

GLOBAL ENTREPRENEURSHIP MONITOR²⁰₂₀

**BUSINESSES SHOW STRENGTH
IN ADVERSE TIMES**



NatWest



BUILDING BACK BETTER FOR BUSINESS

It is a privilege for NatWest to sponsor once again the UK edition of the Global Entrepreneurship Monitor (GEM), the most authoritative annual research into entrepreneurial activity and trends.

While the global business landscape has changed since 2020, the report and the data within is full of insight as we consider the state of entrepreneurship following the impact of the pandemic.

We'll continue to work with experts in academia such as Aston University, Queens University Belfast and Strathclyde University, to take the best data on entrepreneurship trends to the market and ensure we use that information to help more businesses start, scale and succeed.

Andrew Harrison

NatWest Managing Director of Business Banking



The GEM survey undertaken in the last few months of 2020 by my team showed a sharp fall in the number of individuals in the early stages of setting up a new business compared to the pre-pandemic high in 2019. This is hardly surprising but the analysis has also shown that the entrepreneurial foundations of the economy and society are still strong and these will be crucial for the recovery after the pandemic and in dealing with the on-going economic fallout from Brexit.

Mark Hart

**50th Anniversary Professor of Small Business
and Entrepreneurship, Aston University**

GLOBAL ENTREPRENEURSHIP MONITOR 2020

In **2020** we surveyed **43** economies, covering two-thirds of the global population, to create the world's most authoritative study of entrepreneurship.

IN THE UK WE INTERVIEWED

9,453

ADULTS, RANGING IN AGE FROM

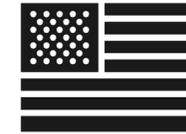
18 to 80

This report focuses principally on the working-age adults sub-sample (18- to 64-year-olds), comprising

7,587 (80.26%) participants.

The interview questions were designed to determine:

entrepreneurial attitudes • activity • aspirations



This report compares results for the UK with those of Germany and the United States, who sit near the UK in the global ranking of entrepreneurship levels.

We also surveyed a panel of

36 BUSINESS EXPERTS

to assess whether the UK offers the right conditions for businesses to flourish.

RESULTS AT A GLANCE

↑ The share of those agreeing that starting a business would be a **good career choice** in 2020 jumped significantly:

74% 2020

58% 2019

↑ More people expressed the **intention** of starting a business in 2020 than in previous years:

16.2% 2020

11% 2019

↓ The number of **employees engaging** in entrepreneurial activities as part of their job in the UK dropped:

3.2% 2020

5.6% 2019

↓ Total **entrepreneurial activity** in the UK also dropped to below 2018 levels:

7.5% 2020

9.9% 2019

7.9% 2018

Overall,

1 in 4

people of working age in the UK were **involved** in some type of entrepreneurial activity or **intended** to start a business within the next three years.

This was undoubtedly due to the pandemic.



COVID-19 HIT BUSINESS

COVID-19 has set business back practically

56.5%

Over half of employees engaged in entrepreneurial activity on behalf of their business feel that the **pandemic** has caused the business to stop some of its core activities.



Nearly 2 in 3 (60.5%) of start-up entrepreneurs think that the pandemic has led to a **delay** in getting the business operational.



And more than 3 in 4 (76.8%) think that entrepreneurial intention was **impacted** by the pandemic.



