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Policy Statement Women Entrepreneurship Ireland and Germany



Abstract

This policy report's main objective is to describe Ireland and Germany and to make recommendations on how to improve their entrepreneurial ecosystem.

Authors

Adriana Abarca M.
Juliane Möhring

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Transforming European Women's Entrepreneurship:
The Education and Training for Success Programme

Introduction

This policy report's main objective is to describe each of the countries - Ireland and Germany - at least in nine different dimensions defined by the National Experts Survey (NES) and make recommendations on how to improve their entrepreneurial ecosystem.

Based on the document of "National Policy Statement on Entrepreneurship in Ireland", entrepreneurship is a key element in the health and wellbeing of any thriving economy and will be central for each country. Also, the importance lies in that business initiative in the context of the objectives for job creation, promote economic development, innovation and improvement of social conditions in society. In 2015, according to the Global Entrepreneurship Monitor (GEM), Ireland had a Total Early-Stage Entrepreneurial Activity (TEA) of 6.5%. The entrepreneurial intentions were 7.2% considering only respondents expected to start a business within the next three years. The denominator was the age group 18-64 that was not at the time involved in any entrepreneurial activity. Only 49.4% of the population believes that entrepreneurship is a good career choice.

In 2015, the TEA in Germany was 5.3%. This percentage places Germany as one of the countries with the lowest entrepreneurial activity within the European Union. This is below countries like Greece, Hungary and Luxembourg - 7.9%; 9.3%; 7.1% respectively. Furthermore, the nascent entrepreneurship rate is only 3.1% and the new business ownership rate 2.3%. In Germany, 51.7% of the population believes that entrepreneurship is a good career choice and 5.9% have entrepreneurial intentions.

In the next two chapters the Entrepreneurial Ecosystem of Ireland and Germany will be outlined based on the following sources

National Experts Survey

The NES is part of the standard GEM methodology and it assesses various Entrepreneurial Framework Conditions (EFCs). It is intended to obtain the views of experts (e.g. on women entrepreneurship support, high growth business encouragement and questions related to the special topic included in the current GEM cycle)¹.

Ease of Doing Business Index - World Bank

Ease of doing business ranks economies from 1 to 189, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation. The index averages the country's percentile rankings covered in the World Bank's Doing Business². At the Ease of doing Business Rank Index Ireland is ranked 17 compared to Germany which is ranked 15.

¹ <http://gemconsortium.org/wiki/1142>

² Doing business 2015 – Comparing Business Regulations for domestic Firms in 189 Different Countries, (2015). A world Bank Group flagship report.
<http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Chapters/DB15-Report-Overview.pdf>

Entrepreneurial Ecosystem Ireland

Funding: This dimension is related with the availability of financial resources, equity and debt for small and medium enterprises. Ireland has a low score regarding questions about funding businesses. For example, in Ireland, 88% of the experts do believe that there is no sufficient funding available for new and growing firms. In addition, 70% believe that there is not sufficient funding available through initial public offerings (IPOs) for new businesses. However, experts consider that there is sufficient venture capital funding available for new and growing firms. Furthermore, Ireland is placed 28th in the category “Getting Credit” in the Ease of doing Business Index³.

Government Policies: This dimension considers the extent to which public policies support entrepreneurship. The factor of government policies was rated negative by the experts. Actually, 78% of the experts disagree with the view that government policies (e.g. public procurement) systematically favor new firms. Only 38% agree that the amount of taxes in Ireland is not an obstacle for new and growing firms. Ireland is ranked 6th in the Ease of doing business Index.

