main ways to assess entrepreneurship outcomes.



**Figure 7.1: The Entrepreneurial Process and GEM Operational Definitions**  
 (Source: Bosma and Kelley, 2019, pg.16)

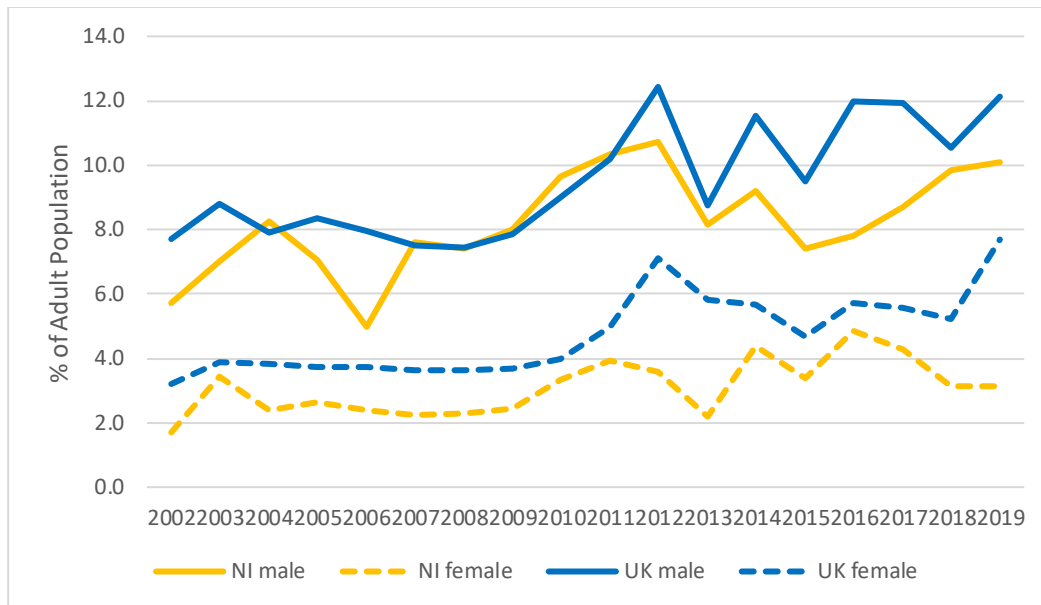


The TEA rate in Northern Ireland has been increasing since initial records began, doubling from 3.7% in 2002 to 6.6% in 2019. The increase is set within the context of rising entrepreneurial activity in the UK, which rose from 5.4% to 9.9% within the same period. Despite the increase, there has been a prevailing gap in entrepreneurial activity between Northern Ireland and the UK over 2002-2019 (Figure 7.2). This differential is driven by the rate in England, with entrepreneurial activity in Wales and Scotland comparable to Northern Ireland.



**Figure 7.2: Total Early-Stage Entrepreneurial Activity 2002-19**  
(Source: UK Global Entrepreneurship Monitor)

Entrepreneurial activity is typically lower for females than males, with males on average around twice as likely to be entrepreneurs. In Northern Ireland female rates have been particularly low, at around a third of male rates over 2002-19 (Figure 7.3). There is also a gap between female entrepreneurial activity rates in Northern Ireland and female rates in the UK, since 2016 this has widened. In comparison, there is a much smaller gap between male activity rates in Northern Ireland and the UK.



**Figure 7.3: Total Early-Stage Entrepreneurial Activity by Gender 2002-19**  
 (Source: UK Global Entrepreneurship Monitor)

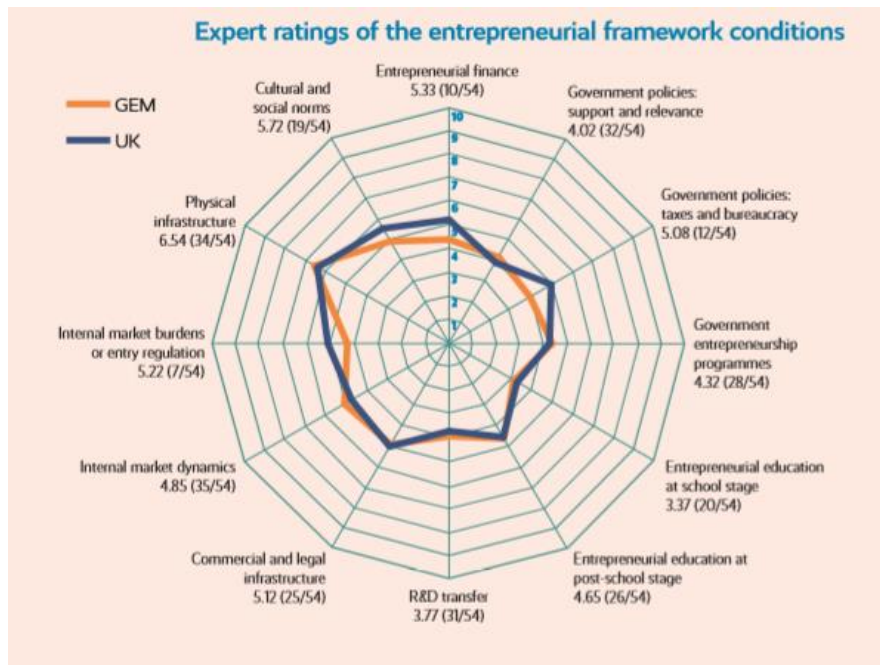
## Entrepreneurial Conditions

GEM has proposed that entrepreneurship dynamics can be linked to conditions that enhance, or hinder, new business creation. In GEM’s methodology these conditions are known as Entrepreneurial Framework Conditions (EFCs). EFCs are regarded as the components of the entrepreneurship ecosystem and constitute “the necessary oxygen of resources, incentives, markets and supporting institutions for the creation and growth of new firms” (Bosma et al., 2008: p. 40). Therefore, in addition to the APS, GEM conducts a National Experts Survey (NES) which is designed to capture informed judgements from national key informants regarding the status of EFCs in their own economies.

There are nine items that measure the status of the main framework conditions: entrepreneurial finance; government policy; government entrepreneurship programs; entrepreneurship education; R&D transfer; commercial and legal infrastructure; entry regulation; physical infrastructure; and cultural and social norms.

The state of these conditions directly influences the existence of entrepreneurial opportunities, entrepreneurial capacity and preferences, which in turn determines business dynamics. Hence, it is expected that different economies and regions have different structures and quality of EFCs that directly affect entrepreneurial activity’s inputs and outputs.

Although not available separately for Northern Ireland, EFCs in the UK are, for the most part, in line with the GEM average (Figure 7.4). In fact, in 2018/19, conditions for entrepreneurship in the UK exceeded the GEM average for government policy; entry regulation; cultural and social norms; and entrepreneurial finance.



**Figure 7.4: UK Entrepreneurial Framework Conditions 2018/19**  
 (Source: Bosma and Kelley, 2019, pg.16)

Although culture and social norms towards entrepreneurship are ranked higher in the UK than the GEM average, there are variances in attitudes across the UK. Table 7.1 shows the perception of the non-entrepreneurial population towards various entrepreneurship measures across the UK in 2019. Results are reported for the non-entrepreneurial population only to avoid any bias by those engaged in entrepreneurial activity.

Most non-entrepreneurs had favourable attitudes towards those starting a business; more than half of non-entrepreneurial individuals in the UK nations agreed that starting a business is a good career choice and around three-quarters agreed that those successful at starting a business have a high level of status and respect in society. These findings were broadly consistent across the UK nations.

Opportunity perception for entrepreneurial activity was statistically significantly higher in England than Wales and Northern Ireland, with just 31% in Northern Ireland perceiving good start-up opportunities compared to 40% in England. The proportion of non-entrepreneurially active respondents who thought they had the skills to start a business was similar across the UK nations at around 48%. Historically, fear of failure rates (for those perceiving opportunities) were higher in Northern Ireland than elsewhere but in 2019 the differences were not significant.

	England	Wales	Scotland	Northern Ireland	United Kingdom
	%	%	%	%	%
<b>I know someone who has started a business in the last 2 years</b>	45.8	49.1	49.0	43.4	<b>46.1</b>
<b>There are good start-up opportunities where I live in the next 6 months</b>	40.3	29.4	36.4	30.9	<b>39.1</b>
<b>I have the skills, knowledge and experience to start a business</b>	47.6	45.2	47.8	49.0	<b>47.5</b>
<b>Fear of failure would prevent me from starting a business (for those who agree there are good start-up opportunities)</b>	45.6	50.6	47.6	46.4	<b>46.0</b>
<b>Most people consider that starting a business is a good career choice</b>	58.1	56.7	53.2	58.0	<b>57.6</b>
<b>Those successful at starting a business have a high level of status and respect in society</b>	76.5	76.5	76.7	79.6	<b>76.6</b>
<b>You will often see stories about people starting successful new businesses in the media</b>	72.5	69.8	72.8	78.1	<b>72.5</b>

**Table 7.1: Perceptions of entrepreneurship among non-entrepreneurially active individuals in the UK Nations (%), 2019**

(Source: GEM UK APS 2019)

## Self-Employment

Self-employment is often used as a measure or proxy for entrepreneurship as it quantifies the number of individuals who make the occupational choice to work for themselves rather than for an employer. The term self-employed is often used interchangeably with entrepreneur however while working for oneself fits with the notion of being enterprising, it does not necessarily fit the criteria for being entrepreneurial. Certainly it could be said that those who enter self-employment to create value and who take on the associated risk to do so, are acting entrepreneurially. However, the self-employed are a heterogeneous group comprising, amongst others, freelancers, gig economy workers, sub-contractors as well as business owners. The diverse nature makes it difficult to isolate entrepreneurs from the other categories although there are narrower definitions which attempt to do so, including separating independent professionals from the remainder (Rapelli, 2012). Indeed, Levie (2016) further suggests a qualitative difference between solo-entrepreneurs who are sole business owners and intend to employ others in the future, and the solo business self-employed, those sole business owners who don't intend to employ others in the medium term, at least.

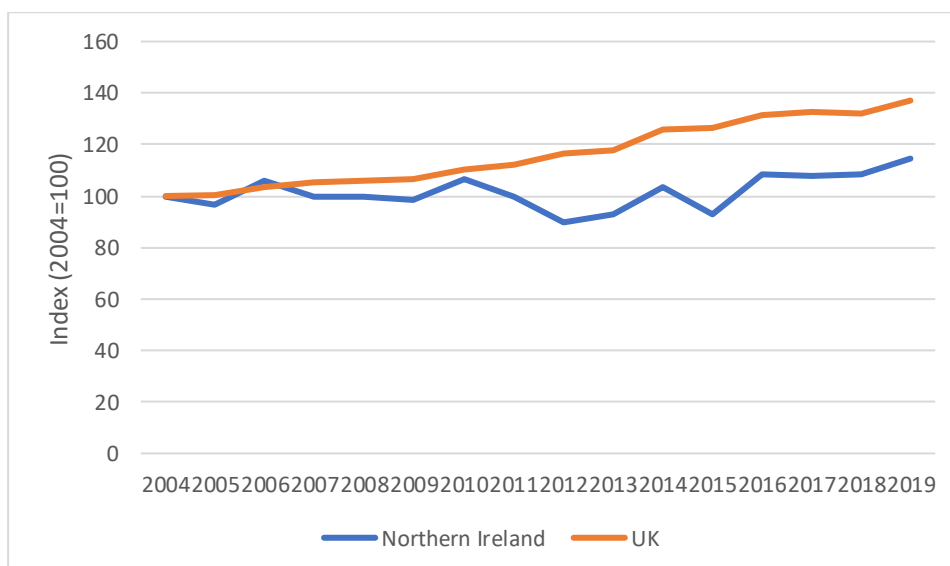
Despite the underlying differences in the composition of the self-employed, self-employment rates are one of the most widely used indicators of entrepreneurship. In Northern Ireland the number of self-employed has increased by 15 per cent since 2004 to stand at 134,000 in 2019 (Figure 7.5). The trajectory, although positive overall, has been quite volatile. During the last

recession the number of self-employed peaked in 2010 before falling to its lowest level in 2012 as the economy began to recover. Since 2016 levels have been higher than at any other time over the entire period. In comparison, the number of employees has increased by 22 per cent between 2004-19 with a relatively more stable pattern of growth.



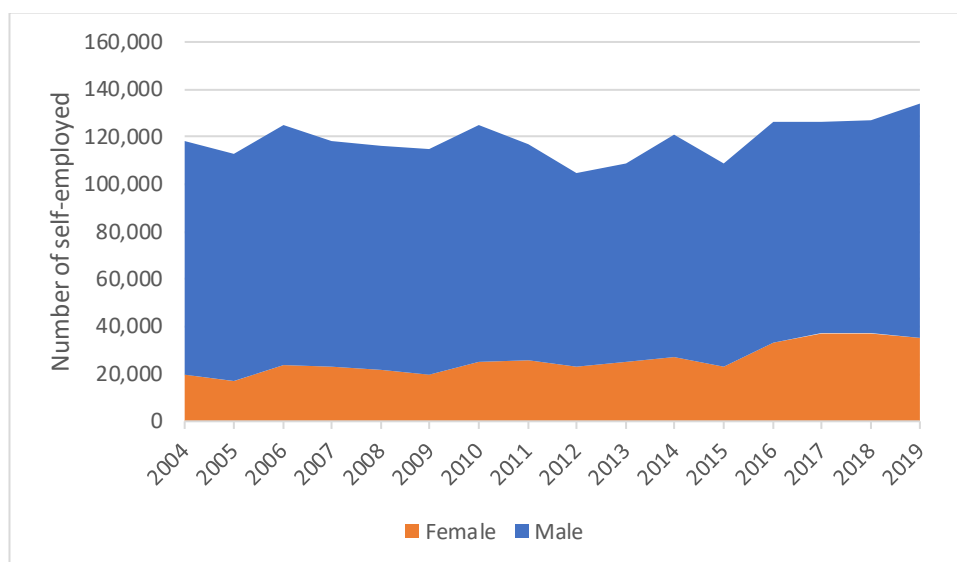
**Figure 7.5: Number of Self-employed and Employees in Northern Ireland 2004-19**  
(Source: Labour Force Survey)

Despite the recent growth in the self-employed in Northern Ireland, and the overall increase since 2004, the rate of increase has been slower than in the UK. Since the recession of 2008 the number of self-employed has continued to grow in the UK with the number in 2019 almost 40% higher than in 2004 (Figure 7.6). In comparison the rate in Northern Ireland in 2019 is just 15% higher than in 2004, with the overall numbers during the recovery period of 2012-13, lower than those in 2004.



**Figure 7.6: Index of Growth in Number of Self-employed in Northern Ireland and the UK 2004-19**  
(Source: Labour Force Survey)

Similar to the observation of the male and female split in the entrepreneurial activity measure, the self-employed in Northern Ireland are dominated by males. In Northern Ireland in 2019 just 35,000, around one quarter, of the total 134,000 self-employed are females (Figure 7.7). The number of female self-employed has been increasing since 2015, and the overall share as a proportion of the total has increased from 17% in 2004.



**Figure 7.7: Number of Male and Female Self-employed in Northern Ireland 2004-19**

(Source: Labour Force Survey)

As discussed above, the heterogeneity of the self-employed makes it difficult to distinguish business owners from the other sub-groups when the numbers as a whole are considered. Table 7.2 provides further disaggregation of the group for 2019, although the percentages add to more than 100% as the self-employed can select up to four categories to describe themselves. The table shows that only one third describes themselves as either a director, partner or running a business. Furthermore, when the overall results are classified by Occupation (Table 7.3) just 15% are categorised as managers, directors and senior officials with over one third classified as skilled trades occupations.

