



Global
Entrepreneurship
Monitor

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Royal Bank
of Scotland

Global Entrepreneurship Monitor

Scotland 2023-24 Report

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Foreword

**DARREN PIRIE,
ROYAL BANK HEAD OF ACCELERATOR**

The GEM report has been a singular voice in the measurement of attitudes and trends in entrepreneurship since 1999, so Royal Bank of Scotland is glad once again to be sponsoring the UK and Scottish versions.

We especially welcome this unique examination of how entrepreneurship has evolved over the past 25 years.

As the UK's biggest bank for start-ups, we recognise that entrepreneurs make a huge contribution to business in the UK. They create a wide range of employment opportunities and are often the first to innovate, spotting trends and pivoting their ideas.

The seven key questions posed by this report underline how the confidence of entrepreneurs to start and grow businesses was rocked by the pandemic. However, the perception that great opportunities for start-ups exist is returning to levels not seen since the 2000s. For example, 30% of working age individuals in the UK were engaged in entrepreneurship by the end of 2023.

It's pleasing to see that early-stage business activity is on the rise across all regions of the UK and that the motivations for starting a business are becoming multifaceted. Entrepreneurs are moving away from just opportunity or necessity as the key driver, with female founders especially valuing social considerations.

At NatWest Group in 2023 50% of support from our enterprise programmes went to women and 34% went to people from ethnic minority backgrounds*, which backs up the GEM finding that non-white ethnic groups have become a cornerstone of the UK's entrepreneurial activity.

In 2023 we supported over 1,300 entrepreneurs through our unique Accelerator programme, which empowers UK entrepreneurs to develop and grow. We have ambitious plans to develop the programme to help more people than ever start, run and grow their own businesses and meet the challenges of contributing to a robust national economy.

**NatWest Group, 2023 Environmental, Social and Governance Disclosures report*

Overview

The Global Entrepreneurship Monitor (GEM) is an Annual Population Survey (APS) undertaken in a number of participant countries globally. The survey is identical in each country and asks respondents about their attitudes and perceptions related to entrepreneurship and whether they are involved in some form of entrepreneurial activity. In 2023, GEM undertook structured interviews with over 136, 000 adults across 46 countries. Within the UK, 10,234 adults aged 18 to 80 took part in the GEM Adult Population Survey in 2023 alongside around 120 experts who through the GEM National Expert Survey (NES) provided information about aspects of the country's socio-economic characteristics that have a significant impact on national entrepreneurship.

This report mainly focuses on Scotland, comprising 1,640 participants in the adult working-age bracket (18-64) from an overall sample of 2,060 adults (including those over 65) that took part in the APS, and 40 entrepreneurship experts in Scotland (including entrepreneurs and a range of other ecosystems partners). Headline results for Scotland indicate that Total Early-stage Entrepreneurial Activity (TEA) rate returned a small increase from 8.8% in 2022 to 9.1% in 2023. However, overall, TEA rates in Scotland remain broadly similar in the last 3 years since COVID-19.

The two major developments in 2023 are that Minority ethnic (Non-White) TEA reached a new high at 24.1% while female TEA also hit a significant new record level of 8.6% in 2023, from 7.2% in 2022. Momentously, further, female TEA in Scotland appears to have all but closed the gap with male TEA which has itself been steadily declining since 2021 from 11.4% to 10.5% in 2022, to 9.8% in 2023. Effectively, in 2023, the difference between male TEA and female TEA is not statistically significant, suggesting that statistical parity between male and female TEA was attained in Scotland in 2023 - a landmark moment of significant consequence for female entrepreneurship discourse and policy in this country.

Nevertheless, important regional differences and other contextual issues remain key concerns in female entrepreneurship in Scotland. While Southern Scotland returns a Female TEA at 8% is higher than male TEA (6.5%), with the Highlands and Islands, West Central, and Eastern Scotland returning relative gender parity in TEA, male TEA in Northern Eastern Scotland at 18.6% was virtually double the female TEA of 9.6%. Further, it is worth highlighting that a panel of entrepreneurship experts judged the context for entrepreneurship in Scotland to be generally mediocre, with the level of support for women's entrepreneurship worryingly evaluated as less than satisfactory, scoring under three out of ten.

Understanding these and other issues related to entrepreneurial attitudes, perceptions and activity in the country is important for policy and practice as entrepreneurship has important implications for the economy and many societal dynamics. Below, this report summarises these and other highlights from the GEM APS and NES surveys undertaken in Scotland in 2023, with relevant interpretations and implications for policy further suggested.

Entrepreneurial Activity in Scotland and the Home Nations

The main indicator of entrepreneurial activity within the Global Entrepreneurship Monitor (GEM) is Total Early-stage Entrepreneurial Activity (TEA) which captures the sum of the nascent entrepreneurship activity rate and the new business owner-manager rate in the adult working-age population (without double counting). In Scotland, in 2023, the TEA rate stood at 9.1%, a small uptick on the 8.8% reported in 2022 (Figure 1).

Among the Home Nations, Scotland's TEA rate was nominally the lowest in 2023. Wales returned the highest TEA rate at 11.5% with England second at 10.8%, and Northern Ireland recording a TEA of 9.7% (Figure 1).

Generally, TEA rates in Scotland have remained broadly steady since 2021 following COVID-19. Over the last several years, Northern Ireland has seen a significant increase in TEA while Wales' TEA has been fairly fluctuant with England more or less steady at around 11% following recovery from a major dip in 2020. In 2023, the margins of error among the estimates for the home nations overlap, indicating that TEA rates are more or less within the same ballpark (Figure 1).