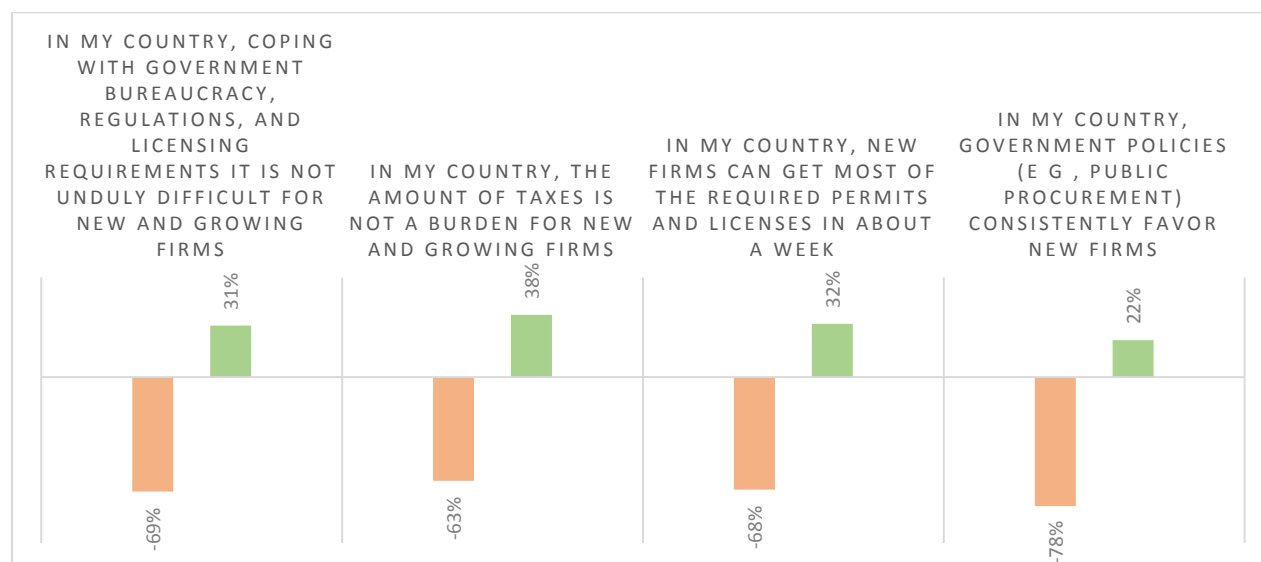


Fig. 1 Dimension of Government policies - Ireland (NES 2015)

Government Programs: This dimension measures the presence and quality of programs directly assisting SMEs at a national, regional, municipal level. Ireland has a very positive ranking. 93% of the experts agree that science parks and business incubators provide effective support for new and growing firms and 81% agree that there are an adequate number of government programs for new and growing businesses in the country.

The deficiencies that they raise, is in relation to assistance for growing businesses which cannot always be obtained quickly and efficiently, in addition to the support programs not always being effective.

Education and Training: The extent to which training in creating or managing enterprises is incorporated within the education and training is resumed in this dimension. According to the experts Education and Training is the most negative factor concerning the entrepreneurial ecosystem. 92% of them believe primary and secondary education does not provide the necessary instruction in market economic

³ <http://www.doingbusiness.org/rankings> 27/02/2016

principles. In addition, the situation in colleges does not differ significantly 64% of the experts agree with the above statement.

