

IS ENTREPRENEURSHIP PROHIBITIVE IN THE CURRENT ECONOMIC
ENVIRONMENT IN IRELAND?

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IS ENTREPRENEURSHIP PROHIBITIVE IN THE CURRENT ECONOMIC
ENVIRONMENT IN IRELAND?

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Signed statement:

I declare that this dissertation is the result of my own independent investigation, which I now submit for assessment on the programme of study leading to the award of Master of Business in Strategy and Innovation Management is entirely my own work and has not been taken from the work of others, save and to the extent that such work has been cited within the text of my work.

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Glossary of Abbreviations

AIB: Allied Irish Bank

CIP: Competitiveness and Innovation Framework Programme

CPA: Institute of Certified Public Accountants

EI: Enterprise Ireland

EIB: European Investment Bank

EU: European Union

EYEEP: Ernst and Young Entrepreneur of the Year Program

FP7: Seventh Framework programme for research and development

GEM: Global Entrepreneurship Monitor

HPSU: High Potential Start-Up

ISME: Irish Small and Medium Enterprises

JEREMIN: Joint European Resources for Micro to Medium Enterprises

OECD: Organisation for Economic Co-operation and Development

PAYE: Pay as You Earn

PI: Predictive Index

PRSI: Pay Related Social Insurance

SFA: Small Firms Association

SME: Small and Medium Enterprises

STI sectors- Science, technology and innovation

TEA: Total early-stage entrepreneurial activity

USA: United States of America

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Abstract

In Ireland entrepreneurship has played a central role in the development of the Irish economy with many of the opinion that it played a significant role in the creation of the 'Celtic Tiger'. Accordingly, entrepreneurship has a key role to play in the Government's drive to ensure the future growth and prosperity of the country.

In the last number of years the Irish economy has seen an increasingly rapidly changing economic and business environment fraught with negative attitudes towards success. While it is evident that entrepreneurs in Ireland are not short on personal drive and commitment the author concludes from her analysis that these entrepreneurs require some additional support in assisting them to overcome the barriers and difficulties that they now face due to the current economic climate.

This dissertation investigates if entrepreneurs in Ireland perceive that they need more government support to undertake an entrepreneurial career. The focus therefore is on the issue of entrepreneurship; in particular, on the support mechanisms available to both existing and start-up business.

The author used a number of methodologies in order to address the objectives. Literature on SMEs in Ireland was reviewed; alongside this the author also investigated international literature on entrepreneurs, paying particular attention to the internal characteristics of entrepreneurs and on the factors that motivate them to establish and expand their businesses. A key element of the study was to obtain the views of entrepreneurs on the issues being addressed by the author. In-depth personal interviews were held with six entrepreneurs in Co. Galway.

This research highlights the need for more government support to encourage the innovation and risk taking of entrepreneurs. The entrepreneurs interviewed have indicated that currently entrepreneurship is prohibitive and all believed that the government needs to do more to create an environment that is more conducive to job creation.

CHAPTER ONE: INTRODUCTION

*"THE KEY TO GROWTH IS THE INTRODUCTION OF HIGHER DIMENSIONS
OF CONSCIOUSNESS INTO OUR AWARENESS"*

LAO TZU

1.1 Introduction

A thriving entrepreneurial economy can deliver a range of economic, regional and social benefits to a nation. In Ireland entrepreneurship has played a central role in the development of the Irish economy many are of the opinion that it played a significant role in the creation of the 'Celtic Tiger'. Accordingly, entrepreneurship has a key role to play in the Government's drive to ensure the future growth and prosperity of the country (GEM 2006).

In the last number of years the Irish economy has seen an increasingly rapidly changing economic and business environment fraught with negative attitudes towards success. Despite the recession, the entrepreneurial framework conditions still remain strong in Ireland despite the decline in economic growth both nationally and internationally; with the GEM 2008 survey stating that there was no fall off in the level of those who had recently set up a new business (new firm entrepreneurs) (4.3%). Ireland remained to the fore in Europe in early stage entrepreneurs (7.6%) and there continues to be a high level of established owner-managers at 9% of the adult population. The aspiration to start a new business in the next three years (10%), however, still remains strong (GEM Ireland 2008 National Report).

Ireland's economic recovery will be largely dependent on the ability of our entrepreneurs to create and grow new enterprises and generate employment. Foreign direct investment played a major role in job creation and economic growth in Ireland in the past but it will be home-grown enterprise which creates the vast majority of new jobs and wealth in the future (CPA 2008). However, reflecting the prevailing economic conditions, there is a significant decline in the number of people perceiving good opportunities to start a new business - down to 27% from 46% in 2007 (www.gemconsortium.org)

While it is evident that entrepreneurs in Ireland are not short on personal drive and commitment the author concludes from her analysis that these entrepreneurs require additional support in assisting them to overcome the barriers and difficulties that they now face due to the current economic climate.

1.2 Rationale for the Study

Entrepreneurship has a critical role in the Irish economy as it contributes to the economic growth and development of the nation, and as such, should be at the centre of government policy. This sentiment is echoed by Forfás who stated that “One of the key priorities for Ireland is to continue to grow our entrepreneurial base. To meet this challenge we need a policy which sets out our vision for the public and private sectors alike and is supported by action that will bring benefits for all of the people of Ireland”.

Forfás (2007) also believes that entrepreneurship should be high on the economic and social policy agenda given the range of strategic, economic, spatial, social and personal benefits that it can bring. Entrepreneurship can help Ireland in meeting the challenges of:

- Sustaining growth;
- Deepening competitive advantage in a knowledge economy;
- Strengthening the enterprise base;
- Creating vibrant regions;
- Achieving social inclusion.