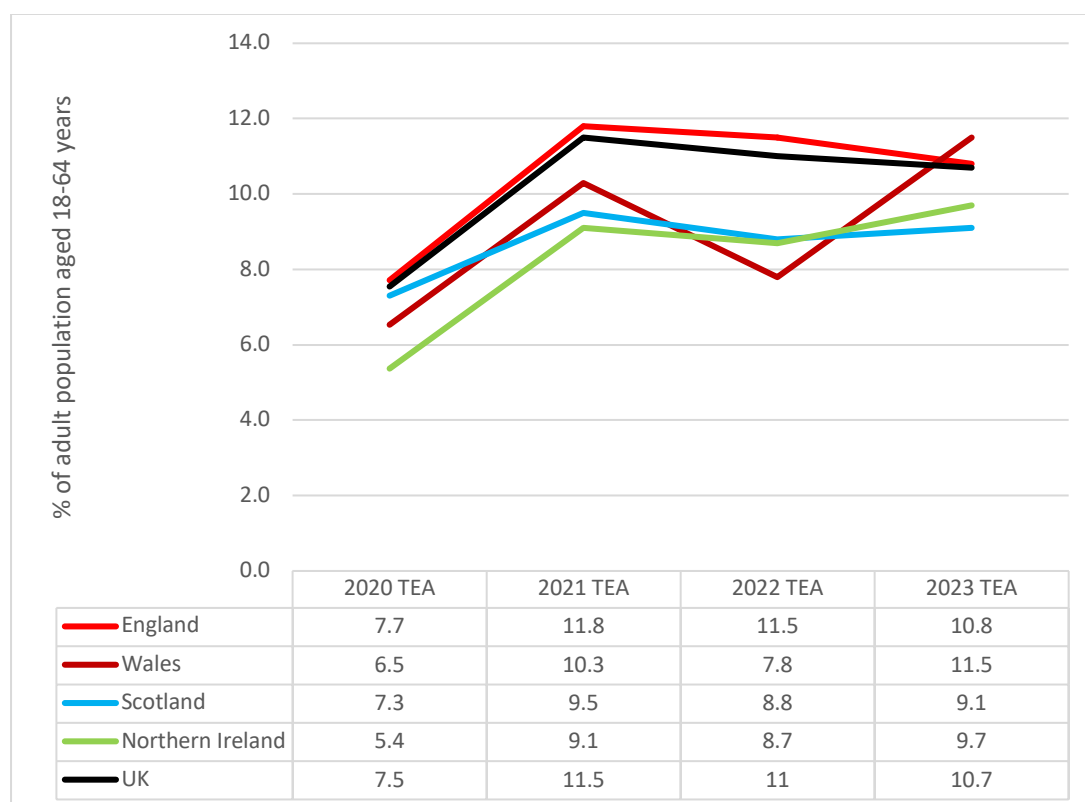


Figure 1: TEA in Home Nations, 2020 – 2023

Against a sub-population of 3.3 million 18 – 64-year-olds, over 300,000 adult working-age Scots are estimated to have been involved in early-stage entrepreneurial activity in 2023. Of these, over 180,000 (~5%) were nascent entrepreneurs (those with businesses less than three months old) and around 130,000 (~4%) were new business owner-managers (those whose businesses have been paying salaries for more than three months but not more than 42 months). In addition, around 210,000 working-age adults, about 6.3% of 18-64-year-olds, were more established business owners, with businesses that are 42 months or older (Figure 2).

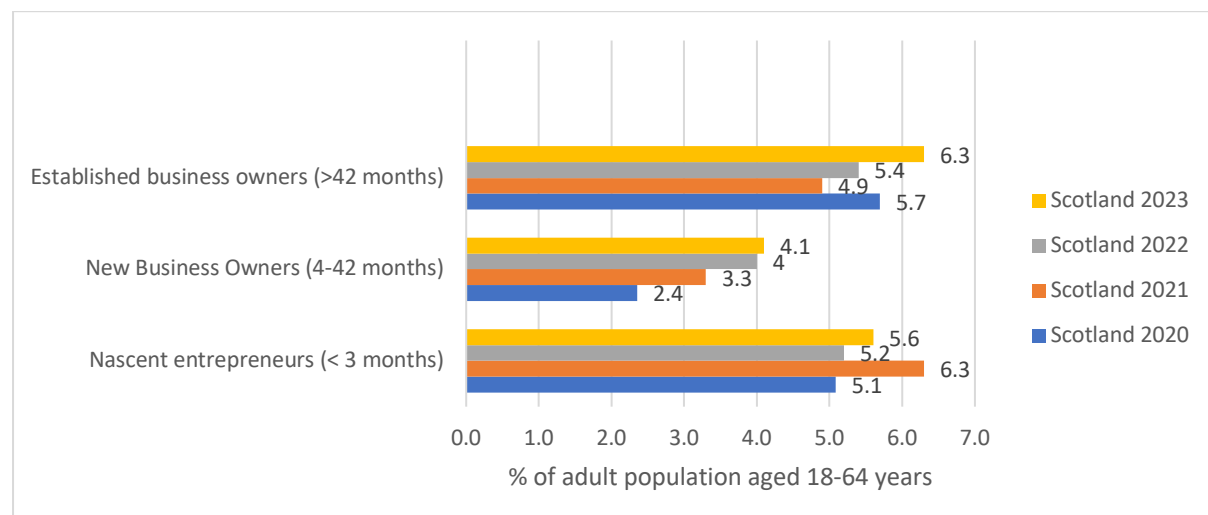


Figure 2: Entrepreneurial Activity rates by type, 2020 - 2023

Despite the stable national TEA rate, within Scotland, TEA in the Highlands and Islands, Southern Scotland and West Central Scotland regions dipped by one to two percentage points with Eastern Scotland largely holding steady. In contrast, North Eastern Scotland saw its TEA more than double from 6.1% to 13.3%, offsetting the decline in TEA in the other Scottish regions (Figure 3).