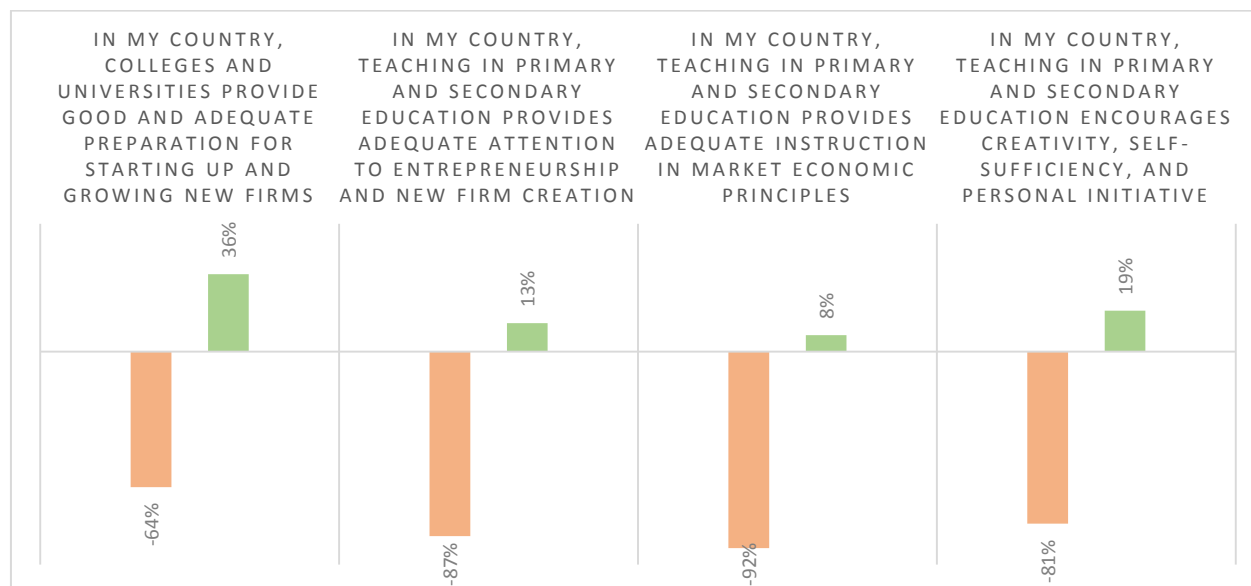


Fig. 2 Dimension of Education and Training - Ireland (NES 2015)

Research and Development Transfer: This dimension informs about the extent to which national research and development leads to new commercial opportunities and the availability for startups. 75% of the experts agree that the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area and 68% agree that in Ireland there is good support available for engineers and scientist to have their ideas commercialized through new and growing firms. The only aspect that needs to be improved is to eliminate the gap between large and small companies to access new technologies.

Commercial and Professional Infrastructure: Commercial and Legal Infrastructure means the presence of property rights, commercial, accounting and other legal and assessment services promoting SMEs. Practically all factors involved in this dimension were well evaluated. 94% of the experts believe that there are enough subcontractor's suppliers and consultants to support new and growing firms. 61% think that it is easy for new and growing firms to get access to good subcontractors, suppliers and consultants, but only 21% think that new or growing firms can afford these. Ireland is ranked 43th in dealing with construction permits and 39th in registering property in the Ease of Doing Business Ranking.

Market Access: In this dimension the possibilities to access markets are evaluated. 68% of the experts agree that in Ireland new and growing firms can afford the cost of market entry. In addition, they think that markets for business to business goods and services change dramatically from year to year. Also in the category of trading across borders Ireland is ranked 48th in the Ease of doing Business Index.

Physical Infrastructure: This dimension shows the possibility to access physical resources. All factors were evaluated positively, as Ireland has quick and easy access to basic physical infrastructure: roads, utilities, communications, telephone, internet, etc.

Culture and Norms: In this dimension it is shown to which extent the national encourages entrepreneurship. 71% of the experts disagree that the national culture encourages entrepreneurial risk-taking and reveal that it does not emphasize self-sufficiency, autonomy and personal initiative. But nevertheless, 67% agree that the national culture is highly supportive of individual success achieved through own personal efforts.

Entrepreneurial Ecosystem Germany

Funding: In this dimension 72% of the experts agree in Germany there are sufficient government subsidies available for new and growing firm and 59% agree there is sufficient debt funding available. However, 84% don't agree that there is sufficient funding available from private individuals (other than the founders) for new and growing firms. Furthermore, Germany is placed 28th in the category "Getting Credit" in the Ease of doing Business Index like Ireland.

Government Policies: 93% of the experts believe that in Germany government policies don't consistently favor new firms and 97% agree that it is difficult for new firms to get most of the required permits and licenses in about a week, but nevertheless 66% agree that taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.

Government programs: In this dimension Germany has a very positive score as 94% of the experts agree that the science parks and business incubators provide effective support for new and growing firms. In addition, 77% agree that government agencies employees are competent and effective in supporting new and growing firms and also that the government supports new firms in an effective way.

Education and Training: In this dimension the experts gave a negative score for every factor. They disagree in a 95% that in Germany teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation, and 85% have the same impression when the discussion is about the education providing adequate instruction in economic principles. There should definitely be a focus on improving this dimension by the policy makers.