Nearly

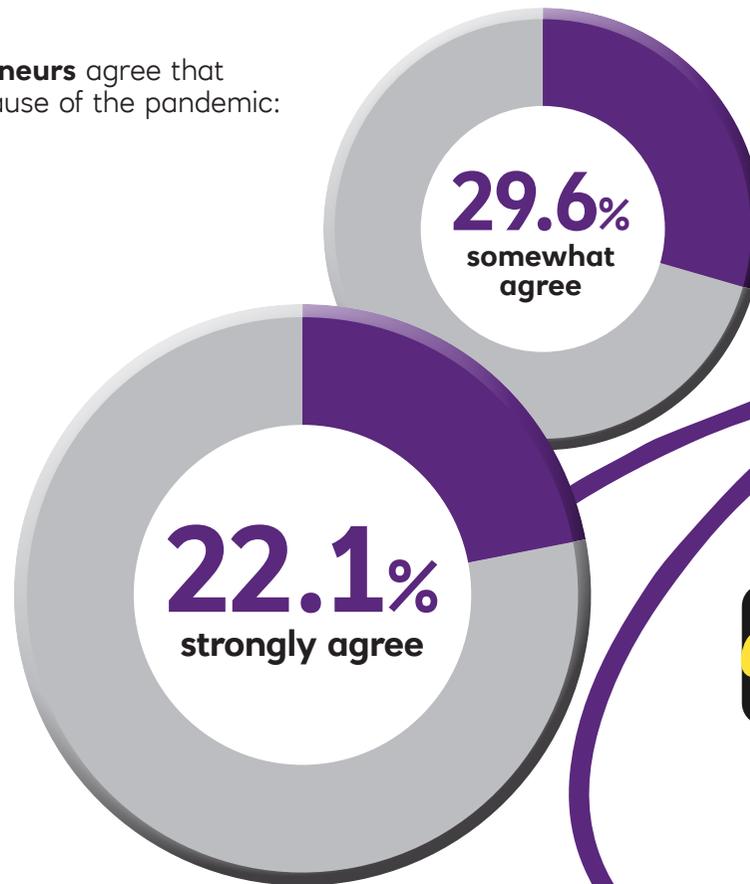
1 in 5

(17.6%) of people who quit their business indicated that the pandemic was the most important reason for doing so.

COVID-19 PRESENTS OPPORTUNITIES

But amid the disruption, some entrepreneurs see chances for better business

Around **1 in 2 early-stage entrepreneurs** agree that **new opportunities** have arisen because of the pandemic:



In contrast, just **1 in 3 established entrepreneurs** believe that the pandemic has brought **new opportunities**, suggesting that new entrepreneurs bring slightly greater vitality to business culture.

RESPONSES TO THE EFFECTS OF COVID-19

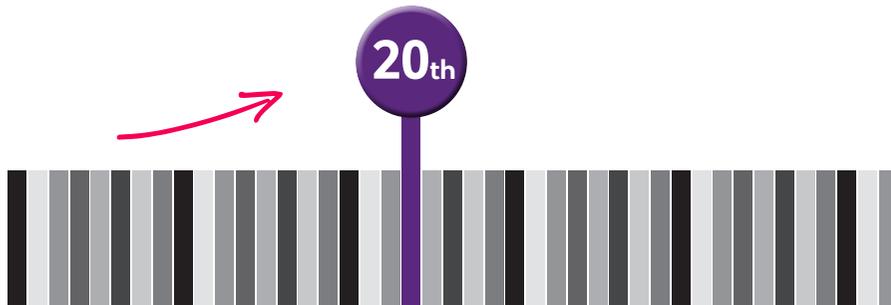
5.2 /10

v

7.5 /10

The UK **Government response** to help entrepreneurs during COVID-19 was rated average against other countries:
5.2/10 (rank 20/44)

The response of UK **entrepreneurs** themselves to COVID-19 was rated highly against other countries:
7.5/10 (rank 5/44)





After a turbulent start to 2021, it is really encouraging to see that small businesses across the UK have emerged from national lockdowns and achieved swift turnarounds in their order books. However, we need to continue to build back better and ensure that the small businesses forming the backbone of the UK economy receive the support they need to handle challenges such as cost pressures and staff shortages.

