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The State of UK Entrepreneurship 2025/26

Beyond the Unicorns: Everyday Ambition, Uneven Support

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EXECUTIVE SUMMARY

Introduction

- The policy emphasis in the UK in recent years continues to be on fast-growth, high-growth and scaling as the watch-words of business support policy. Yet these ‘high-growth’ firms represent a tiny proportion of the total number of people who successfully set up businesses or are self-employed or who expand existing businesses. It is this mass of “everyday entrepreneurs” who generate the employment, the productivity, the innovation and the economic growth and regeneration of their communities, their regions and their countries. Any commitment by governments to supporting this group of people simply reflects the vital role that these people play in the competitive future of any country.
- This is exactly the constituency that Andy Burnham's own framing of "good growth in every postcode" implicitly recognises. If growth is to be felt in every community, and not just concentrated in a small number of high-growth outliers, then policy attention must extend beyond the scale-up cohort to the much larger population of everyday entrepreneurs whose collective activity underpins local economies across the country.
- This is precisely where GEM UK earns its place in the policy landscape. By tracking the full population of nascent, new and established entrepreneurs—not just the small cohort destined for hyper-growth - GEM UK provides the evidence base that policymakers need to design support around the realities of everyday entrepreneurship, rather than a narrow and unrepresentative "unicorn" narrative. It is this granular, population-level intelligence that allows government to see who is starting businesses, why, and what holds them back, and to calibrate policy accordingly.

Structure of the Report

- This year's report examines UK entrepreneurship across ten chapters, moving from the aggregate picture of over a quarter-century of metrics on entrepreneurial attitudes, motivations, and activity (Chapter 2) to the populations driving it — young people, solo entrepreneurs, and the growth-ambitious segment specifically (Chapters 3-5).
- It then turns to two cross-cutting issues, the finance gap for women entrepreneurs and a year-on update on AI adoption (Chapters 6-7), before assessing the health of the UK's entrepreneurial ecosystem (Chapter 8) and the structural barriers facing nascent ethnic minority entrepreneurs (Chapter 9).
- It closes by examining the choice between franchising and independent ownership (Chapter 10) — together offering a rounded picture of UK entrepreneurship's scale, diversity, and the barriers and choices shaping who participates.



Entrepreneurial Attitudes, Activity & Motivations

- **UK entrepreneurial activity surged in 2025**, with Total early-stage Entrepreneurial Activity (TEA) rising sharply from 12.0% to 16.8% and established business ownership climbing from 9.8% to 15.0% — evidence of population-level growth in entrepreneurship not yet fully captured by official statistics such as those of the ONS or Companies House data.
- **UK entrepreneurial attitudes strengthened on balance**: fear of failure fell substantially (58.2% to 51.1%) and perceived capability reached a series high (48%), even as perceived local opportunities softened slightly (43.2% to 41.5%) — pointing to growing self-belief among would-be entrepreneurs despite a marginally less favourable external environment.
- **The UK's trajectory diverged sharply from the US in 2025**: while UK, French and German opportunity perceptions and TEA rates rose, US TEA fell (19.3% to 17.7%), perceived ease of starting a business declined to 54.3%, and established business ownership nearly halved since 2019 (10.6% to 5.5%) — framed by some as US entrepreneurship running on "cultural fumes," with strong self-image but weakening structural support (MacBride, 2026).
- **Business exits in the UK reached record levels** (4.6% to 6.7%), the highest of the four international comparator countries, reflecting an entrepreneurial ecosystem with greater churn in both directions — a pattern consistent with, rather than contradictory to, the overall picture of a more dynamic UK entrepreneurial landscape.

Youth Entrepreneurship

- **Youth entrepreneurship is at a record high, even as NEET figures pass one million**. 19.6% of 18–24 year olds were engaged in early-stage entrepreneurial activity in 2025 — the highest rate on record for this age group — while ONS data shows NEET numbers exceeded one million for the first time since 2014.
- **The two figures are not contradictory: they point to a mismatch between ambition and opportunity, not a lack of it**. 84% of those classed as NEET say they want to work, and GEM evidence shows 18–30 year olds among the most entrepreneurially active and intentioned age groups in the UK population.
- **Access to finance for youth entrepreneurs remains heavily dependent on personal and family resources**. Close family (43.1%) and self-funding (41.2%) are the most common expected finance sources, ahead of banks, government programmes, or private investment — a pattern that risks disadvantaging those without existing family wealth or networks.
- **The binding constraint is post-start-up support, not entrepreneurial interest**. Read alongside GEM UK's survival findings (Chapter 9), the evidence suggests policy should focus less on stimulating entrepreneurial intent among young people — which is already at record levels — and more on the infrastructure needed to convert that intent into sustainable businesses.