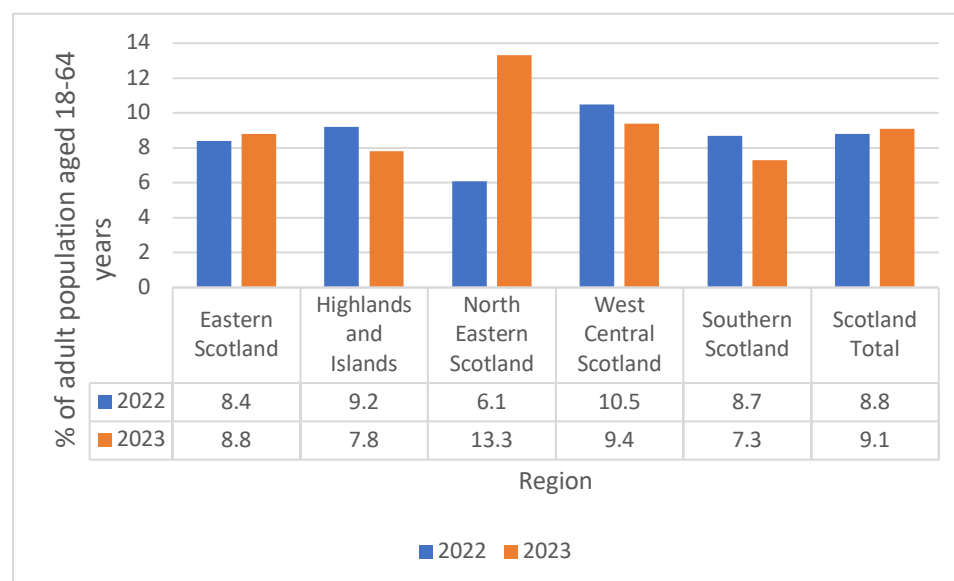


Figure 3: TEA by region, 2022 – 2023

Demographics

Traditionally, early-stage entrepreneurial activity rates in Scotland and the UK have been significantly higher among the minority ethnic sub-population. In the COVID years, Non-White TEA sustained a significant drop only rebuilding to pre-pandemic levels in 2022. However, in 2023, Non-White TEA in Scotland rose significantly from 17% to a new record of a remarkable 24% (Figure 4). This suggests that over 60,000 of the around a quarter of a million Non-White people in Scotland were engaged in early-stage entrepreneurial activity in 2023. Given that total TEA entrepreneurs in Scotland were estimated to be around 300,000, this suggests that about one in five early-stage entrepreneurs in Scotland was from a Non-White background.

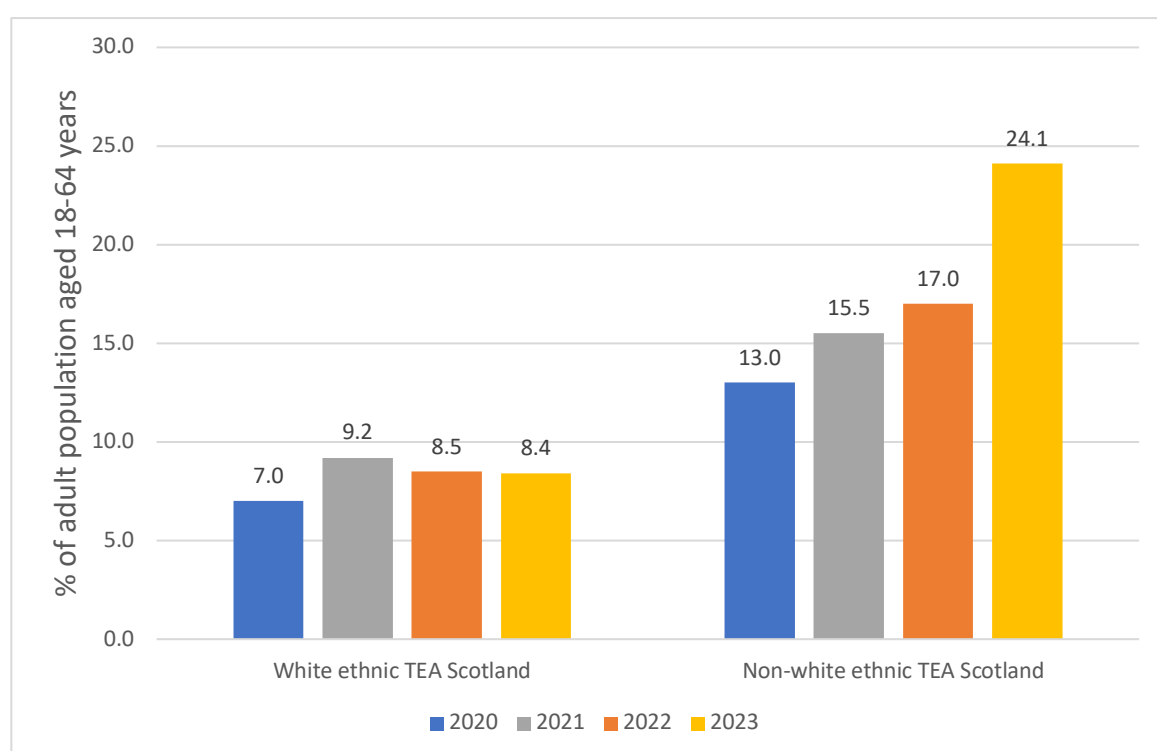


Figure 4: Scotland TEA by ethnicity, 2020 – 2023

Female early-stage entrepreneurial activity rates in Scotland have compared rather unfavorably against male rates over the last several years with the female-to-male TEA ratio remaining below the UK average. However, in 2023, we estimate Female TEA at 8.6% against a Male TEA of 9.8% (Figure 5). Importantly, the female TEA of 8.6% is a new record for Scotland and the difference between male and female TEA rates is now not statistically significant. This suggests that while nominally lower, the female early-stage entrepreneurial activity rate in Scotland in 2023 was virtually similar to the male rate, a significant milestone for gender equality in entrepreneurship. Effectively, of the 300,000 or so early-stage entrepreneurs setting up a business in Scotland in 2023, roughly half were women.