Type	Estimate	Percentage
Agency	1,000	0.5
None of the these	2,000	1.4
Free-lancer	3,000	2.5
Sub-contractor	6,000	4.1
Sole director of own limited business	14,000	10.1
Running a business	16,000	11.8
Partner	17,000	12.9
Working for self	89,000	66.7

**Table 7.2: Self-employment Types in Northern Ireland 2019**  
(Source: NISRA, Labour Force Survey)

Occupation	Self-employed	
	Estimate	Percentage
Skilled trades occupations	47,000	35.6
Managers, directors and senior officials	21,000	15.7
Professional occupations	16,000	12.1
Caring, leisure and other service occupations	14,000	10.4
Process, plants and machine operatives	13,000	9.6
Associate professional and technical occupations	11,000	8.2
Elementary occupations	6,000	4.4
Sales and customer service occupations	3,000	2.3
Administrative and secretarial occupations	2,000	1.8

**Table 7.3: Self-employment by Occupation in Northern Ireland 2019**  
(Source: NISRA, Labour Force Survey)

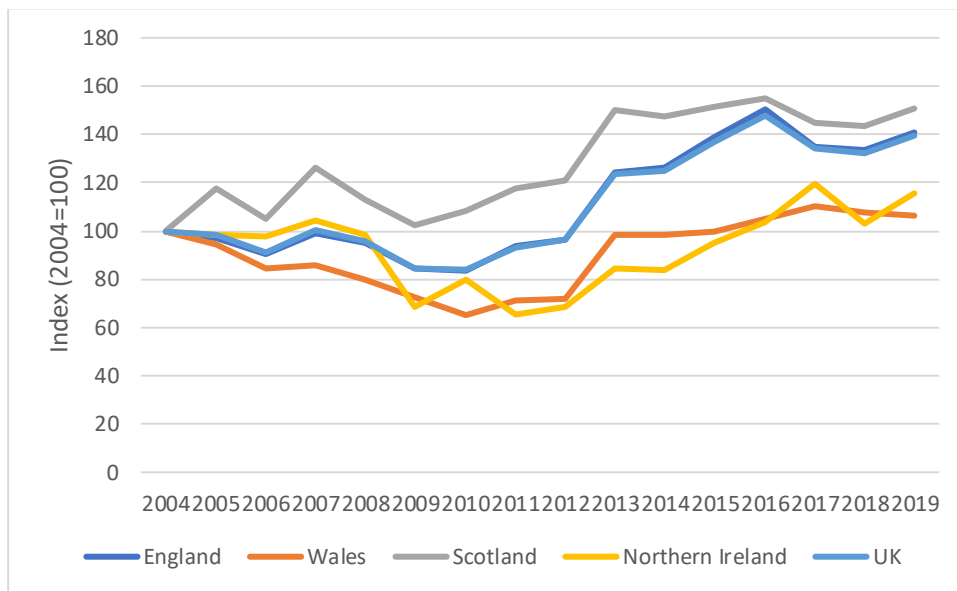
## Business Start-Up

The number of business start-ups represents the creation of new enterprises. This is the most common measure of entrepreneurship as it represents one of the primary ways in which entrepreneurs bring new ideas to the market. In terms of the OECD (2008) definitions of entrepreneurial activity it provides a measurement of the extent to which people perceive an entrepreneurial opportunity and act on it. In addition, it captures the dynamic element of entrepreneurship that is critical to economic growth whereby competition is increased and competitive pressure is heaped on existing firms. Of course, measuring the number of new start-ups in numeric terms provides no sense of the underlying business activity nor the scale of any innovation being undertaken through the creation of new products, processes or markets.

In the UK the Office of National Statistics (ONS) measures new enterprise creation as business births on the Inter-Departmental Business Register (IDBR). A birth is identified as a business that was present in year  $t$ , but did not exist in year  $t-1$  or  $t-2$ . The IDBR itself is a

comprehensive list of UK businesses used by government for statistical purposes. The two main sources of input are Value Added Tax (VAT) and Pay As You Earn (PAYE) records from HMRC.

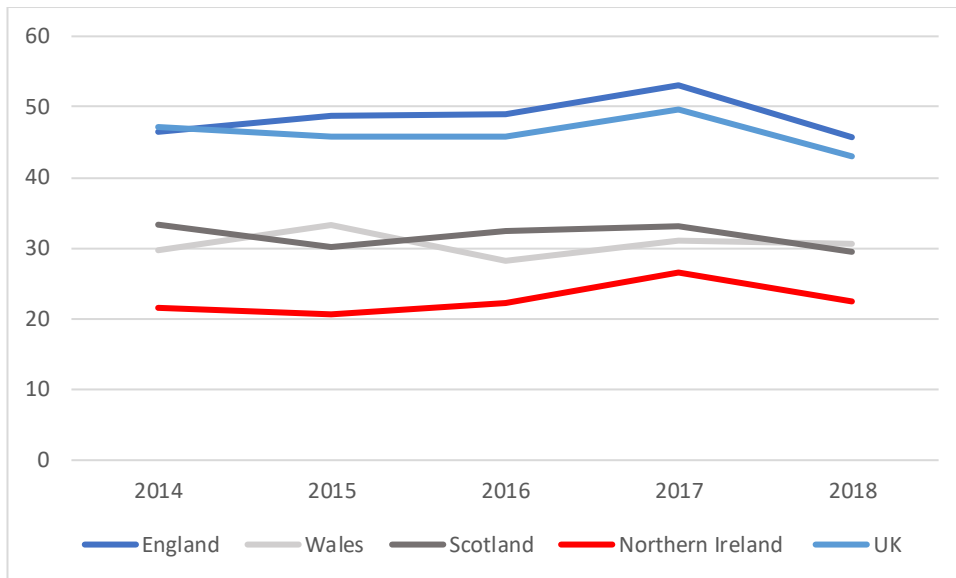
There were 6,625 new enterprises created in Northern Ireland in 2019. The rate of business creation has been increasing since the 2011-12 recovery period (Figure 7.8), however, when compared to the base year of 2004 the overall increase in Northern Ireland is just 16%. The slow increase in the number of new businesses created can be seen within the context of a 6% increase in Wales between 2004 and 2019, 41% in England and 51% in Scotland.



**Figure 7.8: Index of New Enterprise Creation 2004-19**  
(Source: Business Demography, ONS)

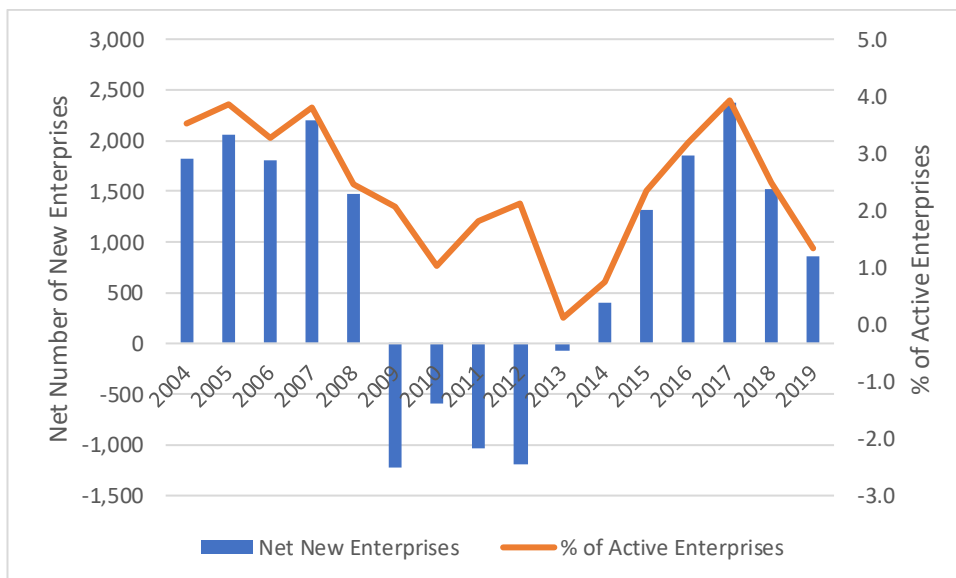
An alternative way to assess the impact of new firm creation is to restrict the measurement to employer enterprises i.e. those with at least one employee at birth. There is an assumption that the novelty of a business idea can be better demonstrated by size, with those starting with no employees reflecting low scale and little growth potential (Ahmad and Hoffman, 2007). Restricting these new employer enterprises to UK-owned also provides a sense of domestic enterprise creation compared to the overall figure which also includes Foreign Direct Investment (FDI). Taking both of these into account, Figure 7.9 further shows the gap between Northern Ireland and the UK in terms of business creation rates. Here, Northern Ireland creates half as many UK-owned new employer enterprises as the UK, measured as births per 10,000 population. Furthermore, this rate has been relatively stable since 2014.





**Figure 7.9: Number of UK-owned Firm Births per 10,000 population 2014-2018**  
 (Source: Enterprise Research Centre)

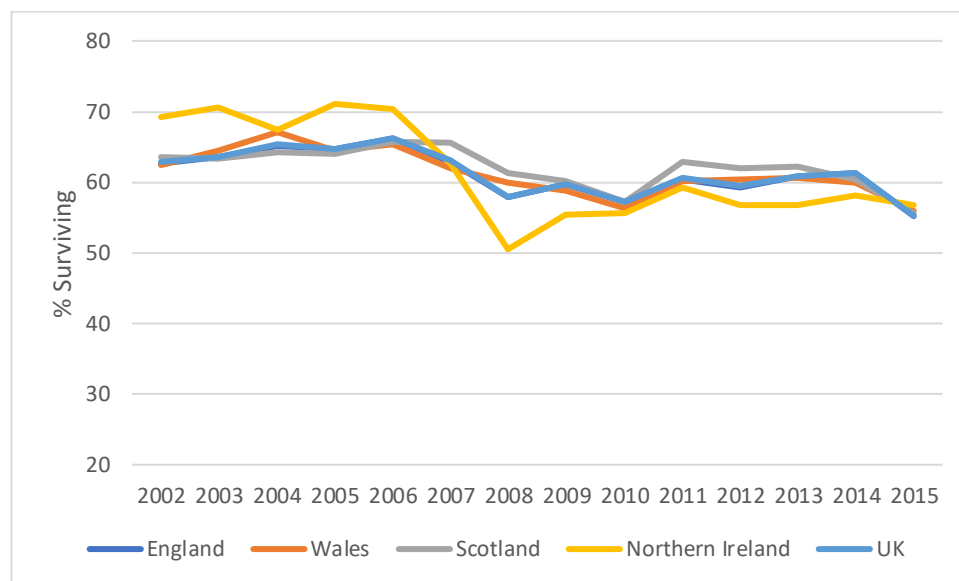
In terms of the dynamism of the economy, business births are only one part of the story. Business deaths must also be taken into account to provide an indication of the net number of new firms in the economy. Figure 7.10 clearly shows the impact of the recession on net firm creation in Northern Ireland. Notably it also shows that in 2019 the net number of new firms, at 860, was lower than in any of the pre-recession years, in fact less than half the number. In addition, in 2019 net new businesses accounted for just 1.3% of active enterprises compared to an average of 4% between 2004-07.



**Figure 7.10: Net Number of New Enterprises Created in Northern Ireland 2004-19**  
 (Source: Business Demography, ONS)

## Survival

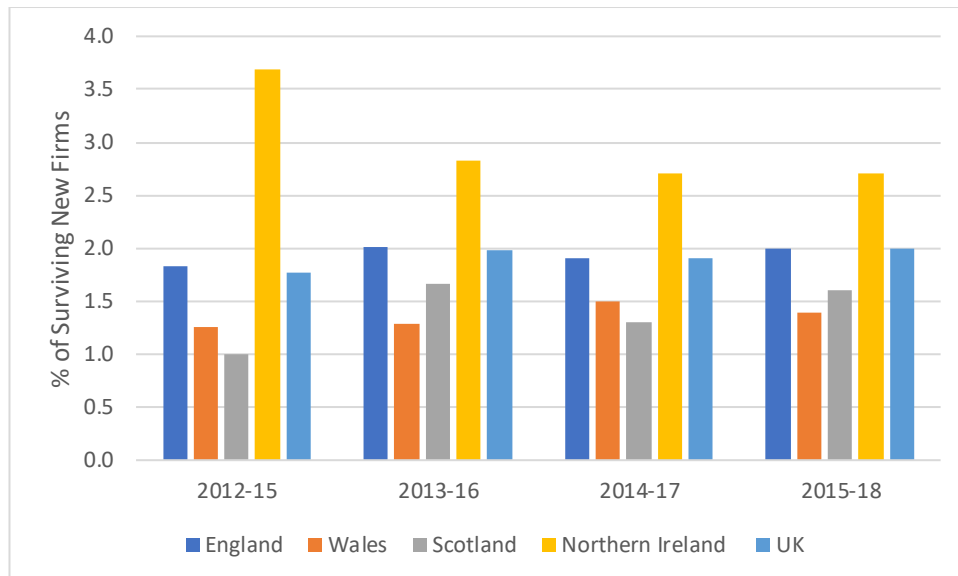
Measures of business start-up may provide a sense of the degree of entrepreneurial activity in an economy, however, it is a common fact that not all new businesses survive. Indeed, relatively high failure rates are an oft criticism of entrepreneurship policy. Typically, it is said that around just half of all new firms will survive the first three years (van Pragg, 2003). In the past, new firm survival rates have typically been higher in Northern Ireland than the UK (Figure 7.11). Between 2002-06 around 70% of new firms in Northern Ireland survived for three years compared to around 65% in the UK. Since 2010, survival rates across the UK have converged downwards and in 2015, Northern Ireland's rate of 57% was comparable to the UK and other devolved regions.



**Figure 7.11: Three-year Survival Rates of New Enterprises 2002-15**  
(Source: Business Demography, BEIS)

## Growth – Scaling

Along with the absolute measures of business start-up, growth of new businesses is also regarded as an important measure in terms of the value creation aspect of entrepreneurship. Linked to the above discussion on survival, the initial scaling of these new businesses further reflects their entrepreneurial capacity. A more rapid initial growth potentially suggests an increased novelty or difference about the business idea and a faster or deeper market penetration. Using a measure of ambition, often quoted by entrepreneurs (ERC, 2019) Figure 7.12 shows the share of surviving firms (over a three-year period) that reach £1m in turnover by year 3 (having started with a turnover less than £500k). Northern Ireland firms consistently perform stronger in this measure compared to all other UK regions with around 2.7% of new surviving businesses reaching this threshold; the UK average is around 2%.



**Figure 7.12: Share (%) of Surviving New Firms Reaching £1m Turnover after 3 Years**  
(Source: Enterprise Research Centre)

## Growth - High Growth

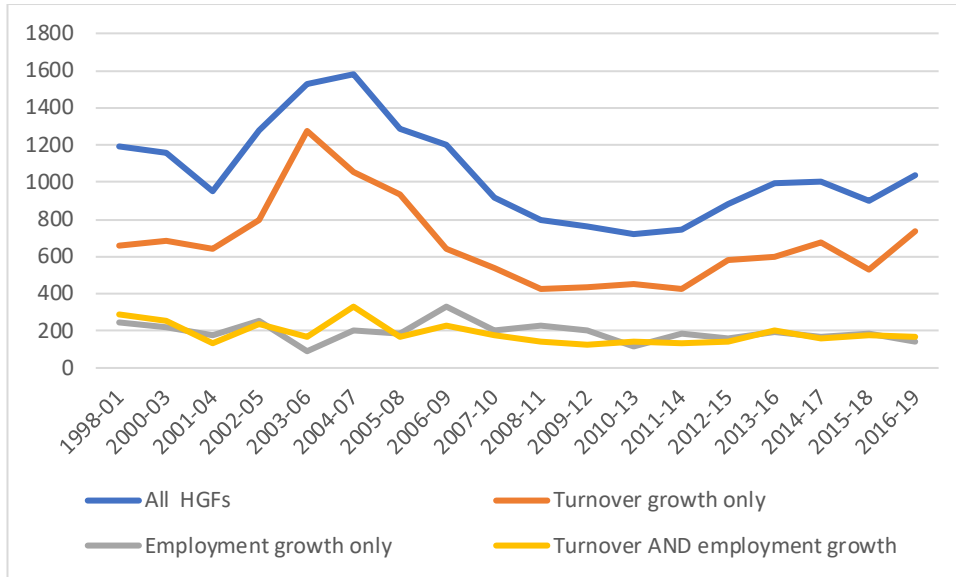
High Growth Firms have been recognised as a relatively small proportion of firms who contribute disproportionately to growth in an economy. They have been an important part of the policy discussion on growth in the last decade with the focus typically on how to achieve a greater number of such rapidly growing firms. As a result, they are often included within the measurement of entrepreneurial activity despite the fact that they are not, by definition, new firms. More recently the discussion has focused on High Growth Episodes, rather than firms, due to the fact that high growth is often episodic in nature and can be experienced either once, or across multiple periods of a firm's lifetime (Anyadike-Danes and Hart, 2017).

