

ANALYSIS OF THE ENTREPRENEURSHIP AND ENTREPRENEURIAL CULTURE WITHIN SME IN THE PARTICIPANT COUNTRIES



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1. Entrepreneurship in Latvia

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1. Introduction

During an economic slowdown, entrepreneurs face many problems: customers are harder to find, capital is more difficult to raise, and suppliers are less accommodating. However, a downturn has advantages as well as disadvantages. Qualified workers are easier to find, office space is cheaper to rent, and competition is reduced. Recession releases labour and capital from ineffective economic segments and allows newcomers to recombine these resources in new ways. Moreover, during an economic downturn people have more free time to start a new business and have a greater need to do so. When job stability evaporates, people look for long-term security in self-employment or small business ownership.

Business basis in Latvia

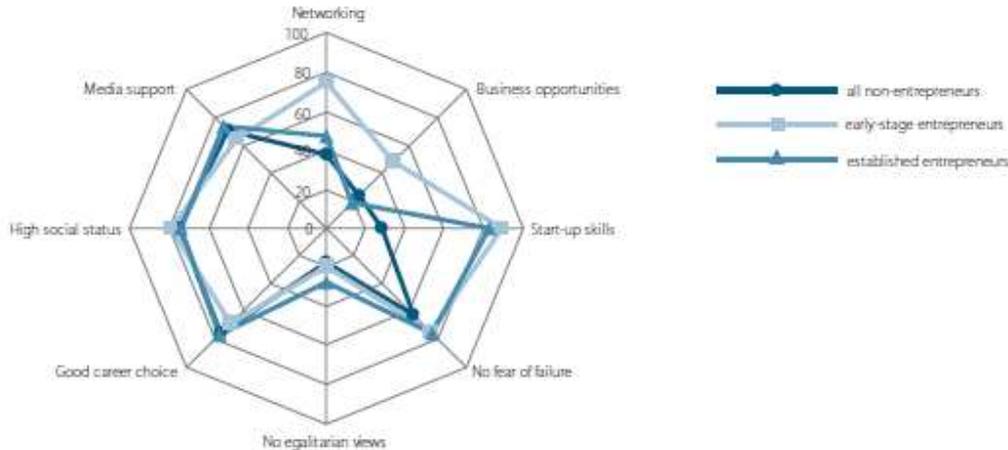
- There is a free market economy, regulated by appropriate laws, protecting commercial rights, trademarks and investments;
- The requirements of the European Union are included in law of Latvia;
- There are no restrictions or a different attitude towards foreign investments and companies.

2. Personality of entrepreneur

A typical entrepreneur is a male, 39 year old ethnic Latvian or Russian-speaking minorities (Russians and Latvians are equally likely to start-up a business in Latvia) who work in the wholesale or retail trade sector, and who has no long-term loans from banks or other financial institutions. Entrepreneurs are most likely to be within the 35 - 44 age groups. They may have chosen to wait until they have accumulated experience about the products and the customers they would be trying to sell to. They perhaps needed time to build business networks and accumulate some personal financial resources.

On the other hand, very few young people qualify as new firm entrepreneurs, the 18 - 24 age groups. The difference is especially pronounced with respect to networking, evaluation of business opportunities, and self-assessed start-up skills.

Figure 1: Adult population by entrepreneurial engagement



Note: For non-entrepreneurs, calculations are based on the random half of the non-entrepreneurially active respondents in the GEM sample. For entrepreneurs, the calculations are based on all entrepreneurially active respondents in the sample. Only those respondents who gave valid responses ("yes" or "no") are considered.
Source: GEM 2008 Latvian APS data.

3. Competent organizations in the field

The Register of Enterprises is a direct administration institution that functions under supervision of the Minister for Justice. The notary public of the Register of Enterprises makes the registration of the legal subjects and legal data specified by the Law.

The functions of the Register of Enterprises

- To register merchants and their branches, foreign merchants and representative offices and representatives of organizations, cooperative societies, European Economic Groupings, European cooperative societies, politic parties and their alliances, administrators, insolvency subjects, remedy process and insolvency proceedings, associations and foundations, trade unions, mass media, religious organizations and their institutions, public and private partnership agreements, decisive influence, commercial pledges, spouse property relations and arbitrages and to ensure maintenance of the relevant registers;
- To render information on the registered legal subjects and legal data;
- To make other functions specified by laws and regulations.

4. Support

We have identified four potential sources of finance for an entrepreneur wishing to start a business. He or she may (i) take a bank loan; (ii) usage of own accumulated funds; (iii) borrow from friends or relatives; or (iv) receive equity financing from a business partner, venture capitalist, business angel, etc. Of course, it is also likely that an entrepreneur is using some combination of the above-mentioned sources of finance.

4.1 Public

Formal institutions for entrepreneurship in Latvia are not worse in comparison with other transition economies or even developed countries. It is relatively easy to set up a company, corporate tax is among the lowest in the world, labour markets are flexible and there seem to be no significant problems with the enforcement of contracts. However, access to credit, ‘wages in envelopes’, and administrative excesses related to registration of property seem to hinder the development of businesses.

A lot of information is available on the various websites of state institutions (Ministry of Economy, State Revenue Service, Register of Enterprises, Latvian Development Agency) aimed either at entrepreneurs and SMEs (e.g. information on how to register the company, start the business, what are the available support programs, etc.).

The objective of the Investment and Development Agency of Latvia (LIAA) is to promote business development by facilitating more foreign investment, in parallel increasing the competitiveness of Latvian entrepreneurs in both domestic and foreign markets. After Latvia’s accession to the EU, the Agency needed to adopt new methods and tools, including the effective utilization of resources from EU funds. Today LIAA offers an integrated solution – it supports companies in Latvia trading internationally, as well as overseas businesses seeking partners or locations in Latvia; administrates state support programs for entrepreneurs, co-financed from EU funds.

4.2 Banks

From the perspective of the banks, the benefits of dealing with small businesses may be outweighed by the costs. According to a representative of the Mortgage Bank (previously Mortgage and Land Bank of Latvia), banks are not particularly interested in issuing credit to micro- and small enterprises because these companies usually require relatively low loan amounts.

The Government of Latvia has also developed a support scheme aimed at improving SME access to finance. The SME Development Lending Program was established in 1999 and within its framework Mortgage Bank works on providing credit for the development of small and medium-sized companies to help those entrepreneurs who have prospects of successful development but who cannot expect financing from commercial banks because of a lack of collateral and credit history.

The entrepreneurs themselves are sometimes to blame. Many loan requests are turned down because of inadequate business plans and a lack of credit history. The low quality of business plans can be partly explained by the fact that most entrepreneurs do not have formal business educations and public business advisory services are very limited. Therefore, in order to prepare a good quality business plan, entrepreneurs often use private consultants that increase their start-up costs.

4.3 Venture Capital and Business Angels

Entrepreneurs also have the option of using non-traditional financial instruments - venture capital and business angels – as a source for financing their businesses. There are a number of venture capital funds operating in the country; the Baltic American Enterprise Fund, the Baltic Small Investment Fund and the Norwegian Latvian Fund are the most active. As regards the business angels, currently very little evidence is available on the use of this source of financing in Latvia.

