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Global Entrepreneurship Monitor

Wales Report 2021

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The Global Entrepreneurship Monitor (GEM) is an international project involving 50 economies in 2021 which seeks to provide information on the entrepreneurial landscape of countries. Many studies have shown that entrepreneurship is an important driver for economic growth, competitiveness and job creation. The results of the GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. The sample size in Wales in 2021 was 1,525 adults aged over 18 years as a result of the Welsh Government boosting the UK national sample.

Acknowledgements

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Disclaimer

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

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GEM Report 2020-21

Foreword by Andrew Harrison, NatWest Managing Director of Business Banking

The Global Entrepreneurship Monitor (GEM) is the most influential global research into entrepreneurial activity and trends, so it's a privilege for NatWest to sponsor this report along with, for the first time, a unique report for Wales.

The findings of this report, against a challenging backdrop of the pandemic and the cost-of-living crisis, once again confirm that the UK is a nation of entrepreneurs, with around 1 in 3 adults now either running a business or looking at starting one. The number of individuals in the early stages of setting up a new business is at the highest level since the report was first published in 1999 and is a clear indicator of the entrepreneurial resilience of the UK.

The research also shows that many entrepreneurs revived start-up plans that had been shelved in 2020 when many aspects of society were shut down for long periods. The resilience of small businesses over recent years is both inspiring and important.

That remarkable resilience has partly been driven by women, with more female-led businesses than ever before launched in 2021. It is no longer the case that 'women are half as likely as men to start their own business' as shown in the previous GEM report.

As the economy faces significant turbulence in the year ahead, it is critical that the UK has a thriving ecosystem to support this boom in entrepreneurship, which is central to economic stability and growth.

However, as the cost-of-living crisis grows and continues to affect UK business we need to continue to ensure that the small businesses forming the backbone of the UK economy receive the support they need to handle these unprecedented challenges.

At NatWest our purpose is to champion the potential of people, families and businesses. As the UK's biggest bank for business, we are determined to play our part in helping those businesses to continue to start, scale and thrive.

Main Findings

- The rate of total early-stage entrepreneurship (TEA) in Wales in 2021 was 10.3 per cent. This was significantly higher than the 2020 rate of 6.5 per cent. The rate in 2021 was not significantly different to that in England (11.8%) and the UK (11.5%).
- In 2021 early-stage entrepreneurs in Wales were most strongly motivated to start up to earn a living as jobs are scarce (over 70 percent). They were least likely to set up a business to carry on a family tradition.
- At 9.8 per cent the female TEA rate in Wales in 2021 was not significantly different to the male rate of 10.7 per cent. Both rates were the highest on record for Wales. Neither the male nor female TEA rates in Wales in 2021 were significantly different to those in the UK.
- The level of youth entrepreneurship in Wales is significantly higher in 2021 than it was in 2002, the first year of GEM: 16.5 per cent compared to 2.0 per cent. Across age groups in Wales, the TEA rate of those aged 55-64 was significantly lower than those aged up to 35-44 years old.
- Around two fifths (43.0%) of non-entrepreneurs state that they have the skills, knowledge and experience to start a business and just under half (45.2%) know an entrepreneur that has started a business within the past two years. These are similar to 2020 and together indicate a resilience within the population in terms of ability to start a successful business and the conditions to do so.
- A smaller proportion of non-entrepreneurs in Wales, than in the UK, believe there are good start-up opportunities locally within the next six months. Fear of failure rates are, however, similar. In 2021 just over half (55.5%) of those in Wales that identified start-up opportunities stated that fear of failure would prevent them from starting a business.
- The pandemic has continued to have the most dramatic impact on intention to start a business with the rate in Wales continuing to increase in 2021. In total 18.8 per cent of non-entrepreneurial working age adults in Wales expect to start a business within the next three years, similar to the UK rate of 18.2 per cent.

Background

The Global Entrepreneurship Monitor (GEM) is an international project which seeks to provide information on the entrepreneurial landscape of countries based on the following premises. First, an economy's prosperity is highly dependent on a dynamic entrepreneurship sector. Second, an economy's entrepreneurial capacity is composed of individuals from all groups in society with the ability and motivation to start businesses and requires positive societal perceptions about entrepreneurship. Third, high-growth entrepreneurship is a key contributor to new employment in an economy, and national competitiveness depends on innovative and cross-border entrepreneurial ventures.

The Welsh Government (WG) sponsors the Welsh component of the GEM UK research project. Stimulating entrepreneurship remains an important challenge for the region and WG has taken the lead in ensuring that it is embedded within its core activities. This is the eighteenth year in which the WG has participated in GEM. Of the 362,000 respondents to GEM UK surveys for the period 2002-2021, around 67,000 respondents are from Wales. Wales now has one of the largest databases on entrepreneurial attitudes, activity and aspirations of the home nations of the UK for this period. This is particularly useful when conducting trend analysis for important sub-populations in Wales, such as women, the young or older people.

The results from GEM data analysis are used as key benchmarking indicators by regional and national authorities around the world. They also enable comparisons to be made with the other regions of the UK and other countries participating in GEM. Overall, GEM's unique ability to provide information on the entrepreneurial landscape of countries in a global context makes its data a necessary resource for any serious attempt to study and track entrepreneurial behaviour.

It is important that we better understand the determinants of early-stage entrepreneurship, because there is evidence to suggest a connection between higher rates of entrepreneurship and overall economic prosperity, particularly in innovation-driven economies like Wales.

How GEM Measures Entrepreneurial Activity

GEM creates an index of early-stage entrepreneurial activity (known as TEA) using the following approach:

- A telephone survey of a random sample of the adult population is conducted between May and September.
- The TEA index is the sum of those respondents classified as nascent¹ entrepreneurs and new firm entrepreneurs².

The TEA index does not measure all entrepreneurial activity and is not based on a survey of business entities. It measures the characteristics of entrepreneurial individuals and the types of entities they establish. As such it is a unique and internationally comparative measure of the cultural propensity of a nation, or region, to be entrepreneurial.

Since 2011 entrepreneurial activity among employees has also been measured. We now know that culture and regulations can affect how entrepreneurial activity is expressed within nations. In countries where entrepreneurs have much less access to social security than employees, for example, employee entrepreneurial activity tends to comprise a higher proportion of overall entrepreneurial activity³. Considering both TEA and EEA together provides a more comprehensive picture of entrepreneurial activity in a nation.

In addition to activity, the GEM survey asks all respondents about their attitudes to entrepreneurial activity and asks entrepreneurs about their aspirations.

The methodology, sample sizes and weighting systems used for the GEM UK 2021 adult population survey are explained in more detail in the GEM UK 2021 report

(www.gemconsortium.org). An important change in the sample design was introduced in 2010 when 10 per cent of respondents in each Government Office Region (GOR) were selected at random from households which had mobile phones but not fixed phone landlines. In 2015, this was increased to 20 per cent, in line with recent estimates in the proportion of mobile-only households in the UK and that has been maintained in the 2021 survey. Consequently, in this report, comparisons with other countries and time-based trends within the UK are made using the full sample (landline and mobile only households as well as the CATI/Online mixed method).

The following report presents a summary of the headline results and key themes arising from the GEM survey in 2021 as well as an analysis of the nineteen years of GEM data (2002-21).

¹ The active planning phase in which the entrepreneur has done something during the past 12 months to help start a new business, a new business that he/she will at least part own, and which has not paid wages or other income to the owners in the past 3 months.

² The second phase is defined as from 4 to 42 months after the new venture begins to provide income to the owners. Entrepreneurs who at least part own and manage a new business that has been paying some form of income to the owners for at least 4 and not more than 42 months are referred to as new firm entrepreneurs.

³ World Economic Forum (WEF) and GEM Global (2016) "Europe's Hidden Entrepreneurs: Entrepreneurial Employee Activity and Competitiveness in Europe". http://www3.weforum.org/docs/WEF_Entrepreneurship_in_Europe.pdf

Total Early-Stage Entrepreneurial Activity

The rate of early-stage entrepreneurship in Wales in 2021 was 10.3 per cent which was statistically significantly higher than the estimate of 6.5 per cent in 2020. The rate in 2021 was not significantly different to that in England (11.8 per cent) and the UK estimate of 11.5 per cent (Figure 1).

Overall, a TEA rate of 10.3 per cent in Wales equates to around one in every ten adults aged 18-64, or around 192,000 individuals, 73 per cent of whom were in the very early stages of starting a business (nascent entrepreneurs 7.4 per cent) and the remainder those who had a new business which was between 4 and 42 months old. The comparable figure for nascent business owners in the UK was 7.2 per cent.

As Figure 2a shows the rate of early-stage entrepreneurial activity in both Wales and the UK remained relatively stable between 2004 and 2010, at around 6 per cent. The rates diverged thereafter, accompanied by volatility in both series. Early-stage

entrepreneurial activity in Wales peaked at 8.1 per cent in 2011 before dropping back to the long-run average rate in 2013. The gap between the rates in Wales and the UK that opened in 2017 narrowed again during 2020.

In 2021 the nascent entrepreneurial activity rate in Wales was 7.4 per cent, up significantly from 4.4 per cent in 2020. The new business ownership rate of 3.0 per cent was not significantly different to the rate of 2.4 per cent in 2020. The nascent entrepreneurship rate in the UK also increased significantly between 2020 and 2021; from 4.2 per cent to 7.2 per cent. The new business owner rate for the UK increased at a slower rate from 3.5 per cent in 2020 to 4.5 per cent in 2021. As a result, the difference in TEA rates between Wales and the UK is largely due to the difference in new business ownership in 2021.