Entrepreneurship creates many benefits including job creation, increased competition, improvements in productivity, and new innovative products/services. The innovative nature of some entrepreneurs is helping Ireland reposition itself as a knowledge economy. Thus investigating the perceptions of entrepreneurs will add to the existing body of academic research and provide new and valuable information for government policymakers in terms of support mechanisms for entrepreneurs in Ireland.

(www.forfas.ie)

1.3 Objectives of the Research

Building on the rationale which highlights the importance of entrepreneurship, the objective of this research is to investigate if entrepreneurs perceive the current economic environment as prohibitive or is it their perception that there are positive mechanisms in place to sufficiently support existing and nascent entrepreneurs.

Chapter One: Introduction

The author will also examine the effectiveness of entrepreneurship policy and establish if entrepreneurs perceive that these are sufficient in meeting their requirements.

1.3.1 Secondary objectives

- To develop a profile of entrepreneurs in Ireland
- To explore the reasons for success and failure among entrepreneurs
- To evaluate the support available from government for entrepreneurs
- Examine if entrepreneurs in Ireland perceive that they need more government support to undertake an entrepreneurial career.

1.4 Overview of the Chapters

The researcher will provide a brief outline of the content in each chapter of this dissertation.

Chapter One: Introduction

This chapter provides an introduction to the research topic for the thesis including the rationale and objectives of this study.

Chapter Two: Literature Review

This will outline the relevant literature in the field of international business including the evolution of academic research and the different streams relating to entrepreneurship.

Chapter Three: Methodology

This chapter is a description of the research methodology pursued the process that was followed and research tools utilized.

Chapter Four: Research Findings

This chapter gives an outline of the primary research findings uncovered in the study.

Chapter Five: Discussion

This chapter provides a discussion relating to the findings of Chapter Five.

Chapter Six: Conclusion and Recommendations

This chapter is the final stage where a summary of the findings are outlined and their contribution to the field of research, limitations and possible areas for future research are presented.

1.5 Conclusion

This field of study is complex and broad with many researchers having conducted empirical work to date and there are still many questions left unanswered. Due to the limitations of this minor dissertation the researcher does not have the resources, time, or scope to answer all questions concerning this topic. The researcher's aim is to uncover information on entrepreneurship, the effectiveness of policy and support mechanisms for entrepreneurs and to find out if they believe they are sufficient to meet their needs.

CHAPTER TWO: LITERATURE REVIEW

*"TO BE CONSCIOUS THAT YOU ARE IGNORANT IS A GREAT STEP TO
KNOWLEDGE"*

BENJAMIN DISRAELI

2.1 Introduction

Hart (1998, p.1) suggests a literature review must be used to justify a topic and a key objective is to provide a clear and balanced picture of current leading concepts, theories and data relevant to the topic of study.

This chapter will provide a profile of entrepreneurs in Ireland. The term entrepreneurship will be defined, the reasons for success and failure among entrepreneurs will be explored and the various support mechanisms and government aids available in Ireland will be highlighted. In addition, the researcher will adduce information and/or statistics indicating other factors conducive or otherwise to entrepreneurial activity in Ireland.

2.2 Defining Entrepreneurs

The term “entrepreneur” is French in origin: a literal meaning might translate as “to undertake a task”. The definition of entrepreneurship has evolved over time as the economic structure of the world has become more transformed and complex.

Definitions of entrepreneurship are varied:

“The person or group of persons who assume responsibility of combining the factors of production into business organisation and keeping the organisation in operation...he commands the industrial forces and upon him rests the responsibility of their success or failure” (Westhead and White, 2000, p.297). “An entrepreneur is someone with a vision who spots a new opportunity and is minded to act on it and start something” (Thompson, 1999, p.2). “An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalise on them (Zimmerer and Scarborough, 2008, p.5).

Entrepreneurs “break the mould” by rejecting society’s prevailing norm of seeking employment with another organization or person (Teal & Carroll, 1999). Many entrepreneurs are misfits, difficult employees who start their own firms because they are unwilling to submit to authority and find it difficult to work in a pre-structured environment (Kets de Vries, 1985). Kets de Vries (1985, p. 161) noted

that “entrepreneurs seem to be driven by a magnificent obsession,” and Winslow and Solomon (1988) described entrepreneurs as mildly sociopathic.

2.2.1 Types of Entrepreneurs

The researcher will now describe the various categories of entrepreneurs:

2.2.2 Nascent Entrepreneurs

A nascent entrepreneur is defined as someone who initiates serious activities that are intended to culminate in a viable business start-up. The entrepreneurial cycle has four phases -- conception, gestation, infancy and adolescence -- that capture three transitions in entrepreneurial efforts: from an adult with a business idea to an individual entrepreneur, to a fledgling firm, and, finally, to an established new firm (Reynolds, 1994).

2.2.3 New firm entrepreneur

A new firm entrepreneur is an entrepreneur who, at least in part, owns and manages a new business that is between 4 and 42 months old and has not paid salaries for longer than this period (Gem Report 2008).

2.2.4 Total early-stage entrepreneurial activity (TEA Rate)

As its name implies, total early-stage entrepreneurial activity refers to the total rate of early-stage entrepreneurial activity among the adult population aged 18–64 years inclusive. In some instances, this rate is less than the combined percentages for nascent and new firm entrepreneurs. This is because, in circumstances where a respondent qualifies as both a nascent and a new firm entrepreneur, he or she is counted only once (Gem Report 2008).

2.2.5 Established business owner

In addition to those individuals who are currently involved in the early stages of a business, there are also many individuals who have set up businesses that they have continued to own and manage for a longer time. These individuals are included in the established business owner index, which captures the percentage of individuals in a population who have set up businesses that they continue to own

and manage and who have paid wages or salaries for more than 42 months (Gem Report 2008).