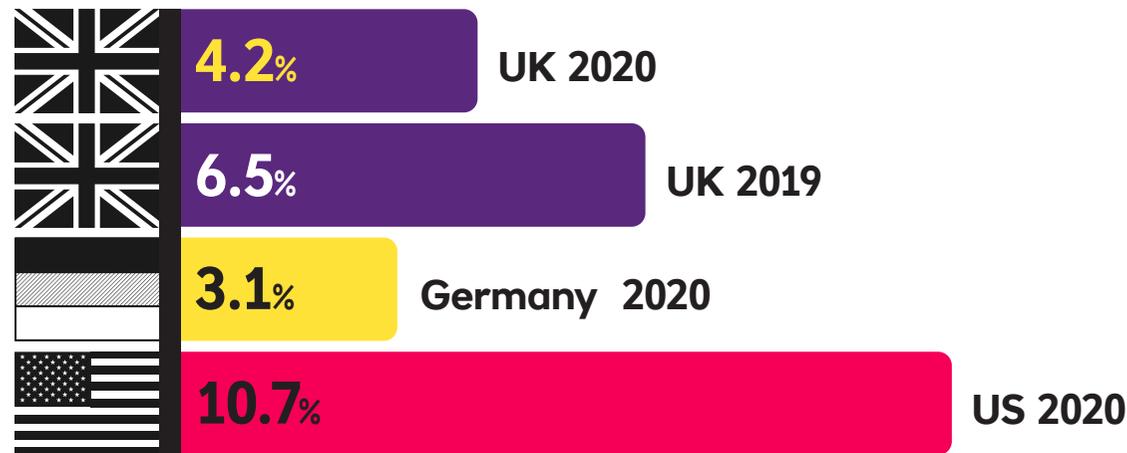
Andrew Harrison

**NatWest Managing Director
of Business Banking**

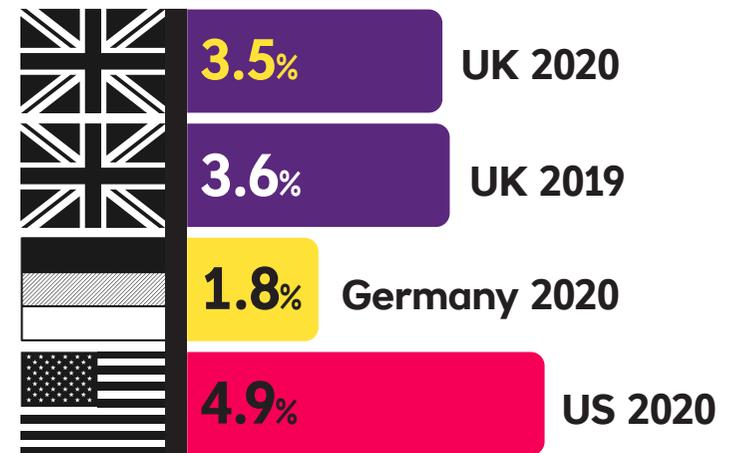
YOUNG BUSINESSES HELD ON IN 2020

The rate of newly budding businesses slowed in 2020, and the number of mature businesses slightly declined. But young businesses are holding on, in spite of the circumstances

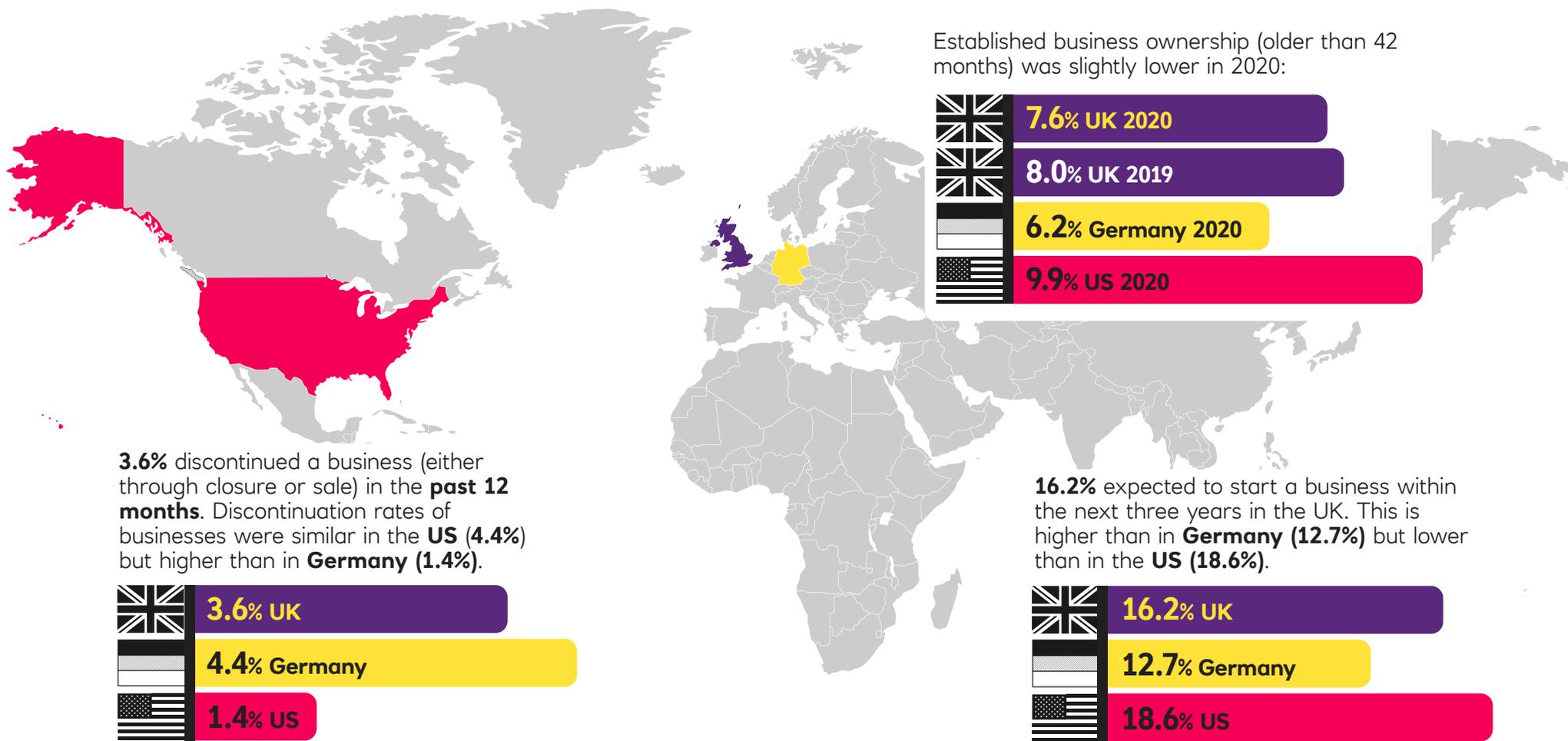
The nascent entrepreneurship rate (just starting a business) was lower in 2020.