The original Eurostat-OECD (2007) metric<sup>6</sup> for identifying a High Growth Firm includes those meeting the following criteria over a three-year period:

- are born before the beginning of the period
- are alive at the end of the period
- have at least 10 employees at the beginning of the period
- record an annual average growth of 20% in employment or turnover

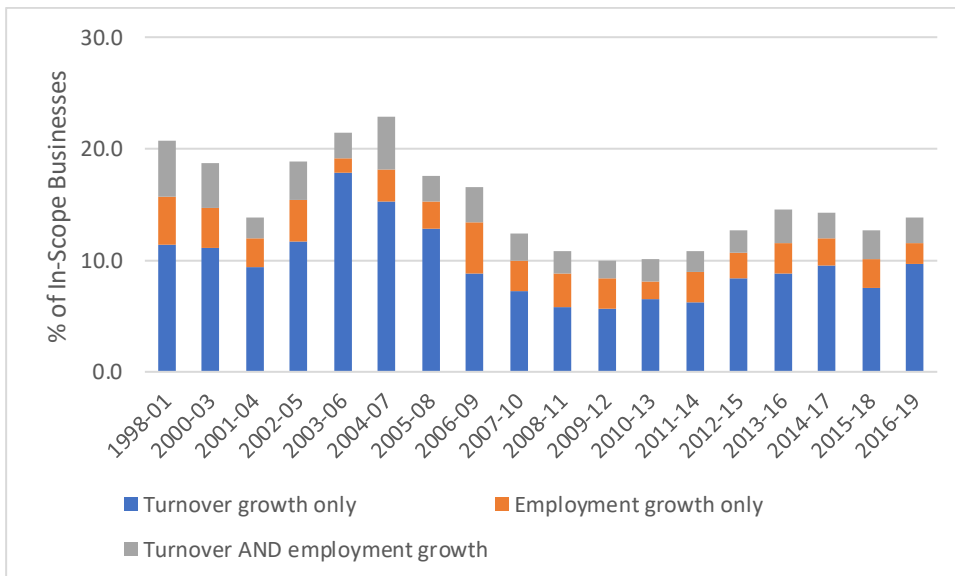
In Northern Ireland there were around 1,000 High Growth Firms in total over 2016-19 (Figure 7.13). Around three quarters of these firms had turnover-based high growth only. The number of high growth firms has dropped from the peak of 1,600 in the immediate pre-recession period, with the peak also driven primarily by turnover growth. Over the entire period from 1998 onwards the number of employment-driven, or employment and turnover-driven, High Growth Firms has remained relatively constant in comparison, each fluctuating at around 200.

<sup>6</sup> More recently the OECD have further relaxed their measure of a HGF to those recording an annual average growth of 10% in employment or turnover.



**Figure 7.13: Number of High Growth Firms in Northern Ireland 1998/01 – 2016-19**  
Source: (DFE)

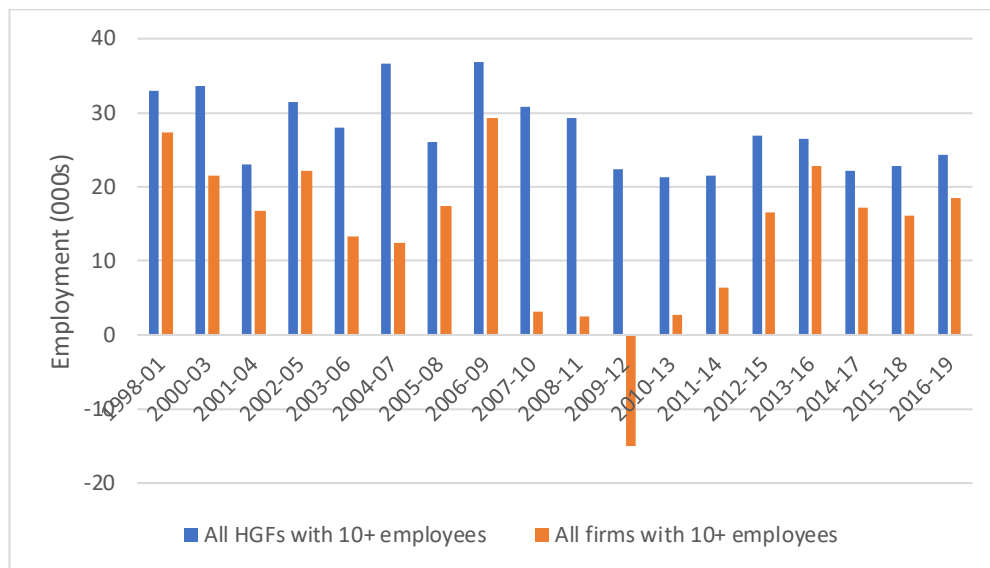
Assessing the share of High Growth Firms, as a proportion of all surviving firms in the period with 10+ employees (in-scope businesses), shows an overall drop from around one fifth of the total in 1998/01 to 14% in 2016/19 (Figure 7.14). The share of employment-related High Growth Firms (including those with employment *and* turnover growth), who are considered to contribute most to job generation, has also declined, with their contribution more than halving from 9% in 1998/01 to 4% in 2016/19.



**Figure 7.14: High Growth Firms by Type and Rate in Northern Ireland 1998/01 – 2016-19**  
Source: (DFE)

In line with the above drop in the share of High Growth Firms so their net employment change has also fallen. In 1998/01 they contributed 33,000 net jobs to the Northern Ireland economy,

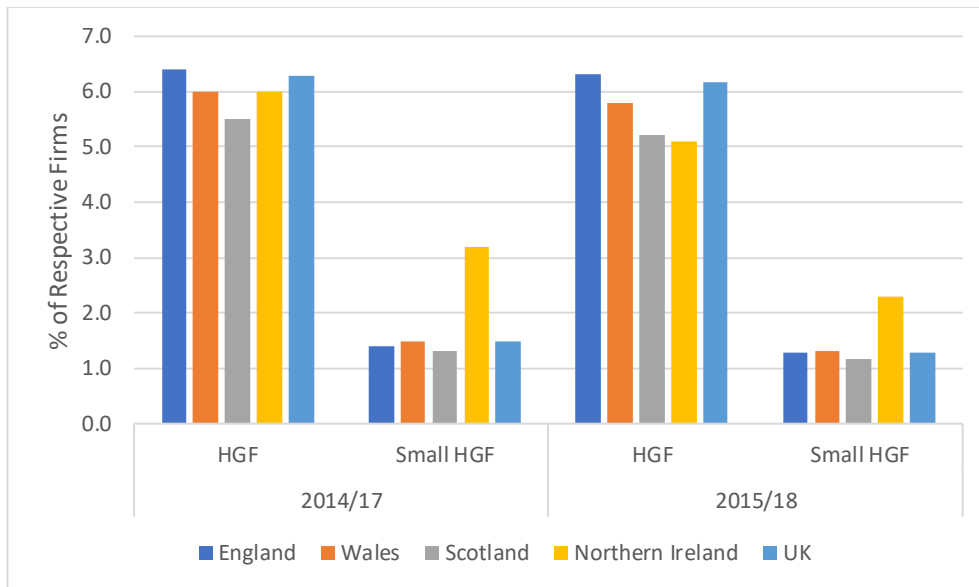
by 2016/19 this had fallen by more than a third to 24,000 (Figure 7.15). Despite the drop these firms do still contribute disproportionately to employment change, with the 14% of High Growth Firms driving overall employment growth amongst firms with 10 or more employees, as shown by the lower overall net change in employment amongst the 10+ employee group.



**Figure 7.15: Net Employment Change in High Growth Firms in Northern Ireland 1998/01 – 2016-19**

Source: (DFE)

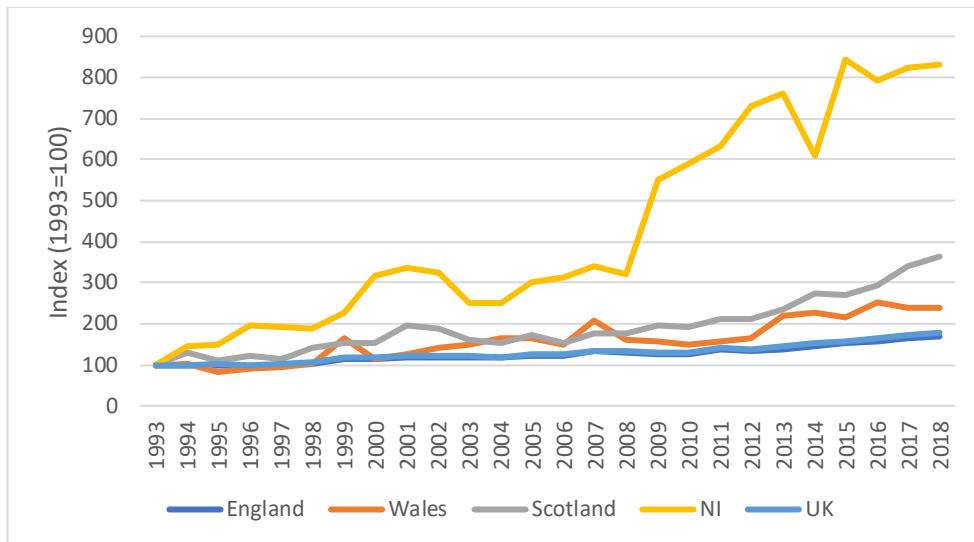
Employment-based High Growth Firms are often regarded as a better measure of entrepreneurial activity due to the fact that job creation is one of the stated benefits of entrepreneurship to the economy. The High Growth Firm rate in the UK has been relatively consistent over time at around 6-7% of 10+ employee firms. In Northern Ireland the rate dropped to 5% in the 2016-19 period (Figure 7.16). As High Growth Firms, by definition, have at least 10 employees in the beginning of the three-year observation period they exclude the majority of firms in the Northern Ireland economy. An alternative measure, Small High Growth Firms, has been developed by the US Bureau of Labor Statistics which extends the definition to include firms with less than ten employees. A Small High Growth Firm is defined as one with fewer than 10 employees in the base year that adds eight or more employees during the three-year growth period. Figure 16 shows the Northern Ireland has the highest share of Small High Growth Firms in the UK, with the rate almost twice that of the UK average.



**Figure 7.16: High Growth Firms and Small High Growth Firms 2014/17 – 2015/18**  
 Source: (Enterprise Research Centre)

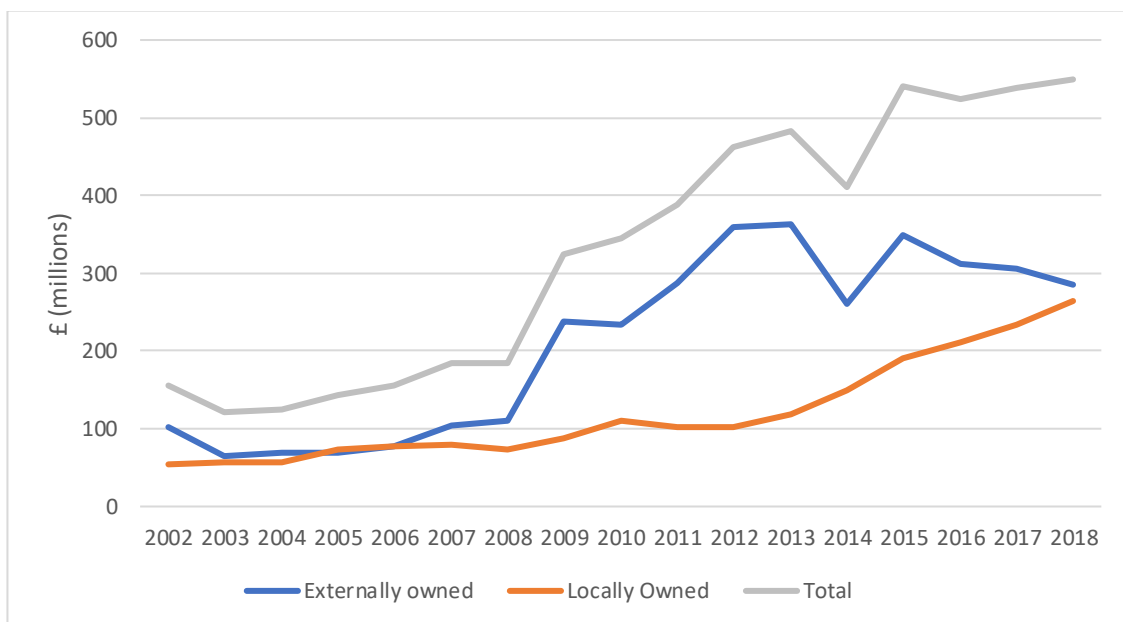
## Research & Development

Business Research and Development (R&D) expenditure can be said to represent the entrepreneurship that occurs within firms. R&D expenditure involves a degree of risk and uncertain outcomes and it acts as an input into the overall innovation process. In Northern Ireland business enterprise expenditure on R&D (BERD) totalled over £500m in 2018. BERD has risen dramatically in Northern Ireland since 1993 (Figure 7.17), although starting from a very low base. The increase in intramural spending has been particularly rapid since 2008. The number of firms engaged in R&D spend in Northern Ireland has also risen, increasing by 7% alone between 2017-18, to 961 firms. The ten largest firms, however, account for one third of all R&D spend. Despite the increase in BERD its contribution to Northern Ireland GDP has remained at around 1.3% over the last 3 years while overall BERD expenditure accounts for just 2% of the UK total.



**Figure 7.17: Change in real Business Enterprise Expenditure on Intramural R&D 1993-2018<sup>7</sup>**  
(Source: ONS)

BERD has traditionally been associated with larger and foreign-owned firms. Since 2002 there has been an increase in BERD amongst locally-owned businesses, with expenditure more than trebling to over £200 million in 2018 (Figure 7.18). In contrast BERD amongst externally-owned firms has declined from the peak in 2012, and in 2018 was almost identical to the spend in locally-owned firms.

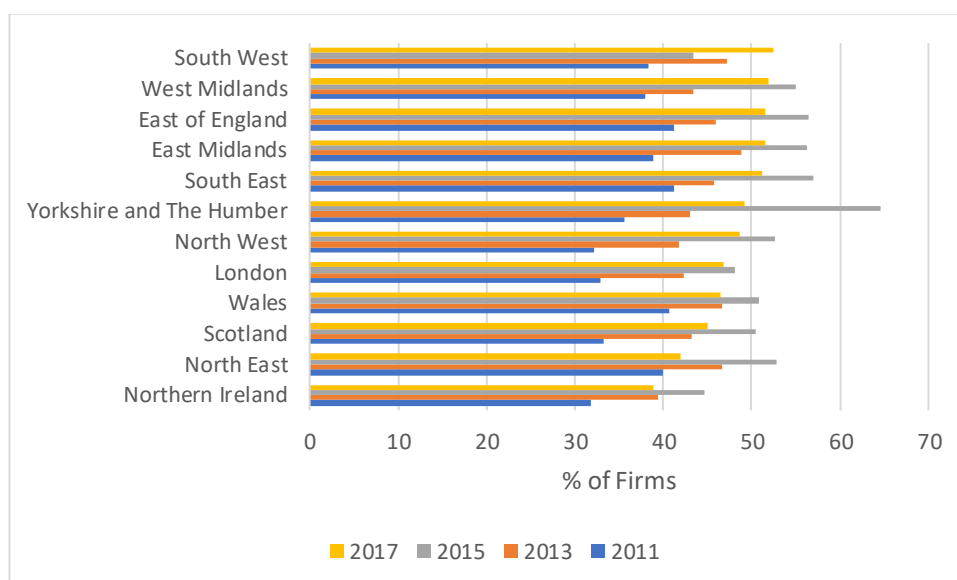


**Figure 7.18: Business Enterprise R&D Expenditure in Northern Ireland 2002-108**  
(Source: BERD Survey, DfE)

<sup>7</sup> Values deflated using 2018 GDP deflator (2018=100).