Until 2011 the TEA rates of East and West Wales followed similar trends (Figure 2b). Although a gap

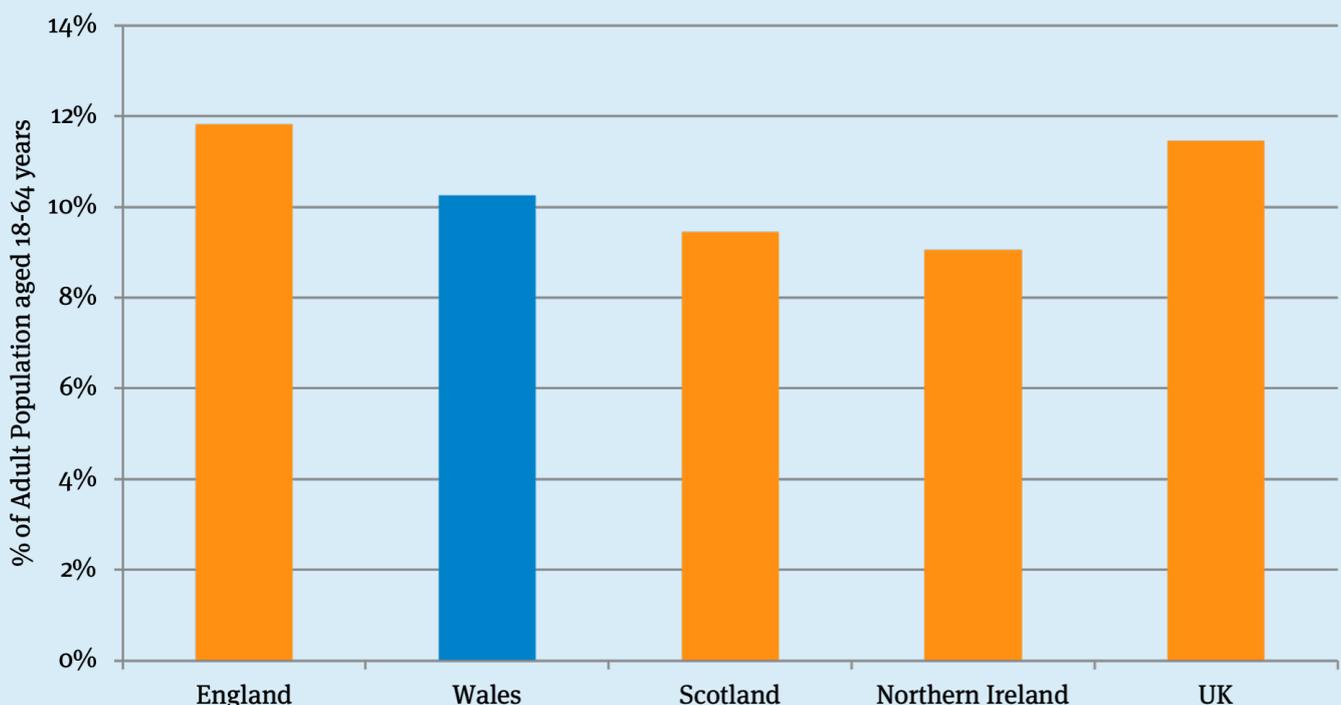


Figure 1: Total early-stage entrepreneurial activity (TEA) in the UK Home Nations 2021 (Source: GEM APS)

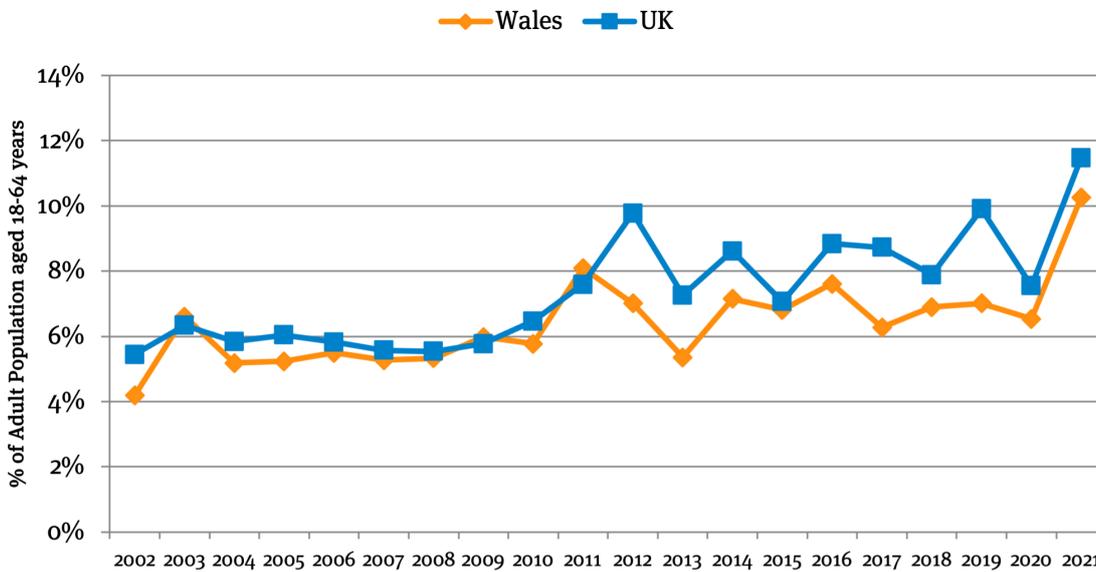


Figure 2a: Total Early-Stage Entrepreneurial Activity in Wales and the UK 2002-21 (Source: GEM APS)

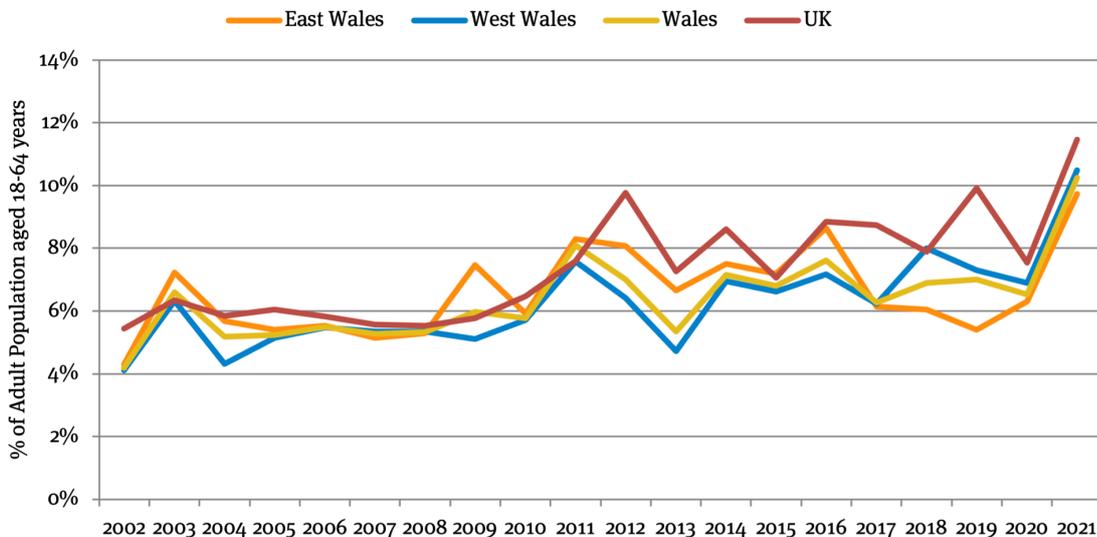


Figure 2b: Total Early-Stage Entrepreneurial Activity in East Wales, West Wales & Valleys, Wales and the UK 2002-21 (Source: GEM APS)

subsequently opened between the two, the rates were not significantly different. From 2017 the rate in West Wales was higher than in East Wales but, again, the difference was not statistically significant. In 2021 the TEA rate in East Wales was 9.7 per cent compared to a rate of 10.5 per cent in West Wales.

In the 2020 survey, a new and improved method of looking at founders' motives for starting their business was introduced. Previously the question asked was too constrained and only allowed for a choice between necessity and opportunity entrepreneurship. These

questions were replaced with those which allowed for a combination of motives, enabling a more realistic set of drivers for start-up.

The four motives are "to make a difference in the world", "to build great wealth or very high income", "to continue a family tradition" and "to earn a living because jobs are scarce." The former two can be thought of as more opportunity driven, while the third is more complex as this could be both due to either opportunity or necessity. The final one can be thought of as more necessity driven. However, the fundamental

point is that these options are now not mutually exclusive, and entrepreneurs can report more than one motivation and the degree to which they identify with them. Note that these motivations do not include autonomy or independence; this is because pre-tests showed that this was a universal motivation for entrepreneurs and does not distinguish between types of entrepreneurs.

Figure 3 shows a breakdown of these motives by home nation as a percentage of early-stage entrepreneurs. As in 2020, early-stage entrepreneurs in all home

nations were much less likely to report starting a business 'to continue a family tradition' than all other motivations. Similar to 2020, more than three fifths of all entrepreneurs report starting a business 'to earn a living because jobs are scarce', with the share in Wales over 70 per cent. Unlike 2020 entrepreneurs in Wales were more likely to report that they were motivated to start-up their business 'to make a difference in the world' at 58.5% compared to 54.0 per cent in the UK overall. Around 65 per cent were motivated by the need 'to build great wealth or a very high income' compared to 60 per cent in the UK overall.