4.4 Others

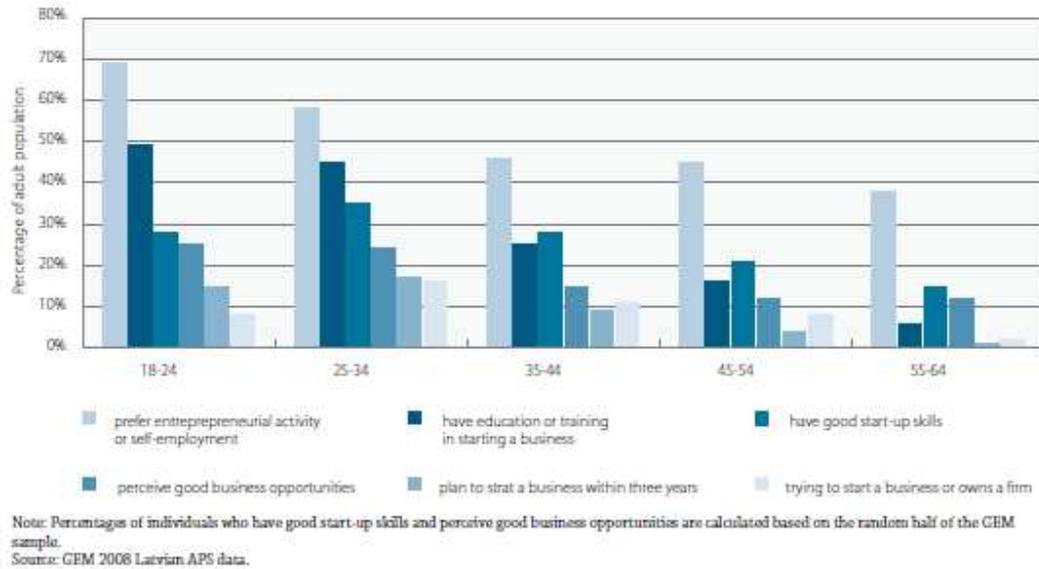
In 2011 British Council for the first time is introducing International Young Design Entrepreneur award (IYDE) in Latvia in order to find the brightest stars in the international design & fashion industry. IYDE award launch had been joined with Investment and Development Agency of Latvia (LIAA) in order to build and promote competitive and sustainable design entrepreneurship in Latvia, continuing cooperation with their strategic partner Stockholm School of Economics in Riga and marketing partner DDB Latvia, our digital partner CUBE as well as community network site Draugiem.lv.

Family and friends turned out to be one of the most popular sources of advice for both nascent entrepreneurs and firm owners both in Latvia as in other countries. In contrast, experts such as researchers, investors, banks, lawyers, accountants, and public advice agencies were relatively rarely used.

5. Education

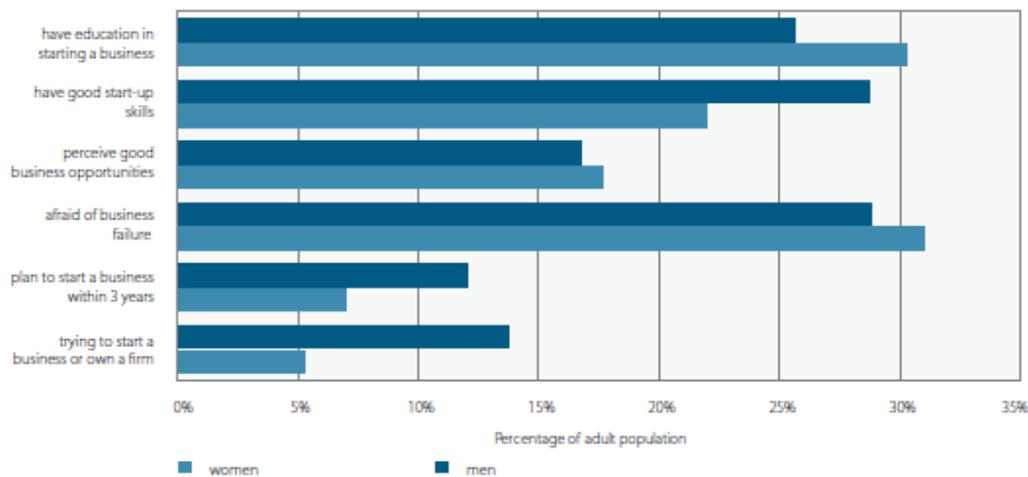
2008 Latvia Report presented by Global Entrepreneurship Monitor says that education in entrepreneurship is relatively well spread: 28% of adult individuals have some kind of training or education in starting a business. Slightly less than 20% of individuals participated in training or education in business start-up after secondary school. This involves different types of education and training: formal, informal, and self-study. About 15% of the adult population in Latvia received some preliminary knowledge in starting a business while in primary or secondary school. The majority of these people are quite young, because in the Soviet period this type of education was not available.

Figure 2: Level of entrepreneurial engagement and skills in Latvia by age cohort, 2008



Provision of education and training in starting a business in Latvia appears in the table below to be quite good, especially among the younger generation and women.

Figure 3: Level of entrepreneurial engagement and skills in Latvia by gender, 2008



However, it is not clear whether education in business start-up in fact enhances start-up skills and motivates people to start a business. For example, most of older people do not have education in business, but have a relatively high preference for entrepreneurial activity, positively evaluate their start-up skills, and relatively often perceive good business opportunities. Women, however, being on average more educated in business than men,

relatively rarely report having good start-up skills, and have a low preference for entrepreneurial activity. The effectiveness of entrepreneurial education in Latvia should be studied more thoroughly in the future.

5.1 Self-directed learning

2008 Latvia Report informed that the most frequently mentioned type of education and training in starting a business in GEM countries turned out to be *self-directed learning*. This includes reading books and special materials, observing or working in other people's businesses. In Latvia this type of education was the second most popular. Approximately 13% of the adult population (and 65% of people who received education in business after secondary school) learned how to start a business themselves. However, self-directed learning was rarely the single method of study used by respondents. It was frequently combined with other formal and informal education. Those individuals who mentioned self-directed studies were also more likely (than other people with entrepreneurship education) to have received education provided by employers or government agencies. They were also more likely to acquire education through the internet.

5.2 Formal

The second most common type of education in starting a business in GEM countries was *formal education* acquired in college or university.

Courses and topics on entrepreneurship are now also an integral part of primary and secondary school curriculum in Latvia. "Introduction to Economics" in the 8th grade and "The Economic Basis of Business" in the 10th-12th grade are mandatory courses and more than half of the graduates (61.4%) choose to take these subjects as one of the exams for graduation. On the university level there are several academic/professional degrees offered in the fields of business administration and economics.

In addition to formal education, there are also other initiatives aimed at stimulating entrepreneurship among young people, which include business plan competitions and

competitions for primary and secondary school students organized by Junior Achievement Latvia.

5.3 Informal

Latvian main provider of free entrepreneurship education is State Employment Agency NVA. Unfortunately the target group is not aimed by any state organization in Latvia except State Employment Agency.

In Latvia there are many private providers of the vocational courses. These courses are presenting the business studies, marketing, management, establishment of company etc. Unfortunately they do not provide any specialized training of entrepreneurship aimed for the target group. All courses are aimed for interested trainees from all age groups.

Riga City Council City Development Department

The City Development Department is the leading Riga Municipal institution in the field of construction supervision territory planning, detailed planning, elaboration of amendments to these and their control.

Ventspils Industrial Zone

As one of the main goals Ventspils authorities have set the development of industry in the city. Considering that, Ventspils City Council and Free Port of Ventspils Authority support every kind of industrial developments and welcome enterprises willing to set up their business in Ventspils.

5 Innovation Centres and 11 Business Incubators established in all regions of Latvia – Vidzeme, Latgale. Business information centres are a major source of information for entrepreneurs.