2.2.6 High growth expectation early stage entrepreneurs

Growth expectations are measured in terms of jobs growth expected after 5 years. These are defined as those early stage entrepreneurs expecting to employ 20 or more staff in the first five years (Gem Report 2008).

2.3 Traits and characteristics of entrepreneurs

Research on personality and entrepreneurship has focused on two broad research questions: Why do some people but not others become entrepreneurs? Why do some people make more successful entrepreneurs than others? (Shaver 2007). The personality approach provided the impetus for substantial research in the 1960s and 1970s. Rauch and Frese (2007) described the personality approach as a classic but controversial approach to the psychology of entrepreneurship.

The traits and characteristics adopted are based on a contemporary analysis of research conducted and the researcher has taken those believed to be the most important traits:

Internal Locus of Control. Rotter (as cited in Chell, Haworth and Brealey in Kapp, 2003), believed that the need for achievement is related to the belief of internal locus of control. People with an internal locus of control are those individuals who also believe themselves to be in control of their destiny (Chell et al. in Kapp, 2003).

Need for Achievement. McClelland in his work suggested that the key to entrepreneurial behaviour lies in achievement motivation, and concludes that a high need for achievement drives people to become entrepreneurs. (McClelland, 1961). Value of Achievement and high degree of commitment, in this regard money, is simply a way of keeping score of accomplishments, as a symbol of achievement. Entrepreneurship is also hard work, and launching a company successfully requires total commitment from an entrepreneur (Zimmerer

Chapter Two: Literature Review

Scarborough, 2008); these types of characteristics are termed masculine, as posited by Hofstede.

Risk Taking. Whether financial, social or psychic risk taking is a distinguishing characteristic of entrepreneurship. In this regard, Hull and colleagues (in Kapp, 2003) found that personality characteristics most important in identifying entrepreneurial types are functional task preference, and personality constructs of creativity, risk and flexibility. In this regard, Kapp (2003) suggested that the level of uncertainty involved in an entrepreneurial venture indicates that individuals drawn to such lines of business will possess a certain level of risk taking propensity.

Tolerance for Ambiguity. Entrepreneurs tend to have a high tolerance for ambiguity. This ability to handle uncertainty is critical because these business builders constantly make decisions using new, sometimes conflicting information gleaned from a variety of unfamiliar sources (Zimmerer Scarborough, 2008).

Innovative. Being an entrepreneur has come to mean more than having innovative ideas, and encouraging experimentation (Innovativeness) (Price, 2000).

Future Orientation. Entrepreneurs have a well-defined sense of searching for opportunities. They look ahead and are less concerned with what they did yesterday than with what they might do tomorrow (Zimmerer Scarborough, 2008).

Desire for Responsibility. Entrepreneurs feel a deep sense of personal responsibility for the outcome of ventures they start. They prefer to be in control of their resources, and they use those resources to achieve self-determined goals (McClelland in Zimmerer Scarborough, 2008) or it can be categorized as Individualism.

Relationship with Others. This is defined as more transactions and deal making as basic relationship achievement and no concern about status symbols (Hofstede) (www.essex.ac.uk)

2.4 Benefits and drawbacks of entrepreneurship

There are increasing numbers of people choosing to enter entrepreneurial careers and to realise their ambitions of becoming self-employed. However before taking such a decision the potential entrepreneur should consider the benefits and the drawbacks of such a venture, as outlined by Zimmerer and Scarborough (2008,p.8):

Benefits

- Opportunity to create your own destiny
- Opportunity to make a difference
- Opportunity to reach your full potential
- Opportunity to reap impressive profits
- Opportunity to contribute to society and be recognised for your efforts
- Opportunity to do what you enjoy and have fun at it

Drawbacks

- Uncertainty of Income
- Risk of losing your entire investment
- Long hours and hard work
- Lower quality of life until the business gets established
- High levels of stress
- Complete responsibility
- Discouragement

(Zimmerer and Scarborough, 2008, p.8).

2.5 Reasons for success and failure among entrepreneurs

According to Dun & Bradstreet statistics (1995), 88.7% of all business failures are due to management mistakes. The following list summarises the 12 leading management mistakes that lead to business failures:

- 1) Going into business for the wrong reasons
- 2) Advice from family and friends
- 3) Being in the wrong place at the wrong time
- 4) Entrepreneur gets worn-out and/or underestimated the time requirements
- 5) Family pressure on time and money commitments

- 6) Pride
- 7) Lack of market awareness
- 8) The entrepreneur falls in love with the product/business
- 9) Lack of financial responsibility and awareness
- 10) Lack of a clear focus
- 11) Too much money
- 12) Optimistic/Realistic/Pessimistic

It should be understood that no magic solutions will guarantee a business success. However, the following items should assist in the improvement of chances for success:

- 1) Development of a business plan
- 2) Obtaining accurate financial information about the business in a timely manner
- 3) Profile of target customer

2.6. Role of entrepreneurship as a driver of economic activity

“Innovation and economic growth accrue to those places that can best mobilise humans’ innate creative capabilities from the broadest and most diverse segments of the population, harness indigenous talent and attract it from the outside” (Florida R. et al 2006). Literature produced by both academics and policy makers for the most part indicates that entrepreneurship is a crucial component to the development of society. From job creation to innovation, entrepreneurs help to accelerate the changes that occur in economies. Ultimately, they contribute to the productivity of economies through the introduction of new competition, hence creating economic growth and national competitiveness.