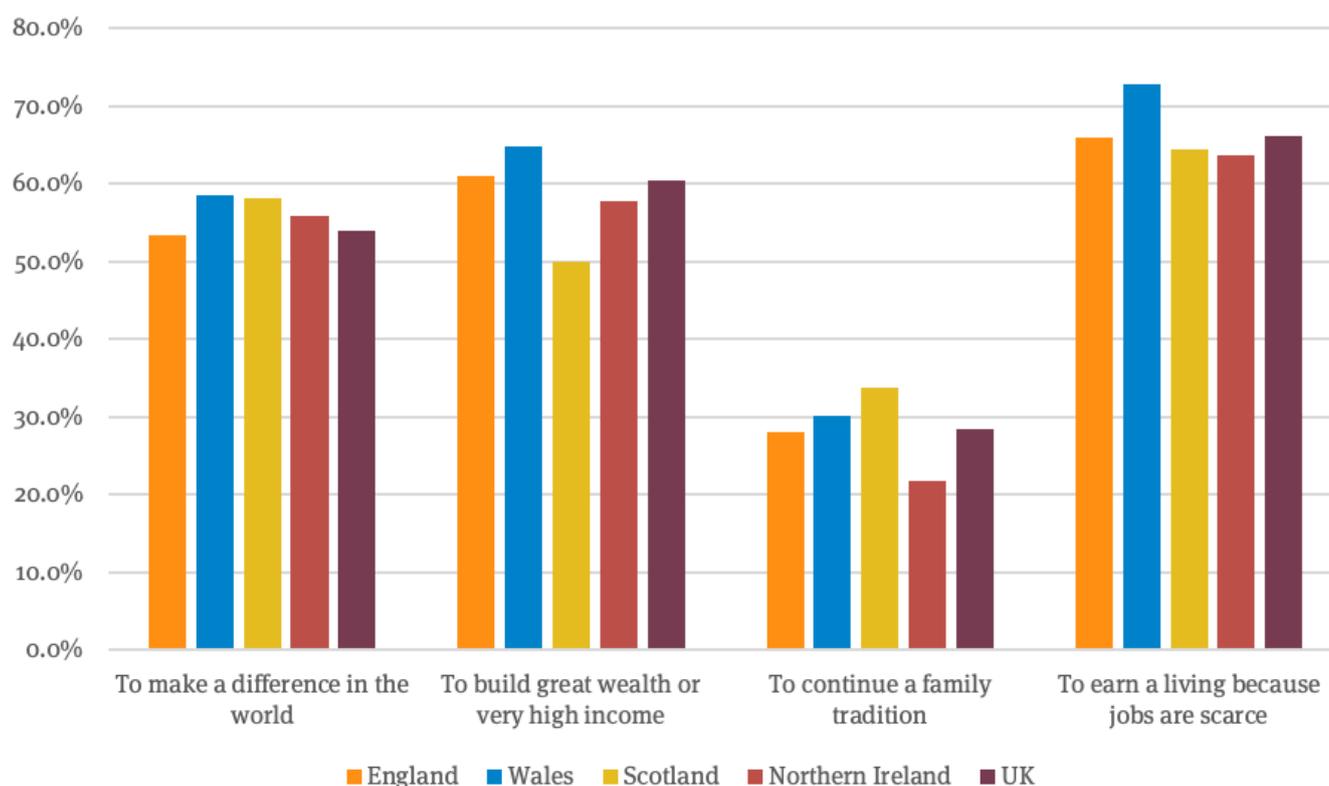


Figure 3: Motivation for Entrepreneurship in UK Home Nations 2021 (Source: GEM APS)

Who are the Entrepreneurs in Wales?

Gender: Males typically have higher early-stage entrepreneurial activity rates than females. In Wales the rates between genders over recent years have been similar. In 2021 the male TEA rate in Wales was 10.7 per cent compared to a female rate of 9.8 per cent - the difference was not statistically significant. In the UK and England in 2021 male TEA rates were significantly

higher than for females (Figure 4). There were no differences in the TEA rates within genders across the home nations.

The ratio of female to male early-stage entrepreneurial activity is typically around 50 per cent in the UK but rose to 69 per cent in 2020. In 2021 this rose again to 73 per cent. The ratio in Wales exceeded this at 92 per cent. Northern Ireland and Scotland's ratios were similar at 65 per cent and 68 per cent respectively while England was identical to the UK ratio at 73 per cent.

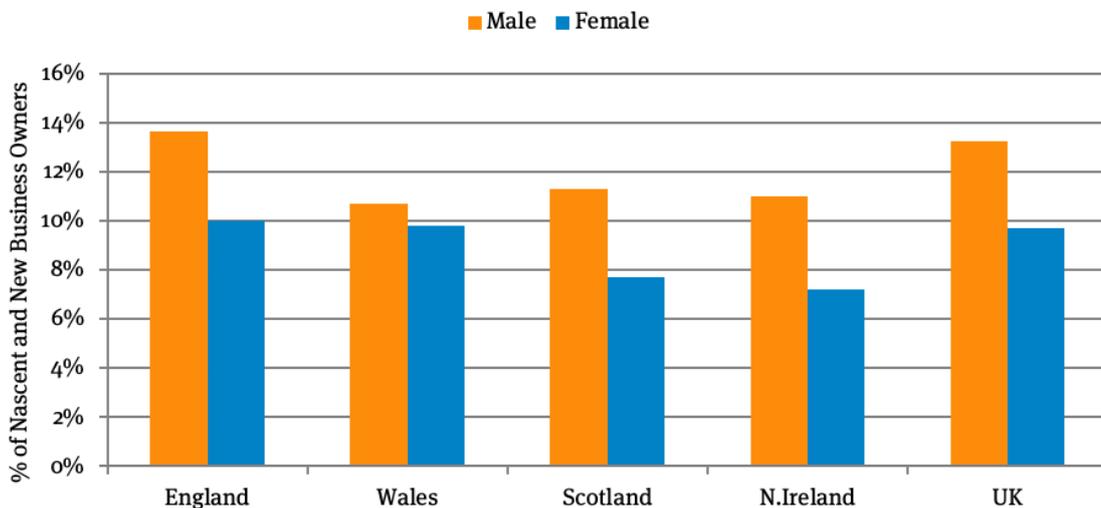


Figure 4: Total Early-Stage Entrepreneurial Activity by Gender in the UK Home Nations in 2021
(Source: GEM APS)

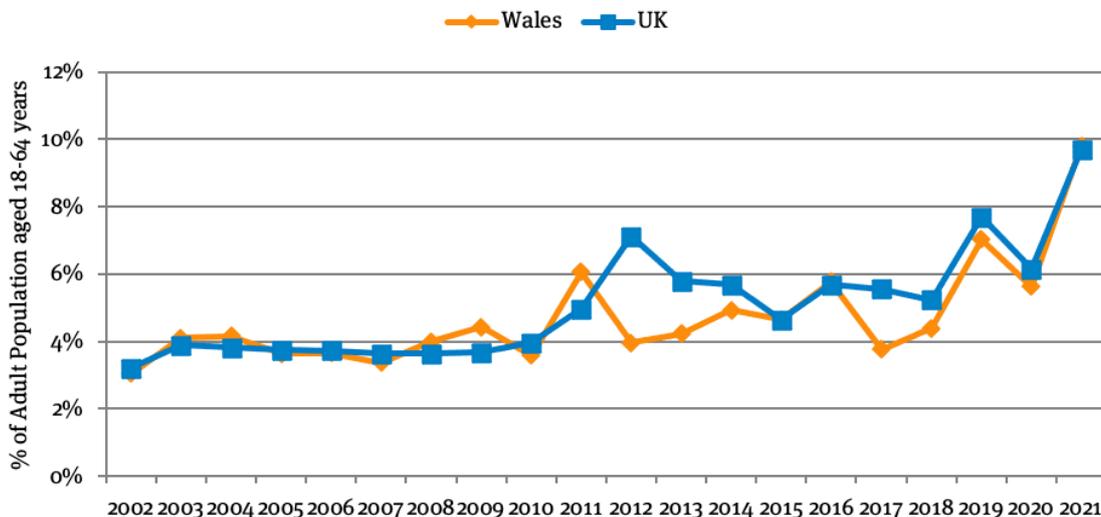


Figure 5: Total Early-Stage Female Entrepreneurial Activity in Wales and the UK, 2002-2021
(Source: GEM APS)

Annual ratios may vary from year to year, so they are best viewed over the longer term. The long run average ratios over the 2002 to 2021 period suggest that males are twice as likely to be early-stage entrepreneurs as females with a ratio of 58 per cent in Wales, 52 per cent in England and 56 per cent in Scotland. The Northern Ireland female to male TEA ratio is lower at just 41 per cent due to the historically low female entrepreneurial activity rates.

The female TEA rate in Wales has fluctuated over time, previously reaching a record high of 7.0 per cent in 2019 which was well above its long run average of around 4.0 per cent between 2002 and 2010 (Figure 5). In 2021 the rate reached a new peak of 9.8 per cent. The Welsh male TEA rate previously peaked in 2011 at 10.2 per cent but again reached a new record of 10.7 per cent in 2021. Figure 5 demonstrates that female TEA rates in Wales matched

the UK trend until 2010 and after a period of divergence appear to be tracking the UK trend once again.