Table 1: Percentage of individuals with education in starting a business by type of education provider, 2008

Country	University (formal)	University (informal)	Business or trade organization	Government agency	Employer	Self-directed learning	Other
Belgium	10	5	3	4	2	8	3
Croatia	10	5	4	1	4	12	2
Denmark	7	2	3	1	0	8	3
Finland	30	10	5	7	4	30	7
France	6	2	6	5	1	8	4
Germany	7	2	8	4	5	10	3
Greece	9	1	4	2	3	8	1
Hungary	4	2	1	1	1	1	0
Iceland	10	5	2	2	5	14	4
Ireland	9	7	4	7	5	14	1
Italy	7	2	3	1	3	6	1
Latvia	14	5	2	3	4	13	1
Romania	2	1	1	0	1	3	1
Serbia	1	1	1	2	1	3	0
Slovenia	15	9	6	5	6	15	3
Spain	10	8	6	6	5	10	7
Turkey	1	1	0	0	1	3	1
United Kingdom	8	5	4	3	3	10	1

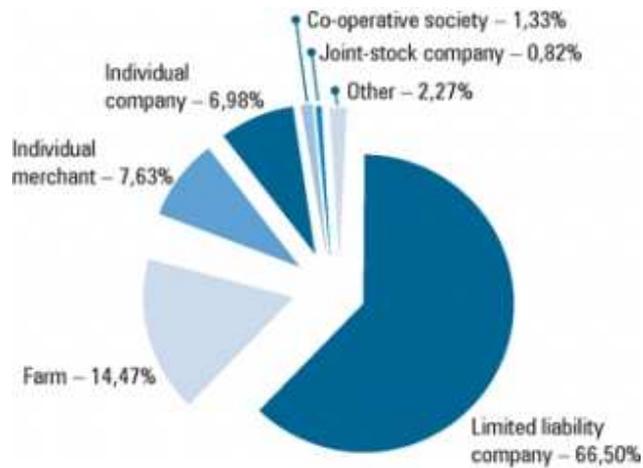
Source: GEM 2008 Executive Report.

6. Figures

Companies

About two thirds of all companies registered in Latvia are limited liability companies (LLC). As of the beginning of 2011, 171 000 companies were active, of which only 1 000 are joint-stock companies, and 107 000 – limited liability companies, and others, for example, individual merchants, farms and various historically preserved company forms, which it is no more possible to register.

Figure 4: Companies in Latvia

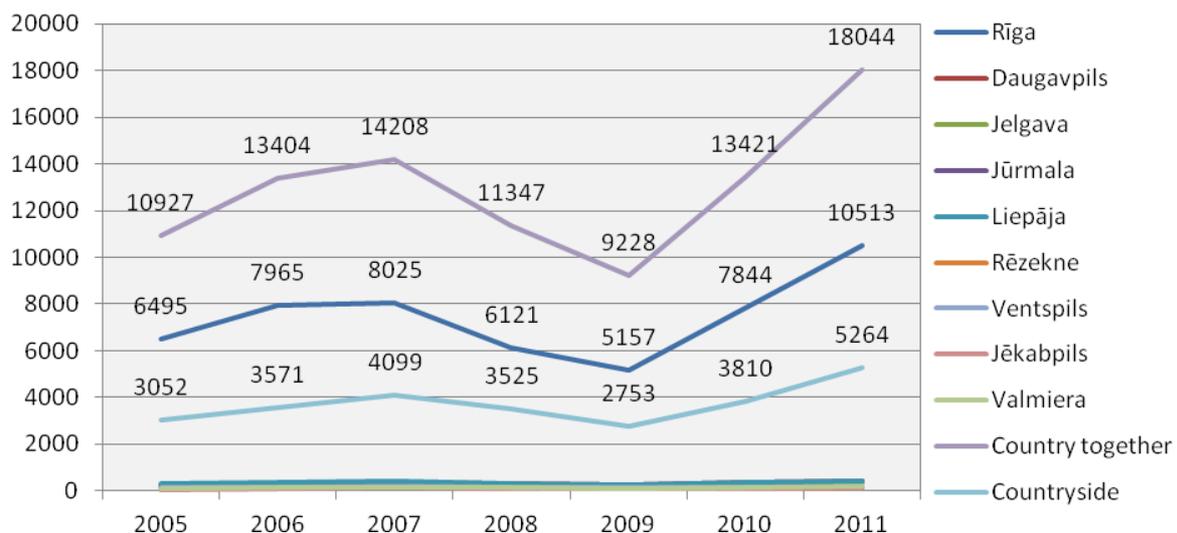


Source: *firmas.lv*

Number of new enterprises in Latvia increases 34% in 2011

A total of 18 041 new enterprises were established in Latvia last year. It is 34 percent more than in 2010 when 13 421 start-ups were registered according to the Register of Enterprises' data, collated by Lursoft (Latvian information technology company). The number of new companies registered in 2011 is the largest annual number since 1994.

Figure 5: Newly established companies in the cities and country together



Source: *Lursoft 2012, own elaboration*

7. Networks

Employers' Confederation of Latvia (LDDK) is the biggest organization representing the interests of employers. LDDK acts as a partner in socioeconomic negotiations with Saeima, the Cabinet of Ministers of Republic of Latvia and Free Trade Union Confederation of Latvia.

LDDK unites 42 branch and regional associations and federations that take a significant place in Latvian economics, as well as enterprises that employ over 50 people. The members of LDDK employ at large 35% of employees in Latvia.

Latvian Chamber of Commerce

Latvian Chamber of Commerce and Industry (LCCI) is a non-governmental, voluntary organization uniting Latvian companies of different sectors. The aim of the organization is to create favourable business environment, represent economic interests of Latvia's enterprises and offer business promotion services.

8. Challenges

At the moment, there are few market challenges in Latvia. However, due to the country's small size, if a company is considering doing business only in Latvia, local labelling requirements could prove costly relative to the potential customer base. Many companies focus on Latvia as a part of the broader EU market. Because the market is small, it is sometimes quickly saturated, and it can be difficult to keep business secrets. American products face strong competition in the Latvian market from EU countries and the Commonwealth of Independent States (CIS). Due to historical trade relations, companies from Scandinavian countries and Germany approach the Latvian market with greater confidence. Government bureaucracy and corruption are seen by the U.S. government as the main impediments to U.S. trade and investment in Latvia. Some concerns exist regarding the protection of intellectual property, but recent legislative changes promise to give law enforcement additional tools to address these issues.

The currently observed discrepancy between the level of early-stage entrepreneurial activity and established business ownership suggests that the survival chances for start-ups in Latvia are very low. Most entrepreneurial attempts during an economic downturn are likely to be transitory or unsuccessful. However, for those businesses that survive the hardship it might be easier to grow in the future because of reduced competition and availability of cheaper inputs.

9. Resources

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2. Entrepreneurship in Lithuania

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1. Introduction

Possibilities to start business change from country to country depending on what infrastructure and business environment, business culture is developed in the country. In the recent years more and more attention is paid to the entrepreneurship culture as one of the factors influencing business activity. This national report is focused on the overview of the business environment, including business support and financing as well as entrepreneurship development in secondary, vocational and higher education in Lithuania.

2. Competent organizations in the field

The main institutions, responsible for the development of entrepreneurship are the Ministry of Economics, the Ministry of Education and the Ministry of Social Security and Labour. In addition other competent organizations work actively to promote and develop favourable environment for business in Lithuania. These are typically business associations, working on the national and international level:

- Lithuanian Confederation of Employers
- Lithuanian Chambers of Commerce and Industry Association (including five regional Chambers of Commerce, Industry and Crafts in Vilnius, Kaunas, Klaipeda, Siauliai and Panevezys)
- Lithuanian Business Confederation ICC Lithuania
- Lithuanian Business Employers' Confederation
- Vilnius Industry and Business Association
- Kaunas Region Small and Medium Sized Business Association
- and many others.