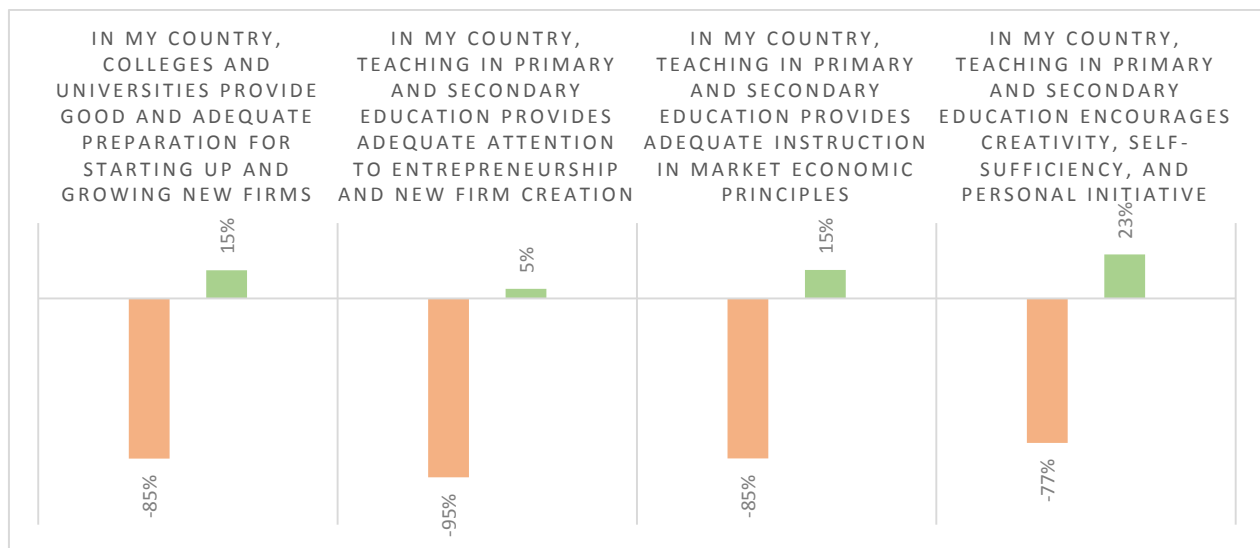


Fig. 3 Dimension of Education and Training - Germany (NES 2015)

Research and Development Transfer: 64% of the experts agree that the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area. The principal problem is that the latest technology is too expensive and the new and growing firms cannot afford it.

Commercial and Professional Infrastructure: This dimension is positively evaluated because in Germany there are enough subcontractors, suppliers and consultants to support new and growing firms and it is easy to get good and professional legal and accounting services. Moreover, according to the Ease of Doing Business ranking Germany is ranked 13th in dealing with construction permits and 62nd in registering property.

Market Access: This dimension measures the following two components,

- a) Market Dynamics: the level of change in markets from year to year, and
- b) Market Openness: the extent to which new firms are free to enter existing markets.

The experts agree that new and growing firms cannot afford the cost of market entry and that it is not easy to enter new markets.