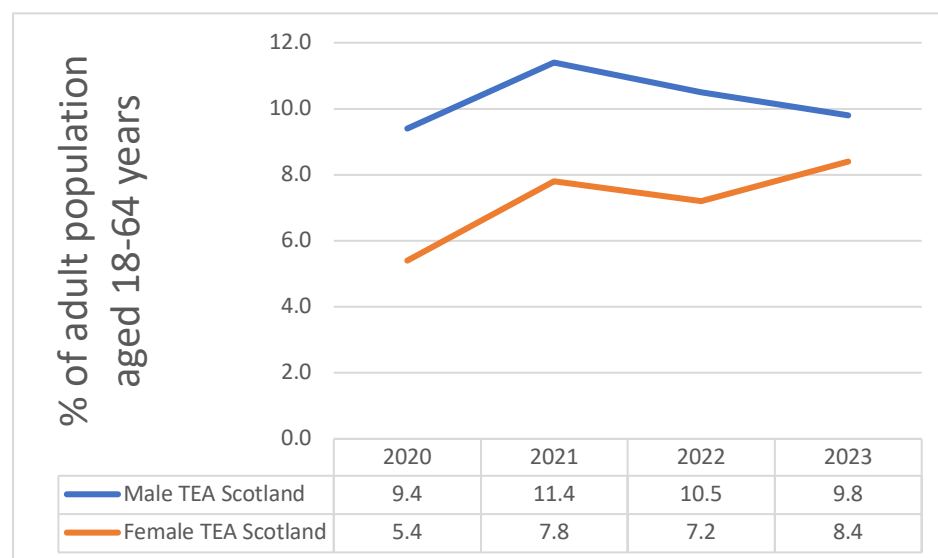


Figure 5: Scotland TEA by gender, 2020 - 2023

Evaluating the female-to-male gaps within Scottish regions suggests that there are major gender gaps in the North Eastern Scotland area with male TEA double the female rate. However, this could be due to a small sample size for the region.

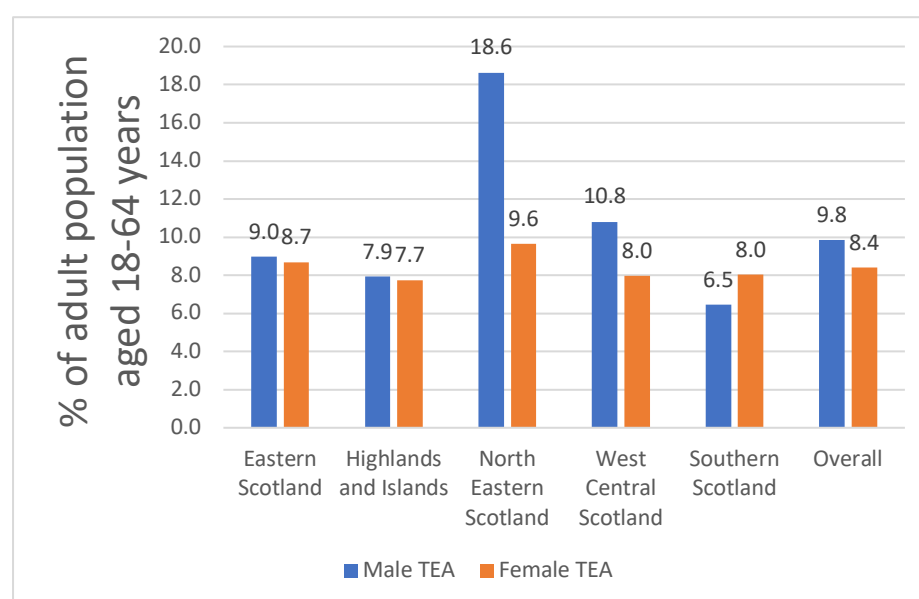


Figure 6: Scotland TEA by gender and region, 2023

Among TEA entrepreneurs, men are seemingly more likely to start a business “to build great wealth or a very high income”, while women are more likely to be motivated by the need to earn a living because suitable jobs are scarce and to make a difference in the world. However, gender differences in the motivations to start a business were largely not statistically significant.

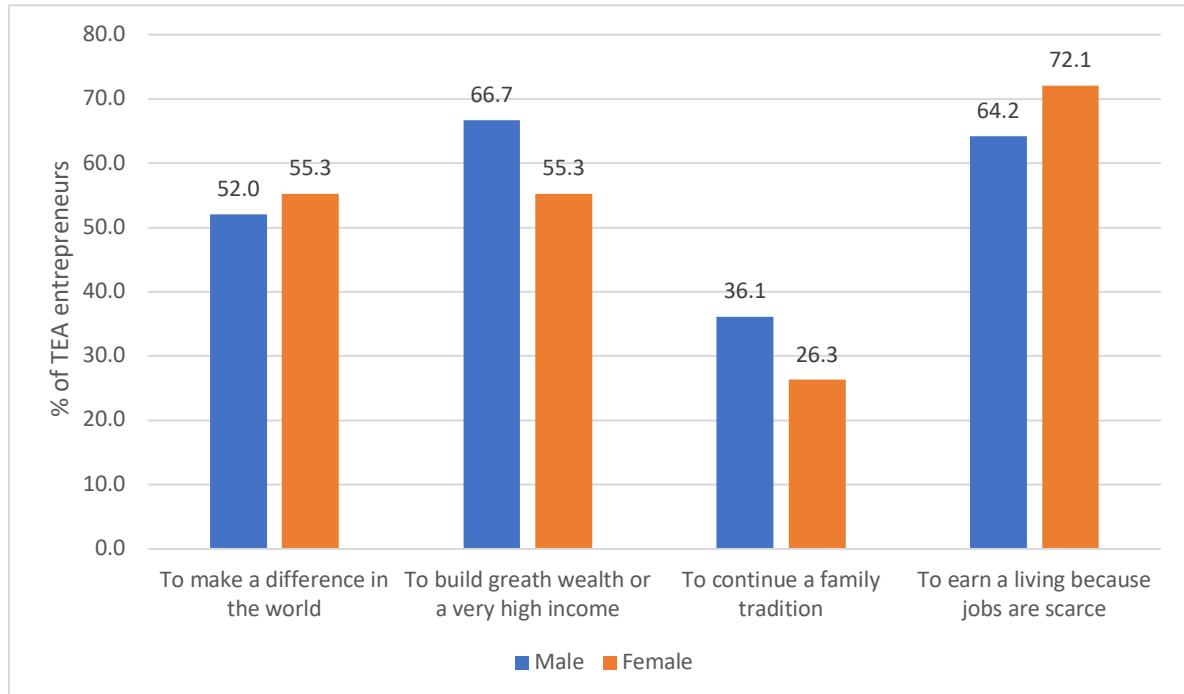


Figure 7: Scotland TEA motivations by gender and region, 2023

The Scottish context for entrepreneurship

As a population survey, GEM also explores whether those not presently undertaking entrepreneurial activity perceive entrepreneurial opportunities in their area and the likelihood of acting on such opportunities. In 2023, we find that about a third of the non-entrepreneurial adult working-age population in Scotland can perceive good start-up opportunities in their area. This suggests that over 900,000 working-age adults saw start-up opportunities in Scotland. However, opportunity perception rates vary by region with people in the South of Scotland slightly less likely to have perceived good start-up opportunities in 2023 (Figure 8).