3. Support (economic)

The financial support system for new business is quite extensive. Today young entrepreneurs may take advantage of business start-up vouchers, Labour Exchange system, bank loans, risk capital funds, EU financial support and other instruments.

3.1 Business start-up vouchers

Business start-up voucher includes the basic services for beginners. They are: consultations, training, virtual office services. A person can obtain the voucher through the organization „Versli Lietuva“ (Entrepreneurial Lithuania) and has to open a company within a period of 6 months. Then with this voucher a company may address the selected services provider. Voucher is valid 12 months.

3.2 Subsidies from the Lithuanian Labour Exchange

The Lithuanian Labour Exchange offers for SMEs 2 subsidies schemes. The first scheme is to subsidize staff costs. This scheme is usually applied when/if a company employs previously unemployed person. The second scheme is to subsidize establishment/creating new job places in a company.

3.3 Lithuanian Credit Unions

Lithuanian Credit Unions consortium implements the financial instrument “Entrepreneurship promotion”. This instrument combines both loan and training/consultancy services for business start-ups. This financial instrument may be used by persons, who would

like to start business; also micro, small companies; persons working according to individual activity; social enterprises.

3.4 Public support

Public support is provided to physical persons who would like to start business as well as to small and medium sized enterprises. Public support is provided using the EU structural funds, national and local, municipality funds. Public support is organized through public institution "Entrepreneurial Lithuania", through the network of business information centres, business incubators, business associations.

Today in Lithuania there is a network of 16 business information centre's, 5 business incubators. The state is one of the shareholders (stakeholders) of these organizations. Starting from 2010 the Ministry of Economy implemented the monitoring system for evaluation of business information centre's and business incubators. The implemented monitoring system helps to analyse the scope and the quality of provided services, what influence is made on the development of entrepreneurship in particular regions and in the whole of Lithuania.

3.5 EU structural funds support

In the period 2007-2013 Lithuania opened 5 schemes for business development. Most of them were open for small and medium sized companies, from various economic sectors. Particular attention was paid to strategically important sectors for Lithuania. Financial support was provided for companies willing to implement various innovations (new products, technologies, management, etc. innovations).

3.6 Banks and other financial instruments

Small credit granting

Small credit granting (up to LTL 175 thousand; up to LTL 350 thousand): LTL 111.6 million has been earmarked for individual measures out of which banks have already issued 882 loans for the amount of LTL 162,377 million.

Open credit fund

Open credit fund (hereinafter referred to as the OCF) loans up to LTL 1.5 million + 25% from the bank funds, the banks must contribute to the implementation of this measure with at least 25% of their own funds.

State guarantees for the SMEs loans

LTL 129 million of the EU structural funds has been earmarked to cover possible disbursements; the guarantee amount for the circulating SME loans has been increased from 50% to 80%.

Risk capital instruments

For the first time, Government funding will be made available to encourage risk capital investments to companies.

Partial compensation of interest

The public organization named INVEGA administers this financial support measure – partial compensation of interests. This scheme is applied to SMES development.

Business Angels

The Business Angels Fund I together with the business angels (private investors) invest in small and medium-sized enterprises of Lithuania (LTL 1.38 million (EUR 0.4 million) for one enterprise). The investors share their know-how and experience and help enterprises to improve their business management skills and successfully behave in the long-term perspective. More information on the “Business Angels Fund” activities is available on the website www.versloangelai.eu, www.businessangels.lt

Science and technology parks

Science and technology parks are regarded as functional mechanisms to support technology transfer between HEIs and industry (and vice versa), promote the level of innovation and to bring together research and development results. Through the strong focus on networking, science parks create new jobs and business start-ups and have proved to be a useful tool for engendering a more entrepreneurial and innovation-oriented culture particularly when located in proximity to higher education and research institutions.

In Lithuania currently there is being implemented an idea of 5 integrated scientific HEIs and business centres, so called the science valleys (“Sunrise Valley”). It is functioning as a multifaceted infrastructure that shall attain and re-enforce the potential of regionally concentrated, sustainable research and innovation networks with long-term commitments by universities, public institutes and private sector.

6 out of 15 excellence centres and 5 out of 17 identified groups of high-level scientists identified by the Centre for Quality Assessment of Studies (SQAS) in Lithuania are functioning in Sunrise Technology Valley. The intense collaboration is in progress between Lithuanian scientists and local and foreign companies, expected to create and develop new technologies and products, fostering entrepreneurship and innovations in different business areas (Table 1).

The established HEIs and industry link (“Sunrise valley”) is differentiated by the leading concentration of science and studies in the Baltic States (approximately 20 thousand students, scientists, researchers) which will intensify one the most faculties and scientific research institutes of the Vilnius University and the Vilnius Gediminas Technical University will be relocated, which currently are distributed in different locations of Vilnius.

In order to ensure entrepreneurship in education, there has been entrepreneurship development programmes set up and delivered in partnership among the Sunrise Valley management, business associations, universities, and qualified partners from United Kingdom (Kingston University, London). The future planning is to develop a wider support structure that facilitates entrepreneurs to unite forces with those in publicly funded research in order to start and develop hi-tech ventures. It will work closely together with business angels, business mentors and business support providers to provide potential entrepreneurs with access to appropriate financial and advisory support.

4. Education (promotion of the entrepreneurship in education)

The history of the Entrepreneurship education and training starts back to 1990 when Lithuania gained its independence and centrally planned economy started to develop into market economy.

4.1 Primary and secondary school

One of the first organizations which initiated entrepreneurship development in primary and secondary as well as VET schools sector was Junior Achievement of Lithuania. It is a public institution, founded in 1993. Junior Achievement educates young Lithuanians to value free enterprise, understand business and economics and develop entrepreneurial and leadership skills. The main goals of this organization are to cooperate with secondary schools and to help youth comprehend the ideas of a free market economy.

Junior Achievement Lithuania runs several programmes for young entrepreneurs. **High School** program is targeted at teaching secondary school students the basic principles of market economics. High School program is taught to children 16 to 18 years old.

Middle Grades Program is an academic course for the students from 8th to 10th grades. The Middle Grades Program curriculum comprises a text illustrated with graphs and charts; in addition, there are workbook exercises that foster high-level thinking.

4.2 Vocational education

National framework documents on vocational education state that entrepreneurship should be integrated into all programmes; however, there are no practical guidelines for implementing them. As a result, entrepreneurship is not mentioned in training programmes offered by vocational schools. So while some schools are promoting the most generic entrepreneurship skills, students who graduate from a vocational school normally do not possess any specific entrepreneurial competence.

4.3 University level

Entrepreneurship has not been part of the curricula in higher education institutions in Lithuania and only substantially began to enter the curriculum in the last ten years. This is in line with other trends, particularly the growth of the venture capital industry to finance innovative, growth-oriented companies.

In Lithuania the entrepreneurship education frequently were considered as company personnel training programmes which concentrate on functional management skills for business rather than skills for building and nurturing innovation-driven companies. While entrepreneurship is still not fully accepted as an academic discipline in Lithuania, many business and technology schools have started created a niche in this area. The efforts are fragmented

and regularly driven by external actors instead of by the education system itself. However, the private institutions like ISM University of Management and Economics has shifted for the way of developing an entrepreneurial spirit, including changing the fundamentals of how the university operates and its role in society.

Much of the entrepreneurship education in Lithuania is being pursued on a rather ad-hoc basis.

The overall teaching of entrepreneurship in higher education is relatively weak. While some worth mentioning entrepreneurship teaching cases can be observed, even the business studies curricula often lack training on how to start one's own business and acquire relevant skills.