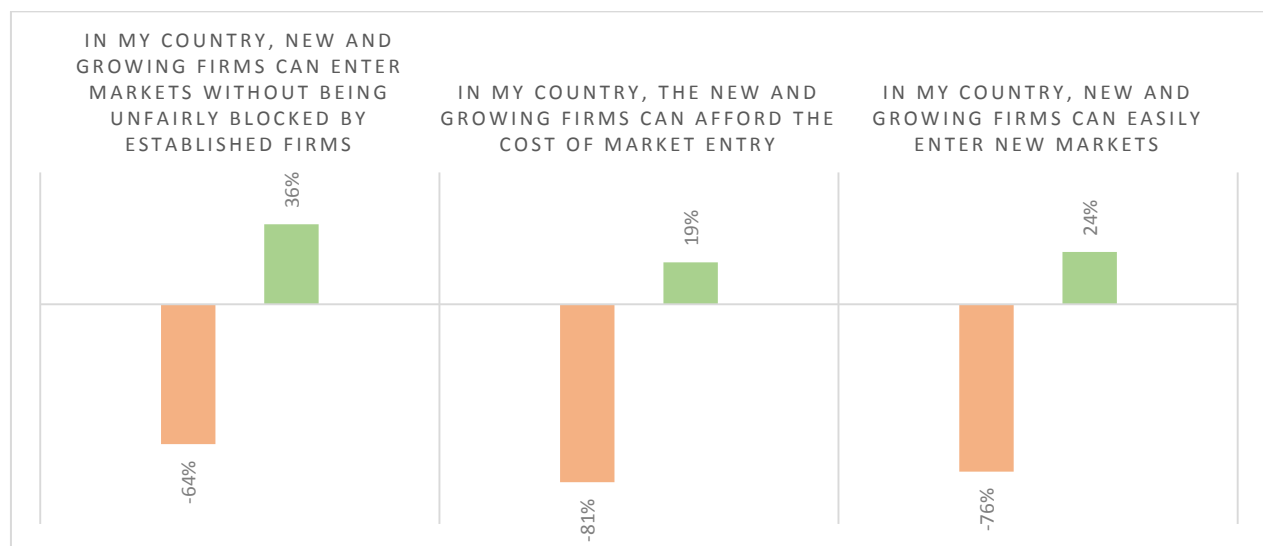


Fig. 4 Dimension of Market Access - Germany (NES 2015)

Physical Infrastructure: In this dimension, Germany does not face a lot of problems – as the experts agree - the physical infrastructure provides good support and access to communication technology, and furthermore basic utilities for new and growing firms. For example, in Germany, it only takes 3 days for a company to obtain electricity.

Culture and Norms: According to the experts, German culture does not emphasize self-sufficiency, autonomy and personal initiative. Moreover, it does not encourage entrepreneurial risk-taking, creativity and innovativeness.

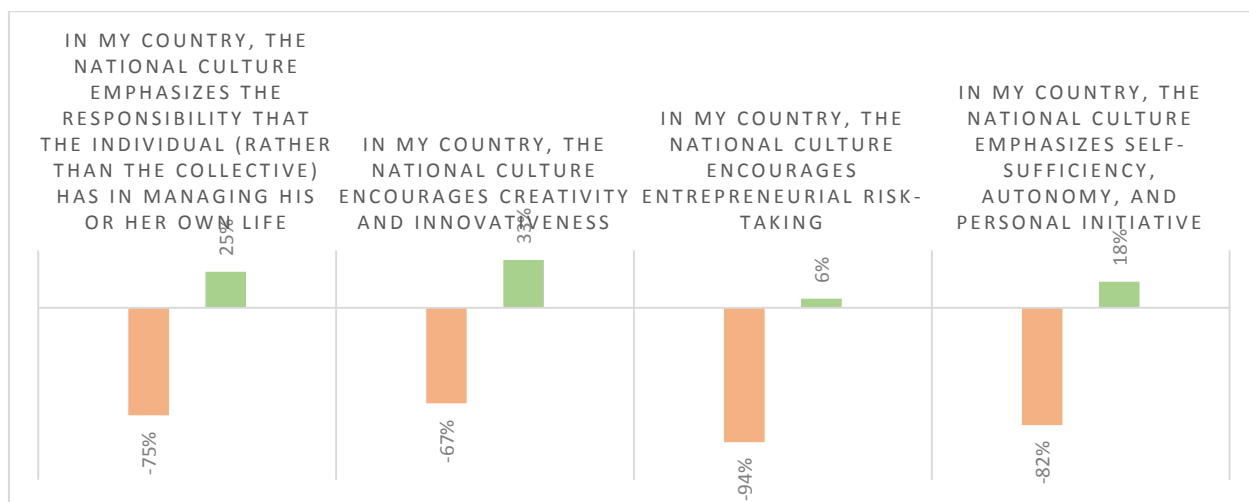


Fig. 5 Dimension of Culture and Norms - Germany (NES 2015).

GEI-Rank

The Global Entrepreneurship Index (GEI) measures entrepreneurial performance and provides a detailed look at the health of nations entrepreneurial ecosystems. This Index links entrepreneurial attitudes, abilities and aspirations.