Despite this entrepreneurial potential, the fear of failure casts a significant dampener on the likelihood of acting on these opportunities. In 2023, over 60% of those perceiving good opportunities in Scotland indicated that the fear of failure would prevent them from starting a business (Figure 8). Fear of failure is lowest in the Highlands and Islands region, perhaps due to a more established tradition of self-employment and family business in the region.

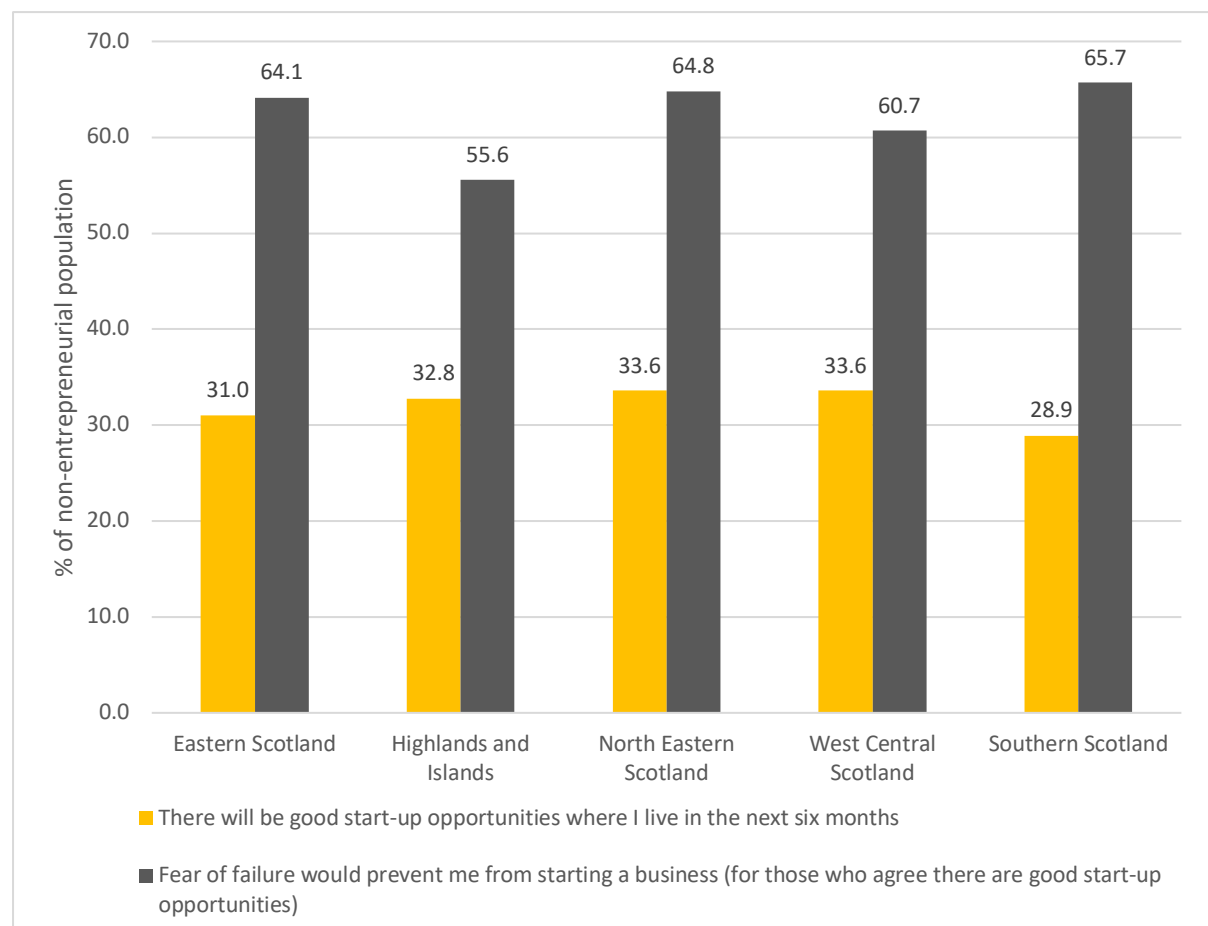


Figure 8: Scotland opportunity perception and fear of failure by region, 2023

To further explore the untapped entrepreneurial capacity within the country, GEM asks the non-entrepreneurial population if they would consider themselves to have the skills, knowledge, and experience to start a business. In 2023, around 40% of 18-64 year olds indicated they had this entrepreneurial capacity with some minor regional differences further observed (Figure 9).