Age: In the UK individuals aged between 25-34 years typically display the highest rates of early-stage entrepreneurial activity. In 2021 in the UK those aged 45-64 years old had significantly lower entrepreneurial activity rates than all younger age bands. In Wales the TEA rates of those aged 55-64 were significantly lower than those aged up to 35-44 years old, this was also the case in England. In Northern Ireland the TEA rate of those aged 45-54 was significantly lower than the rate for those aged 25-34. There were no significant differences in the entrepreneurial activity rates across the age-bands in Scotland (Figure 6).

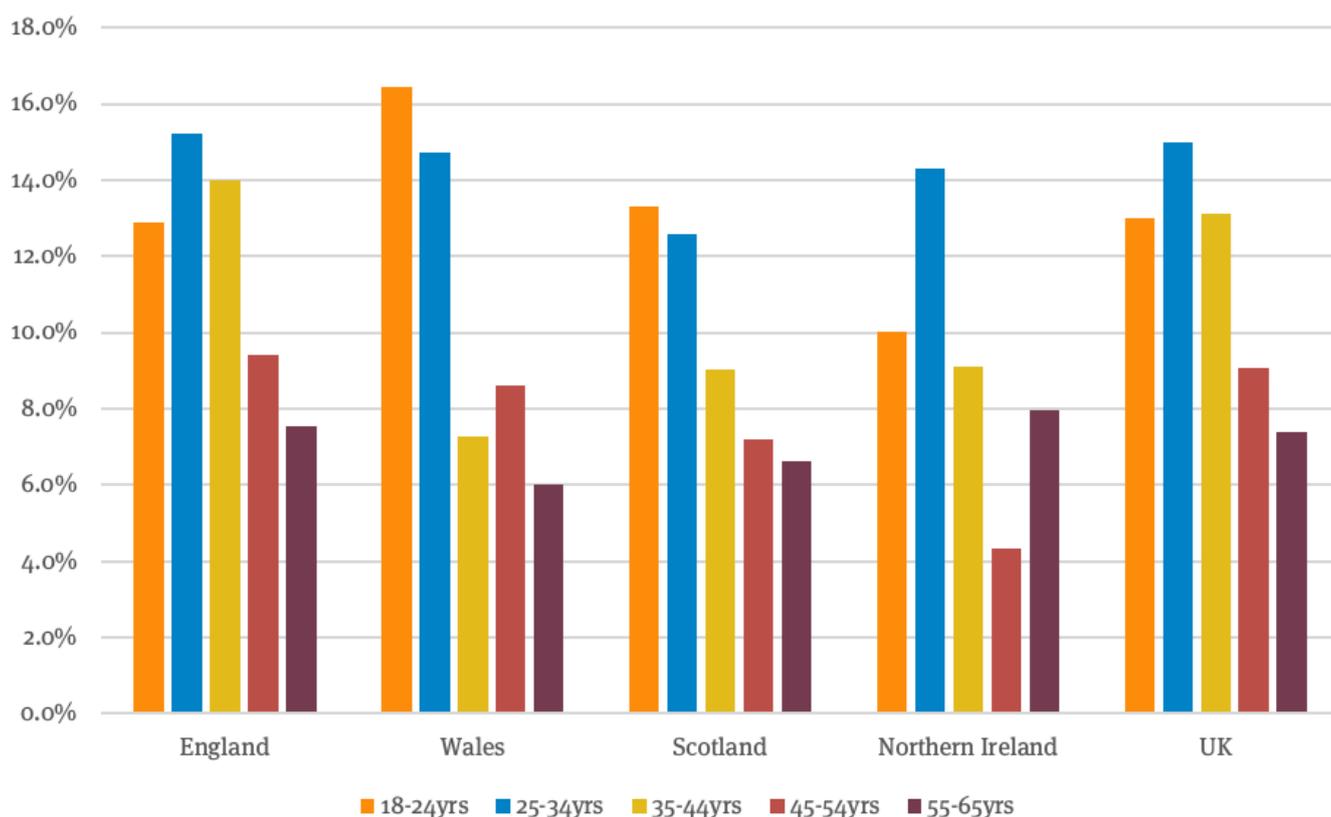


Figure 6: Total Early-Stage Entrepreneurial Activity by Age in the UK Home Nations, 2021
(Source: GEM APS)

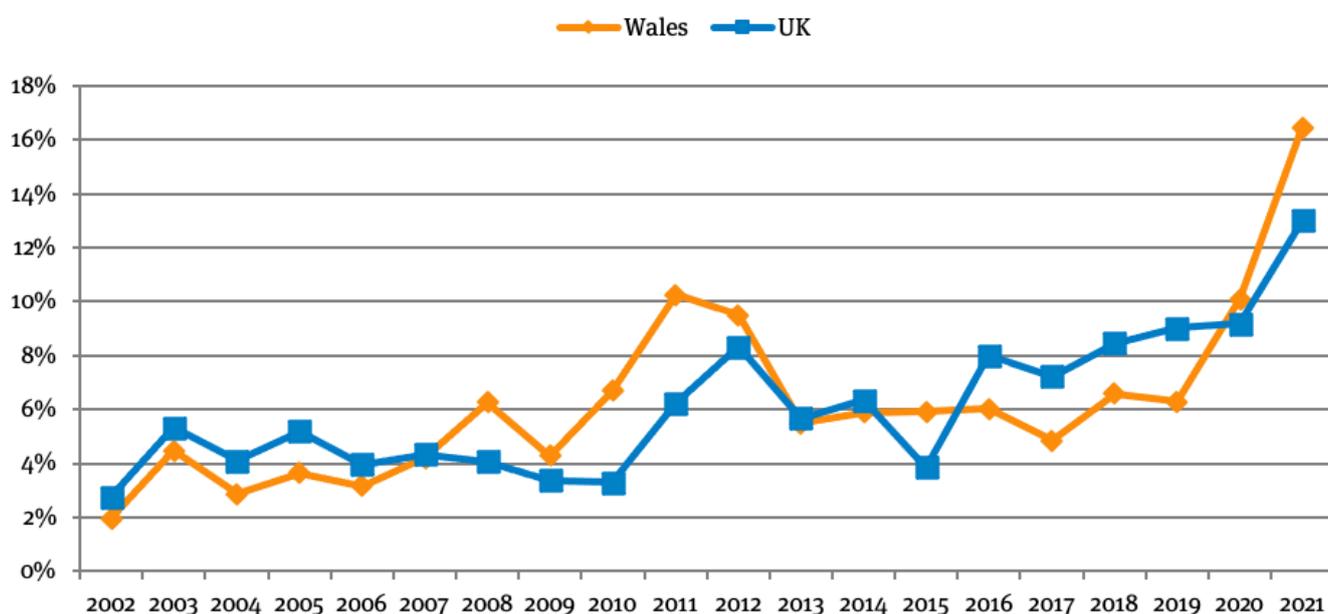


Figure 7: Trend in Total early-stage Entrepreneurial Activity amongst 18-24 year olds in Wales and the UK, 2002 to 2021 (Source: GEM APS)

For several years, entrepreneurial activity in Wales had been shifting towards a younger generation, for example there was a particularly high TEA rate for 18-24 year olds during the recession period, peaking at 10.2 per cent in 2011. It dropped back in the intervening period but stood at a record high of 16.5 per cent in 2021 (Figure 7). The UK rate has been steadily increasing over recent years and has risen to its highest rate of 13.0 per cent in 2021.

Compared to the UK, the higher rate of early-stage entrepreneurial activity amongst 18-24 year olds in Wales witnessed during the recession suggests they faced a tougher economic climate, the lack of jobs necessitating entry into self-employment which dissipated as the economy recovered. Since 2015 there has been a rise in youth entrepreneurship in the UK which has not been mirrored in Wales, that is until 2020 when the pandemic appears to have again driven necessity entrepreneurship among this age group. This has continued in 2021 and may well reflect the increased provision of youth entrepreneurship activities by the Welsh Government. Enterprise education has been a major contributory factor in recent decades and this evidence indicates it may well

be having an impact on the actual entrepreneurial activities of these young people.

A potentially more helpful analysis is to assess the trend in the TEA rate for the 18 to 29 age group (where there seems to be a natural break in UK GEM activity data) and compare that to the 30 to 64 age group. Figures 8 and 9 show that the TEA rate for young adults in Wales, despite a lot of annual fluctuations, has risen almost five-fold over two decades from 3.4 per cent in 2002 to 15.3 per cent in 2021. The other home nations also experienced an increase over the period, although at a lower rate of increase than in Wales.

The TEA rates of those aged 30-64 also peaked in all home nations in 2021. This was despite the decline observed in 2020. The increase in early-stage entrepreneurial activity for this age group has risen at a slower rate over the last two decades compared to the 18-29 age group. In Wales the TEA rate for those aged 30-64 rose from 4.4 per cent in 2002 to 8.3 per cent in 2021. The UK rate rose from 5.8 per cent to 10.9 per cent over the period, while Northern Ireland saw the fastest growth, rising from 3.5 per cent in 2002 to 8.0 per cent in 2021.