Innovative SMEs and entrepreneurship can contribute to the recovery of countries that have faced global financial and economic crisis, and act as a driver of growth and job creation across the OECD area. The ‘Bologna +10’ (2010) identified a number of key factors that characterise the contribution of innovative SMEs and entrepreneurship to job creation and growth:

Chapter Two: Literature Review

- SMEs represent the majority of all businesses and employment. Across the OECD area, they account for approximately 99 % of all enterprises and two-thirds of employment.
- New firms play an important role in job creation. Between 1 and 6 % of employment was generated by new firm creations across a range of countries
- The two major distinguishing characteristics of high-growth SMEs are their export orientation and their innovation capabilities, including their effective exploitation of intellectual assets, active networks and adequate finance (OECD, 2002, 2010a).
- SMEs lost fewer jobs than large firms in past recessions, cushioning the impact of reduced output on unemployment levels. In the current crisis, employment in SMEs continued to hold up better than employment in larger enterprises in several countries.
- In the longer term, new firms, high-growth SMEs and SMEs can help raise productivity and introduce innovations, although SMEs may also be a drag on productivity if they are not able to improve performance. Enterprise churn, i.e. firm exits and their replacement by firm entries, is estimated to have accounted for between 20 and 40 % of labour productivity growth in a range of European countries and the USA (OECD, 2003).
- A select group of innovative SMEs are initiators of breakthrough innovation. They are often but not always high-growth SMEs. New firms represent a significant proportion of all patents filed by businesses, but this share varies strongly by country (Bologna +10 report).

2.6.1 Entrepreneurship as a global phenomenon

Reynolds, Bygrave, & Autio, (2004) described entrepreneurship as a “world-wide phenomenon” that is on the increase. The 1990s saw major start-up activity in transition economies, where private sector activity is relatively new (Peng, 2001). Around the world, 9 in every 100 people of working age are involved in entrepreneurship, with approximately 300 million in the venture creation phase (Reynolds et al., 2004). The generation of the 21st century has been branded Generation E, the most entrepreneurial since the Industrial Revolution (Kuratko, 2003).

Chapter Two: Literature Review

A dominant trend in the 21st century is likely to be ethnic entrepreneurship, with entrepreneurial activity in the developing world increasing because of free trade, the availability of venture capital, and the development of infrastructure (Morris, Chindehutte, & Lesser, 2002).

2.6.2 Entrepreneurship in the U.S.A

America remains a beacon of entrepreneurialism. Between 1996 and 2004 it created an average of 550,000 small businesses every month. Many of those small businesses rapidly grow (The Economist Mar 12th 2009). The rewards for success can be huge—Google’s Mr. Brin was a billionaire by the time he was 30—and the punishments for failure are often trivial. In some countries bankruptcy spells social death. In America, particularly in Silicon Valley, it is a badge of honour (The Economist Mar 12th 2009).

Entrepreneurship is increasingly acknowledged in U.S. society as a realistic, sometimes even preferable, method of work. The percentage of young people who strive to start their own business is both robust and growing (Timmons & Spinelli, 2007). People the world over admire its ability to produce world-changing entrepreneurs, such as Bill Gates, wealth-creating universities, such as Harvard and Stanford, and world-beating clusters, such as Silicon Valley. Simon Cook, of DFJ Esprit, a venture-capital company, argues that Silicon Valley’s most successful export is not Google or Apple but the idea of Silicon Valley itself (The Economist Mar 12th 2009).

2.6.3 Ireland and Global Perspective

The Global Entrepreneurship Monitor (GEM) in its 2008 annual report for Ireland suggests that there has been no fall-off in Ireland’s level of those who had most recently set up new businesses at 4.3% (percentage of population who have started a new firm in the last 3.5 years, paying wages). In addition, it states that “Ireland continues to be to the fore in Europe in early stage entrepreneurs (7.6%). There continues to be a high number of established owner managers at 9% of the adult population” (GEM Ireland, 2008). There is also some anecdotal evidence that in Ireland the growth in “early stage entrepreneurs” and “established owner

managers” has been largely in non-STI sectors, such as in Construction and Property in more recent years.

Ireland’s enterprise performance against many of the GEM key measures peaked in 2005 and our current “low tech.” enterprise profile are quite similar to those of Greece, which ranks ahead of Ireland in 4 out of 5 of the GEM measures, based on its global study for 2008. In addition, this also shows Ireland’s relative position compared with other “Innovation Countries” (18 Countries Globally) - Nascent Entrepreneur: Ireland 8th; New Firm Entrepreneur: Ireland 4th; Established Entrepreneur: Ireland 5th; Total Early Stage: Ireland 6th and Exits: Ireland 2nd. GEM Ireland (2008), also points to a significant decline in those actively planning new businesses (nascent entrepreneurs) reducing from 4.2% in 2007 to 3.3% in 2008. There is also a major reduction in the number of people perceiving good opportunities to start a new business – down from 46% in 2007 to 27% in 2008 (one of the sharpest declines across participating GEM Countries).

2.7 Celtic Tiger

During the Celtic Tiger period, Ireland was used as a model by other countries due to its phenomenal growth and low levels of unemployment. From 1993 the unemployment rate which stood at 15.7% had decreased to its lowest level in 2000 since the founding of the state to a mere 4.7% (Ahead of the Curve, 2004). During this period the National Development Plans built on the successes of the late 1990s which improved the quality of infrastructure such as telecommunications, energy, ports and roads thus encouraging more business start ups. The taxation system was also overhauled with personal income tax, capital gains tax and corporation tax significantly reduced, providing an environment that encouraged enterprise. The banking sector became more competitive as international (such as Bank of Scotland and Halifax) companies entered the market providing increased flows of credit to nascent entrepreneurs.