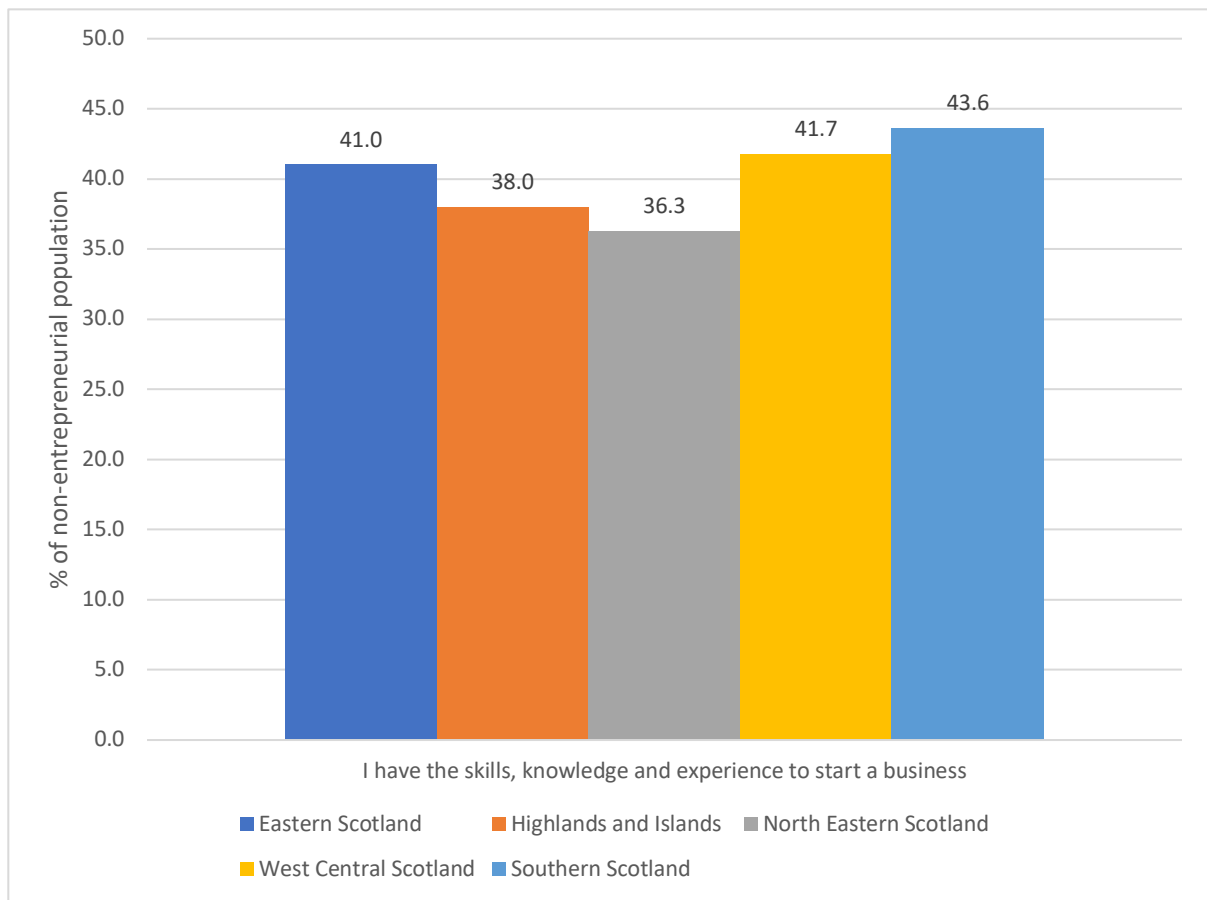


Figure 9: Scotland entrepreneurial capacity by region, 2023

In addition to the population survey, in 2023, we also asked a diverse panel of entrepreneurship experts in Scotland (including a range of entrepreneurs, policy-makers, researchers, funders, and other ecosystem players) to rate thirteen specific entrepreneurial framework conditions on a scale of one to ten. Twelve out of thirteen framework conditions returned barely satisfactory scores, being around the 5/10 mark, with entrepreneurial education at school age returning a markedly lower score at 3.4/10 (Figure 10). This suggests that the context for entrepreneurship in Scotland is generally judged by experts to be largely mediocre.