The new business owner rate (4- to 42-month-old business) stayed consistent in 2020.



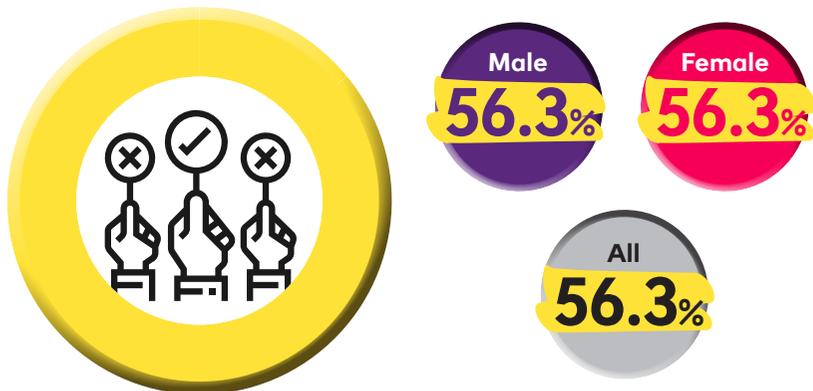
MORE PEOPLE INTEND TO START A BUSINESS IN 2020



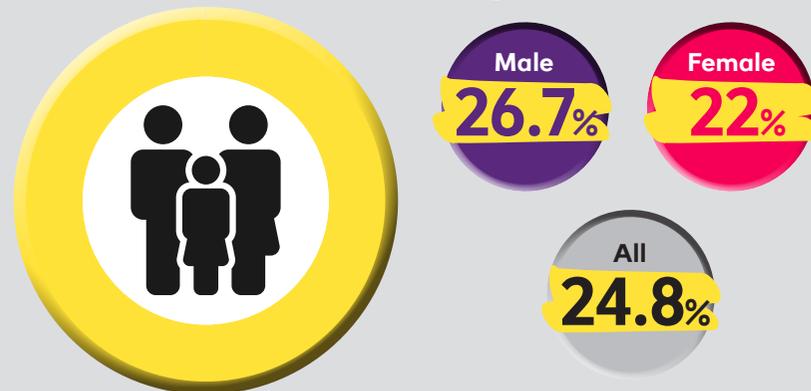
ALTRUISM AND MONEY-MAKING ARE THE BIGGEST MOTIVATORS

We asked nascent entrepreneurs about their motivations to start a business.

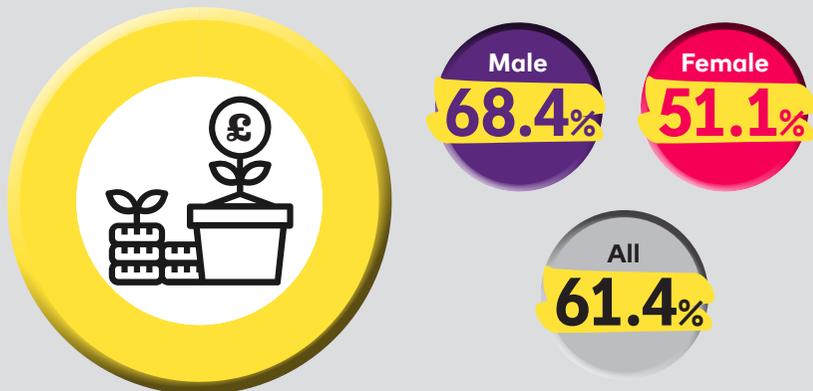
“To make a difference in the world”



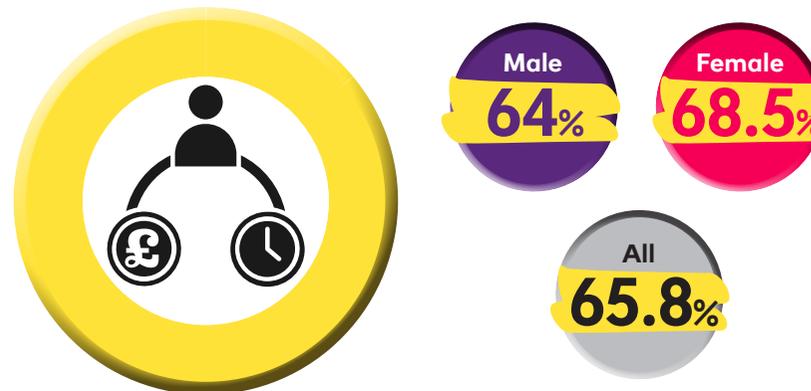
“To continue a family tradition”



“To build great wealth or very high income”



“To earn a living because jobs are scarce”





At NatWest our purpose is to champion the potential of people, families and businesses. As the UK's biggest bank for business one of our key aims is to remove barriers to UK enterprise growth through learning, networks, expertise and funding with the aim to support 35k businesses through our enterprise programmes like Accelerator, Business Builder and our Women in Business proposition.