Lithuanian "product portfolio" of higher education in entrepreneurship can be defined through the following categories:

1. Undergraduate level: offered mainly as modules in business programs;
2. Post-Graduate programmes: which in turn can be splinted in the following categories:
 - Master Courses: enables students and practitioners to operate effectively at a high level of executive responsibility in creating and managing new businesses;
 - PhD Programs: provide skills and competencies for academic research in entrepreneurship and are offered especially by Lithuanian private universities;
 - Professional Courses in Entrepreneurship: they aim to support business start-up and to develop leadership skills. Professional courses are concentrated especially.

4.4 Non formal and Informal

A lot of activities have been implemented in the non-formal and informal system for entrepreneurship development. Still today the majority of courses, including formal education system, are organized as non-formal training sessions, seminars, etc. However, there are plans that in the coming years more and more courses on entrepreneurship will be part of the formal education system, including continuous education.

5. Facts and Figures

Public Institutions supporting business in 2010 organized more than 320 events for entrepreneurs (about 14 thousand participants), provided more than eight thousand hours of business advice/consultancy and training (attended by more than 5.8 thousand people). Business information centres and business incubators through public services helped to start business for more than 420 small and medium businesses and to create round 830 new jobs. In 2010 business incubators adopted 44 new companies, which created more than 240 new jobs.

6. Networks

Enterprise Europe Network works for both new and developed businesses. The main goal of the network, which is financed by the EU is to support business and innovation. The main mission of the network is to become a focal point for international business cooperation, innovation and technology transfer, adapting its services to the needs of local SMEs, an information node and expert on EU common market issues, a liaison to EU SME and innovation policy issues and initiatives. The consortium (network organisations in Lithuania) is formed by 4 partners:

- Vilnius Chamber of Commerce, Industry and Crafts (Vilnius CCIC),
- Kaunas Chamber of Commerce, Industry and Crafts (Kaunas CCIC),
- Klaipeda Chamber of Commerce, Industry and Crafts (Klaipeda CCIC),
- Lithuanian Innovation Centre (LIC).

Women's enterprise network (<http://www.verslomoters.lt/index.php>) works under the umbrella of the regional Chambers of Commerce, Industry and Crafts. The network was initiated by the EUROCHAMBRES. In Lithuania this network was established in 2008. The main activity is to support women entrepreneurs.

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1. Entrepreneur's profile

In the following section, we describe the entrepreneur's profile depending on the stage his/her activity is at the moment: entrepreneur (company created < 42 months), consolidated entrepreneur (company created > 42 months) and potential entrepreneur.

Entrepreneur

- 55% of them are men and 45% women.
- Average age: 38.5. 49% between 25 and 45 years of age.
- Studies level: 49% has university studies.
- Only 7.5% of the entrepreneurs are experienced as *Business Angels*.

Consolidated entrepreneur

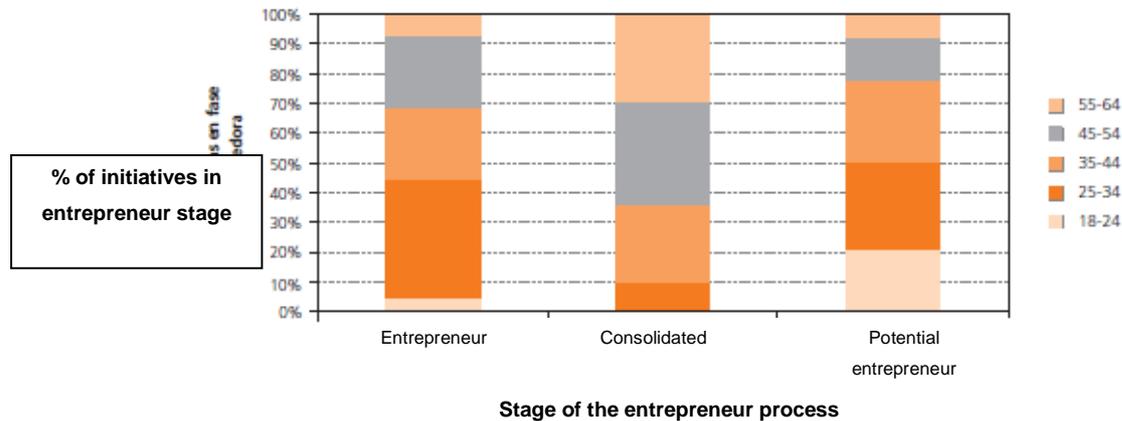
- 69.5% of them are men 30.5% women.
- Average age: 49. 64% aged more than 45.
- Studies level: very well balanced. 32% has university studies, 35% secondary school and 33% primary school
- Only 7.4% of the entrepreneurs is experienced as *Business Angels*

Potential entrepreneur

- 62% of them are men 38% women.
- Average age: 35. 51% aged below 35.
- Studies level: 46% has university studies.
- Only 13.7% of the entrepreneurs is experienced as *Business Angels*

In all the stages of the entrepreneur process, the women's participation is lower than that of men. In fact, only 45% of the entrepreneurs are women.

Entrepreneur activity and age



2. Competent Organisations in this Field

The **Autonomic Governments** will be in charge of the entrepreneurship matter: The Department of Industry, Innovation, Commerce and Tourism of the Basque Government encourages entrepreneurship and intra-entrepreneurship through different performances and programs. The Basque Government Business Development Agency, SPRI (society for competitive transformation), whose objective is to support and boost the Basque business network, increasing its competitiveness and its position in the global market, is in charge of carrying out the established performances and programs, sometimes setting agreements and collaborations with other organisations.

The performance lines carried out by SPRI are:

- *Support the productive diversification and the presence in new markets. Encouragement of the quality of entrepreneur efforts, incorporating innovation and internationalisation from its origin.*

SPRI develops some programs such as: Crear Empresa CEIS-Ekintzaile, of financial support to new business projects with innovating profile in the industrial field or related services, mentored by a CEI; Acelera Program, supporting young innovative companies with growing potential and high growing potential; Venture Academy, platform to launch growing potential companies with innovative projects through coaching sessions.

- *Qualification and support to the entrepreneur activity and encouragement of the entrepreneurship culture.*

In this line, SPRI develops Programs to Spread the Entrepreneur Culture and Encouragement of the Business Spirit in order to reach positive attitude in the Basque society regarding entrepreneurship; and also Entrepreneurship Fairs.

Besides, in this line, it collaborates with:

- TECNALIA Technologic Corporation ([www. www.teamacademy-euskadi.com](http://www.teamacademy-euskadi.com)) to develop leaders, people who are able to create and communicate joint visions and strategies and to develop enterprises in teams, finding collaborative leadership ways.

- *Encouragement of the Business Angels*

SPRI develops a supporting program to favour the creation and development of Business Angels networks in the Basque Country Autonomous Community

- Tools to support self-employed people and micro-enterprises

There are agreements with:

- Alava Chamber of Commerce and Industry (www.camaradealava.com); Gipuzkoa Chamber of Commerce (www.camaragipuzkoa.com) Bilbao Chamber of Commerce (www.camarabilbao.com) to implement the Business Window. Through this window, we

decrease time in the process of business constitution, as it works as the only interlocutor between the promoter person and the institutions involved in the constitution process. Information technologies are used and individual guidance and accompaniment are offered in the Company Feasibility Plan.

SPRI carries out a succession program in the family companies to face the problems coming from the complex generation take over process.

- Support the development of intra-entrepreneurship projects from the consolidated companies

SPRI develops Intraemprende Program, to support companies to implement the idea of generation methodologies leading to new innovative enterprise projects.

Other competent organisations in the field of entrepreneurship

Apart from the Basque Government, there are other public administrations that develop programs and policies to encourage and boost entrepreneurship, either through subsidies or public funding; or by measures favouring the existence of a favourable environment to create companies, such as, taxing measures or specific laws to support entrepreneurs.