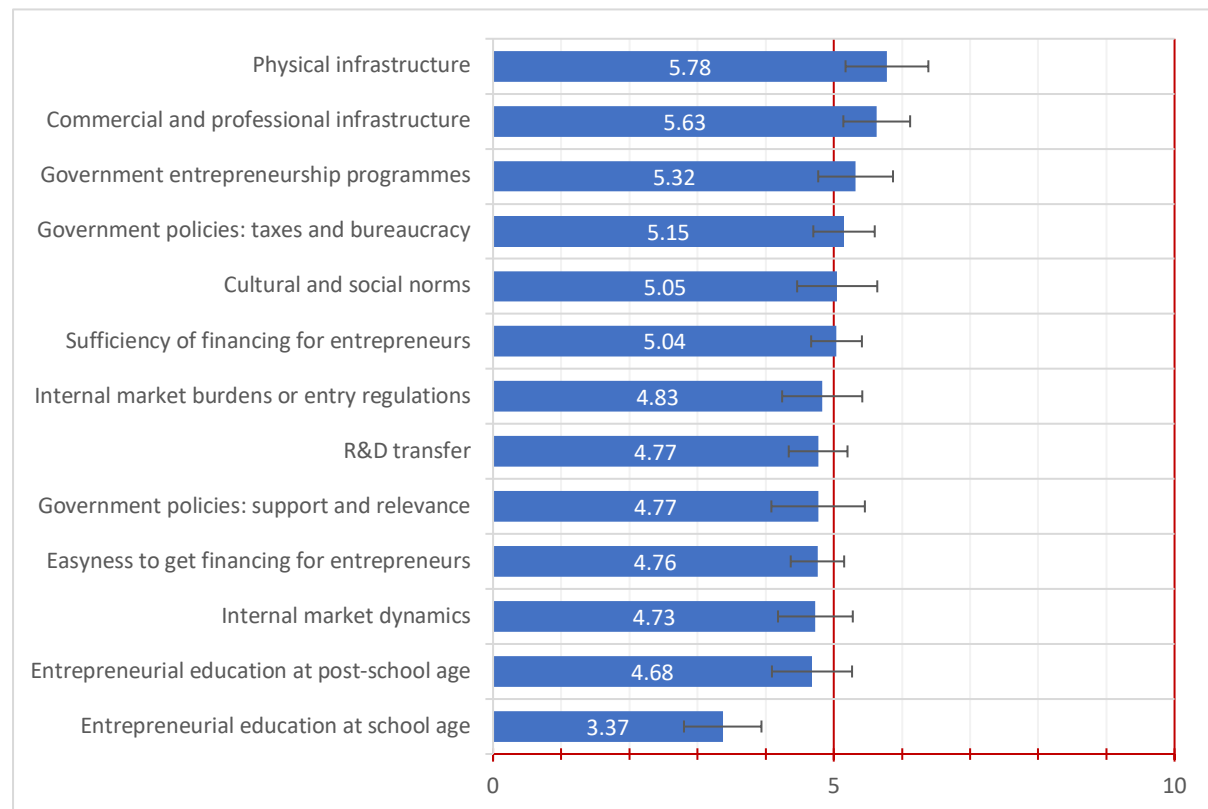


Figure 10: Experts' evaluations of framework conditions, Scotland 2023

Scotland's expert evaluations of framework conditions nevertheless compare relatively similarly against immediate neighbors and global averages. In 2023, within the global GEM consortium, 51 other countries undertook a similar national expert survey with the same questions as Scotland, Northern Ireland, and the UK. Most global average scores fall below the satisfactory threshold of 5/10 and Scotland appears to slightly outperform both these global averages and the individual evaluations of the UK and Northern Ireland (Figure 11). Still, internal market dynamics, which evaluates whether markets within the country are likely to change dramatically from year to year, returned relatively poorer scores for Scotland, alongside Northern Ireland, that fared less favourably across the board. This is perhaps a result of yet enduring fallout from Brexit for the smaller Home Nations.

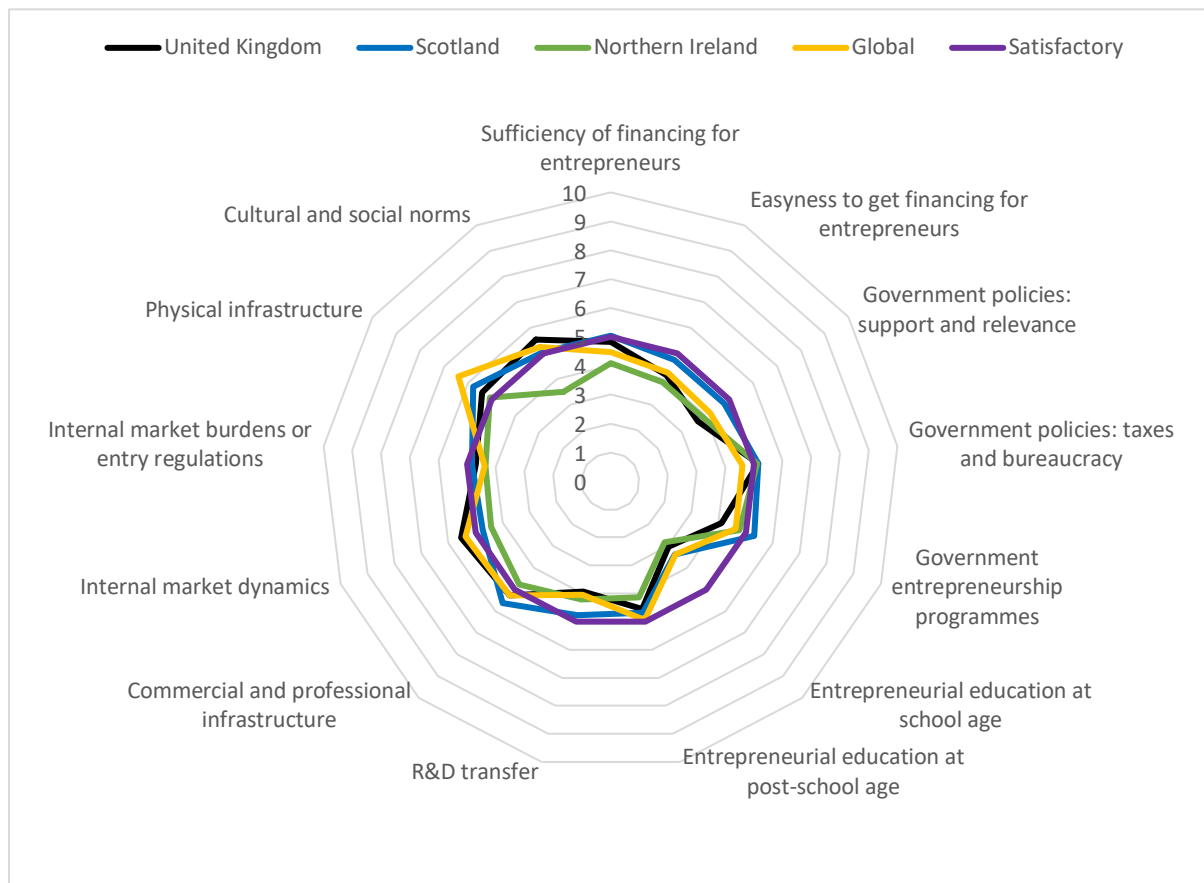


Figure 11: Comparisons of experts' evaluations of framework conditions, 2023

In 2023, we also asked the expert panels to evaluate the national context for female entrepreneurship. In general, experts rate gender equality in access to markets, public procurement opportunities, and financing at just over 5/10, suggesting that a lot of work yet remains to enhance gender equality in these areas (Figure 12). However, experts identified more societal gender-based non-business issues to be the worst barriers to female entrepreneurship in Scotland. These include access to affordable and sufficient support services (i.e., child care, home services, after-school programs, care for the elderly), regulations that encourage female entrepreneurship as compared to employment, and a national culture that encourages women as equally as men to pursue entrepreneurship. On aggregate, experts in Scotland scored these factors at below 3/10, similar to experts in Northern Ireland and the wider UK and indeed globally.