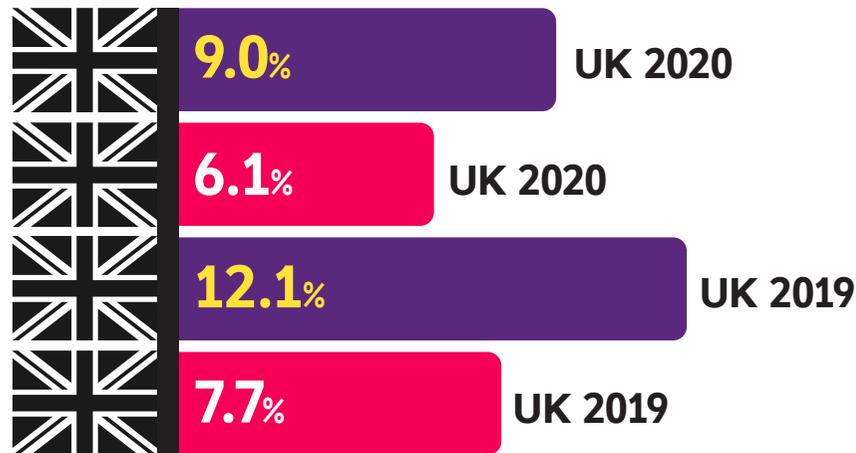
Andrew Harrison
NatWest Managing Director
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MEN ARE STILL MORE LIKELY TO START BUSINESSES

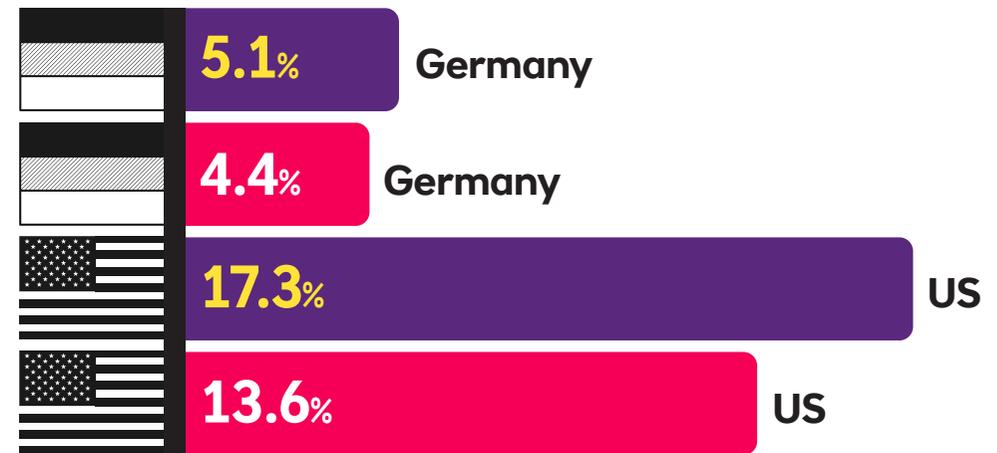
In 2020 the entrepreneurial gap between men and women closed slightly, but this was because of fewer men starting businesses and more men closing established businesses.

 Male  Female

 In 2020 the rate of total entrepreneurial activity was:



UK male and female rates compared to Germany and the US:



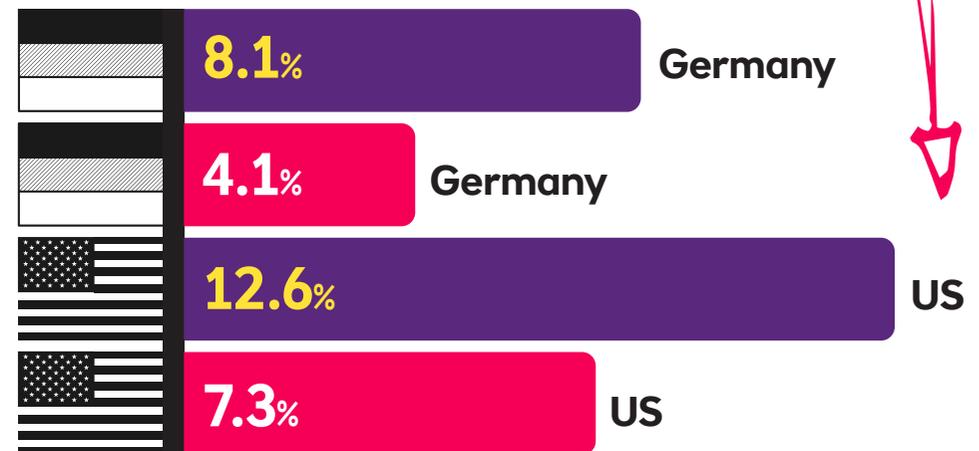
MALE AND FEMALE ACTIVITY COMPARED

Male Female

In 2020 the male rate of established entrepreneurs was:



UK male and female established entrepreneurial activity rates compared to Germany and the US:



In the UK, fear of failure among females has been consistently higher than among males, and has been increasing since 2015.