## Innovation

Innovation represents the commercialisation of business ideas. It can be thought of as entrepreneurial as it represents the bringing of new products, processes and ideas to the market. In fact, the Schumpeterian view of entrepreneurship very much regards innovation as true entrepreneurship. Despite the increase in business R&D spending, innovation activity is not prevalent amongst Northern Ireland firms, in fact the most recent innovation survey data for 2017 (covering the 2014-16 period) shows that just under two fifths of firms are engaged in innovation activity (Figure 7.19). Northern Ireland has remained in the bottom two of the UK innovation league table since the 2011 survey, although the rate of innovation activity has increased from just over 30%. Notably, innovation activity has declined in all regions except the South West since the 2015 survey.



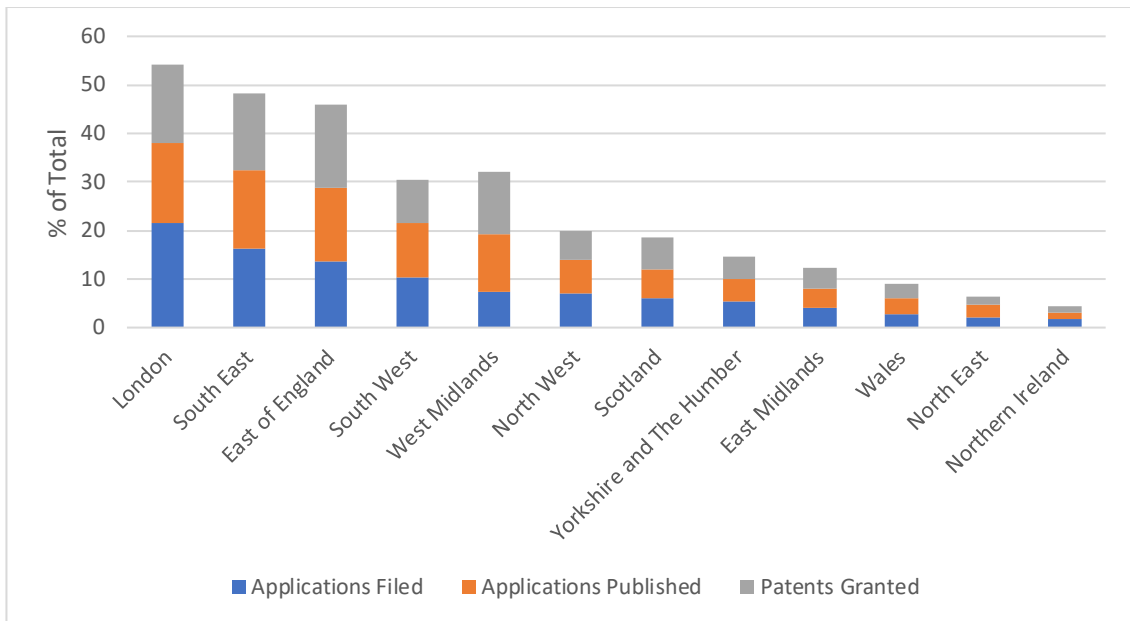
**Figure 7.19: Share of Innovation Active Firms (%) 2011-2017**

(Source: UK Innovation Survey, BEIS)

## Patents

The number of patents is a further reflection of entrepreneurial activity as it represents the documented development of new knowledge, and expenditure on developing new innovations. Northern Ireland has the lowest share of patent applications, patents published and patents granted in the UK. In 2019 Northern Ireland accounted for just 1% of all patents granted in the UK, slightly lower than its respective share of the UK business population. In comparison Wales accounted for 3% and Scotland 7% of all patents granted (Figure 7.20).





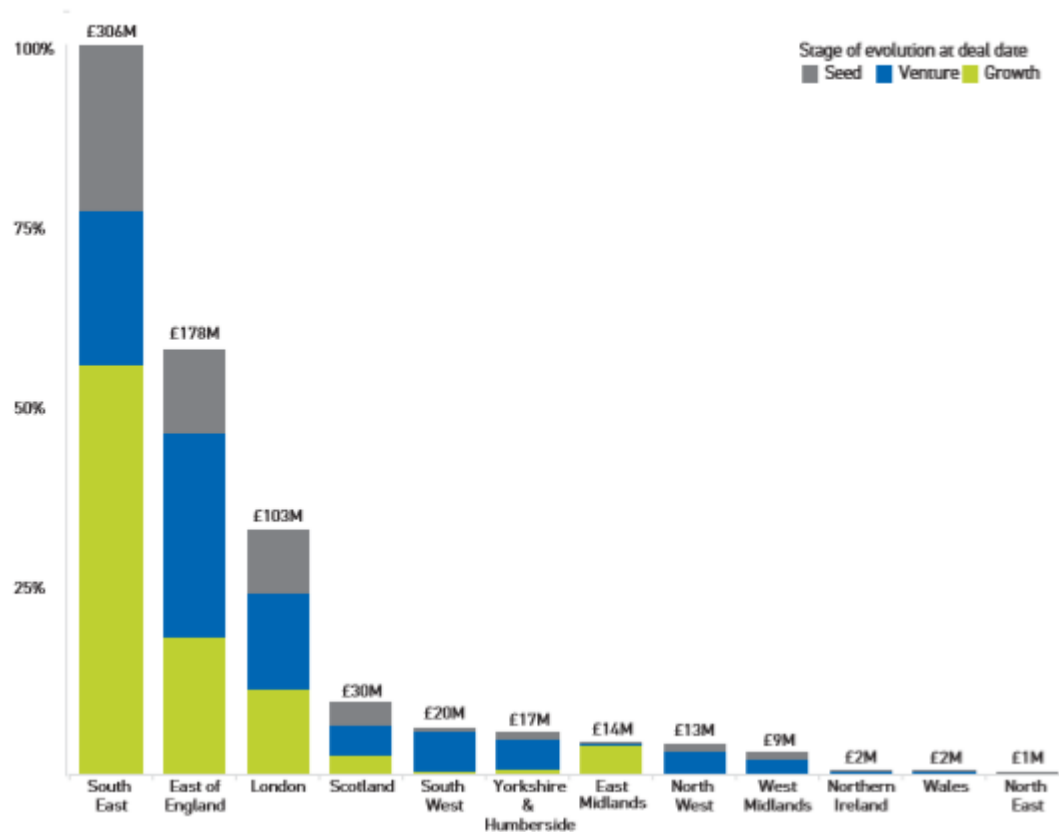
**Figure 7.20: Share (%) of Patent Application, Publication and Grants by UK Region 2019**

(Source: Intellectual Property Office)

## Academic Spin-Outs

Academic spin-outs represent the commercialisation of academic R&D and hence contribute to entrepreneurial activity in a region. In 2016 investment in spin-outs in Northern Ireland totalled just £2m, with investment primarily at the venture stage (Figure 7.21). The South East, East and London dominate the landscape due to the location of top ranking universities, with spinouts from the University of Oxford; the University of Cambridge; the University of London and Imperial College London all responsible for high levels of investment in those regions.

## 2016 SPINOUT INVESTMENT BY REGION AND COMPANY STAGE



**Figure 7.21: Academic Spin-outs by Region 2016**  
(Source: Penningtons Manches, 2018)

More recently the Octopus Group (2020) have developed the Entrepreneurial Impact Ranking (EIR), an index of universities that are creating and commercialising spinouts. The rank measures UK universities' effectiveness in terms of their production of intellectual property, creation of spinout companies and successful exits from such spinout companies, relative to their total funding. The 2019 EIR ranks Queen's University first and Ulster University 14<sup>th</sup> of the 100 universities included. The University of Cambridge ranks second while Oxford is placed 9<sup>th</sup>.

## Venture Capital

Venture capital (VC) represents investment in high growth-potential businesses. The amount of VC investment in a region can be considered a measure of high-value and high-innovation entrepreneurship, as VC investors typically seek high-return businesses that bring innovations to the market. The number of VC-backed firms in Northern Ireland has increased by 60% since 2016, to 32 in 2018, the low base resulting in these companies accounting for just 3% of all VC-backed firms in the UK (Table 7.4). The amount invested was £53m, which although a significant increase from the £2m in 2016 represents just 1% of all investment.

	Number of Companies			% of Companies			Amount Invested (£m)			% of Amount Invested		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
London	348	282	204	32	35	28	4,278	4,937	2,723	44	47	38
South East	126	88	115	12	11	16	1,623	1,457	686	17	14	10
South West	50	40	48	5	5	7	537	421	508	5	4	7
East of England	53	42	34	5	5	5	430	455	781	4	4	11
West Midlands	62	53	41	6	6	6	296	404	1,185	3	4	17
East Midlands	39	29	23	4	4	3	333	329	294	3	3	4
Yorkshire & The Humber	59	44	38	5	5	5	705	485	150	7	5	2
North West	84	85	78	8	10	11	735	944	539	8	9	8
North East	80	16	19	7	2	3	365	62	70	4	1	1
Scotland	66	65	58	6	8	8	177	923	131	2	9	2
Wales	74	52	50	7	6	7	241	57	49	2	1	1
Northern Ireland	32	21	20	3	3	3	53	7	2	1	0	0
Total	1,073	817	728	100	100	100	9,776	10,481	7,119	100	100	100

**Table 7.4: Venture Capital Investment by UK Region 2016-18**

(Source: British Venture Capital Association Report on Investment Activity 2018)

Investment in VC-backed firms in Northern Ireland was split evenly between businesses in the consumer goods and services sector; business products and services and ICT. There were no VC-backed firms in Finance and Insurance and a minimal amount in Biotech and Healthcare (Table 7.5).

	Consumer Goods & Services		Business Products & Services		Financial & Insurance Services		ICT (Communication Computer and Electronics)		Biotech & Healthcare	
	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%	Amount (£m)	%
London	945	54	999	29	502	83	1423	58	301	34
South East	195	11	968	28	0	0	238	10	107	12
South West	120	7	117	3	0	0	76	3	202	23
East of England	18	1	41	1	7	1	283	11	86	10
West Midlands	43	2	132	4			29	1	66	7
East Midlands	100	6	37	1	12	2	82	3	33	4
Yorkshire & The Humber	100	6	466	13	87	14	40	2	31	4
North West	151	9	248	7			217	9	22	3
North East	27	2	293	8			23	1	18	2

Scotland	24	1	89	3	0	0	34	1	14	2
Wales	18	1	70	2	0	0	16	1	8	1
Northern Ireland	10	1	11	0			10	0	1	0
Total	1752	100	3743	100	608	100	2472	100	890	100

**Table 7.5: Venture Capital Investment by Industry Sector 2018**

(Source: British Venture Capital Association Report on Investment Activity 2018)

## Conclusion

One of the difficulties in measuring entrepreneurial activity is the lack of consensus as to its precise definition and, consequently, the range of activities it encompasses. A series of empirical indicators can be used to depict aspects associated with entrepreneurial activity however it is difficult to attribute success or otherwise in any metric to a particular policy, unless there is an explicit policy goal to affect that outcome. In the absence of any definitive measure of entrepreneurship for Northern Ireland this study has selected a range of those activities most connected with entrepreneurial activity, in its broadest form, and reported on performance within each.

There is no doubt that entrepreneurial activity has generally improved across the board however this has often been within the context of an improving UK performance. Northern Ireland has historically lagged other regions in terms of business start-up, R&D and innovation and despite improvements, many of these issues remain. There are pockets of strong performance in individual indicators and these could be further investigated to draw out the causes.

Table 7.6 summarises the main positives and negatives across the range of metrics used. This may provide a useful starting point for the discussion of a more streamlined and effective suite of policy interventions to enhance entrepreneurship within the region. Additionally, the range of metrics included should help to identify potential gaps in both entrepreneurial activity and in measurement and potentially contribute to a more comprehensive and useful set of performance measurement criteria in the future.

Metric	Positives	Negatives
<b>Total Early-Stage Entrepreneurial Activity (TEA)</b>	Increase in TEA. High and increasing male rates.	Prevailing gap with the UK. Low female rates.
<b>Entrepreneurial conditions</b>	Positive, and exceed GEM average for several indicators.	No NI-specific breakdown.
<b>Self-employment</b>	Highest levels recorded since 2016. Increase in female self-employment.	Lower rate of increase than UK. Relatively low shares of business owners and managers.
<b>Business creation</b>		Minimal increase in numbers. Half as many UK-owned employer enterprises as UK. Decrease in net firms created.
<b>Survival</b>	Survival rates comparable to UK.	Decrease in survival rates over time.
<b>Start-up Scaling to £1m</b>	Highest rate in UK	Small number of firms
<b>High Growth Firms</b>	Disproportionate contribution to employment growth.	Decline in number and share. Relatively low level of employment-based HGFs
<b>Small High Growth Firms</b>	Highest rate in UK, double UK average.	
<b>Business Expenditure on R&amp;D</b>	Ten-fold increase in spend. Increase in locally-owned firms spend.	Concentrated in few firms. Low contribution to GDP. Low share of UK total spend.
<b>Innovation</b>	Increase in innovation active firms since 2011.	Less than 40% of firms engaged in innovation activity. Persistently bottom of UK league table. Decrease since 2015 survey.
<b>Patents</b>	Queen's University ranked 1 <sup>st</sup> , Ulster University ranked 14 <sup>th</sup> out of 100 universities in Entrepreneurial Impact Ranking	Lowest rate in UK.
<b>Academic Spin-outs</b>		Lowest investment in UK.
<b>Venture Capital</b>	Increase in investment and number of VC-backed firms.	Lowest value and number of VC-backed firms in UK.

**Table 7.6: Assessment of Entrepreneurial Outcomes in Northern Ireland**

## 12 APPENDIX E

## STAKEHOLDER PERSPECTIVES

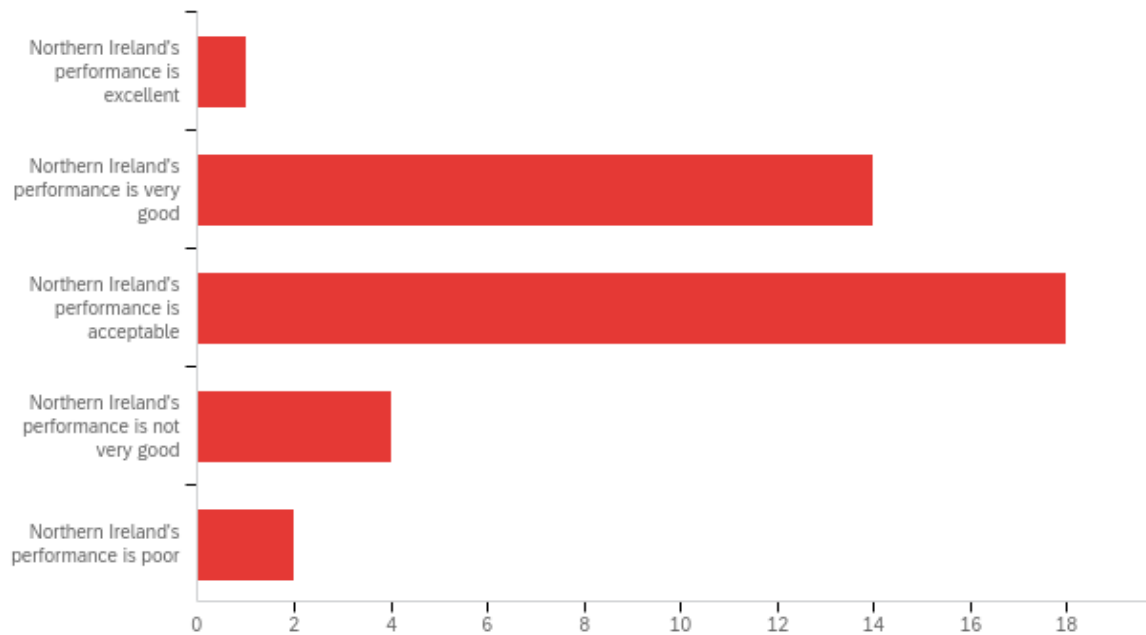
A survey was undertaken in June 2020 to seek the views of a range of stakeholders on business start-up support in Northern Ireland. The purpose of the survey being to seek out the views of a range of people including those with experience receiving support and those that support business.