The Spanish Chambers of Commerce, Industry and Navigation play an important role in the national and Basque entrepreneurship map.

3. (Economic) Support

Public programs of non-refundable benefits

There is a wide offer of public programs supporting the company creation. Many of them are designed as non-refundable benefits. The amounts are calculated according to a pre-established percentage of the investment made to start the new company.

The trend in these programs is to abandon the traditional or mature sectors, to allocate them to projects incorporating innovation in any of the company's areas (productive, commercial, processes, etc.) giving priority to the technology-based projects.

These benefits come both from Autonomous Administration and Provincial Governments; and from the Central Government and the main City Councils.

Public Funding

The Public Administration has developed different figures that make funding available for new business projects in better conditions than those offered directly by the financial companies.

Private financial organisation funding

The most commonly used external funding formula to start a business or for further investments in a company is the loan from a private financial organisation. Although they might be short-term, the most common situation is that they are agreed in the long term, with repayment terms between 5 and 7 years, except if there is an estate investment, where the terms are longer.

Mutual Guarantee Companies (MGC)

They are Companies aimed at strengthening the guarantees to the partner companies' loans, acting as intermediaries between these companies and the loan system. The most common tools used in this intermediation are the guarantees, both financial and technical, and the deposits.

Seed Capital

The seed capital and venture capital companies are companies usually with the participation of the public administration, financial bodies and other organisations and companies, whose activity is focused on taking part in the social capital of another company who needs some resources to finance its launching or its growth. This participation is always temporary, although a long-term one.

Business Angels

This is the generic name for the private investors investing their own money to boost the development of business projects with high growing potential in their first stages of life. These investors are usually a part of networks that lead and coordinate the income and review of the projects that might be invested in.

4. Education (promotion of entrepreneurship in education)

4.1 Formal Education

The Ministry of Education (Royal Decree 1146/2011, 29 July) introduces in the fourth level of Compulsory Secondary School (15 years of age) the subject of Vocational Guidance and Entrepreneur Initiative as a free choice subject for all the branches of Secondary School. The purpose of this subject is to develop in the students the ability for initiative, decision making, creativity, team work, work planning.

In the Basque Country, the competences in education correspond to the Basque Country Autonomous Community. It is the Department of Education who is in charge of educational policies. In this Department, the Vice-council of Vocational Training and Lifelong Learning coordinates the performances of entrepreneur initiative through Tknika (Decree 39/2005 of 1 March), Innovation Centre for Vocational Training and Lifelong Learning in the Basque Government.

From other Autonomous Governments we can underline the initiatives developed by:

- VALNALÓN - Ciudad Industrial del Valle del Nalón, S.A. (www.valnalon.com)
- CEIN - Centro Europeo de Empresas e Innovación de Navarra (www.cein.es)

4.2 Not formal and Informal Education

Differently from Formal Education, there is a wide training offer supporting entrepreneurship, offered both by public organisations and private organisations.

Chambers of Commerce, Business and Innovation Centres in the Basque Country, Training Supplier Centres, Universities... will offer training to acquire the necessary competences in entrepreneurship and intra-entrepreneurship.

5. Data

From Global Entrepreneurship Monitor España 2011 report we can extract the following data: The high unemployment rate in Spain is leading a part of the population to create a company. The percentage of activities created due to the needs has increased 36.3% compared with 2010. In 2011 the initiatives started from unemployment situations represent 23.7%, whereas in 2010 this figure was 14.2%.

Women have increased their participation in the entrepreneurial process, as well as young people and people over 50 years of age.

In 2011 the Total Entrepreneurial Activity (TEA) is 5.8% and is composed of 3.3% of new-born activity, compared with 2.5% of consolidation activity. These rates indicate that in July 2011, there were 5.8 initiatives in their entrepreneur stage per 100 people aged between 18 and 64. More than one half of the initiatives are started by one only person: 70.7% of the TEA are activities without any employee, whereas 25% have between 1 and 5 employees, 3.3% have between 6 and 19 and 1% twenty or more employees.

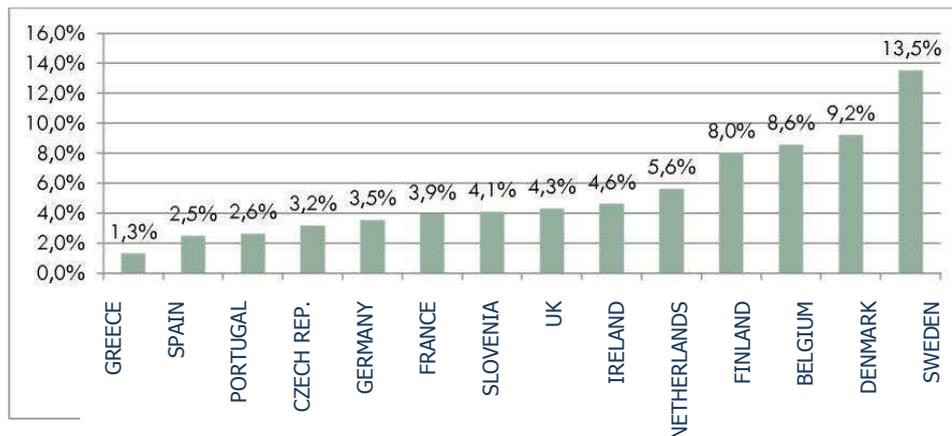
5.1. Spanish population's opinion regarding entrepreneurship

There is no doubt that Spanish population has received the message about the importance of entrepreneurship as a motor to overcome the present economic scenario, but the environment does not favour its aspirations. Thus, a bit more than half of the population aged 18-64 does not consider they have the necessary knowledge and skills to start a small business and 65.2% think that starting a company is a good professional choice.

5.2. The entrepreneurial activity of employees in Spain

In 2011, the rate of the employees' entrepreneurial activity has been measured for the first time in Spain and the other GEM countries. We consider that an employee is carrying out an entrepreneurial activity when he/she declares being involved in the development of a new product or service, diversification, process improvement or any other project that provides value to the organisation (either public or private) he/she is working for. The results got point out that, in Spain, the general rate of intra-entrepreneurship is a bit lower than the independent entrepreneurship rate (TEA). It is 5.4% of this population. On the other hand, the strict rate, that is, the one corresponding to employees who are leading a new initiative of one of the kinds above described, only reaches 2.5% of the 18-64 year-old population.

Effective intra-entrepreneurial activity from the population in the EU countries encouraged by innovation.



6. Networks

These networks might include organisations and/or companies of very different nature but they have in common the objective to promote the creation and consolidation of new enterprises in their territories.

Below, we show, by their performance areas, the most outstanding:

National level: Ventanillas Únicas Empresariales Network (Single Enterprise Window), Spanish Chambers of Commerce, Industry and Navigation Network, Spanish Business Angels Association, Iniciador.

Basque Country: Eusko Ganberak (Basque Chambers of Commerce, Industry and Navigation), Basque Business Window, Centros de Empresas e Innovación (CEIs) (Enterprise and Innovation Centres) Network in the Basque Country.

Álava: Club Nuevas Empresas (New Enterprises Club)

7. Challenges

Among the problems in the environment regarding the entrepreneurial activity outstand:

- The difficulties to have access to funding, bank loans, benefits...
- The lack of taxing policies favouring the generation of new companies, as well as the demand of measures to help palliate this situation
- The economic, financial and market situation coming from the present crisis might be discouraging and delaying the launching of some projects, mainly those requiring high amount of financial resources coming from external sources.
- The social and cultural standards. The social values in the Basque Autonomous Community do not seem to be encouraging the venture, innovation, creative and entrepreneurial initiative enough, so there is still a long way to progress regarding the recognition of the entrepreneur's work and the tolerance to enterprise failure.