Solo Entrepreneurs

- **Solo start-up is the default, not a limitation.** Four in five nascent entrepreneurs start alone, but this reflects a deliberate mode of entering entrepreneurship rather than a lack of ambition — 42% of solo nascents report high growth expectations (10+ jobs, 50%+ growth), outstripping the 28% average across all nascent entrepreneurs.
- **A small, stable "solopreneur" segment exists alongside high-growth solo starters.** Around 70% of zero-employee new business owners expect to remain solo in five years, pointing to a durable minority pursuing self-employment on its own terms rather than as a stepping stone to hiring.
- **Motivation, gender and age profiles diverge by employment status at the nascent stage but converge by the new business stage.** Solo nascents are more wealth-driven and less family tradition-driven than employer nascents, and skew slightly more male and older — differences that largely disappear once ventures reach the new business phase.
- **AI adoption follows opposite trajectories for solo and employer entrepreneurs.** Solo entrepreneurs are more likely to rate AI as "very important" at the nascent stage (42.8% vs. 39.0% for employers), but employers overtake them decisively by the new business stage (58.1% vs. 23.8% — suggesting solo entrepreneurs' early AI enthusiasm may not translate into strategic reliance as ventures mature.

Growth Ambition

- **Growth ambition among early-stage entrepreneurs has more than doubled in three years,** rising from 16% in 2022 to a record 35% in 2025, alongside a record low (13%) planning to shrink or exit — signalling a marked shift in entrepreneurial optimism.
- **Realised growth now outpaces stated ambition, a reversal of the pre-2020 pattern.** 47% of established businesses employ at least ten people, compared with 35% of early-stage entrepreneurs with high growth ambition — raising an open question of whether this reflects post-Covid survivorship among resilient firms or genuine broad-based growth.
- **High growth ambition is driven more by a desire to make a difference than by wealth-building alone.** 87% of high-growth entrepreneurs cite "making a difference in the world" as a motivation, notably above the 70% rate in the general early-stage population — a distinctly different profile from ambition tied purely to financial gain.
- **Sectoral concentration of growth ambition is shifting.** The consumers, culture & society sector remains the leading source of high growth ambition (31% in 2025) but has eased from 37% in 2024, while business services — one of the UK's largest entrepreneurial sectors — has grown its share from 17% to 19%.



Female Entrepreneurship & the Finance Gap

- **UK Female TEA reached a record high** of nearly 15% in 2025, nearly converging with the US after the UK gained ~5 points and US female activity dropped 2 points - though the four home nations diverged sharply (England up strongly, Wales and Northern Ireland down).
- **Gender gaps persist across most start-up funding sources** - women lean more on close family (44% vs 36% men) while men hold the edge in banks (37% vs 32%), grants (25% vs 22%) and private equity - though equity-stage gaps are narrower than the widely cited 2%-of-value statistic suggests.
- **Informal** investors show strong gender homophily: 86% of male investors fund male entrepreneurs, versus 82% of female investors funding women, producing a system-wide bias toward male-led ventures even though demand-side confidence in funding availability is similar by gender (57% women, 59% men).
- **Perceived funding barriers carry a heavier growth penalty for women:** only 19% of women who perceive funding challenges retain high-growth aspirations, compared with 24% overall - pointing to a substantial and addressable drag on productive entrepreneurship and UK growth.

Artificial Intelligence

- **AI adoption has accelerated faster than entrepreneurs themselves predicted.** The share of TEA entrepreneurs rating AI "very important" to day-to-day operations jumped from 29% to 45% in just one year (2024–2025), outpacing the more gradual path anticipated in last year's three-year outlook.
- **The benefits case for AI has strengthened while concerns have stayed flat.** Perceived positive impacts rose across every category measured (e.g., productivity/efficiency "high impact" ratings up from 55% to 64%), while negative perceptions were largely unchanged or eased — widening the gap between AI's perceived upside and downside.
- **The gender gap in AI confidence has closed and reversed.** Male entrepreneurs led in 2024 (33% vs. 24% rating AI "very important" to operations), but by 2025 female entrepreneurs matched or exceeded male entrepreneurs on both current importance and future strategic relevance.
- **Ambition, not adoption stage, is the strongest predictor of AI confidence.** High job-expectation entrepreneurs pulled further ahead of the general TEA population in 2025 (61% vs. 41% rating AI "very important" to future strategy), with the gap widening rather than narrowing as AI adoption has become more mainstream.



UK's Entrepreneurial Ecosystem

- **The UK's entrepreneurial environment has deteriorated for five consecutive years**, with the NECI falling from 5.0 in 2020 to 4.21 in 2025 — the largest year-on-year decline since 2018 — dropping the UK from 29th to 37th in the international rankings and now well below the GEM and OECD averages.
- **The decline is broad-based, not confined to familiar weak spots.** Twelve of thirteen Entrepreneurial Framework Conditions fell in 2025, and eleven recorded their lowest-ever score in the eight-year series; only two conditions now meet the sufficiency threshold, down from three in 2024.
- **Finance and support infrastructure are the clearest areas of concern.** Access to entrepreneurial finance fell to its lowest level since being introduced in 2021, government entrepreneurship programmes declined sharply, and physical infrastructure saw the single largest year-on-year fall — with the UK scoring significantly below Germany, France and the US on this measure.
- **Market dynamism remains a genuine UK strength amid the wider decline.** Internal market dynamics reached its highest-ever score in 2025 and is the UK's strongest framework condition, outperforming all three benchmark economies — suggesting the constraint is not opportunity but the ecosystem needed to convert it into sustained entrepreneurial activity.