In 2020 there was a **7-percentage-point gap** between males and females.

HOLLY BOWMAN

NORTH STAR COFFEE ROASTERS



“ We have been pleasantly surprised at the focus on people and planet

Holly Bowman set up North Star Coffee Roasters in 2013, followed by a coffee shop in 2017 and Nova Bakehouse in 2019. She employs 30 people across the three businesses. She joined the NatWest Accelerator in April 2020.

“ We were initially a bit hesitant, wondering if our precious core values may be questioned, but we’ve been pleasantly surprised at how much of a focus there is on people and planet – something at the very core of what we do – and that has meant many of the webinars/discussions that have taken place have been very relevant to us.”

“Being a part of the programme has without a doubt safeguarded the future of our business and has given us the hope and confidence we needed to keep going.”

YOUNGER PEOPLE ARE MORE LIKELY TO START BUSINESSES

From **2002** to **2020**
among **18- to 29-year-olds**
there has been a clear **increase** ↑
in entrepreneurial activity.



But only **3.2%**
of **55- to 64-year-olds**
in the **UK** were involved in early-stage entrepreneurial activity.
in the **US** it was two-and-a-half times higher at **8.2%**.

In **England, Scotland and Wales**
this age group's activity has **climbed**
to reach **10%**
in 2020, double that of 2002.

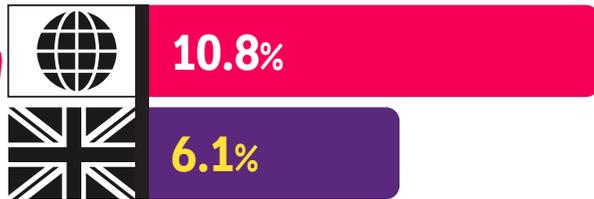
In **Northern Ireland**
it has **climbed** to reach **8.4%** ↑

In the 2020 survey, those aged **25-34** in the **UK**
were more likely to be involved in **early-stage entrepreneurial activity**
than all other age groups. But this was not significantly different to those aged **18-24 and 35-44.**

SOME COMMUNITIES ARE MORE RESILIENT

Non-UK-born residents are more likely to start and maintain businesses than UK-born residents

Total entrepreneurial activity for non-UK-born residents in 2020 was:

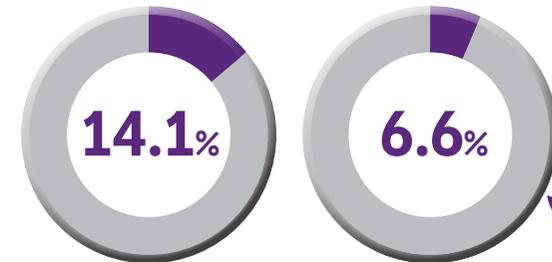


In 2017-19, the rate for non-UK-born residents was:



This means that
NON-UK-BORN residents
have been more **resilient**
to the impact of
2020
than
UK-BORN RESIDENTS

BAME communities (which have borne the brunt of the pandemic) demonstrated their entrepreneurial resilience with a **14.1%** entrepreneurial activity rate in 2020.



The entrepreneurial rate of the **white ethnic population** in the UK in 2020 was significantly lower, at **6.6%**. The entrepreneurial rate for the white ethnic group was also significantly lower than the rate in 2019.

RON MOODY

CONNECT ASSIST



**“It can be really lonely
as a chief executive**

Established around 15 years ago, specialist contact centre Connect Assist works with charities and not-for-profits running helplines. CEO **Ron Moody** joined the NatWest Accelerator around four years ago, when the company had 140 employees (it now has 400).

“I really liked the idea of networking with other leaders trying to grow their companies from concept or seed and mixing with other chief executives grappling with similar problems in different industries.

“It can be very lonely as a chief executive, grappling with things you can’t always easily talk about.

My mentor put together a panel of investment experts who could critique my pitch and this really helped us understand our growth potential.”