Entrepreneurship thrived with approximately 80,000 individuals in Ireland starting a new business between January 2003 and June 2006. The overall level of early stage entrepreneurial activity among the adult population in Ireland in 2006 was 7.4%. Prior to 2003, 214,000 (nearly 8 in every 100 people in Ireland) Irish people

owned/ managed a business they had established. In 2006 alone, nearly 122,000 Irish people were actively attempting to start a new business and it is estimated that 201,000 people were involved in early stage entrepreneurial activity (Forfas 2006).

2.8 Profile of entrepreneurs in Ireland

In a September, 2009 study of 100 finalists of the Ernst and Young Entrepreneur of the Year Program, it was found that: 70 % of Ireland's most successful entrepreneurs shared a common core personality profile as measured by the Predictive Index 82 % of the entrepreneurs studied were assertive, self-confident, challenging, venturesome, independent and competitive individual; 85 % had low patience, and were tense, restless and driven individuals. A very distinctive PI Profile for these (EYEYP) entrepreneurs emerged from the data. Attributes of this "typical" entrepreneurship profile includes:

1. Proactive, assertive, has a sense of urgency for achieving their goals
2. Communicates directly and to the point
3. Challenging of the world
4. Independent in putting forth their own ideas, which are often innovative and, if implemented, cause change
5. Impatient for results, they will put pressure on themselves and others for rapid implementation
6. Less productive when doing routine work
7. Task-focused; they often notice and are driven to fix technical problems
8. Ability to work through any personal/emotional issues
9. Aptitude to spot trends in data or figure out how complex systems work
10. Independent in thinking and action
11. Confident in taking action without input from others
12. Assertive drive to accomplish their personal goals by working around or through roadblocks (www.piworldwide.com).

2.8.1 Entrepreneurship by region

Entrepreneurship is evident throughout many regions of Ireland; however there are a greater number of entrepreneurs in regions with larger populations. According to

Chapter Two: Literature Review

the Gem report of 2008 a large number of people continue to aspire to an entrepreneurial career.

Table 2.1: Entrepreneurial Activity by Region

TABLE 2.2: ENTREPRENEURIAL ACTIVITY BY REGION (2004-2008)

Region	Expect to start a business in next 3 years	Nascent entrepreneurs	New firm entrepreneurs	Early stage entrepreneurs (TEA) ¹⁰	Informal investment activity
	Percentage of all adults	Percentage of all adults	Percentage of all adults	Percentage of all adults	Percentage of all adults
Ireland (2008)	10.0%	4.4%	3.9%	8.1%	2.8%
Border	12.8%	5.0%	3.1%	7.9%	2.0%
Dublin	10.5%	3.8%	3.6%	7.2%	2.3%
Mid-East	11.8%	5.8%	4.0%	9.5%	2.4%
Midlands	10.3%	5.7%	3.9%	9.1%	2.7%
Mid-West	13.0%	4.3%	3.5%	7.2%	1.4%
South East	10.7%	5.1%	6.1%	10.7%	2.0%
South West	8.6%	4.1%	3.3%	7.2%	3.1%
West	10.5%	5.4%	4.9%	10.0%	3.2%

Table 2.2: Entrepreneurial Activity in the West

TABLE 2.10: WEST REGION	
	Percentage
Entrepreneurial Activity	
Nascent entrepreneurs	5.4%
New firm entrepreneurs	4.9%
Total early stage entrepreneurs (TEA)	10.0%
Expect to start a business in the next three years	10.5%
Gender	
Early Stage entrepreneurial activity - Men	13.2%
Early Stage entrepreneurial activity - Women	6.5%
The Cultural Context for Entrepreneurship	
Entrepreneurship considered a good career choice	62%
Successful entrepreneurs are held in high regard	83%
Positive media coverage of successful entrepreneurs	76%
The Personal Context for Entrepreneurship	
Know a recent entrepreneur	43%
Have the knowledge and skills to start a business	49%
Good opportunities to start a business	43%
'Fear of failure' prevent you starting a business	40%
Informal Investors	
Invested in someone else's business in the last 3 years	3.2%

Table 2.3: Entrepreneurial activity by gender by region

TABLE 3.2: IRELAND'S EARLY STAGE ENTREPRENEURIAL ACTIVITY BY GENDER BY REGION (2004-2008)				
Region	Early stage entrepreneurs	Men early stage entrepreneurs	Women early stage entrepreneurs	Ratio as a ratio (men:women) ²²
	Percentage of all adults	Percentage of all adults	Percentage of all adults	
Border	7.9%	10.3%	5.4%	1.9:1
Dublin	7.2%	11.4%	3.3%	3.5:1
Mid-East	9.5%	14.4%	4.7%	3.1:1
Midlands	9.1%	11.0%	7.2%	1.5:1
Mid-West	7.2%	11.6%	3.2%	3.6:1
South East	10.7%	15.5%	6.1%	2.5:1
South West	7.2%	8.6%	5.7%	1.5:1
West	10.0%	13.2%	6.5%	2.0:1

2.8.2 The Culture for Entrepreneurship in Ireland

Almost 50% of the Irish population believe that they have the necessary knowledge, skills and experience to successfully start a new business. The entrepreneurial culture is considered strong relative to other OECD countries with 70% of Irish people perceiving it to be a good career choice compared to an average of 60% in EU countries and 53% in OECD countries (GEM 2006 pg 19).

2.9 Support available from government for entrepreneurs

There are various sources of funding, support and advice available in Ireland for business owners from a variety of Irish bodies (see Appendix 1); some of these are briefly discussed below:

2.9.1 Enterprise Ireland is the government agency responsible for the development and promotion of Ireland's business sector. Its mission is to accelerate the development of world-class Irish companies to achieve strong positions in global markets resulting in increased national and regional prosperity (www.enterprise-ireland.com/en/).