Panel Study of Entrepreneurial Dynamics (PSED)

- **It's not who starts, but who survives.** Ethnic minority and immigrant populations remain the UK's most entrepreneurially active groups at start-up, but the UK's first longitudinal tracking study (PSED 2023–25) shows this advantage does not carry through to survival: by year two, 81% of White entrepreneurs remained in business compared with 67% of non-White entrepreneurs.
- **Funding constraints, not lack of ambition, drive the widening gap.** Non-White entrepreneurs cite funding as a barrier to continuing far more often than White entrepreneurs (45% vs 17%), while those who do exit are disproportionately more likely to have moved into conventional employment rather than abandoning the venture outright.
- **Early confidence predicts survival.** Entrepreneurs who continued their venture were consistently more likely to report having had the requisite knowledge and skills at the outset (96%) than those who dropped out (81%) — suggesting self-belief at the point of start is itself a predictor of resilience, not just a byproduct of it.
- **The policy gap is post-start-up support, not entry-level encouragement.** The evidence points to a need for smaller, more flexible finance products bundled with mentoring, and better social/care infrastructure — targeting the specific first-year barriers (funding, then time/personal constraints) that disproportionately push ethnic minority and women-led ventures toward delay or exit.



Franchising

- **Franchising is a low-failure, high-resilience route into business ownership**, with a twenty-year failure rate below 6% and a £19.1bn contribution to UK turnover — yet it remains underused as a policy lever for entrepreneurship support.
- **GEM data contradicts the industry's own narrative on youth participation.** While the BFA reports under-30 franchisees collapsing from 27% to 7% since 2018, GEM UK's representative population survey shows 18–24 year-olds are the most engaged age group in franchising of any cohort - suggesting the real barrier is rising entry cost (up from £56k to £85k since 2018), not declining interest.
- **Women and ethnic minority entrepreneurs are over-represented in franchising relative to independent start-ups**, with women showing higher franchisor and franchisee rates than men across most measures - a pattern the chapter argues merits more policy attention than it currently receives.
- **No regulatory model - light-touch (UK) or heavily regulated (Australia) - eliminates franchisor–franchisee conflict**; relational trust is the more consistent predictor of relationship quality, informing recommendations including statutory pre-disclosure, a duty of good faith, and better access to capital for young and first-time franchisees.

Policy Conclusions

- **The core policy challenge is retention, not generation.** Across youth, ethnic minority, growth-ambition, solo entrepreneurship, and AI-adoption evidence, entrepreneurial appetite and early-stage activity are strong or rising - the binding constraint is the infrastructure needed to convert that activity into sustained or scaled businesses.
- **UK entrepreneurial finance is both insufficient and inequitably accessed**, with youth entrepreneurs relying overwhelmingly on family and self-funding (84.3% combined), ethnic minority founders citing funding constraints as a barrier to continuing nearly three times as often as White founders (45% vs 17%), and both finance-related framework conditions in sustained decline.
- **Support should shift from encouraging entry to sustaining survival and growth.** With ambition already at record levels across multiple cohorts, and most early exits driven by a mismatch between initial confidence and the lived difficulty of sustaining a venture, the priority is realistic pre-start expectation-setting and mentoring through the critical one-to-three-year survival window.
- **Structural barriers and a weakening ecosystem compound each other.** Women and ethnic minority founders face disproportionate time and caring constraints on continuation, while the UK's entrepreneurial framework conditions have deteriorated broadly even as market dynamism strengthens - pointing to targeted investment in physical infrastructure, government programmes and post-school education as the most policy-addressable levers.

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- **Solo entrepreneurship is a growth pathway, not a consolation prize.** 80% of nascent entrepreneurs start solo, yet 42% of these hold high-growth expectations - exceeding the 28% average across all nascent entrepreneurs - while a separate, stable segment of zero-employee new business owners (around 70%) intend to remain solo; support eligibility should track demonstrated ambition rather than employment structure.
 - **AI adoption is accelerating fastest among the most ambitious.** The share of TEA entrepreneurs rating AI "very important" to day-to-day operations nearly doubled in a year (29% to 45%), and high job-expectation entrepreneurs are pulling further ahead of the general TEA population (61% vs. 41%) - with solo entrepreneurs' registering early AI enthusiasm at the nascent stage but not consistently carrying through to the new business stage, pointing to ambition-targeted rather than uniform AI business support.
 - **Finance Gap for Women.** The finance gap facing women entrepreneurs is structural, not transitional - it persists across sources, cycles, and the wider international evidence base, and cannot be explained away by sector, size or ambition differences. There is a need to diversify the informal investor base and policy and industry bodies should actively recruit and support more women as informal investors and expand mixed-gender investment syndicates, not just target more women as founders.