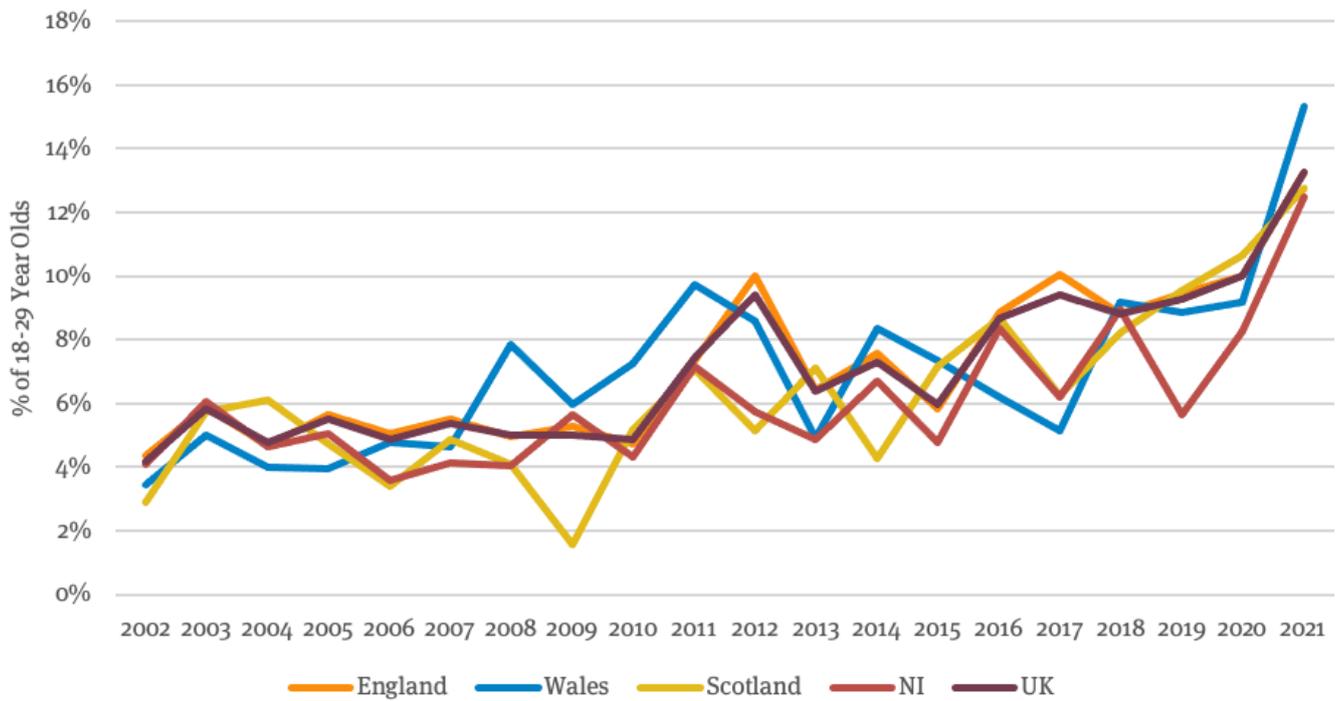


Figure 8: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 18 to 29 year olds, 2002 to 2021 (Source: GEM APS)

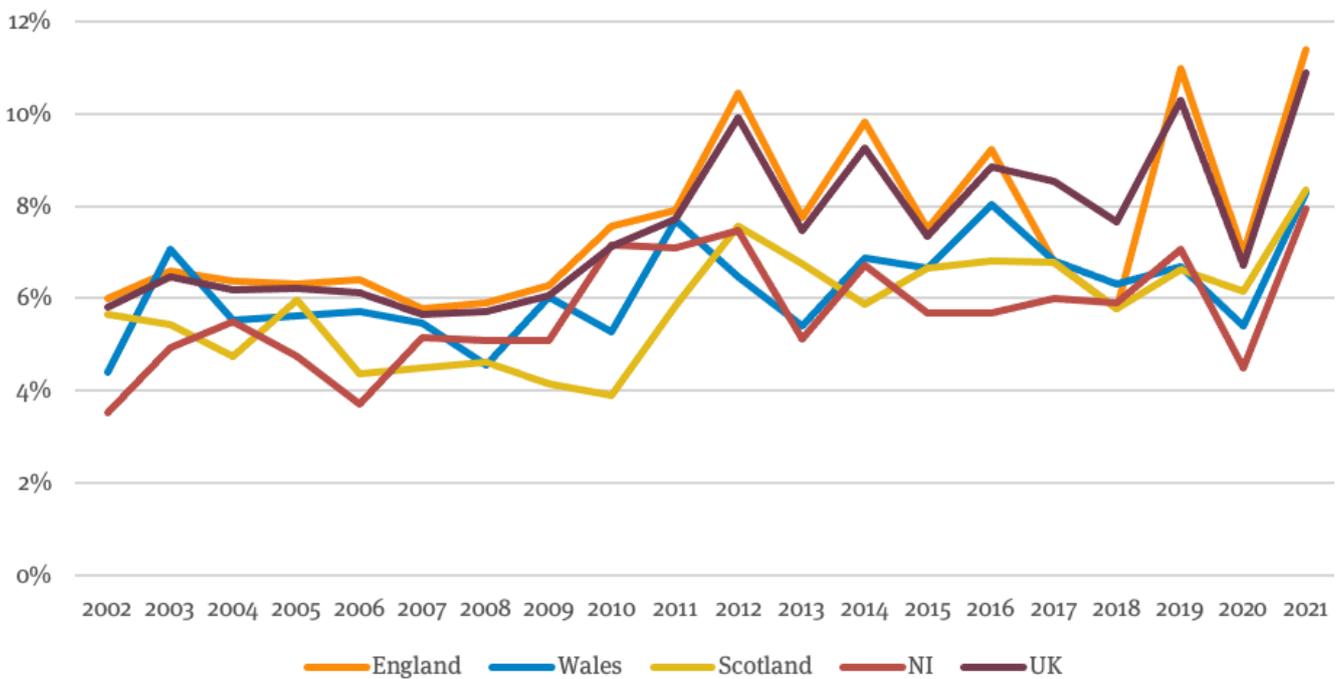


Figure 9: Trend in Total early-stage Entrepreneurial Activity in the UK Home Nations for 30 to 64 year olds, 2002 to 2021 (Source: GEM APS)

Education: Graduates in the UK typically have higher rates of early-stage entrepreneurial activity than non-graduates. In 2021 the UK graduate TEA rate of 13.8 per cent was significantly higher than the rate of 9.7 per cent for non-graduates (Figure 10). Both rates were significantly higher than in 2020.

The Welsh graduate TEA rate in 2021 was 10.3 per cent compared to the non-graduate rate of 10.2 per cent; this difference was not statistically significant. There were also no significant differences in the respective rates compared to 2020. England and Scotland were the only home nations in which the TEA rate for graduates was significantly higher than for non-graduates in 2021.

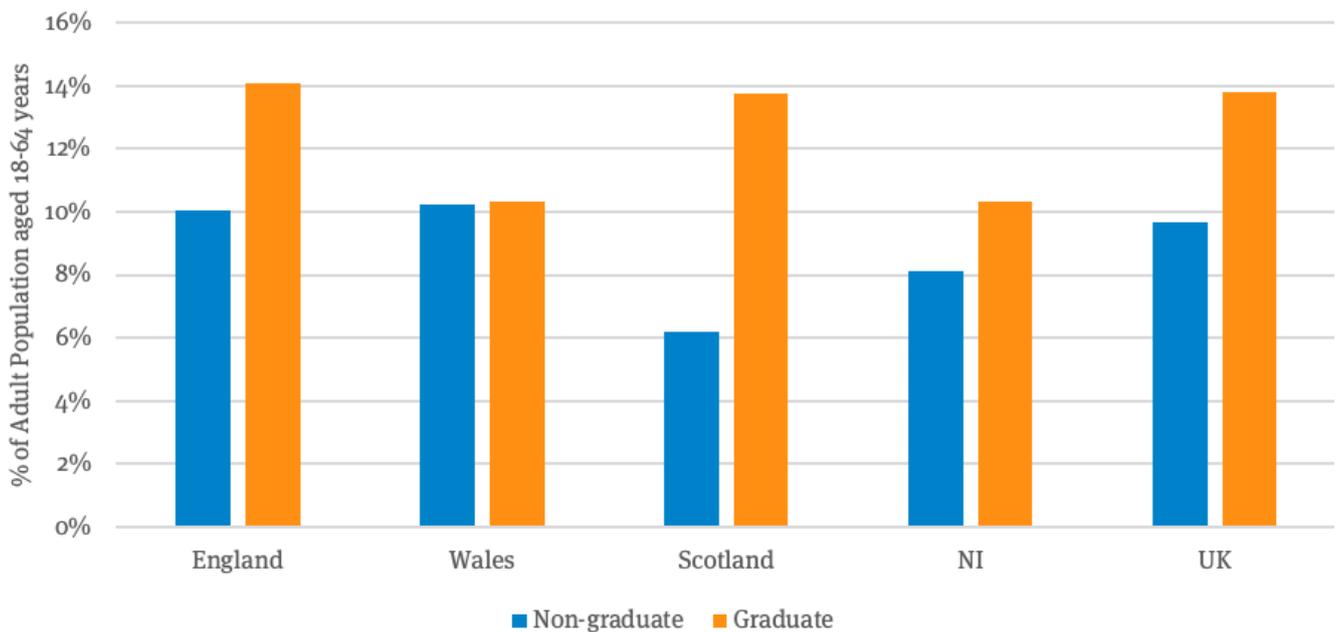


Figure 10: Total Early-Stage Entrepreneurial Activity in the UK Home Nations by Graduate Status, 2021
(Source: GEM APS)

Entrepreneurial Attitudes and Intentions

GEM has developed a number of attitudinal statements which provide a proxy for entrepreneurial potential in a country/region. They include knowing a person who has started a business in the last 2 years; perception of good opportunities for start-up; self-belief in possessing the relevant skills to set up in business and the prevalence of fear of failure as a deterrent to setting up in business.