All of the services provided are geared toward helping Irish companies win international sales. The range of services provided by Enterprise Ireland is extensive and includes the following:

Funding supports - a range of supports for start-ups, expansion plans, and R&D business plans.

Export assistance - including the provision of in-market services, local market information and the facilities of the international office network.

Supports to develop competitiveness - helping companies to become leaner to make them more competitive in international markets.

Incentives to stimulate in-company R&D – new product, service and process development to ensure sustainability, and growth through the evolution of products and services.

Assistance with R&D collaboration - with research institutions, to develop and bring to market new technologies, products or processes.

Connections and introductions to customers overseas - They provide access to a global network of contacts - from heads of government to end customers. All services are made available to clients through their Enterprise Ireland Development Adviser who acts as the primary point-of-contact for all Enterprise Ireland services.

The Development Advisers have sectoral expertise and are experienced in working with companies through all stages of the business development - from start-up, to established small and medium-sized enterprises, right through to Irish international companies with the ability to achieve significant scale.

High Potential Start-Up (HPSU)

Enterprise Ireland offers a range of supports for start-up projects that are considered High Potential Start-Up (HPSU) companies. Funding available to HPSUs is offered in three ways. Grant funding is available to help entrepreneurs build an investor-ready business plan. Once a HPSU has developed a sound business plan and identified investors, you can apply to the Innovative HPSU Fund for an Enterprise Ireland equity investment.

Established SME Funding

Enterprise Ireland provides a range of funding supports and programmes for Irish companies in the manufacturing and internationally traded services sectors. Funding decisions are determined by the:

1. need for financial support for the project,
2. potential employment and sales growth,
3. regional location of the company, and
4. previous funding provided to the company.

(www.enterprise-ireland.com)

2.9.2 Údarás na Gaeltachta is the regional authority responsible for the economic, social and cultural development of the Gaeltacht area. Gaeltacht economic activities include agriculture, fishing (including aquaculture) other natural resources, textiles, engineering, electronics, audio-visual activities and telecommunications. New businesses setting up in the Gaeltacht area may be

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eligible for financial and non-financial assistance. Assistance is also available to qualifying companies expanding their operations.

(www.screenwest.ie)

General financial assistance includes employment grants, capital grants, rent subsidy, interest subsidy and training grants. Financial assistance towards technological advancement includes feasibility study grants, research and development grants, grants towards licensing and joint ventures. Non-financial incentives include workspace accommodation, advice, assistance with recruitment and training, start-up guidance, and legal advice. Údarás Na Gaeltachta can assist investors through all stages of start up and development, from site identification to help with recruitment, training and legal requirements (www.screenwest.ie). They offer a wide range of financial incentives such as feasibility study grants, research and development grants, capital grants and employment grants.

Údarás Na Gaeltachta also offers training opportunities to enhance personal development. These training opportunities include a Management Development Scheme, a Work Experience Scheme, Apprenticeships and Lifelong Learning.

(www.udaras.ie)

2.9.3 EU funding Various early stage business support services are available to entrepreneurs to provide a solid platform for starting and growing a business (www.eubusiness.com) The European Commission is working with the Member States to stimulate the provision of loans and venture capital for SMEs. They improve the financing environment for small businesses in Europe to help innovation and growth. This happens both through their own policies and by helping the Member States to share good policies and benefit from the experiences of others.

The Commission is also helping small businesses to overcome financial market weaknesses, mostly by working together with various financial institutions to provide them with funding. The goal is to increase the opportunities for small businesses to obtain finance from banks, guarantee providers and venture capital

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funds. The EU has several financial programmes which are designed to help SMEs get direct or indirect access to finance:

Indirect funding:

The Competitiveness and Innovation Framework Programme (CIP) has established a set of financial instruments with a budget of over €1bn to facilitate access to loans and equity finance for SME's. These funds are made available to the business through financial intermediaries in the EU countries. The European investment bank has lending programmes that can benefit SME's. These programmes can be accessed through financial institutions in the member states. The list of intermediaries for each country is available on the EIB website. The JEREMIN (Joint European Resources for Micro to Medium Enterprises) also provides financing for small and medium sized businesses.

Direct funding:

Seventh Framework programme for research and development (FP7) the SME Techweb site gives further details on how SMEs can participate in FP7. In addition, SMEs can participate in FP7. The EU also provides grants aimed at specific policy objectives like research or education, mostly funding cooperative projects (www.ec.europa.eu).

Other types of funding include business angel funding and seed capital which is considered to be more of a high risk strategy.

2.10 Current Economic Conditions

Ireland is currently facing one of the most difficult economic periods in the history of the state. With unemployment at 14.8%, weekly job losses, social difficulties, the banking crisis and a return to emigration, many analysts believe that the solution to the current difficulties lies within the successes of the indigenous sector that have the ability to create and grow new enterprises and provide employment.

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systems to encourage legitimate employment over what it calls 'jobs for cash' (www.rte.ie).