CONDITIONS IN THE UK

A panel of business experts established the conditions needed for entrepreneurship to thrive in the UK

THE UK'S STRONG POINTS



THE UK'S WEAK POINTS

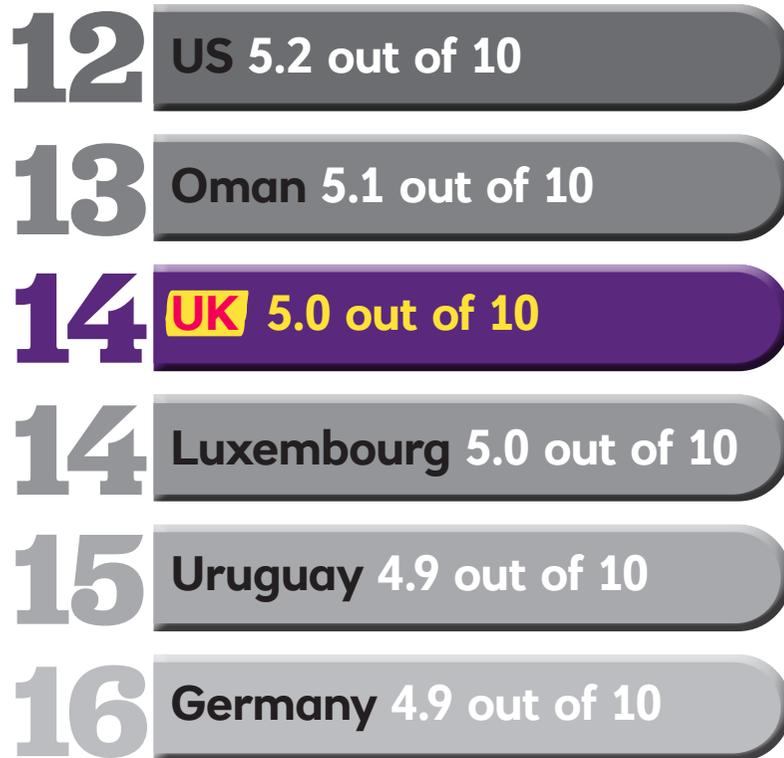


CONDITIONS COMPARED

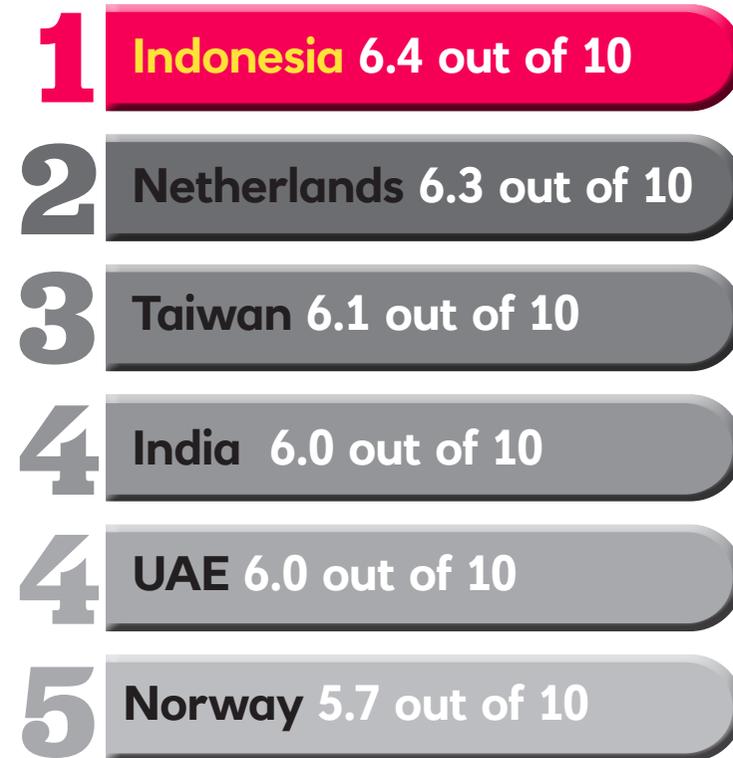
The National Entrepreneurship Context Index, which compares conditions for entrepreneurial activities, gave the UK a score of **5 out of 10** in 2020, up from 4.83 in 2019.

The **UK occupies joint 14th place** (with Luxembourg) in the 44 economies surveyed.

THE UK'S NEIGHBOURS IN THE RANKINGS



TOP OF THE RANKINGS



ENTREPRENEUR OBSTACLES

In spite of the UK being good at entrepreneurial finance, it remains one of the major obstacles for entrepreneurs in 2020.

58%

of the panel of business experts cited financial support as a constraint to getting business started. This increased from

47%

in 2019 and was at the same level as in 2018.



At the same time, the informal investment rate (finance from friends and family) increased to

6.6%

in 2020 from

2.9%

a decade earlier.

This means that access to formal finance for start-ups and businesses needs to improve.



Other issues:

34%

of experts said lack of government programmes is a major obstacle.