The GEI measures the quality and the scale of the entrepreneurial process in 132 countries around the world. It provides a rich understanding of entrepreneurship in these countries and a precise view of the strengths and bottlenecks of their respective entrepreneurial ecosystems. The GEI data are supported by three decades of research into entrepreneurship.⁴

Europe in general, is an entrepreneurially mature area. One example is that Denmark is ranked as the 4th most entrepreneurial economy globally. Europe in terms of entrepreneurship shows a high level in technology and innovation and all the economies in the EU can benefit of it. Ireland is placed in the 12th position in the GEI-Rank and Germany follows in the 14th place.

In the GEI Ireland’s Overall GEI Score is 65.6; individual indicators of 68.6 and institutional indicators of 81.5. The worst pillar scores are Opportunity Perception with 0.33 and Opportunity Startup with 0.63. The best scores are High Growth 0.85; Competition 0.85 and Human Capital with 0.99.⁵

For Germany the Overall GEI Score is 64.6 the score for individual indicators is 57.8 and for institutional indicators 90.6. The worst indicator is Startup Skills with 0.44 and Human Capital with 0.55. The best scores are Risk Capital with 0.76; Cultural Support 0.79 and Competition with 0.88.

General Indicators

| Indicator | Ireland | Germany |
|--|-------------|--------------|
| Population | 4,6 million | 80,9 million |
| Rank in Doing Business Index 2014 | 13/189 | 14/189 |
| Rank in Global Competitiveness Index 2014-2015 | 25/144 | 5/144 |
| Rank in Economic Freedom Index 2014 | 9/178 | 16/178 |

⁴ Zoltán, J., Láslo, S. and Erko Autio. 2015. Global Entrepreneurship Index 2016. Pp. 11.

⁵ Percentage of total new effort for a 10 point improvement in GEI score.

Key Actions and Recommendations

Ireland

1. In the financial aspect creation of access to loans and funding through initial public offerings for startups might promote entrepreneurial activity.
2. A support to new firms converted in a national policy priority to improve and speed up the access to licenses and permits and reducing bureaucracy and regulations is desirable to advance the entrepreneurial ecosystem.
3. The key aspect to improve is education and training. Instilling entrepreneurship as a priority from primary school to college encouraging creativity and self-sufficiency, teaching basic market rules, and in general provide adequate preparation for entrepreneurs is highly recommendable.
4. Regarding the research and development transfer, it is advisable to make the new technologies accessible for new companies, and import the knowledge of universities and public research centers to growing enterprises.
5. In terms of market access, it is recommended to reduce the barriers of entry for new firms. Change could be motivated year after year in the consumer markets so that new firms can be integrated quickly and effectively.
6. Concerning norms and culture, it is advisable to create motivation for entrepreneurial risk-taking and to emphasize self-sufficiency, autonomy and personal initiative. Instilling entrepreneurship as a valid way of life and appreciating successful entrepreneurs.

Germany

1. Funding possibilities from private individuals (other than the founders) could complement governmental funding. This could be promoted by support of networks (e. g. business angels).
2. In terms of public policy, it is recommendable to advance the time frame for processing permits and licenses to growing firms.
3. In relation to education and training in primary education, it would be appropriate to provide further information regarding topics of entrepreneurship and creation of new firms. Moreover, in colleges and universities good and adequate preparation for business foundation could be provided.
4. Support in accessing new technology for new and growing firms is highly recommendable.
5. It is advisable to support especially new startups to enter the market. The blockage of established firms is assessed as a main barrier for new enterprises and could be reduced by governmental support on a legal level.
6. Regarding the national culture it is recommendable to create an environment emphasizing entrepreneurial possibilities as an attractive way of life and to encourage creativity, innovativeness and risk-taking.

Gender and Identity

In the field of entrepreneurship there are some differences between male and female founders. There have been different studies conducted to examine women entrepreneurship and its growth potential in general⁶, but also their possibilities for financial access⁷, their work-family-conflicts⁸ and their attitudes and perceptions regarding entrepreneurship⁹.