2.13 Late Payments

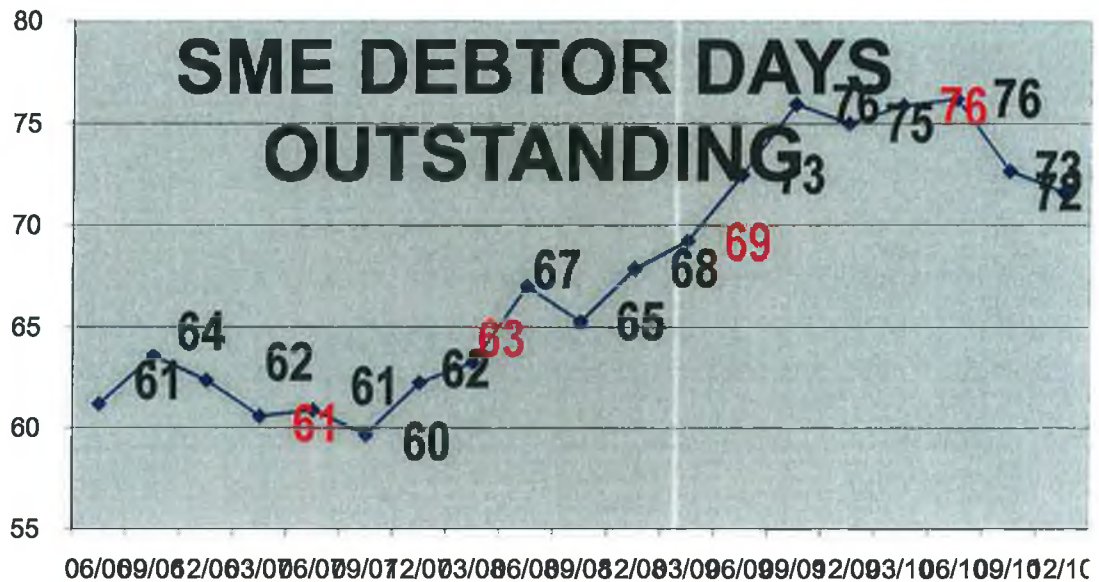
In May 1997 the Oireachtas enacted the Prompt Payment of Accounts Act. The purpose of this act was to provide for the prompt payment of business accounts by certain public sector and other purchasers of goods and services, and for related services (www.irishstatutebook.ie). Business liquidity is a must in order for businesses to survive; however, small businesses are continuing to be squeezed by their larger counterparts according to the latest ISME report.

The ISME Credit Watch Survey for Winter 2010 shows clearly that smaller enterprises are continuing to suffer because of deliberately delayed payments from both state agencies and larger businesses. Although the number of credit days has reduced and enterprises are waiting less than reported in the last three quarters, the delays are still excessive and are creating cash flow difficulties for small business.

The main findings from in excess of 700 respondents are:

- Actual average payment period in Ireland for SMEs is 72 days, a slight improvement from 73 days in the autumn survey
- 43% are experiencing delays of 3 months or more
- Both big business and state agencies continue to delay payments
- Ulster counties are the slowest at 80 days, while Connaught is best at 61 days
- Distribution firms are waiting 79 days, while Wholesale is shortest at 64 days

Figure 1.1: SME Debtor Days Outstanding



The most prominent threat is late payments by debtors, especially government departments coupled with the need of entrepreneur's suppliers to be paid in advance which is causing major difficulties in terms of cash flows (CPA, SFA). As part of the Smart Economy Report 2008, the government declared it would pay its debts to firms in 15 rather than 30 days but in 2009 ISME was extremely critical of their proposal as the length increased from 30 to 67 days. The main findings from in excess of 600 respondents in the week ending 1st July are:

- Actual average payment period in Ireland for SMEs is 73 days
- 44% are experiencing delays of 3 months or more
- 14% waiting over 120 days
- A net 39% of businesses are waiting longer, compared with 38% in the previous quarter
- Both big business and state agencies continue to increase the credit taken
- Small businesses wait 77 days on average while medium firms are paid in 67 days.

The latest figures aptly demonstrate the effect that late payments are having on SMEs, in that the main victims are small businesses caught in a cycle of non-payment. While the main government departments have improved their payments, the real offenders are the state agencies and big business where delays have increased dramatically since the first quarter of this year.

“The fact that the banks are refusing normal access to credit for SMEs, means that the indigenous small enterprises are genuinely struggling to survive, despite the fact that they are viable, although vulnerable. With the deterioration in late payments across the board, cash flow in the entire sector is drying up and is putting many small businesses at risk, with the resulting threat of closures and job losses”(www.isme.ie).

According to Intrum Justitia spokeswoman Annika Billberg “Around 25% of all bankruptcies in Europe are due to late payments,” “the consequences of companies being unable to get paid are that they are unable to expand or even keep staff” (www.intrum.co.uk).

2.14 Credit Environment

Denis O’Callaghan, General Manager, AIB Retail and SME Business said:

“We are acutely aware that the significant deterioration in the business environment over the past twelve months has created severe cash flow difficulties for many of our business customers. Small businesses in particular are significantly impacted by the difficult trading conditions, falling sales and slower payment cycles (www.irishpressreleases.ie).

If entrepreneurs are refused credit by a banking institute the only option available to them is contact the Credit Review Office; established by Government this organisation may not prove successful in securing credit for the business.

Although the Government was highly vocal in the Smart Economy Report (2008) and subsequent reports in terms of getting banks to release credit to businesses, this has not been the case. In the latest ISME quarterly bank watch survey (13th June 2011), it has been reveals that 55 % of firms, who applied for funding in the last three months, were refused credit by their bank. This compares to a similar figure in March and to 42 % in October 2009. The survey also reveals that as many as 82 % of firms believe that banks are making it more difficult for companies to access finance, up 2% from March.

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Some 25% of entrepreneurs believe that since the recession the change in bank lending policy has led to a refusal of their application (Mazaar 2009). In a recent study by Mazzars 2010, lending by financial institutions to entrepreneurs illustrates a downward trend, for example in the transport; storage and communication sector lending decreased by 10% between 2008-2009.