#	Involvement with Business Start-Up Support	%	Count
1	Policy & Programmes	5.13%	2
2	Self-Employed, Entrepreneur, Explored Starting a Business	43.59%	17
3	Advising, Training & Mentoring Organisation (including employee or contractor)	17.95%	7
4	Service Provider (Consulting, Legal, Accounting etc.)	0.00%	0
5	Accelerator, Incubator, Co-Working Space (Private Sector)	2.56%	1
6	Accelerator, Incubator, Co-Working Space (social enterprise, charity, other)	0.00%	0
7	University or College: Start-Up Support	5.13%	2
8	University or College: Education & Skills	7.69%	3
9	Funding provider (Loans & Grants)	2.56%	1
10	Venture Capital provider	2.56%	1
11	Investor, Investor Networks	5.13%	2
12	Finance (other)	2.56%	1
13	Information & Awareness (signpost, blogger, portal, social media, event organiser)	2.56%	1
14	Other	2.56%	1
	Total	100%	39

Interestingly, the views of those who are self-employed or entrepreneurs is not notably different from those that provide support.

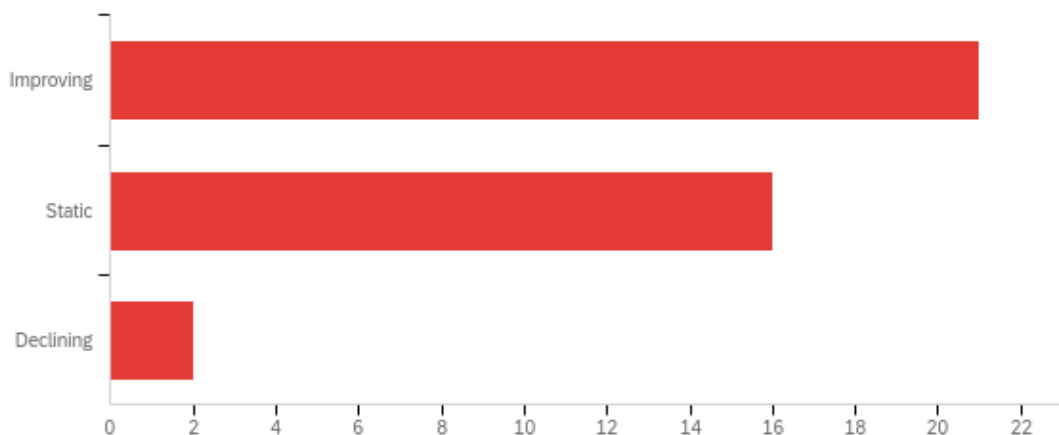
## 12.1 How is Northern Ireland Performing

We asked respondents to look back over the past 3 years and give us their view on how Northern Ireland is performing as a region.



The majority view is that it is acceptable with only one respondent stating that they think it excellent. Those who believe the performance of Northern Ireland as a region is acceptable, not very good or poor constitute some 62% of all respondents.

There is a sense among many that the performance of Northern Ireland is improving. However, almost as many see performance as static or declining.



## 12.2 Defining Start-Up

Given that we were seeking views on support for business start-up in Northern Ireland we wanted to get a view from respondents on their understanding of what a start-up is. The majority of respondents take a broad view including within their definitions businesses that are pre-trading to those trading but at an early stage. The definitions applied would appear to indicate a difference in perspective between those who view starting a business as simply commencing trading and those who take a broader view including developing a scalable model.

Consideration of what is meant by a start-up and how best to support them would appear fundamental to policy and programme design. This in turns runs contrary to a universal one size fits all start-up programme. Whether serving the home market or being more global in outlook; whether coming from traditional sectors or sectors that are policy priorities programmes need to be designed to meet the varying needs of individual entrepreneurs.

<b>In your view what do we mean by the term "A Business Start-Up?"</b>
A business that is going through the ideation and research stage to launch their business or a business which has just started under 12 months
A potential business getting ready to commence business activity.
New business
New to market, products, services or both. New business entity.
A new business, any size.
A new business that is in its first 3 years.
A company that has commenced business operations within the last 5 years and has a turnover of less than £5m (at either of those points I would personally consider them to be an established business).
Identifying a business growth opportunity, aligning the skill sets with the owner's, research into market and niches, prepare business plan, involve an experienced mentor, raise the necessary capital and register the business.
Business in the early stage of development (yr 1-3), either just established or in the exploratory phase.
A business establishing itself as a viable venture - which would be 2 to 3 years after commencement of trade. This is the phase when a business tests the water, corrects errors, refines its offering and grows its customer base.
A new business usually a trading business either as a sole trader, partnership, limited company or social enterprise.
The beginning or start of a new business.
An individual (or small group of people) coming together to complete a business plan, register with HMRC / Companies House and plan to trade imminently.
A new venture starting from nothing to launch or develop a new market
This term is very wide and covers all sectors - I think this can cause a problem in terms of start-ups that are local in nature i.e. their market is only in NI vs start-ups with high growth export potential.

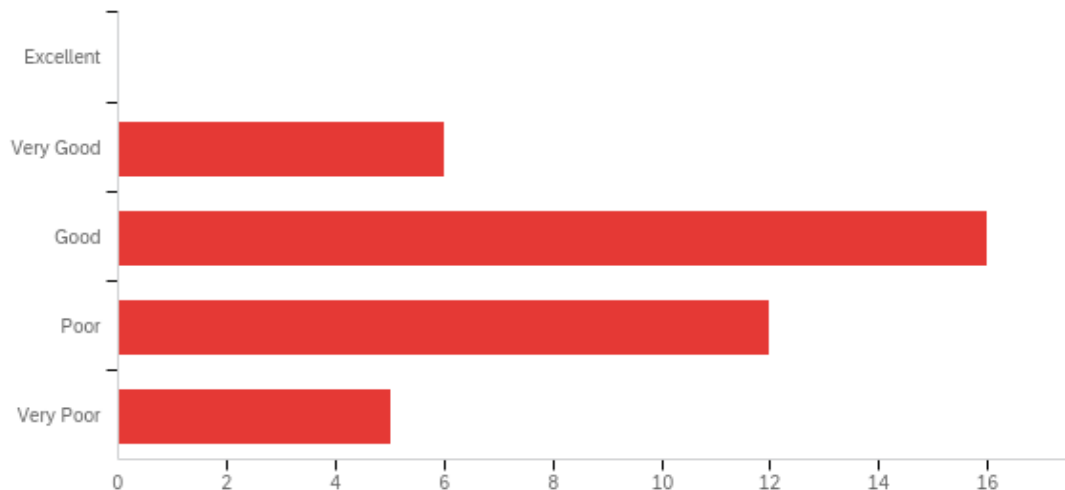


A business with finance in place to run for 3+ years.
I believe any entrepreneurial new venture can be broadly termed as a Start-Up, A business start-up possibly therefore could be described as a company at the early stage of development. Often entrepreneurial and innovative in their inception it would be typical to find 1- 4 co-founders who are developing either a platform, product or service.
A business that has been a new idea for a product, service or manufacturing that has opened up and is accessible to the public.
Registered with HMRC as self-employed sole trader or partnership or limited company - or planning to.
A business starting from scratch
A product or service offering that is yet to prove that it can generate sustainable profit. All stages, from idea to scale.
A business start-up is a company that is created with commercial intent. It is early stage, usually under 2 years old but not exclusively.
My views is that a start-up is a business that is under 3 years old, and/or has raised up to and including Series A funding. However it seems a business can call themselves a start-up as long as they want, with some companies raising multiple grants of the same programs etc.
Pre start and early stages (0-2 year)
An entity that is validating a new innovation to the market
Whilst a business start-up covers a very broad range of early stage businesses, we're looking to invest in people with ideas that can change the world.
Micro business less than 5 employees and less than 2 years old
A temporary organisation designed to find a scalable and predictable business model
Identifiable entity delivering services
A new business venture within the first 6 months of operation
Business already in operation
An individual or group of people starting a business from scratch.
new team. new idea, breaking new ground (for them at least)
A business or social enterprise pre trading.
An individual, or group of individuals form a legal entity with the view to creating commercial value from an innovation or idea.
An entity that is moving a piece of innovation to monetisation, proofing an initial hypothesis through initial experimentation and customer validation.

## 12.3 Feedback on Business Start-Up Support

When asked what they think of business start-up support in Northern Ireland there are again mixed views. The responses could not be called a ringing endorsement and would appear to indicate that for the majority there is a view that existing business start-up support can be improved:

- 44% of respondents believe support to be poor or very poor
- 41% of respondents believe it to be good
- 15% of respondents believe it to be very good
- No respondent considers it to be excellent.



Respondent comments provide useful insights in to why respondents believe there is room for improvement in terms of start-up support:

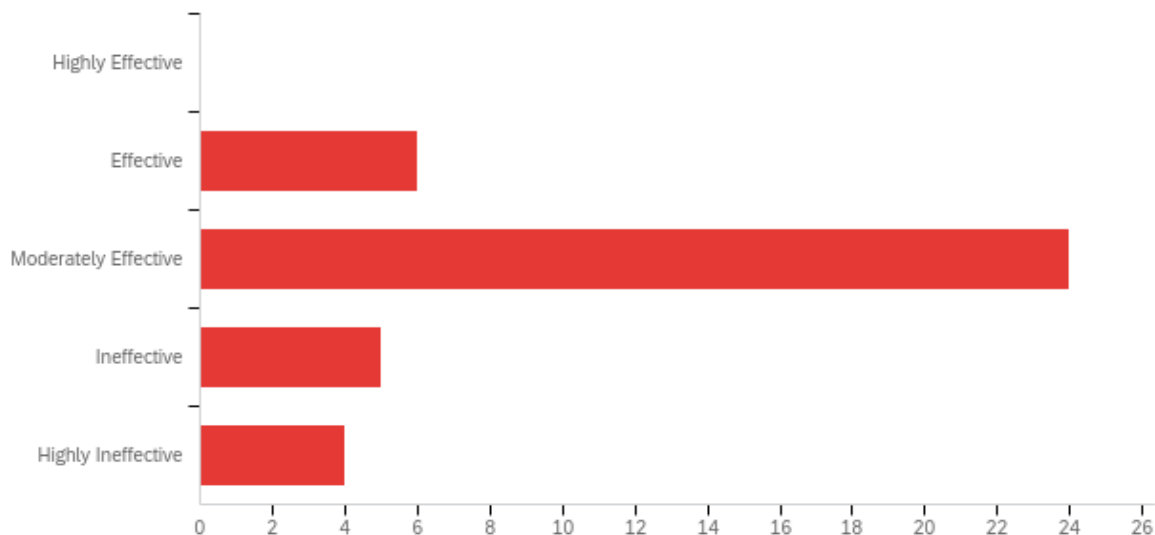
Positive
Excellent mentoring support and business plan. There should also be a small grant support attached to the programme.
Support and mentoring is very useful, financial support and grants are really what people are looking for.
lots of organisations offering advice, guidance, mentors and funding e.g. Princes Trust, Enterprise Centres, councils
I believe that there are more entrepreneurial and enterprising successes in NI per capita than in the rest of the UK. We seem to have woken up to celebrating creativity and innovation in our colleges and universities here and students are encouraged to take risk and are allowed to experience growth sometimes having for the first time becoming acquainted with failure using it as a vehicle from which to grow. the project based approach to learning employed widely has made a significant change to 'thinking' and innovation - the essence of the putting together of the 'team ' as an essential element of success - embraced I believe this is part and parcel of the surge in provision of support for business start-ups in NI
There are many support functions on how to start a business, growing, scaling etc. Such as propel, ulster bank, springboard etc.

<b>Aspects are Good</b>
I think aspects of it are good but I dislike the flat-pack approach to this as offered over the last decade or so.
There is a lot of good things happening, albeit with some duplication and some poor quality programmes of support out there. However, there is room for improvement and I think the lack of Covid-19 financial assistance available to most innovative start-ups/pre-revenue companies highlights this. I also think there is a lack of understanding of what a start-up is, the way it works, and a lack of flexibility in dealing with start-ups, e.g. in some of Invest NI's programmes for example.
It's there but it's hard to find
Again I think depending on the sector there is a lot of help but I think this question needs to be divided for start-ups that are NI market focused rather than high growth potential. There is huge potential for more high growth companies but further support is needed.
The go for it programme isn't great. The council business boost programme is great and full circle management support has been fantastic.
It's patchy, there is some really excellent work going on and some rubbish.
There is a lot of govt. backed support via arm's length bodies such as techstart or the clarendon funds. Invest NI also provide good support. However, the lack of activity from a well funded local VC or other private equity vehicles could inhibit the growth potential of the region
Support differs geographically. Many start-up hubs (most) are based in Belfast along with the office space which is supported under Invest NI start-up programmes. Lack of grants similar to those on offer across the border.
Compared to 10 years ago it is unrecognisable. Other than their investment funds, INI doesn't get start-ups at all
I'd have preferred a box between good and poor for this answer :-) The venture support in NI is targeted largely towards creating a handful of jobs in NI rather than to support ideas and people with the biggest ambition who may be more interested in developing ideas, tech, innovation which could change the world rather than settle for becoming a trading business in NI. Not that's there's anything inherently wrong with trading businesses in NI, just that that shouldn't be the sole metric used. Businesses here are forced down the revenue generation track too soon because of the lack venture funding and that changes their trajectory.
Certain sectors are better than others and certain programs are better than others. Tech is well supported food is not as well supported. New food producers can't get access to incubation units in NI which are leased to established businesses. INI support only larger established business. Which leaves start-ups within council remit, who offer free support from generalist consultants which isn't specific enough . One program which is very good is Agri Food Cooperation Support AFCS. However, limited to farms so excludes most artisan producers and food start-ups.
For some sectors, particularly those with export potential, the business start-up experience is Very Good while for others, such as retail, the business start-up experience is Poor. Hence my overall impression is Good for those that get it. The farming and food technology sector get a different experience, from my understanding is generally treated as good, but just not enough of it. Perhaps we need to widen the good support to include all sectors.
There is good resource from Invest and local funders. Eco system is vibrant in Belfast and well supported not so anywhere else in NI. Very Belfast centric.

<b>Not so Positive</b>
Northern Ireland Government do not recognise the importance of start-ups and how they can help the economy
Invest NI are not interested in business starts. Just giving money to the same big firms.
Government spending has age restrictions, investors expect too much roi.
The business plans (go for it etc) are not realistic. The support is theory based. The business advisors (mostly) have no practical experience.
The personnel in the various agencies do not have the experience of starting and running their own business from start up through stages of development.
Very disparate and scattered services - no one centralised source of support. Also certain vested interests in service providers means the individual entrepreneur can receive bad advice and not be given full information on the options that are available.
Unless you're in the technology sectors there is no positive funding available. The banks are not interested in any start-ups unless you're already established and adding a new company or division to the business and you're willing to stake your home or business on it. On a local level, there is no funding or very little information about funding.
The Go For It programme is not fit for purpose. For a region that relies on SMEs the focus seems to be on finding a unicorn
A template business plan that is not flexible to the needs of the client. Lack of mentoring support to help clients navigate through the start-up phase and first 3-6mths of trade
Not reaching out to angel investors or recruiting investors.
There is little help other than a business plan
The ecosystem is laden with apathy and mediocrity. To many wannabe's who can talk the bumper sticker talk.
There are no actual venture capital funds active in Northern Ireland, only government funds that attempt to behave like venture capital funds and therefore produce a very low rate of returns.
Apparent support from councils and Invest NI
lack of funding
When I started my business (still in start-up phase), I seeked support through invest NI. While I was supported in creating a business plan document (which I didn't really require) there was no financial support offered or available.
I'm trying to start a business and other than nibusinessinfo website I'm not sure where to go for help.
It could be better with more hands on flexible support available for clients. Programmes offered are not flexible and stipulated by heavy admin and time restrictions.

When asked about the effectiveness of the support structures respondents again indicate a view that there is a need for improvement. No respondents held a view that the business support structures in Northern Ireland are highly effective.

- 15% believe them to believe them to be effective
- 62% believe them to be moderately effective
- 23% believe they are ineffective or highly ineffective



When asked to describe why they thought what they did about the effectiveness of support structures:

<b>Positive</b>
Has been improving due to current mentoring programmes following the business start programme exit point for participants....there is a flow from pre start to start and referred on for additional support if required.
diversity of support means that there is always somewhere to go for help for your particular needs
They are effective as in they provide relevant and necessary support for start-up businesses e.g.: Business Plans, Mentor Support for financial planning, marketing, review of processes and systems, growth planning, export planning, assistance with research and product development etc.