This was a change from

2019

when economic crisis was regarded as the second major obstacle.



Education and training was the

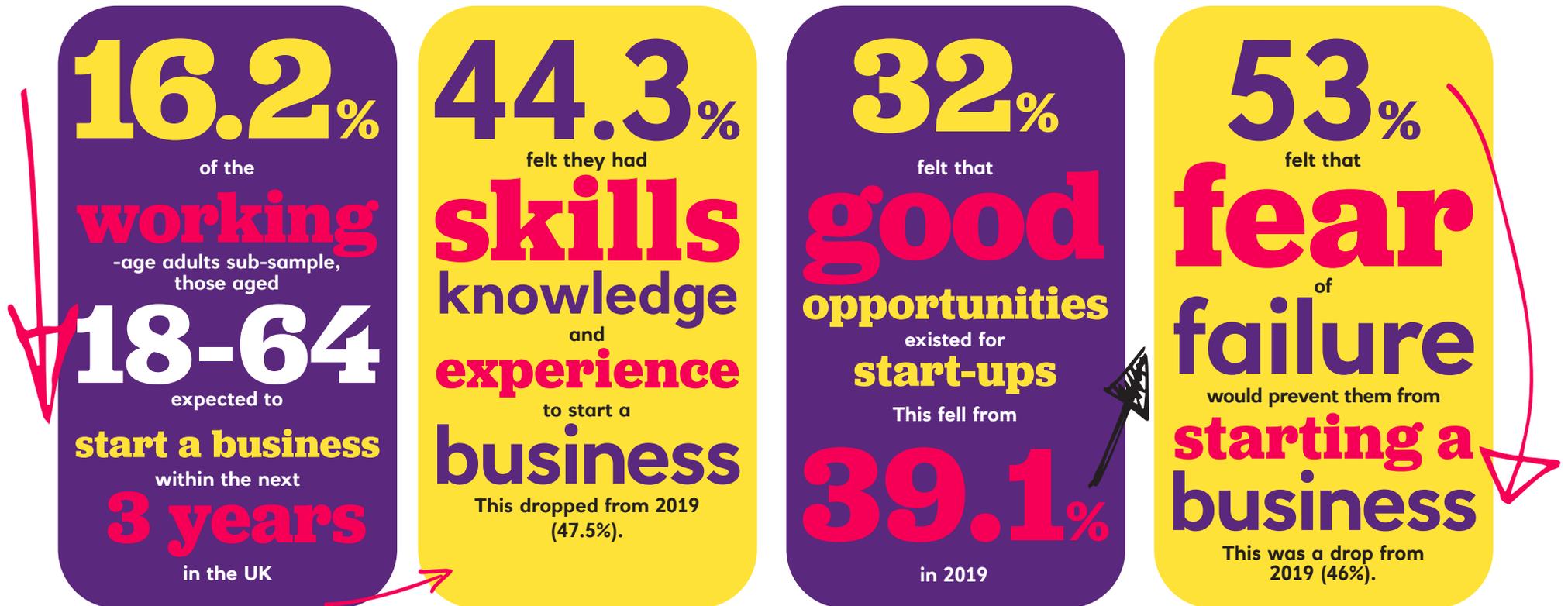
3rd

most cited obstacle to entrepreneurial activity, unchanged from

2019



ENTREPRENEURS NEED MORE SUPPORT TO START



Entrepreneurs need **support** to make business happen.

ALISON MAGEE-BARKER

AJ LAKES CONSULTANCY



“The programme has helped me to focus on making the right decisions

Alison Magee-Barker started AJ Lakes Consultancy in 2017 and helps hospitality businesses in Cumbria grow, providing courses and consultancy.

“Joining the NatWest Accelerator Programme’s Business Builder meant I had access to lots of tips, tools and techniques to implement within my business. One of these was the Business Model Canvas workshop, something I already used but which was a great focus for the new ‘arms’ of my business.

“The programme has helped me to focus on making the right decisions and ensure I think of every single area fully, to sustain and move in the right direction.”

SPRINGBOARD TO RECOVERY

NatWest is investing

£6bn

in the growth of SMEs,
including

£4bn

outside London to build
back better together.

FOCUSING

75%

OF OUR AWARD-WINNING
ACCELERATOR NETWORK

ON HIGH-GROWTH-POTENTIAL
BUSINESSES

A NEW PARTNERSHIP WITH

DIGITAL BOOST

TO MENTOR

500,000

WOMEN

IN TECH SKILLS AND PRACTICES

10,000

NATWEST CUSTOMERS CONNECTED TO

TRAINING

AND

GROWTH

OPPORTUNITIES

SCALING-UP OF

1.2
MILLION

MICRO BUSINESSES

To read the full report

gemconsortium.org

To find out more about
NatWest for Business

natwestbusinesshub.com

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