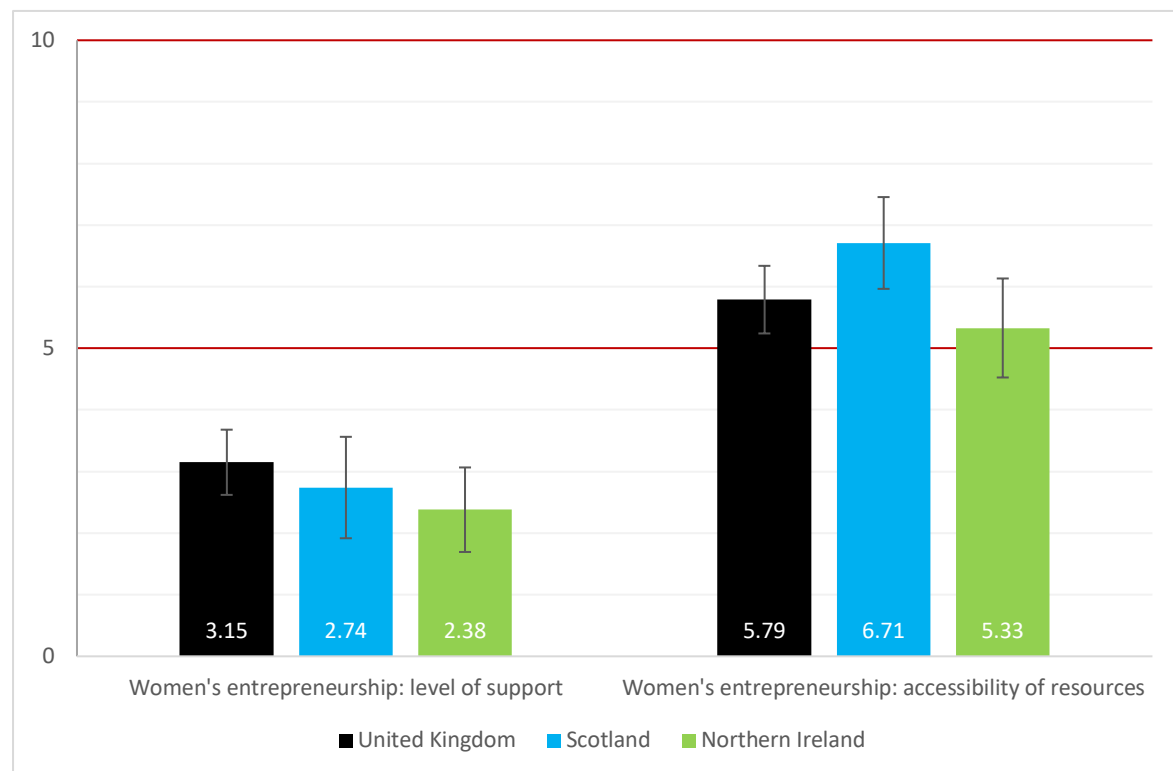


Figure 12: Comparisons of experts' evaluations context for female entrepreneurship, 2023

Interpretations and implications

Over the last three years, early-stage entrepreneurial activity appears to have settled at around 10% in Scotland with some convergence emerging among the UK Home Nations. More positively, the rates of new business ownership and established business ownership appear to be stable and growing slowly. While high rates of early-stage activity indicate that the economy is vibrant and dynamic, research also establishes that startup rates can also increase when there are other weaknesses in the economy, e.g., unemployment or other crises. Indeed, we find that a majority of TEA is at least in part driven by a scarcity of suitable jobs. Certainly, the truly substantive fruits of entrepreneurship are harnessed not necessarily through greater early-stage activity, but when those businesses achieve some longevity and can grow and scale.

The highlight finding for 2023 is however that two new record highs for TEA have been observed among women and ethnic minorities in Scotland. This must be recognized and celebrated and suggests that recent efforts to promote diversity in entrepreneurship, for example, the Pathways Forward initiative following the Stewart-Logan report and other programmes over the last couple of decades, are starting to bear fruit. Other demographic changes, such as higher growth in the minority sub-population, have also contributed to these changes in entrepreneurship participation rates. A key implication here is that allocation of entrepreneurial resources, should now also be evaluated against these participation rates. Thus, it should be proportionate that roughly half of early-stage enterprise funding should accrue to female entrepreneurs and a fifth to minority ethnic founders.

Still, we must also be cognizant of the complexities associated with high start-up rates and not only endeavour to support these startups towards becoming more established businesses but also put in place necessary safeguards in the wider economy. For example, are higher nascent and startup rates among women and minorities indicative of inclusivity issues in workplaces and the wider economy? Similarly, notwithstanding that the high TEA observed in the North East of Scotland may be a chance occurrence attributable to data limitations, given the profile of the region as one prone to economic shocks, an unusually high TEA rate should rightly be received with caution and an understanding of the wider social and economic dynamics sought.

Indeed, this study has found that while more or less a global problem, entrepreneurial framework conditions in Scotland are not very strong. Internal market dynamics, with highly unstable markets, are a particular problem for Scotland, and this has direct implications for startup and general business failure. Policy thus requires to seek to build all these key framework conditions beyond the merely satisfactory levels observed at present. This will ensure that the new record TEA rates observed among women and minorities can translate to established businesses. Moreover, strong entrepreneurial framework conditions will also help bring the sizeable untapped entrepreneurial capacity and perceived startup opportunities reported among the non-entrepreneurial population to fruition.

Scotland must however also deal with the perhaps more intractable societal issues pertaining to the fear of failure and women's participation in entrepreneurship and the wider economy. On the former, there is scope to perhaps more openly embrace the current global zeitgeist that celebrates the benefits of failure. This could help reduce the stigma associated with failure that we find puts a significant dampener on the enactment of good startup ideas among would-be entrepreneurs in society. On the latter, while we must continue to push for equal access to entrepreneurial opportunities and resources where progress is currently being made, we must also tackle the gender inequalities associated with gendered roles and stereotypes in society, especially on the ascription of caring roles to women, and the idealisation of entrepreneurship as a male phenomenon. Here, government policy could extend paternity leave and funded childcare support, for example, thereby enabling greater female participation in entrepreneurship and the wider economy. However, popular culture also has a role to play in changing perceptions and debunking stereotypes about entrepreneurship, which would greatly help pave the way for greater diversity in entrepreneurship in Scotland.

Disclaimer

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

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