GEM attitudinal data is reported here for that portion of the population who are not already entrepreneurs, as individuals who are involved in entrepreneurial activity may feel compelled to provide positive answers in the Adult Population Survey (APS).

In Wales in 2021 45.2 per cent of non-entrepreneurial individuals state that they know an entrepreneur, which is not significantly different to the UK rate of 43.1 per cent (Figure 11), nor to the rate in 2020. In total 43.0 per cent of non-entrepreneurs in Wales believe they

have the skills to set up in business, again similar to the UK average of 39.0 per cent.

Despite the increase in the share of non-entrepreneurs viewing good opportunities for start-up compared to 2020, the main difference between Wales and the UK in 2021 is the significantly lower share of those in Wales who believe there are good start-up opportunities in their area in the next six months, 40.8 per cent in Wales versus 47.7 per cent in the UK. Despite this gap, there is no significant difference in the fear of failure rates amongst those who perceive good start-up opportunities.

Figure 12 displays the attitudes towards entrepreneurship when restricted to 18–24-year-olds only. Despite the differences in the percentages, there are no statistically significant differences in any of the attitudinal measures between Wales and the UK for this age group.

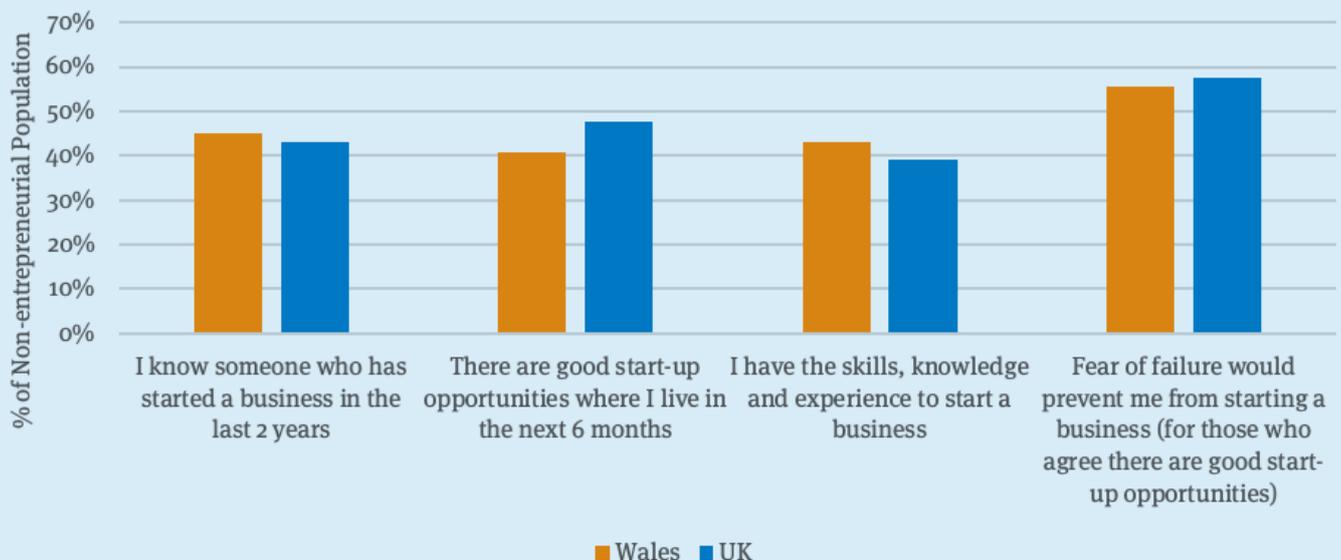


Figure 11: Entrepreneurial Attitudes and Perceptions in Wales and the UK 2021 (Source: GEM APS)

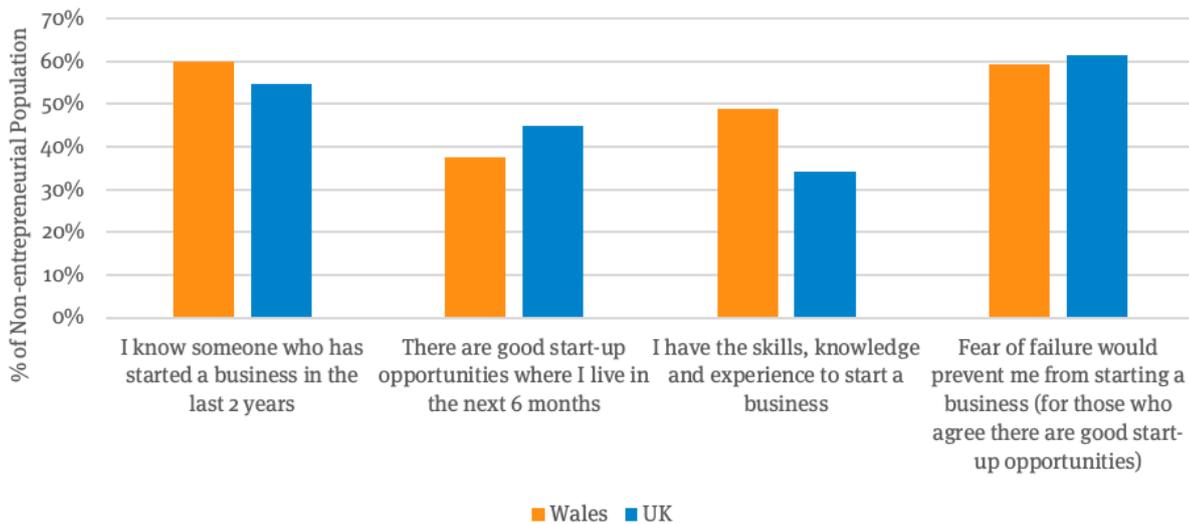


Figure 12: Entrepreneurial Attitudes and Perceptions among 18-24 year olds in Wales and the UK 2021
(Source: GEM APS)

When comparing the attitudes of young people against all non-entrepreneurs (as shown in Figure 11) a significantly higher proportion of young people in Wales know someone who has started a business in the past two years, at 59.9 per cent compared to 45.2 per cent for the wider non-entrepreneurial population. This was also the case in the UK with 54.7 per cent of young people agreeing with this statement compared to 43.1 per cent of all UK non-entrepreneurs.

The proportion of the non-entrepreneurial population in Wales that see good start-up opportunities but report that the fear of failure would prevent them starting a

business stood at 55.5 per cent in 2021, which was not significantly different to 2020 when it was 54.9 per cent. The UK rate of 57.6 per cent was also not significantly different to the equivalent rate in 2020 of 53.0 per cent.

Figure 13 shows that fear of failure has risen in Wales since 2017 as it did in the other home nations. This upward trend may well reflect the increasing levels of uncertainty over Brexit during that period. The pandemic further contributed towards increased fear of failure, with increases observed in 2020 and 2021. There were no significant differences in the fear of failure rates across the home nations in 2021.

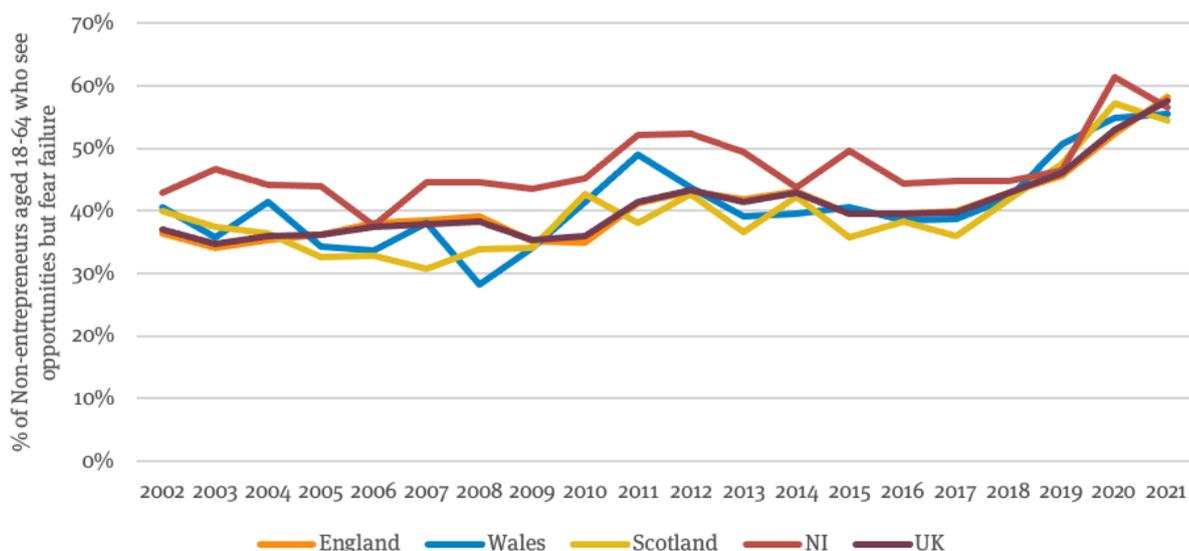


Figure 13: Fear of Failure among those who see Opportunities in the UK Home Nations, 2002-21
(Source: GEM APS)

In the 2021 survey 40.8 per cent of the non-entrepreneurial working age population in Wales agreed there were good opportunities for starting a business in their local area in the next six months compared to 47.7 per cent in the UK. The 2021 rates in the UK and Wales were significantly higher than in 2020 when the rates were 32.0 and 25.0 per cent respectively. There remains a statistically significant gap in opportunity perception between Wales and the UK since the GFC (Figure 14).