<b>Aspects are Good</b>
I believe there is a desire to help out there and support systems there, but what actually do we really get out of them? is there new skills gained? can we say for sure we were in a better position than where we started? or did we just make a couple of connections?
I think I can see that it is improving but I've personally avoided much of it in recent years as it can feel like a tick box exercise with paper certificates for attendees that have little or no bearing on reality to ensure funding criteria is met.
There is competition amongst providers and mixed messages. Belfast has excellent supports, a wide range of events and lots of networks. The rest of the country is very poorly served. The ecosystem is hard to navigate - find the right person and the supports can be fantastic - but in other cases people can't get past the front desk.
Some of the accelerators are good, however a lot are repetitive and a similar to each other. Invest NI could do more specifically for start-ups looking to fund-raise. The university supports for fundraising have seemed to have stopped.
There is excellent coverage for entrepreneurs to get support through incubators etc to test their ideas. The challenge is funding and whilst there are some early stage funds, there is not enough money to go around. INI's culture and grant rules are not geared towards companies with high potential and high risk.

Again depends on sector - in relation to food it's less effective. Innovative manufacturing and tech are more effective.

Good, easy access - maybe too many \*\*\* \*\*\*\*\* hanging around offering 'advice' for a fee when they're useless characters.

The structures need to be able to grow and scale with the business growth. Currently many seem to stall at the proof of concept stage. Possibly an earlier stage intervention to screen or validate proposals which would bring learning to the entrepreneur would also assist in reducing poor projects, but also save time and money.

### **Not so Positive**

Focussed on large business

The start-up programmes are theory based. There is no 3/6/9 month review/ support. The businesses don't just need finance loans/ support they need mentors/ coaches on a long term basis. There is so much money spent on 'events', glossy marketing, wages for inexperienced advisors. The wages of council staff and social enterprise parks and other enterprise bodies need to be reduced and used for a proper support system. The whole system needs a review.

Check the outcomes and also speak to successful start-up owners. Very few are satisfied with the support they obtained.

I think the conversion of business idea to functioning business is probably quite low

To be frank, I'm not even sure what the question means - I'm not aware of support structures for businesses - my experience has been that this is very much a solo experience, only coming across help by word of mouth.

The support is basic. You can find the same advice / support online or in a book. Often the support / advice comes from people who have never owned a business or if they have its failed and now they offer support / advice in how to run a business.

Results don't lie

Many support structures are paid on outputs only and for the majority this is the number of businesses and/or plans. The quality of input and support offered is often disconnected to what individual clients want / need.

Again it's too hard to find so therefore not achieving the desired effect

Again I think there needs to be clarification on the support structures as I think there is a lot of confusion for people starting out in terms of where to go for support

Very few spin outs from university R&D and companies.

I think they are only moderately effective because they concentrate on using the old school formula instead of pushing the genius they push the paperwork. I believe it is sometimes difficult for folk to leave behind them the old school approach and the love of paperwork and business plans - thinking how we might look at the Business model Canvas here - if we must insist on staying on the old path.

Go for It needs an over haul it should concentrate on the start up with a support function then in place for 1 to 2 years 3 to 5 years and how to grow and run businesses with workshops available after opening hours or webinars etc.

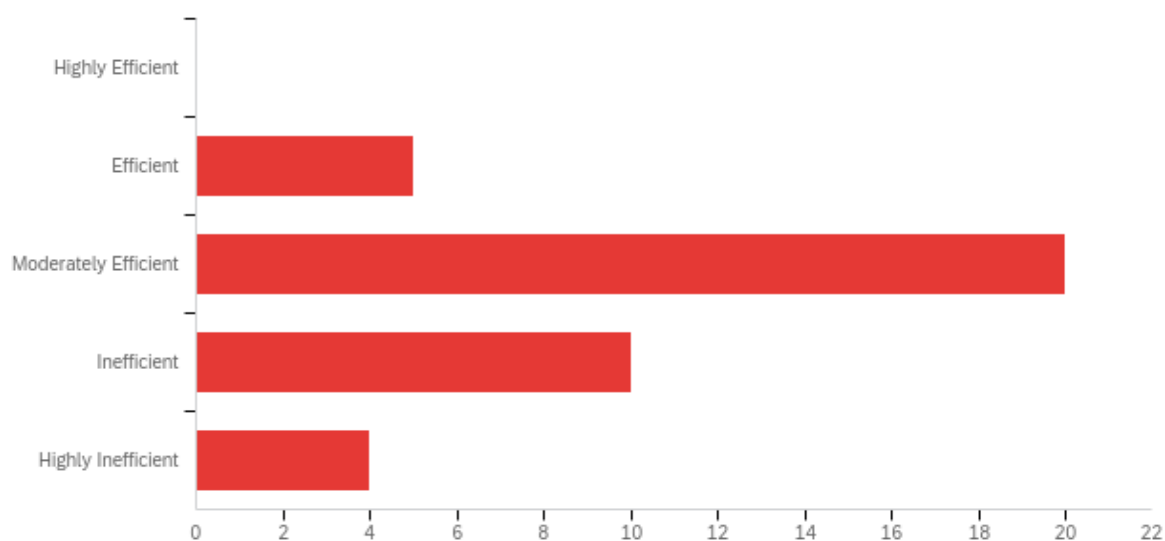
Results speak to the effectiveness.

The NI start up scene is still immature compared to other near cities such as Manchester, Dublin and even Glasgow and Edinburgh. We do not see companies achieve fast growth rates like other regions. One of the biggest things holding us back is our ability to get out of NI and to find out what is happening in other ecosystems. This knowledge would help start-ups establish if they are

viable or if their market fit is right. It would also help advisors and mentors work better with companies and offer much better advice.
Not enough support or structures have been put in place to help start-ups target series A, B, C funding in London or Silicon Valley. This is lacking in NI and conceptually I don't think we're thinking about it enough
Government led and therefore very slow and narrow. Government should move to a supportive rather than leading role supporting private endeavour rather than competing with it.
Too much focus by Invest NI on exporting and on FDI when local Indigenous business is core
no joined up approach from the organisations that support start up to the ones who do training / innovation and skills development to those who encourage growth
In my area, unless it's a tangible business i.e. retail, hospitality or manufacturing, I don't think the understanding is really there
Too static with little flexibility available.
The business start-up ecosystem is not well defined with duplication/overlap in some areas and lack of services in others. There are many organisations (public and private) offering nascent entrepreneurs support, which can be confusing and overwhelming.
The structures need to be able to grow and scale with the business growth. Currently many seem to stall at the proof of concept stage. Possibly an earlier stage intervention to screen or validate proposals which would bring learning to the entrepreneur would also assist in reducing poor projects, but also save time and money.

Respondents were asked their views on the efficiency of business start-up support in Northern Ireland. In this context they were asked to compare what is actually produced or performed with what can be achieved with the same consumption of resources.

No respondents believe the business start-up system in Northern Ireland is highly efficient, with only 13% believing it to be efficient. Just over half believe it to be moderately efficient with 36% believing it to be inefficient or highly inefficient.



When asked why they thought what they did about the efficiency of support structures:

<b>Positive</b>
Programme schedules, business contacts, friendly work environment.

<b>Aspects are Good</b>
I believe again there is a willingness to help but the right resources are not provided
There is a lot of duplication across providers but there are many quality and passionate advisors
Once you navigate the system there is a good system in place
There needs to be differentiation between small local business and those that have high growth potential and could be the next Kainos, Novosco, Automated Intelligence, Philips etc
Same as above if the back up and help for all stages of business were there it would be much more helpful making things more efficient
We are good at creating and providing the opportunities and environment for start-ups to get off the ground. Where we lack experience is rapid scaling and growth within our start-up ecosystem. The fact that we don't have a significant number of high growth indigenous companies is evident that our ecosystem is immature. We also fail to attract the funding levels of other regions and our typical seed investments are also below average. The counter argument though is that other ecosystems are over leveraged and the NI ecosystem is much more sustainable. Measuring how efficient the support is now may be too early.
In order to fully address efficiency one would need to have access to all the figures and statistics from all support agencies in this area. From our stand point - in relation to the funding put in, the outputs are excellent. However, as with all things this could be improved.
Again Belfast centric, and can be time bound. If there was a possibility for hop on hop off journeys that may be beneficial. Equally developing a methodology of support whilst in other work could be valuable, like Co-founders @ Catalysyt

<b>Not so Positive</b>
Far too much red tape and bureaucracy. This resource could provide additional and direct support to businesses.
Loads of staff in Invest NI, but none of them can run their own business. Why take their advice?
A lot of funds spent on the providing organisation yet very low success rate in assisting successful ventures.
The support structures are a bit one size fits all and not necessarily tailored for different industries
given that there is no clear support structure for start-ups, by extension, there is not enough efficiency in those services being provided.
I've been in business for 10 years and I can name only one start up support service and its run by people who have never run a business or failed at it. Go For It program
Time could be spent better supporting people understand and learn more about self-employment/ starting their own business. A business plan document is often not essential or required whereas for the same time spent producing this document the client could have had more meaningful support and access to experienced mentors to provide advice on the start-up process.



I think the drive for efficiency has actually made programmes like Go For It pointless. We need much better measurement tools.
There is NO accountability. Most of the programs are justified by their own being. Simply counting the number of companies serviced says nothing of results.
I think that the structures here were put in place with good intention at a time when there was little private venture in NI to try and kickstart that space. I think they could do with a review as they've now in part created a barrier to private sector venture flourishing.
Government led, and therefore slow and inefficient
Generic start up plans, lack of funding and lack of joined up approach to help growth and sustainment past 5 years
Too many of 'em and Invest NI spend more money on them and giving out 'advice' than they do in cash to local firms - add the numbers up yerself - INI are a money sucker.
Some outcomes are solely based on Council KPI's I.e. job creation, business plan output without putting the client needs first.
Some business start-up support programmes have complex entry criteria and associated monitoring and reporting systems. Some of which make it impracticable for companies engage on commencement or significantly add to the administrative burden during the lifetime of the support on offer.

## 12.4 Respondent Comments

Respondents were asked to say what they think is good about business start-up support in Northern Ireland. Included below is a range of comments from respondents:

### 12.4.1 Support is Available

Free Help Financial Help. Business Mentorship

Amount of businesses supported is high Councils deliver the programme with the local business centres - good delivery model Local delivery model

The Lisburn and ABC council approach

The amount of organisations

Rise in accelerators

There is a support facility in existence

Close knit community and easy to get introductions. .Level of government support. Close links to universities

People are always willing to help with so many mentors around

Collaborative working across all councils in development and delivery of Business Start Up programme which allows us to promote Entrepreneurship in a cohesive way. Regional Colleges offer excellent and comprehensive support to businesses in both product and skills

development services Councils engagement with start-up programmes and online database systems allow for identification and engagement throughout the entrepreneurs journey for further advice and support as they develop and grow, linking to and working with other support agencies in this area

Good Invest NI programme of packages including [www.nibusiinessinfo.com](http://www.nibusiinessinfo.com)

Local council new powers 'regional economic development' Managed work-spaces in the community

Entrepreneurial Eco-system Community spirit in Belfast. Access to knowledge in research agencies and people willing to share in knowledge large companies

### **12.4.2 Information, Advice and Mentoring**

Mentoring, legal advice good

The financial assistance

Marketing of availability is good. Aspects of content driven information can be both relevant and useful. Some of the focus led groups can be useful

Mentoring, Research And advice

Wealth of advisors with experience & knowledge

INI library

Access to market intelligence ( INI Business Centre, Universities)

### **12.4.3 Support Programmes**

Lots of programmes to support - more than other regions but this can also be confusing

The fact that we have them. The fact there has been recognition that they are required

The fact that they have good knowledge of easy connects and funding opportunities

Business boost Full circle management

Catalyst are doing great things - Invent is brilliant for encouraging innovation and profiling all the positive aspects of NI business, Co-founders, Springboard etc are all good programmes

Some of the programmes at Catalyst (such as Springboard), and the leaders there (such as Steve Orr and John Knapton) are providing amazing support and will help create a change

The Universities are both more focused on Entrepreneurship and working well together at ground level - but more could be done at the higher echelons to offer less academic and more practical support.

TechstartNI PoC & PoC+ are great programs

Incubators - peer networks - access to some early funds

There are some green shoots where private enterprise is trying to break through

Collaborative Networks. Focus on Innovation ( Innovation voucher, Catalyst etc)

The availability of funding at an early stage - Techstart, Innovation vouchers, TDI grants etc.

Good things are the growing ecosystem, increasing private investment and the quality of start-ups

Broad private sector support schemes (equity and finance).

Respondents were also asked to comment on any aspect of business start-up support that they consider to be 'not so good:'

#### **12.4.4 Programmes and Providers**

Quality of support effectiveness of support who delivers support

Too much bureaucracy prior and during delivery.

The amount of big businesses which have assistance and the people 'in the know' avail of help quicker. The theory based approached

Very little good - a waste of funds Looking for positive results for themselves. Lip service paid but little actual value Poor personnel experience. Slow response time. Too set in ways with little flexibility.

No financial support Little follow up support High risk of failure in year 1-3

Programme should provide a small grant upon completion

Go For It - the feedback on Go For It from everyone I know is abysmal. Staff have no time to properly get to know the business or do any research - they just churn out pointless business plans. When the Start a Business programme ran many years ago the providers were held to account - staff had to pass assessment centres and participants got follow up phone calls to test their knowledge

I see nothing good. Not good? VC is still almost 99% accountants. Death. There is not one successful entrepreneurs running any program. More time is spent selling the idea that “we punch above our weight” than actually getting in the ring.

Low level of experience when it comes to scaling companies beyond NI

Lack of qualified mentors who have significant international experience and can see potential in business ideas. (an idea that might not have commercial potential in NI could actually be a huge success in other markets. Many advisors put founders off if they don't understand the global trends)

Too much administration/paperwork heavy Not client focused Not flexible in terms of delivery

Business support and professional development courses offered by Universities are often solely delivered in and around Belfast

#### **12.4.5 Culture**

Need to prepare students better for starting their own business/start-up - more education around innovation, creative thinking and being a self-starter

In a nut shell, we need to address creativity and curiosity at pre-school and primary level, need to stop with the NO the disabling of the individual. Allow people / children / young people to try and at times experience failure, we need to stop killing creativity in curiosity in small children - be less risk averse and we will have more budding entrepreneurs, innovators and enterprising people who are ready to follow their dreams, and move towards their own start-ups.

NI's reliance on public sector and FDI Companies potentially stifling innovation as people less likely to start-up their own business

We think too small here in NI, need bigger vision

There is a real lack of ambition and aspiration in the start-up space in NI. It's dominated by civil servants and accountants (civil servants and accountants are good people but they're not the people to develop enterprise). The system and government money is heavily weighted to embed the status quo

#### **12.4.6 Support System That is Confusing and Disjointed**

I'm still struggling with what support services are being referred to! There is no clear list of support services and no sign-posting to such. It is very much a case of having to keep asking around, google searches, ringing different places. There is no centralised contact point or regional contact point. And there is no clear communication of any such support services

lack of joined up approach across local authorities, lack of investment for 'regular' start-ups, focus on FDI & investing in a unicorn tech business

Breaking down a lot of business support initiatives to councils has led to differing support depending on where you live or business is located. This has just led to inequality in support across NI.

Support is confusing for people starting out

The frontline staff (Invest NI) are given the role of triage but don't take the time to properly assess and direct - this means if a start-up doesn't know what to ask for they don't get past the front desk.

Communications between organisations are ad hoc and rely on good personal relationships - this means if a start-up knocks on the wrong door they might get turned away rather than brought to the right door.

#### ***12.4.7 Improved Support***

Start Ups needs 'always on' support rather than rolling programmes. Programmes like Propel, iCure, Lean Launchpad etc are great but the timing isn't always right and they are very competitive. Basic support, the likes of Go For It needs to be completely redesigned for the current environment. With hundreds of 'design thinking' workshops floating about, it is time some proper thought was applied to the business support systems.