⁶ See, e. g., Entrepreneurship in Ireland 2014. The Annual Report for Ireland, GEM section 3.6 Female Entrepreneurs; Entrepreneurship in Ireland 2011. The Annual Report for Ireland, GEM section 3-Women an

The women entrepreneurs are not just outnumbered by their male counterpart, but also differentiate in terms like business sector, size of the business, their growth expectations and their international orientation. Hence, we can assess, that the difference of male and female entrepreneurship is not only defined in a quantitative manner, but also in the characteristics of their enterprises.

Concerning the barriers for women to establish a business, on one hand there are objective facts like the access to financial loans and the work-family-conflicts, that are more problematic for women than men. On the other hand, women are also less likely to take risks and they have less self-confidence in their own skills. These aspects seem to be linked to a different role perception between men and women, which seems also to cause the differences in the characteristics of their businesses.

Regarding the different fields of entrepreneurial activity female businesses are mainly located in sectors that might be categorized as “typical women sectors”. Irish women entrepreneurs are mainly working in the retail or the health and beauty sector. In Germany there is just one male entrepreneur counted for three women in the health and social services. Additionally, in other characteristics like the international orientation or the number of employees and the growth expectations female entrepreneurs are less internationally orientated, have less employees and do less reinvestments for growth than men.

Regarding policy recommendations, support for financial access and a broad child care system might alleviate obstacles or eliminate barriers for women entrepreneurs. But especially culture and norms seem to be crucial in terms of gender awareness.

As described above, the NES experts assess Germany’s and Ireland’s national culture as not supportive in terms of entrepreneurial risk taking and as not emphasizing self-sufficiency. These findings seem to be even more significant for women entrepreneurs, as the differences between men and women are connected to different role perceptions produced by education and socialization.

The recommendations for this point should target a change of society and can only be realized in the long term. One starting point for social change can always be found in the education system. The NES data also indicates a lack of entrepreneurial education on all levels. Additionally to our recommendations above, it is highly recommended to encourage especially girls and young women to start a business in order to use this future potential on the entrepreneurial market. One way could be to promote the reflection of common role models to open new perspectives.

Also, role models and the exchange of experience are motivating factors for women to start and maintain a business. Networks providing these possibilities should be supported to enhance more women to become entrepreneurs.

Untapped Source of Entrepreneurial Potential?; BMWi (2013). Wachstumspotenziale Inhaberinnengeführter Unternehmen – wo steht Deutschland im EU-Vergleich. Final Report. Berlin: Dr. Kirsti Dautzenberg et al.

⁷ Coleman, S. (2000). Access to capital and terms of credit: A comparison of men-and women-owned small businesses. *Journal of Small Business Management*, 38(3), 37.

⁸ Shelton, L. M. (2006) Female Entrepreneurs, Work-Family Conflict, and Venture Performance: New Insights into the Work-Family Interface, *Journal of Small Business Management*, 44(2), 285-297.

⁹ Sinnott, E. (2008) An Exploration of Female Undergraduates’ Attitudes Towards and Perceptions of Entrepreneurship. Unpublished thesis, Centre for Entrepreneurship, Waterford Institute of Technology.

Project Identity

| | |
|------------------------|---|
| Project Name: | Transforming Europeans Women's Entrepreneurship: The Education and Training for Success Programme |
| Coordinator: | Professor Käthe Schneider, Friedrich-Schiller-University. |
| Funding Scheme: | Horizon 2020 MCSA – RISE |
| Duration: | March 2015 – March 2019 |
| Consortium: | University of Jena, Germany; Universidad del Desarrollo, Chile, Cyprus University of Technology, Cyprus, University del Norte, Colombia, Imaginario, Colombia, 3s Unternehmensberatung GmbH, Austria. |

Description:

Women entrepreneurs is a 4-year research, innovation and staff exchange programme in the Horizon 2020 framework of the European Union.

The objective of this project is to setup and strengthen international and inter-sector collaboration in the research field of entrepreneurial competence development. The scientific goal is to get a better understanding of the fundamental entrepreneurial competences of early stage women entrepreneurs and to develop an educational and training programme to enhance the ratio of young successful women entrepreneurs across Europe.