The proportion of non-entrepreneurial working age adults in Wales who expect to start a business within the next three years stood at 18.8 per cent in 2021, the highest rate on record although not significantly higher than the rate of 16.7 per cent in 2020 (Figure 15). The UK estimate of 18.2 per cent was, however, significantly higher than the rate of 16.2 per cent in 2020. The previous increases in these intention rates during the recession potentially reflected necessity reasons. It is

likely that the increases observed over 2020-21 have been pandemic-induced necessity and opportunity driven intention due to job losses but also new ways of working and digital opportunities.

In 2021, at 22.5 per cent, the proportion of non-entrepreneurially active males in Wales who reported that they intend to start a business in the next three years was significantly higher than that for females at 15.1 per cent (Figure 16). There were no significant differences between 2020 and 2021 in either the male or female rates.

The 2021 intention rates for Wales translate into a female to male ratio of 67 per cent which is considerably lower than that for early-stage entrepreneurship in Wales (92%). The ratio compares to 72 per cent in England, 79 per cent in Scotland, 83 per cent in Northern Ireland and 73 per cent in the UK as a whole.

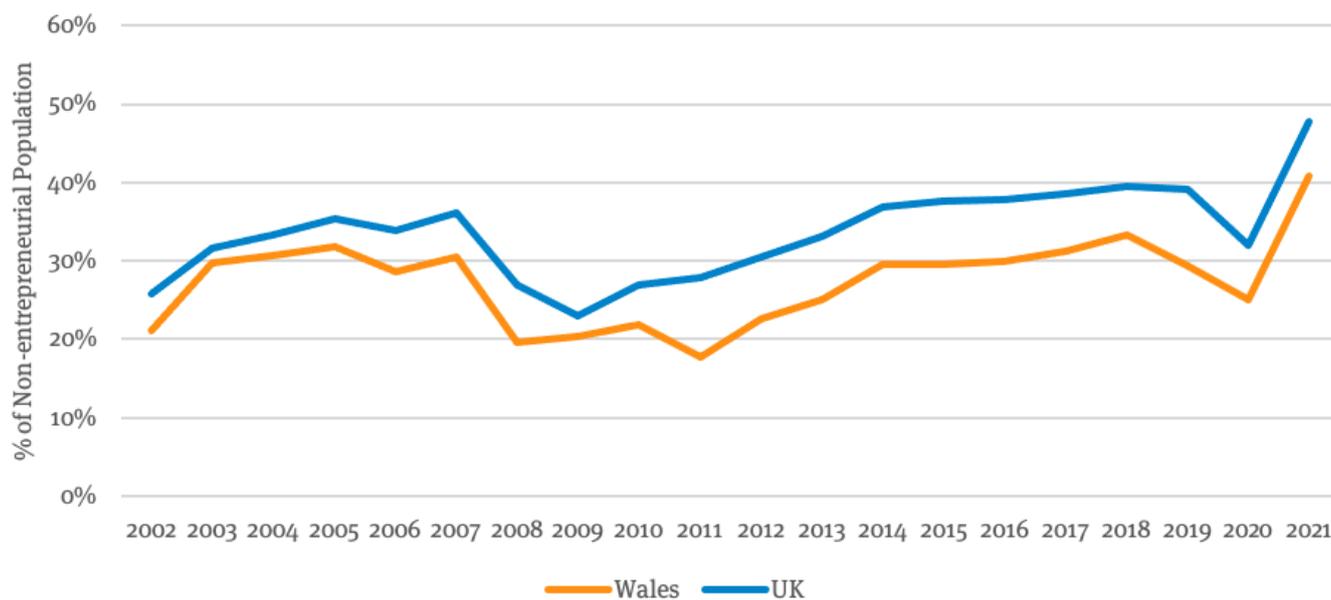


Figure 14: Perception of Start-up Opportunities in Wales and the UK, 2002-21
(Source: GEM APS)

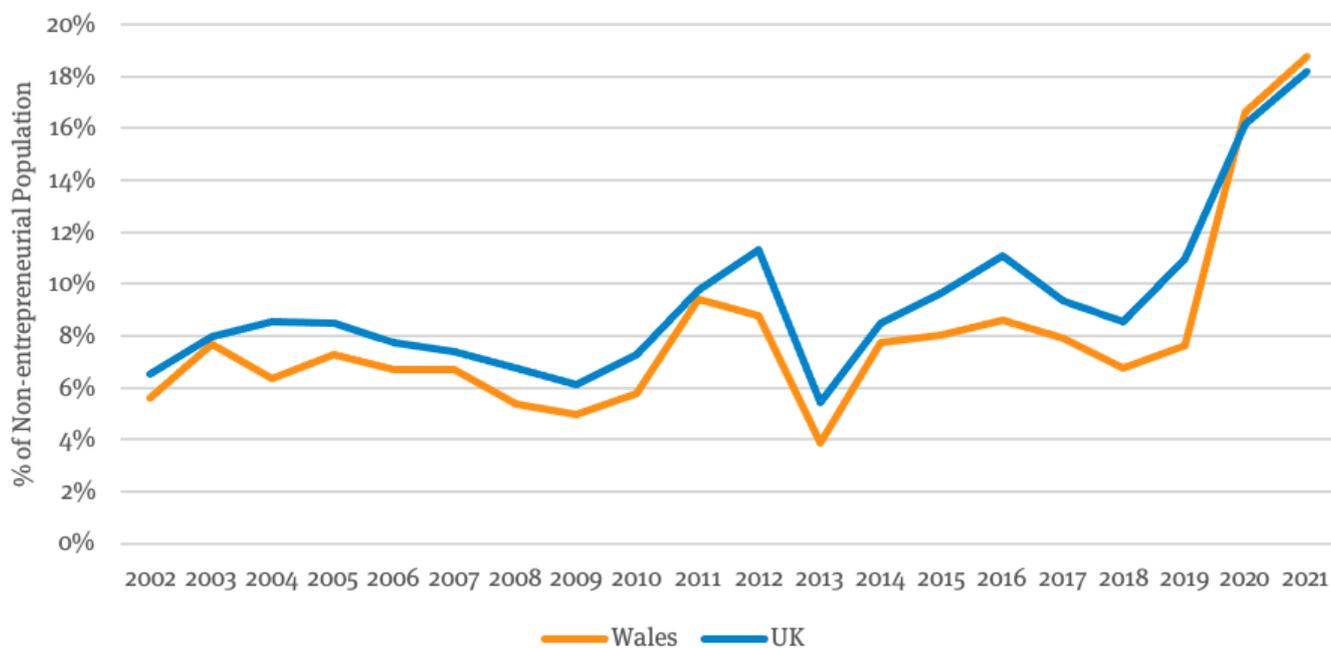


Figure 15: Future Start-up Expectations (within 3 years) in Wales and the UK amongst the non-entrepreneurial population, 2002-21 (Source: GEM APS)

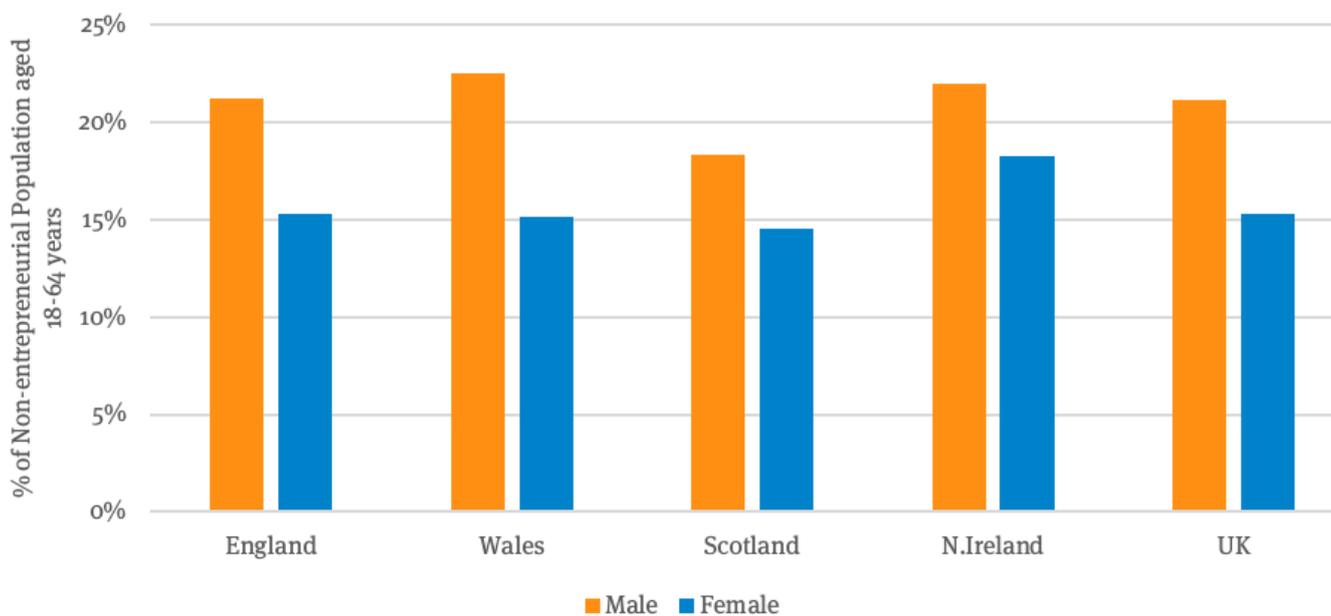


Figure 16: Future Start-up Expectations (within 3 years) in the UK Home Nations by Gender, 2021 (Source: GEM APS)

Welsh Language Fluency and Entrepreneurial Activity

There were no significant differences in 2021 in the TEA rates of those in Wales who were fluent in spoken and written Welsh (12.2%); who could speak and understand some Welsh (10.6%), and who had little or

no Welsh skills (9.7%). The TEA rate for those who had little to no Welsh skills was significantly higher in 2021 than in 2020 (5.0%).