Not everyone has a degree but may have a good business idea, plan and be able to get up and running but not earn enough to get the help to grow and expand. Emphasis on ensuring the help to achieve all areas of good business practice would be great. Many more companies would then be contributing properly to the economy, taxes, rates etc.

Lack of private investors and VCs

Invest NI support isn't very good unless you have a client officer.

Absence of grant funding for start-ups - ROI offers several financial support options for both start up and growth stages, the absence of this puts our businesses at a disadvantage to those which are situated less than 10 miles away in some parts.

Most start-up space focused in Belfast lack of work in development of pre-entrepreneur stage - how to encourage idea generation, engagement with support networks, personal development etc which comes before start-up

small market - INI grants geared for established companies - have to go abroad to get success, even if you are based here

There's a lot of red tape and a lack of understanding particularly around financing.

Not Good 1. No funding 2. No skills integration 3. No innovation integration

Lack of incubation/maker-space zones (mini science park approach) Colleges and Universities ideal for this - Requires modest capital funding and ongoing resource funding

There is a lot of challenges for food sector - this could be a topic of its own !

Too focused on Belfast. Need to bring in the creative sector more to broaden with high end computing. Need for mindset change, it's OK to fail, as long as you learn from it.

Best way forward is to connect experienced business people as mentors with new start-ups and support them in Mentoring the new start up owner through the whole process

In some councils (postcode lottery) access more recently to mentoring and small grants for starting up. GFI does provide uniform NI wide support for a business plan - which is better than nothing Sector specific programmes are available in some councils but often limited to the type of businesses.

"Best Practice" as a gold standard can sometimes become one of the greatest stumbling block to being relevant, relational, effective and flexible. This current crisis has been quite good and forcing to the fore the need to respond quicker and creatively to difficult situations. I suspect such an approach that can respond more to the needs of the start-up as opposed to getting the start-up to fill the criteria needed by an agency would be useful.

I've been VERY close to the NI start-up/investment ecosystem for twenty years. There is huge potential, but the problems can't be fixed with the same thinking (or people) that caused them. To make the change you will be threaten the status quo of an industry that has gotten fat and lazy. If you don't have a plan to disrupt this no report will make a difference.

## **12.5 A Business Perspective – Federation of Small Business (FSB) Report, 2015**

### ***12.5.1 Background***

In 2015, the Federation of Small Business (FSB) in Northern Ireland commissioned a series of Policy Position Papers on issues of significant concern to their members. The purpose of these papers was to set out those concerns, examine and explore each issue as it affects SMEs, to gather and analyse information and to make recommendations for improvement. One of these Reports examined business support in Northern Ireland. Then Chair Wilfred Mitchell in introducing the report stated

‘many policy-makers act in good faith when setting up schemes and initiatives to help small businesses, but without a realistic prospect of them being effectively communicated. Indeed, there are over 200 sources of advice for small businesses in Northern Ireland –the

problem is not the availability of advice and support, it is the challenge of navigating such a crowded profusion of resource, and the inefficiency that the current system fosters.’

The paper then set out to explore the realities behind the engagement between government and business, to consider how it might be improved, and to see how advice and support might be better structured and packaged to ensure that all of the initiatives and measures that have been developed are easily navigated and drawn upon.

The research conducted by the Ulster University Business School for FSB in 2015 asked small businesses to identify their main barriers and obstacles to doing business in Northern Ireland, as well as the areas and issues they believed the government should prioritise in order to help them to grow.

The report concluded that in Northern Ireland it is not the lack of business support, but rather a profusion of it. Referencing ‘An Audit of Enterprise Support’ by FGS McClure Watters that identified a bewildering array of around 200 plus publicly funded organisations offering government-funded schemes, each offering up to ten forms of support each, resulting in as many as 2,000 separate forms of support in total. The Report found that many SMEs either decline to seek support, despite its availability, or experience difficulties in finding the right form of support for their needs.

The Report argued a need for greater coherence on the basis that Executive departments currently utilise a diverse array of prospective partners whenever they launch an economic initiative. Concluding that it is unsurprising that duplication and complications arise. Further, that greater coherence within Government was needed arguing that joined-up government requires horizontal accountability and effective governance structures.

‘There is an identifiable need to reduce and improve the number of support products available, with considerable potential to simplify and streamline options and focus on quality, rather than quantity. Creating a new, more effective business support strategy will grow the private sector and realise the potential of Northern Ireland’s small business foundation.’

In relation to a culture of enterprise the report identifies:

- A small business sector that isn’t really growing.
- That although a number of schemes have been designed to encourage start-ups, delivered through Invest NI, Enterprise NI and local councils, there are clearly still challenges in persuading enough people here to become entrepreneurs.
- A need to promote an entrepreneurial culture across geographic areas and to groups under-represented in terms of business start-up.
- A need to promote ‘business’ across schools, colleges and universities.

- The need for a single point of co-ordination who can champion the cause. (A Small Business Advocate).

### **12.5.2 Recommendations**

Recommendation 1:

The Executive should establish a Small Business Advocate for Northern Ireland, modelled on the COPNI, NICCY, and the Equality Commission.

Recommendation 2:

A statutory duty should be introduced, placing an obligation on all Northern Ireland public authorities to take account of the business impact of all of their functions.

Recommendation 3:

The Executive should commit itself to 'joined-up government' as a key priority for economic growth, and include the Small Business Advocate in governance structures to monitor the 'joined-up' approach.

Recommendation 4:

The Small Business Advocate should cooperate with Northern Ireland's academic institutions and economists, including the commissioning of new research on SMEs in Northern Ireland, in order to better inform decision-makers.

Recommendation 5:

The Small Business Advocate should promote a culture of enterprise and entrepreneurship in Northern Ireland.

Recommendation 6:

As part of creating a culture of enterprise, the Small Business Advocate should contribute to regular audits of the Northern Ireland skills market and make recommendations on how to increase the availability of skilled workers.

### **12.5.3 Key Findings**

In the intervening time between the FSB report of 2015 and 2020:

#### *12.5.3.1 Enterprise Champion (Small Business Advocate)*

- An Entrepreneurship Ambassador has been appointed through Invest Northern Ireland and an Entrepreneurship Forum created. It is too early to consider the out



workings of the appointment at this stage. However, the Ambassador role and the Forum would appear to offer potential for examination of policy and performance.

#### *12.5.3.2 A Commitment To Joined Up Government:*

- A key feature of the Programme for Government is its dependence on collaborative working between organisations and groups, whether in the public, voluntary, or private sectors. Economy 2030 has a target is to move Northern Ireland to becoming a top three performing small economy in the world.
- Invest NI plays a significant role in promoting business start-up. It has a particular focus on high growth potential start-ups and seeks to actively champion and support wider efforts to promote business start-up. Through collaborative working and indirect support, it seeks to act as a champion of the enterprise ecosystem around which others can coalesce.
- Local Government plays a significant role in promoting business start-up through its Local Economic Development responsibilities. Local Government is well placed in terms of driving a more joined-up approach through its community planning powers. Through the Community Planning process Local Government is creating frameworks for support. The rationale being that institutional support for business can be managed to create a support system that is more efficient and effective which will in turn have a positive impact on rates of start-up and on business growth.
- Leadership of the business start-up agenda between Invest NI and Local Government appears confused.
- Provision remains crowded and confusing. Belfast City Council alone identified 27 providers operating across the City, delivering 176 initiatives / programmes across different stages of the enterprise development cycle. An experienced eye would see providers and programmes that have been omitted which means that in reality available support is much as it was in 2015.
- The considerable amount of publicly funded provision is perceived to have created a reliance on free programmes, served to suppress private sector and other provision. Arguably reinforcing the argument for market failure.

#### *12.5.3.3 Increasing the Business Birth Rate*

- The Birth Rate remains low by UK and international standards.
- Design of public funded programmes is problematic and it is questionable as to whether they are achieving the stated policy objectives. There is a strong appetite among key stakeholders to see a fundamental re-imagining of business start-up policy and support in Northern Ireland.

- There is a policy assumption that improving the efficiency and effectiveness of programmes of support, informed by current approaches, will lead to more start-ups. This includes a focus on institutional supports rather than the broader ecosystem which would include influences on start-up rates beyond programmes.
- There is a recognition that start-up rates remain a challenge and an openness to new ways of working.

In 2015 the FSB Report written in collaboration with Ulster University Business School stated:

‘There is an identifiable need to reduce and improve the number of support products available, with considerable potential to simplify and streamline options and focus on quality, rather than quantity. Creating a new, more effective business support strategy will grow the private sector and realise the potential of Northern Ireland’s small business foundation.’ In 2021 the authors of this Report conclude that those 2015 findings remain relevant.

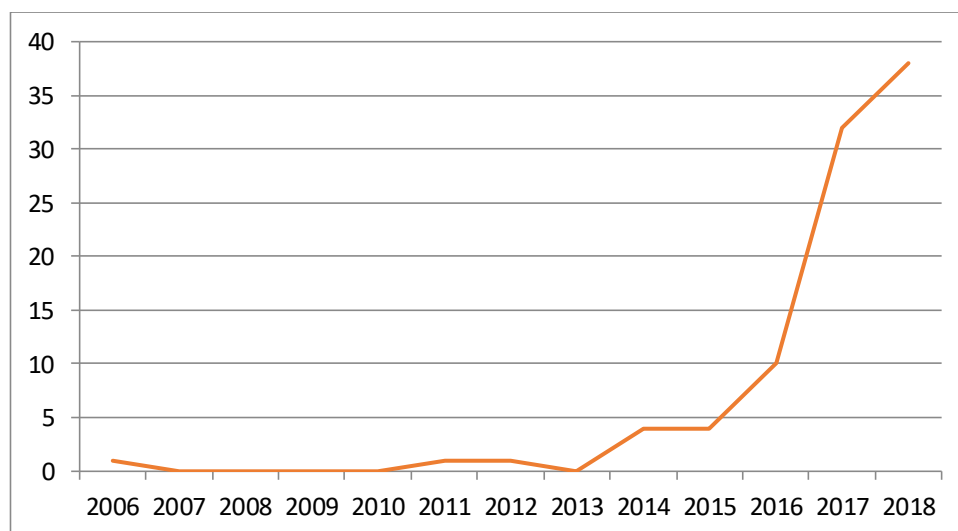
## 13 APPENDIX F - THE ECOSYSTEM ANALOGY

### 13.1 The Rise of Interest in Enterprise Ecosystems

In many countries efforts to increase the number of high growth firms has been a recent focus in industry policy. However, as for instance Mason and Brown (2014) have explained, it became apparent that earlier attempts to do this do not appear to have worked:

‘Increasing the number of high growth firms (HGFs) is now a major focus for industry policy in developed countries. However, existing approaches are proving ineffective. Simply creating supportive framework conditions is insufficient. Creating favourable environments for business start-ups is not leading to the creation of more HGFs. And transactional forms of support for HGFs (e.g. financial assistance) are proving to have limited effectiveness, at least post-start-up.’

Thus, Mason and Brown suggest, ‘the entrepreneurship ecosystem approach has emerged as a response’ to this failure. In effect the desire has been to replicate Silicon Valley so researchers have wanted to find the recipe for building a system like that - which has been seen as having parallels with a biological ecosystem. This research interest in entrepreneurial ecosystems is reflected in the growth in special journal issues on the subject and a growing number of published academic articles - as indicated in Figure F1.



**Figure F1 – Growing interest reflected in the number of published articles**

Selected articles, Scopus, January 2019 (Theodoraki, 2020)

### 13.2 The Origin of the Concept in Biology

Sir Arthur Tansley (1871-1955) is recognised as a founder of modern ecology and he is credited with first bringing into use the concept of an ecosystem in 1935. He was interested in how plant species behaved not in isolation but when grown together with other organisms and he used the term ecosystem to refer to the complex of interactions between organisms and their environments which determined community structure and function (see, for instance Dickinson and Murphy, 1998: pp.12-13). The concept highlighted the

importance of the transmission of materials between organisms and their environment, and how these relationships can evolve differently in otherwise apparently similar situations – with the result that the behaviour of any organic component needs to be understood, not in isolation, but in the context in which it is living.

There is, however, no single specification of a biological ecosystem but a quick internet search produces quite of few definitions – such as:

- ‘All the plants and animals that live in a particular area together with the complex relationship that exists between them and their environment.’ (Collins English Dictionary)
- ‘An ecosystem is a geographic area where plants, animals and other organisms, as well as the weather and landscapes, work together to form a bubble of life.’ (National Geographic Society)
- ‘The complex of living organisms, their physical environment and all their interrelationships in a particular unit of space.’ (Britannica)
- ‘An ecosystem is a community of living organisms in conjunction with the nonliving components of their environment, interacting as a system.’ (Wikipedia)

And a somewhat fuller explanation is:

‘The simplest definition of an ecosystem is that it is a community or group of living organisms that live in and interact with each other in a specific environment.

An ecosystem is the basic unit of the field of the scientific study of nature. According to this discipline, an ecosystem is a physically defined environment, made up of two inseparable components:

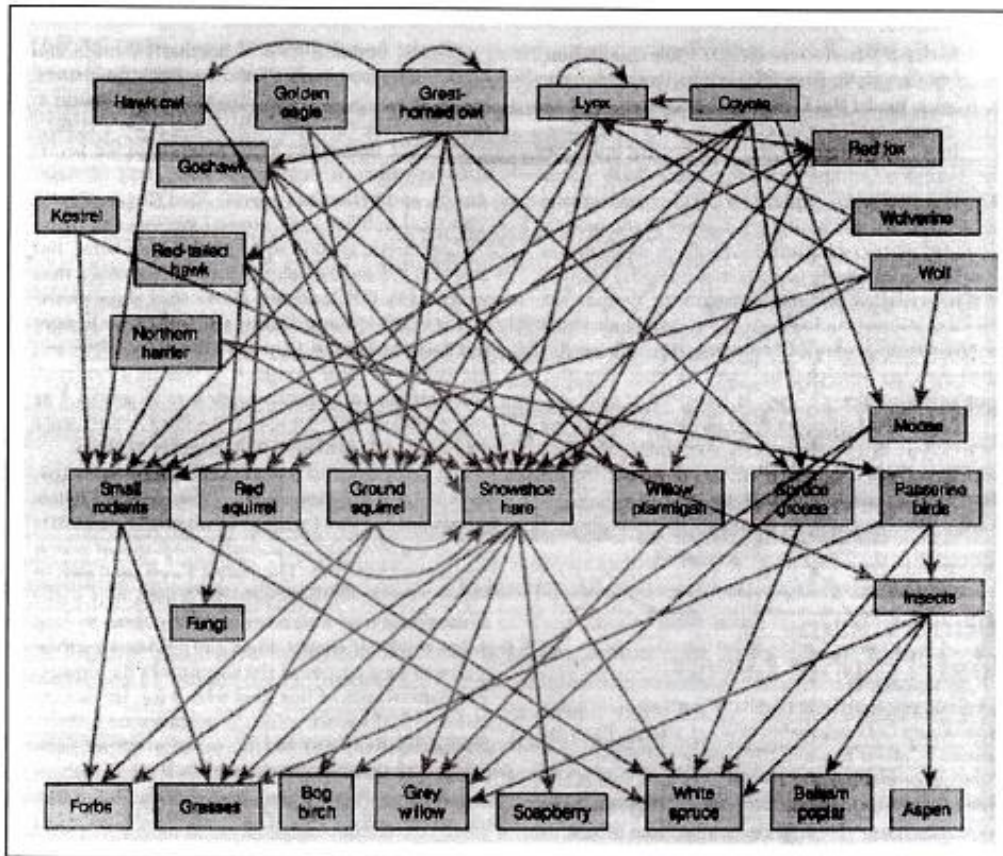
- *The biotope (abiotic)*: a particular physical environment with specific physical characteristics such as the climate, temperature, humidity, concentration of nutrients or pH.
- *The biocenosis (biotic)*: a set of living organisms such as animals, plants or micro-organisms, that are in constant interaction and are, therefore, in a situation of interdependence.