At present, efforts are being made to incorporate the spirit and the development of the entrepreneurial ability in all the educational-training stages, from Infant School to adult training. Nevertheless, there is still some work to do in this field.

8. Bibliography

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- Global Entrepreneurship Monitor. Comunidad Autónoma del País Vasco. Informe Ejecutivo 2011
- Global Entrepreneurship Monitor. España. Informe Ejecutivo 2011
- Guía para Emprender en Álava. Cámara de Comercio e Industria de Álava y Ayuntamiento Vitoria-Gasteiz
- Manual Básico para Emprender. Spri



4. Entrepreneurship in United Kingdom

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1. Entrepreneurs Profile

A general overview of entrepreneurs profile in the UK is given in this first section of the report.

Age

The average age of the majority of entrepreneurs is 40 years old, whereas the average age of other self-employed individuals is 30 years old, which is a lower age profile than owner managers' one.

The small business employer owners and co-owners percentage fall in the following age categories:

- 9% are under 35
- 25% are between 35 and 44
- 32% are between 45 and 54
- 27% are between 55 and 64
- 7% are over 65

Gender

The gap between male and female entrepreneurship in the UK remains stubbornly wide, only a 17% of Small and Medium Enterprises are led by women or by a management team mostly comprised by women.

Education and career history

The percentage of owner managers that will have a degree or equivalent is 21.8%. However, an 11%, a significant minority of owner managers has no educational qualifications whatsoever.

Almost 75% of entrepreneurs say that before working in their business, they had no prior experience of owning or managing a business, though half of active entrepreneurs have previously worked in the sector they start a business in.

Ethnicity

According to the Global Entrepreneurship Monitor UK 2004, most ethnic minority groups are far more entrepreneurial than their white counterparts. Despite high levels of entrepreneurial

activity however, the reality is that many ethnic minority businesses are concentrated at the bottom of the value-added chain and located in some of the most deprived areas of the UK.

Location

Nearly a third of all UK enterprises are located in London and the South East, with each of these regions boasting over 700,000 businesses apiece. Small businesses in London are more likely to be minority ethnic group-led, at 22%, compared to 8% overall.

CWCC picture in Coventry and Warwickshire

The following table reflects the number of business starts-up that the Chamber assisted in the past three years and gender specification.

Year	Total number of START-UPS	Male	Female
2008 – 2009	201	144	57
2009 – 2010	293	185	108
2010 – 2011 (7 months project)	183	99	84

Source: CWCC Start up team

2. Competent Organisations in the Field

In the UK we have a number of official organisations that are available to offer free support and advice to potential entrepreneurs.

Business Link

www.businesslink.gov.uk

Business Link is a government led website offering advice and support to new businesses in the UK. Some of the information that start ups have free access to is over 200 video and learning resources, tax and payroll information, sales and marketing advice and advice on forming and naming your company.

Jobcentre Plus, New Enterprise Allowance

www.jobseekers.direct.gov.uk

To tackle the high levels of unemployment and encourage entrepreneurship, Jobcentres across the country are currently offering free business start up workshops and one to one mentoring to the unemployed.

European Regional Development Funding

www.communities.gov.uk/.../regenerationfunding/

Since 2000, England has benefited from more than £5bn of funding, with a further £3.2bn being invested between 2007 and 2013 in local projects around the country. These programmes are designed to meet current needs by encouraging and facilitating the setting up and growth of small and medium-sized enterprises.

3. Financial Support

ERDF (European Regional Development Funding)

Through various intermediary organisations (Coventry and Warwickshire Chamber of Commerce being one), there is a discretionary 40% match funded grant available to those clients that match the specific criteria.

This can be towards goods purchased in order to get the business off the ground but is only available to clients as a last resort, ie every other financial institution has turned them down.

Princes Trust

www.princestrust.co.uk

The Prince's Trust Enterprise programme supports unemployed young people aged 18-30 to work out if their business ideas are viable and whether self-employment is right for them. Subject to local funding restrictions, some clients will have access to low interest loans and grants along with free advice.

Business Angels

Business Angels are high net worth individuals who invest on their own, or as part of a syndicate, in high growth businesses. In addition to money, Business Angels often make their own skills, experience and contacts available to the company.

Banks

www.hsbc.co.uk, www.lloydstsb.com, www.rbs.co.uk, www.halifax.co.uk

Banks in the UK offer short- and long-term debt finance via loans and overdrafts as well as other types of finance. These are available by application to any high street bank. The terms

and price of loans will vary between providers and will reflect the risk and cost to the bank in providing the finance. For larger sums, the pricing and terms may be negotiable.

Applicants will need a good business plan which certain banks will help with or alternatively a mentor can assist. HSBC, Lloyds, Royal Bank of Scotland and Halifax are good examples of UK based banks that offer good services to new start ups.

Enterprise Finance Guarantee

www.bis.gov.uk/policies/enterprise-and-business-support/access-to-finance/enterprise-finance-guarantee/

Since the worlds economies went into meltdown three years ago, many small UK firms have found it difficult to get the finance they need – even though the government has introduced a raft of initiatives to encourage the banks to lend.

One of the most notable initiatives has been the Enterprise Finance Guarantee

Community Development Finance Institutions

www.cdfa.org.uk

In the UK, Community Development Finance Institutions (CDFI's) provide financial support and capital to businesses and individuals that would not otherwise have access to, or have been refused services by, mainstream financial service providers.

They generally focus on areas and markets that are disadvantaged, including voluntary and community sector organisations. The aim of CDFI's is to provide both financial support and have a social impact and they are becoming more and more common.

4. Promotion of Entrepreneurship in Education

4.1 Formal Education

BIS – The Department for Business Innovation and Skills

www.bis.gov.uk

The aim of BIS is to make young people more enterprising – not only to help them start thinking about the benefits of running their own business, but also to recognise the benefits of having an enterprising attitude. This can have a positive impact in every area of their lives, including being an enterprising employee working for someone else.

By investing in enterprise education, they are encouraging school pupils to develop enterprise skills - being creative, innovative, able to manage and take risks, having good team working and problem solving skills, and adopting a “can-do” attitude – across the curriculum.

Pupils are also finding out how and why businesses operate, and about working practices and environments, by undertaking tasks and activities in a workplace setting.

90% of secondary schools now provide enterprise education for all their pupils at Key Stage 4, and many are also providing enterprise education at Key Stage 3. Some secondary schools are working with primaries and with tertiary education to exchange good practice through the new Enterprise Learning Partnerships.

Universities and Higher Education

University Enterprise Networks - National Council for Graduate Entrepreneurship

www.ncee.org.uk

Supported by BIS, the National Council for Graduate Entrepreneurship is working with Regional Development Agencies to develop a number of University Enterprise Networks. A University Enterprise Network is a tripartite partnership between industry, the public sector and Universities to make a substantial contribution to the long term competitiveness of the UK economy.

University Enterprise Networks help universities to provide their students with real life experiences of being enterprising in the commercial world, with a view to developing their enterprising mind and skills sets. In this way Universities will engage more with the needs of employers and graduates will obtain more of the soft skills that employers seek, with many being encouraged to start their own growth business.

A University Enterprise Network comprises a partnership between one or more private sector organisations, and the universities within a region. Each University Enterprise Network may focus on a particular sector, and may cover one or more regions.