Impact of COVID-19 on Entrepreneurial Activity

The GEM 2021 study also sought to understand how the COVID-19 pandemic has continued to influence entrepreneurial activity. The study explored the extent to which the coronavirus pandemic was seen to have provided opportunities that businesses could pursue. Figure 17 shows that half of nascent entrepreneurs and two fifths of established business owner-managers agreed with the idea that the pandemic had provided

new feasible opportunities, with this even higher for both new business owners (65.8 per cent) and entrepreneurial employees (79.9 per cent). It suggests that after more than a year of the pandemic, new business owners and those employees working in existing businesses are most alert to potential opportunities.

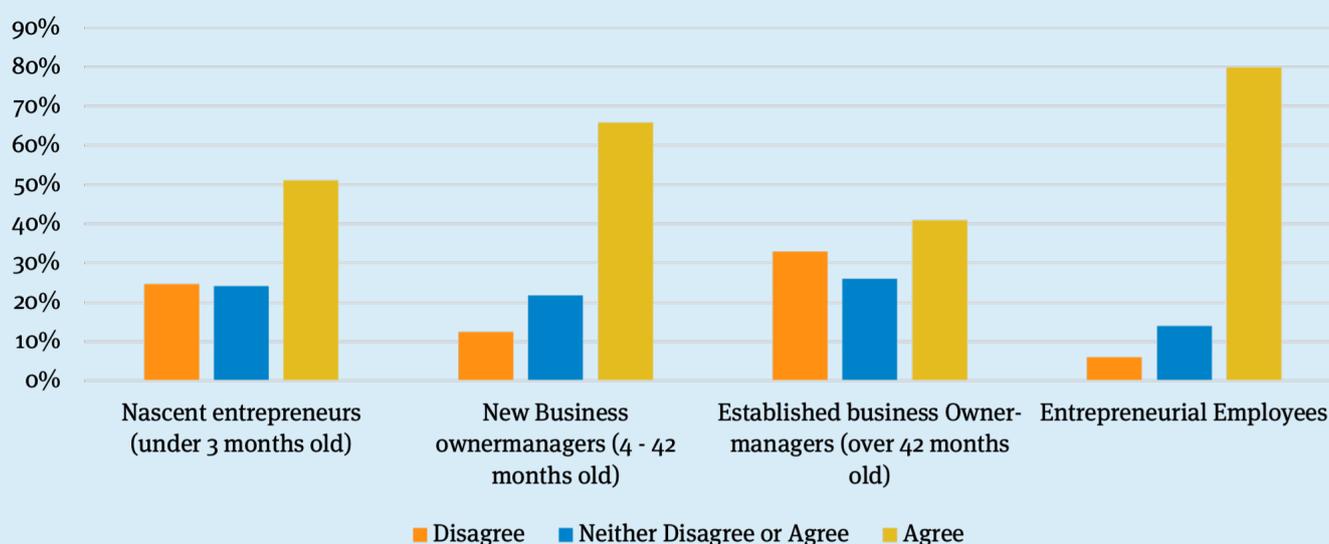


Figure 17: Perception of Feasible New Opportunities arising from the COVID-19 pandemic, 2021
(Source: GEM APS)

Figure 18 further indicates that just under one third of nascent entrepreneurs indicate that their businesses has adopted new digital technologies as a response to the pandemic, and more than one quarter have

enhanced their digitalisation plan. However, 18 per cent of nascent entrepreneurs claim that their businesses can function without digital technologies.

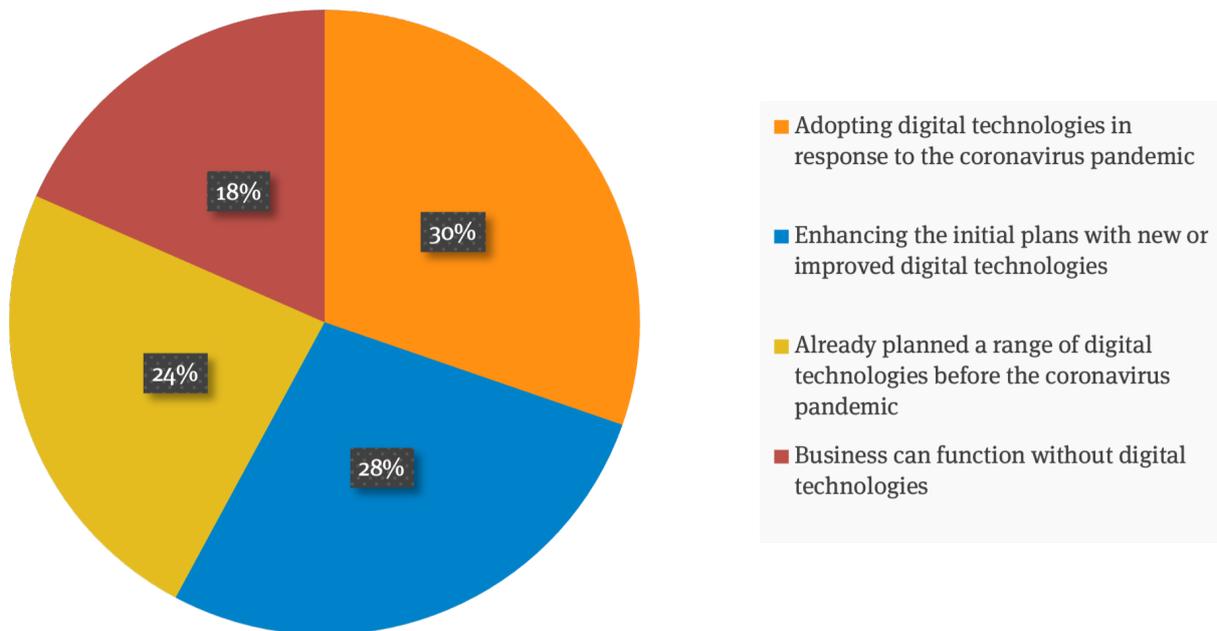


Figure 18: Effect of COVID-19 on Nascent Business' Adoption of Digital Technologies, 2021
(Source: GEM APS)

Concluding Observations

Entrepreneurial activity in Wales in 2021 has surged in response to the pandemic with the TEA rate increasing to a record high of 10.3 per cent in 2021. This is similar to the UK and the other home nations. In Wales, intention to start a business is particularly buoyant again in 2021, with almost one in five intending to start a business within 3 years. Notably, the rise was for both males and females.

Along with entrepreneurial activity, attitudes towards entrepreneurship are also relatively healthy. Over two fifths (43.0%) of non-entrepreneurs state that they have the skills, knowledge and experience to start a business and just under half (45.2%) know an entrepreneur that has started a business within the past two years. These are similar proportions to 2020 and are an important feature of an entrepreneurial ecosystem. Together with the intention rates these measures highlight a growing confidence within the population in terms of ability to start a successful business and the conditions to do so. Continuing the trend of recent years male and female TEA rates are not significantly different in Wales, although we need to see a longer run of data before we can celebrate the closing of the gap. Youth entrepreneurship continues to increase compared to pre-GFC levels.

Despite the buoyancy, there continue to be some underlying issues. Attitude-wise a smaller proportion of non-entrepreneurs in Wales than in the UK believe there are good start-up opportunities locally within the next six months. The rate for Wales has increased significantly since 2010 but is consistently lower than that for the UK. Perceived lower opportunities may be reflective of differing local demand issues in Wales or in the conditions that are recognised as necessary for setting up a successful business. Notably fear of failure is similar to the UK in 2021 with just over half (55.5%) of those in Wales that identified start-up opportunities stating that fear of failure would prevent them from starting a business. Despite this, it does not seem to have impacted future intenders.

The new motivation questions in the GEM UK survey provide some interesting insights into the mind-set of early-stage entrepreneurs in Wales. In 2021 they continue to be more strongly motivated to start a business to earn a living as jobs are scarce, suggesting an enduring impact of the pandemic. Almost three

fifths seek to make a difference in the world compared to just over half of entrepreneurs in the UK. Carrying on a family business tradition continued to be the least important motivating factor in Wales and elsewhere. This provides important disaggregation of entrepreneurial motivation which goes beyond a simple binary opportunity/necessity typology.

Overall, the COVID-19 pandemic appears to have altered motivations for entrepreneurship but it has not dampened activity. If anything, it has increased the likelihood for more entrepreneurship in Wales, with entrepreneurial activity and intention rates surging. This validates the results of the GEM UK 2020 survey in which intention rates suggested a future increase in entrepreneurial activity in Wales. In addition, COVID-19 has created new opportunities for businesses, with new firms and entrepreneurial employees in Wales most alert to these opportunities. Nascent entrepreneurs are also adopting or enhancing digital technologies in response, suggesting that the pandemic has had a positive disruptive effect on the entrepreneurial landscape in Wales.

Disclaimer

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

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