The concept of ‘ecosystem’ is possible at several scales of magnitude. From multicellular organisms such as insects, animals or plants to lakes, mountain ranges or forests to the planet Earth as a whole.’ (Youmatter)

However, what all these definitions make clear is that the concept of an ecosystem covers the totality of the relevant system, not just selected parts of it. They also indicate that in an ecosystem there are multiple interactions between the components and most components can be affected in various ways by many of other components. This means that it is a complex system with a network of connections in which the effect of a change in one part is unpredictable because each other part is subject to multiple influences some of which may act in a contrary way (as opposed to a complicated system which is essentially resolvable

into a chain of connections with the result that, with a bit of application, the effect on one part of a change in another part can be determined).

Therefore, to understand the behaviour of an organism in a biological ecosystem, it is necessary to consider all the relationships which can have an impact on that organism, not just a subset of them, and they can be many and varied. For instance, Isenberg, in talking about applying the ecosystem metaphor to entrepreneurship (2010) borrows the diagram reproduced in Figure F2 to illustrate the numerous different parts of a natural ecosystem – in this case the ecosystem of a deer tick:



**Figure 1.** A natural ecosystem example.  
 Source: CHARLES J. KREBS, *ECOLOGY: THE EXPERIMENTAL ANALYSIS OF DISTRIBUTION AND ABUNDANCE* 464 (5th ed. 2001).

### 13.3 Introducing the Concept to the Field of Enterprise

The term ecosystem appears to have been first introduced into business studies by Moore in 1993 in a Harvard Business Review article. Others who then used it include Zacharakis *et al* in 2003 who applied it to internet companies and Isenberg who has been credited with introducing the concept of an ‘entrepreneurial ecosystem’ in a paper published in 2010. In a subsequent paper on the uses and abuses of the metaphor, as well as referring to biological ecosystems with the example given in Figure 2, Isenberg also suggested that an entrepreneurial ecosystem would include the domains of policy, finance, support, markets, human capital and culture. However, these are domains, not components, and each domain covers a number of components and the domains may overlap so some components might be considered to be applicable to more than one domain.

Following those early contributions, interest in the metaphor has grown and many other authors have commented on entrepreneurial/ship ecosystems including Acs *et al* (2017), Brown and Mason (2017), and Spigel (2017) - and there are now many papers and books variously exploring the concept and its application including some which review and critique what others have said and done about it.

Indeed, as Brown and Mason (2017) note, 'the concept of entrepreneurial ecosystems has quickly established itself as one of the latest 'fads' in entrepreneurship research' and the term 'ecosystem' has also become very popular in the field of enterprise policy. As a result it has been suggested that

*'A new market-oriented industrial policy approach taking a "leading role" ... is that of entrepreneurial ecosystems (EEs). ... 'While originally conceived as a metaphorical device for describing how localised business environments function, the EE concept has been heralded as a systemic mechanism for analysing and nurturing local economies by putting entrepreneurship centre stage. With striking parallels to the ubiquitous 'clusters' concept, this latest conceptual 'fad' has similarly captivated the policymaking community.'* (Brown and Mawson, 2019)

The result, as Brown and Mawson (2019) report, is that the concept and associated terminology are now widely deployed by governments around the world, becoming a ubiquitous feature within public policy.' Within this there are variations: such as incubation ecosystems (Novotny *et al*, 2020), and financial ecosystems (Bose *et al*, 2019) - together with derivations such as that of FinTech Scotland - 'an expanding tech ecosystem of fintech start-ups, investors, financial services brands, globally recognised universities, public agencies and strategy partners' (FinTech, 2020). Further, the concept has sometime been limited just to policy priorities when 'the entrepreneurial ecosystem approach often narrows this entrepreneurship down to "high-growth start-ups"'. (Stam, 2015. p.1761)

Some attempts have been made to 'unpack' this concept and its varied interpretations. For instance, among the observations made by Brown and Mawson (2019) are:

- There is a 'lack of clarity concerning the metaphor' – so, for 'some scholars, the metaphor should not be taken too literally, as EEs "are man-made systems, rather than natural phenomena".'
- Early work 'underscored the crucial role of key institutional actors within EEs such as banks, universities, large firms, business accelerators/incubators, innovation centres, venture capital and business angels.'
- 'EEs are often viewed as something that can be purposively "created", resulting in policymakers conflating particular institutional actors (such as a mentor networks and incubators etc.) with the ecosystem itself. Yet intrinsic to the EEs concept is their relatively self-organised and self-sustaining nature, arguably making them impervious to external control or influence by public policy. Plus interventions within EEs could easily have adverse effects and disrupt their equilibrium.'
- *'A key finding is that policy makers are encountering profound conceptual ambiguity surrounding EEs, creating something of a "comprehension mistake". While increasingly*

*utilised there appears to be significant diversity in how the concept is both perceived and adopted.'*

Thus among the features of many of these policy interpretations are the application of the concept to what others see as just parts of the system. For instance when it is applied to only some of Isenberg's domains or just to those components that seem to be particularly supportive of high-growth businesses. And this is often combined with an assumption that in some way a relevant ecosystem can be created or built – as some policy pronouncements have indicated:

- 'We are working towards building an entrepreneurial ecosystem conducive to the growth and development of high growth start-ups.' (Fitch, 2015)
- 'Rhetoric and Reality: Building Vibrant and Sustainable Entrepreneurial Ecosystems' (Clark *et al*, 2016)
- In 2017 the Ewing Marion Kauffman Foundation launched its ESHIP Summit as a three-year initiative designed to bring together builders of entrepreneurial ecosystems to help accelerate the emerging field of ecosystem building, by collaboratively creating tools, resources, and knowledge to better support communities that empower the makers, doers, and dreamers in our communities. (Kauffman, 2020)

But when he highlighted uses and abuses of the metaphor Isenberg (2016) cautioned about potential misuses of the ecosystem concept and, to illustrate this, he listed some common disconnects between natural ecosystems and the application of the metaphor to entrepreneurship – including:

- The creation mistake. Ecosystems are not designed or created – they are self-organising and self-sustaining.
- The centralised control mistake. Control is inherently contradictory to the notion of an ecosystem. People can control and/or own parts of the system – but not the system itself.
- The geography mistake. When applied to entrepreneurship ecosystems are often wrongly viewed in broad geographic, frequently national, terms – for which there is no rationale.
- The intention mistake. The intentions of one or a small set of actors in a system is not relevant or causal.
- The entrepreneur-centrality mistake. Viewing the ecosystem from the perspective of the entrepreneurs leads to the mistaken view that they are central to the system.

In addition, focussing on a limited range of components, and/or applying the label ecosystem only to those parts of the system that can be 'built', gives little recognition to the influence of 'culture'. Isenberg included 'culture' in his suggested domains, with success stories and societal norms indicated as possible categories of relevant components – but this has been little elaborated upon since and uses of the term 'ecosystem' in enterprise, especially in or related to a policy context, tend not to acknowledge it. Nevertheless, some other observers have commented on its relevance and Brown and Mason (2017), for instance, note that:

- *'Culture and, specifically, positive societal norms and attitudes towards entrepreneurship, have been recognised as a key component of entrepreneurial ecosystems'.*
- *'Moreover, there is a cumulative and reinforcing nature of low levels of entrepreneurship in many ecosystems. Regions with the greatest numbers of entrepreneurs have the most positive attitude towards entrepreneurship as role models are more abundant.'*

Nevertheless, an earlier definition of an entrepreneurial ecosystem, offered by Mason and Brown in 2014 and based on a synthesis of definitions found in the literature, allows for but does not highlight it:

*'A set of interconnected entrepreneurial actors (both potential and existing), entrepreneurial organisations (e.g. firms, venture capitalists, business angels, banks), institutions (universities, public sector agencies, financial bodies) and entrepreneurial processes (e.g. the business birth rate, numbers of high growth firms, levels of 'blockbuster entrepreneurship', number of serial entrepreneurs, degree of sell-out mentality within firms and levels of entrepreneurial ambition) which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment'.*

### **13.4 Other Reflections**

When considering eco-systems it may be relevant to consider that they refer essentially to living organisms and when dealing with organisms adding more of something that has a good effect may not necessarily have a better effect. An example is some vitamins which can be necessary in small amounts for an organism's health but can actually be poisonous in large amounts.

It is also important to recognise that eco-systems are complex and, instead of a possible complicated chain of connections, there are many interrelationships and most of the components are affected by many of the other components. So a positive effect from one component on another may not be helpful or change anything if the influences on that component from other components are negative. Changing the behaviour of the system, if it needs to be attempted, will thus require, not just one new or increased/improved input, but simultaneous action on many components.



## 14 APPENDIX G - SOCIAL INFLUENCE

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### 14.1 Why Social Influence May be Crucial

Over thirty years ago Gibb produced the diagram reproduced in Figure G1 to show what he referred to as a small business support network. Arguably this is a picture of an ecosystem although Gibb didn't use that label, which was not then in common use, and therefore this contribution doesn't feature in literature searches for ecosystems. However, it is relevant to note that he pointed out that the closer the layer of the network is shown as being to the small business at the centre, the more influential it is. – i.e. social contacts with friends and family have the strongest influence while the 'purposive' (i.e. official/institutional) network is the weakest.



**Figure G1 - The layers of the small business support network** (Gibb, 1988: p.17)

Baumol (1990) also recognised the importance of social pressures when he suggested that entrepreneurship can be productive, unproductive or destructive and its productive contribution depends less on the total supply of entrepreneurs than on the way society's rules direct its application:

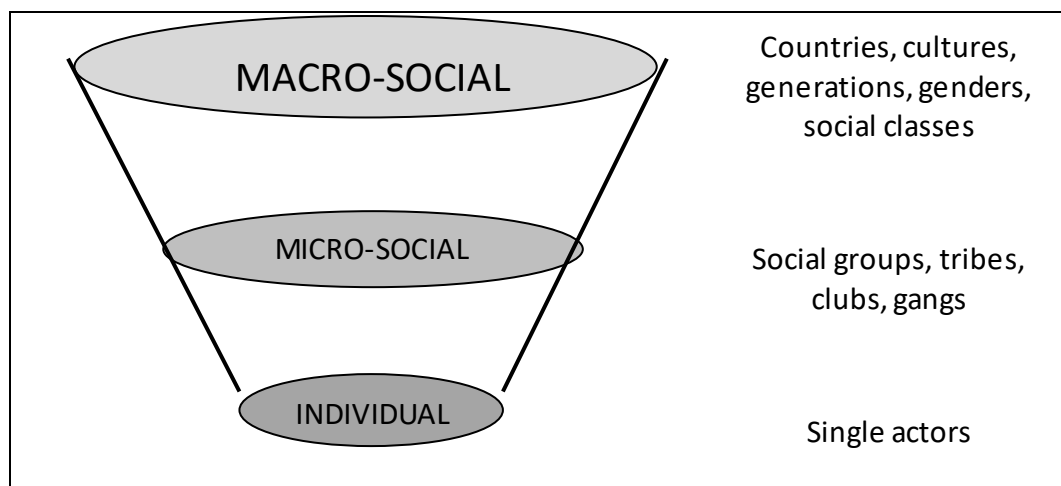
- In **Ancient Rome** people of honourable status had three acceptable sources of income: landholding, usury and political payments.
- In **Medieval China** supreme prestige was accorded to those in high positions in the state bureaucracy.
- In **Europe in the early Middle Ages** the only opportunity for the younger sons of barons lay in warfare.
- In **England at the time of the Industrial Revolution** society's 'rules' allowed those who engaged productively in industry to accumulate, not just wealth, but also respect and influence.

In examining the significance of the cultural domain other contributions might also be relevant, although they too have not specifically been flagged as being about ‘ecosystems’. For instance, Dennis has highlighted the importance of culture in enterprise support but suggested that the institutional and the cultural aspects are like different dimensions in that a deficiency in one cannot be compensated for by improvements in the other – see Figure G2.

		<i>Institutional Support</i>	
		<i>Favourable</i>	<i>Unfavourable</i>
<i>Cultural Support</i>	<i>Favourable</i>	Entrepreneurial	Repressed (bottom up)
	<i>Unfavourable</i>	Led (top down)	Stagnant

**Figure G2 – Institutions and Culture: A Typology** (based on Dennis, 2011: p.96)

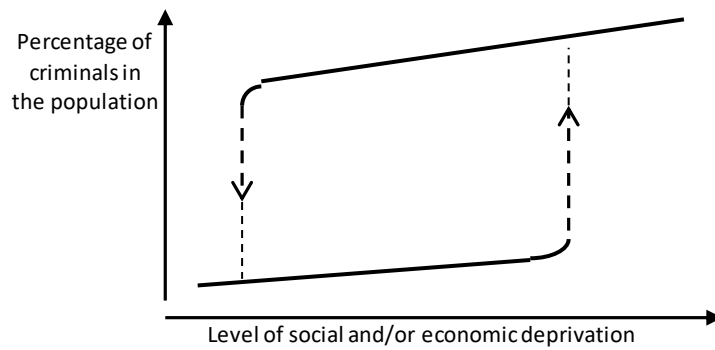
Cova has also, in effect, examined cultural factors and presents a diagram illustrating three levels at which it might be supposed human behaviour could be influenced and/or observed (see Figure G3). However, it has been pointed out (for instance by Earls, 2009, p.95) that in Western societies the main emphasis has been either on the individual or on the macro-social level. Thus key influences have been supposed to act on individuals, possibly aided or given effect by their genes, or to be due to issues affecting whole countries or regions – and programmes have sought to cover macro level groups (e.g. regional programmes) by targeting individuals in those groups. Therefore, the micro-social level of the tribe or social group has often been ignored – although actually it can be the most influential.



**Figure G3 - Levels of observation** (based on Cova and Cova, 2002: p.601)

In his book *Critical Mass*, Philip Ball (2004) relates how the economists Michael Campbell and Paul Ormerod have considered the relationship between social deprivation and the potential of people to become criminals. They assumed that the population could be divided into three groups: those who are active criminals, those who are immune from the temptations of crime, and those who are, in effect, ‘floating voters’, who might become criminals under the right conditions. Individuals, they then suggest, can switch from one group to another and do so as the result of a form of peer pressure. Thus, those who are in the susceptible group will look around them and, if they see a lot of other people engaging in crime will follow their example, whereas as if they see few others so employed, they too will desist from crime.

The result of members of that susceptible group following the majority is that they become part of the majority in turn influencing others. As a result, instead of the level of crime rising steadily as factors such as social and/or economic deprivation increase, the level of crime will be relatively stable at either a high or a low state, almost whatever the level of deprivation. Whether it is high or low during the period in question will depend, not on the level of deprivation, but whether the level of crime was high or low at the start of the period. Further, it will then persist at that stable level until there is sufficient cumulative pressure to tip it into the other state. This is illustrated in Figure G4. Therefore, the level of criminality in a population is determined not by the level of deprivation but by the history of that population.



**Figure G4 – Predictions of the incidence of criminality** (based on Ball, 2004: p.400)

Some further observations:

‘Independent thinking is to humans as swimming is to cats: we can do it if we have to.’ (Earls, 2011)

‘The real mechanics of mass behaviour: we do what we do because of *other people and what they seem to be doing.*’ (Earls, 2009: p.5)

‘Culture, and specifically, positive societal norms and attitudes towards entrepreneurship, have been recognised as a key component of entrepreneurial ecosystems (Isenberg, 2011). Entrepreneurial aspirations will be inhibited in societies where the societal contribution of entrepreneurs is not valued, where the social status of entrepreneurs is low, where their financial success is resented and where failure is viewed negatively. For example, in Singapore entrepreneurs do not enjoy a high social status and families prefer their children to seek jobs in large multinationals. As a consequence, foreigners are the sources of most new start-ups on the island.’ (Mason and Brown, 2014)

Also, as Zacharakis *et al* (2003) point out, even at the level of institutions, institutional theory suggests that isomorphic processes force new members of the population to resemble existing members.

#### 14.1.1 Social Capital

Therefore, it would appear that social contacts, and especially the powerful effects of social norms, can be very influential on human behaviour - as is shown, for instance, in Baumol’s ‘society’s rules’. It is therefore relevant to link this to the concept of social capital of which, Coleman (1988) suggests there are different categories based on these three aspects of social relations that can constitute useful capital resources for individuals:

- ‘Obligations, expectations and trustworthiness of structures’;
- ‘Information channels’; and
- ‘Norms and effective sanctions’.

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