Four University Enterprise Networks have now received funding:

- South East England Development Agency – Science, Technology, Engineering and Mathematics (STEM) sector
- Northwest Regional Development Agency - Advanced Manufacturing sector
- Advantage West Midlands - Innovation network
- South West Regional Development Agency - Creative Industries sector

4.2 Non-formal and Informal Education

National Centre for Entrepreneurship in Education (NCEE)

www.ncee.org.uk

The National Centre for Entrepreneurship in Education, NCEE, the National Council was set up in 2004 which in 2005 started a number of programmes and projects to help cultivate entrepreneurship in higher education. To evidence the impact of these programmes an independent evaluation of NCEE's work, prior to its name change, was carried out by [EKOS](#) a leading independent UK consultancy specialising in economic and social development.

NCEE continues to have impact at every level of tertiary education from long term relationships between universities and industries, to supporting future leaders of entrepreneurial institutions, to shaping the academic environment for staff and students and through **Make It Happen** supporting students and graduates and make a start along their entrepreneurial journey.

Key Impact: every **£1** invested in NCGE programmes = **£11** return on investment to the UK economy

EKOS estimate the total net additional GVA (Gross Value Added) to the UK economy of NCGE programmes is **£68.3m**. There is also considerable social and cultural impact across the HE sector.

5. Figures

A report by the Small Business Service (SBS) found that 13% of the UK population were involved in entrepreneurial activity, while a further 11% were considering going it alone.

A massive 93% of British people polled admired entrepreneurs, with 64% saying that they would encourage their friends or relatives to run their own business.

Almost nine in ten UK residents felt that entrepreneurs who have failed in their first business should be given a second chance to start up.

Other findings in the wide-ranging survey include the revelation that men in the UK were still twice as likely as women to be an entrepreneur, despite various government initiatives to help women start up in business.

Ethnic minority groups in the UK were more likely to be considering starting a business, but entrepreneurial activity amongst black people was relatively low.

Regionally, a north-south divide exists, with those in London and the south more likely to take the plunge and start up a business.

The survey is further evidence that entrepreneurship in the UK is in rude health, with soaring numbers of people wanting to start up their own business.

The economic recovery and a widespread dissatisfaction with the nine to five life of an employee have prompted large numbers of new businesses to launch since the start of the year.

Young people in the UK are especially keen to go it alone, with many citing deep-seated desires for freedom and interesting challenges.

However, some groups, such as UK women and ethnic minorities, are still under-represented in terms of new entrepreneurs.

Percentage of 18-64 population who are currently owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months:

<u>Country</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Belgium	3	2.2	2.2	4	5.6	2.1	1.4	2.6	2.5	2.7
Croatia	-	2.2	2.5	2.1	3.7	4.1	4.2	4.8	4.8	2.9
Denmark	4.2	5.5	5.7	5.1	4.4	5.3	6	3.3	4.7	5.6
France	1.6	1.3	1.6	1.5	2.3	1.3	1.7	2.8	3.2	2.4
Germany	4.2	4.8	4.6	4.3	4.2	3	-	4	5.1	5.7
Latvia	-	-	-	-	5	5.7	3.4	3	9	7.6
Spain	4.7	8.4	4	7.8	7.7	5.4	6.4	9.1	6.4	7.7
Switzerland	-	6.8	7.3	-	9.7	-	6.6	-	8.4	8.7
United Kingdom	3.3	5.5	5.8	5.1	5.1	5.4	5.1	6	6.1	6.4

Information courtesy of www.gemconsortium.org.uk

Women Entrepreneurs

The number of women starting up new businesses in the UK has hit record levels, with figures increasing by 28% since 2000.

Research by Barclays shows that the number of businesses ran by women grew from 117,000 in 2000 to 150,000 in 2004.

In addition, eight out of ten British residents polled believe it is now easier for women to start up.

Findings also show that 60% of UK female who ran start up businesses is in the retail and leisure sectors. In particular the area with the highest growth is health related businesses, increasing by 180% during the four year period.

Percentage of female 18-64 population who are either a nascent entrepreneur or owner-manager of a new business

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Belgium	2.1	1.5	2	2	2.4	1	2	1.7	2.5	3.3
Croatia	-	1.8	1.4	1.7	2.6	4.9	5.1	4.5	2.8	3.9
France	2.1	2.1	1.6	3.8	3.3	2.5	2.2	3.3	2	4.8
Germany	3.7	3.4	3.3	2.6	3.8	2.6	-	3.4	3.7	2.9
Greece	-	-	4	2.9	3.4	4.7	3.5	7.7	6	4.1
Italy	5.4	4	3	2.3	3.7	3.1	3.3	2.8	1.8	2
Latvia	-	-	-	-	5	3.9	1.4	3.7	7.5	6.5
Spain	3.3	2.6	4	2.9	4.2	5.7	5.5	6	3.9	3.2
Sweden	2.4	2.5	2.1	2.2	3	2.4	2.5	-	-	3.5
Switzerland	-	4.8	4.3	-	4.9	-	4.9	-	6.6	4.5
United Kingdom	3.2	3.2	3.8	3.9	3.7	3.6	3.6	3.7	3.7	4.4

Information courtesy of www.gemconsortium.org.uk

6. Networks

In the UK we are fortunate to have a whole host of organisations representing the interests of entrepreneurs and employers. The two most prevalent are the chamber of Commerce and the Federation of Small businesses.

British Chambers of Commerce

www.britishchambers.org.uk

The Chamber of Commerce is an association of persons engaged in commerce, trade and industry for protecting their interests and promoting their common causes. The merchants, manufacturers, bankers and others come together to form Chambers so that they are able to raise those issues, which affect all of them.

The primary aim of the Chamber is to protect the interest of the business community as a whole. The Chambers of different areas look after the interests of those areas and try to promote commerce, trade and industry. They collect all types of information on general trade conditions in different areas, regions and countries.

The Federation of Small Businesses

www.fsb.org.uk

The Federation of Small Businesses is the UK's largest campaigning pressure group promoting and protecting the interests of the self-employed and owners of small firms. Formed in 1974, it now has 200,000 members across 33 regions and 194 branches.

The Institute for Small Business and Entrepreneurship (ISBE)

www.isbe.org.uk

The Institute for Small Business and Entrepreneurship (ISBE) is a network for people and organisations involved in small business and entrepreneurship research, policy, education, support and advice.

ISBE's members are its most valuable resource, offering vast reserves of knowledge and research. Through events and activities ISBE aims to disseminate this research to policy makers and business support organisations, where it can have genuine impact and inform change, and to share these resources with academics, researchers and educators.

7. Challenges

In the UK, setting up, managing and growing an entrepreneurial business has rarely been so challenging. Despite the different existent initiatives mentioned in this report to support entrepreneurs (public and private), the general feeling is that help needs to be materialised in a more practical way either via government initiatives being improved and supporting with more resources entrepreneurs or via the banks attempting to collaborate and facilitate the process of the entrepreneur.

8. Resources

BIS	www.bis.gov.uk
British Chambers of Commerce	www.britishchambers.org
Business Link	www.businesslink.gov.uk
Community Development Finance	www.cdfa.org.uk
Coventry and Warwickshire Chamber	www.cw-chamber.co.uk
Deloitte	www.deloitte.co.uk
European Regional Development Fund	www.communities.gov.uk
GEM	www.gemconsortium.org
Halifax	www.halifax.co.uk
HSBC	www.hsbc.co.uk
ISBE	www.isbe.org.uk
Jobcentre Plus	www.jobseekers.direct.gov.uk
Lloyds Bank	www.lloydstsb.com
Nesta	www.nesta.org.uk
Princes Trust	www.princestrust.co.uk
Royal Bank of Scotland	www.rbs.co.uk
Startups	www.startups.co.uk
UKTI	www.ukti.gov