ISME released its Quarterly Bank Watch Survey on 13th December (2010), this confirmed that the number of businesses who requested new facilities from their bank in the previous quarter had dropped. According to ISME the fact that there has been a reduction in firms approaching their banks means that there still remain a large number of companies that are reticent to approach their banks because of fear of refusal, resulting in postponement of investment, missed business opportunities and potential company closures.

ISME conducted a survey of on the current lending environment for entrepreneurs which attracted 724 responses. Listed below are some of these findings:

- 33% of companies who applied for funding in the last three months were refused credit by their banks, compared to 42% in the previous quarter.
- 25% of respondents had requests/demands for a change in their banking facilities, similar to the previous quarter but down from a consistent 32% in the three quarters prior to that.
- 68% of firms outlined that the banks are making it more difficult for SMEs to access finance. This is an improvement on 83% in the September survey.
- 78% of respondents have been with their banks for over 5 years, while 39% were customers of over 20 years.
- 62% of applications attracted higher interest rates, while 42% were required to commit greater collateral.
- Of the 67% approved for funding, 85% have drawn down the finance either fully or in part.
- 60% of requests were for changes to overdrafts, with 39% for term loans.
- 41% of SME owners are aware of the Credit Review Office, while 43% are aware of their bank's appeals procedures, similar to the previous survey.

In response to the survey results Mark Fielding ISME CEO stated that “The uncertainty of the availability of credit to finance and maintain projects has reduced applications and this has resulted in a dramatic reduction in investment and is doing untold damage to an already fragile economy”. The latest report from ISME Bank Survey also highlighted the difficulties faced by entrepreneurs in dealing with financial institutions in the current economic climate (see Appendix 2).

2.14.1 Bankruptcy legislation

Embarking on an entrepreneurial career involves risk, and on some occasions this may well result in failure. Recognising early on that the business is unsuccessful and taking the action to close down is imperative. Society needs to take a different view to this failure and see it more as a learning process if we are to build an economy of innovative and successful companies. The experience and learning that is gained from such failures can be an important component in future ventures.

The Innovation Taskforce Force Report (2010) has highlighted that legal arrangements for business failure need to avoid any sense of stigma from a failed business venture, while not facilitating reckless behaviour or inappropriate risk-taking. Ireland’s personal bankruptcy legislation needs to be reformed and the Law Reform Commission is currently completing a consultation process on measures which would modernise Ireland’s legislation in this area, as has taken place in the UK and other countries.

ISME, Chief Executive, Mark Fielding, outlined, “Business owners take substantial risks to create employment and economic growth. For a company owner to be declared bankrupt is like a millstone around their necks. Current Irish bankruptcy laws are penal, outdated and anti-entrepreneurial; therefore ISME welcomed the announcement by the Minister for Justice to publish a new bill that aims to reduce the term of bankruptcy from 12 years to 5 years (ISME, Friday 24th June 2011).

2.15 Taxation

Many Irish entrepreneurs would be in agreement that the business tax system in this country is very favourable to entrepreneurs. It is generally perceived as being fair, equitable and transparent. However a recent CPA survey (2010) highlighted some issues in relation to the taxation regime in this country.

Small businesses enjoy the same 12.5% rate of Corporation Tax as the vast majority of other trading companies in Ireland. In addition, companies incorporated after October, 2008 which have a tax liability of less than €40,000 per year for their first three years trading are exempt from tax. This is seen as a strong incentive for entrepreneurs both to establish new businesses and to incorporate them (CPA Entrepreneurship Survey 2010 p.26). However some entrepreneurs choose to remain as sole traders and in so doing are liable for income tax on their profits and they must also make a self employed PRSI contribution.

According to Niall Burne of CPA “The income tax system is unfair to self-employed people who don’t get the same tax allowances as employees, Self-employed people lose out on the PAYE tax credit and this is unfair.” (CPA Entrepreneurship Survey 2010 p.27). The CPA survey (2010) also highlighted the fact that there is widespread criticism of the fact that entrepreneurs are not entitled to Jobseekers Benefit should their business fail. In addition, some entrepreneurs referred to the lack of marginal relief for employees when they change rates of PRSI and the problems this can cause them as employers. As a result of their findings CPA recommended that: the income tax system should be amended to grant the same tax credits to self-employed workers as those enjoyed by PAYE employees

2.16 Education System

Although Ireland is considered to have one of the best education systems internationally it does not promote entrepreneurship at primary or secondary level which is considered crucial in preparation for starting and growing new businesses.

In a report prepared by the Innovation Taskforce (2010) a diverse range of advisory groups (including the Expert Group on Future Skills Needs³⁴ and the National Competitiveness Council ³⁵) and key enterprise and professional bodies (including ICT Ireland and Engineers Ireland) have recognised the need for Ireland to raise its level of mathematical achievement to ensure it will continue to successfully compete with other economies and to fulfil the Government's vision of the Smart Economy. Ireland's ability to reposition industry towards knowledge intensive high-technology sectors will depend critically on the supply of people with mathematics, science, engineering and technology skills.

In this report the following recommendations were made to support and promote entrepreneurship within the school system, ensuring that the crucial skill sets required for an entrepreneurial career are imparted to students:

- Increase investment in intensive training for mathematics teachers and the full rollout of Project Maths;
- Implement the new syllabi in Leaving Certificate Biology, Physics and Chemistry.
- Implement new approaches to assessment based on the experience of the current trial in schools;
- Introduce a new mentoring programme for teachers and talented students, involving experienced mathematicians, engineers and scientists who we would encourage to make a wider contribution to advancing the quality of teaching and learning in their discipline.

(Report from innovation taskforce 2010)

2.17 Culture

There is little doubt that significant progress has been made to date in changing the culture towards entrepreneurship in Ireland; however there is still room for improvement.

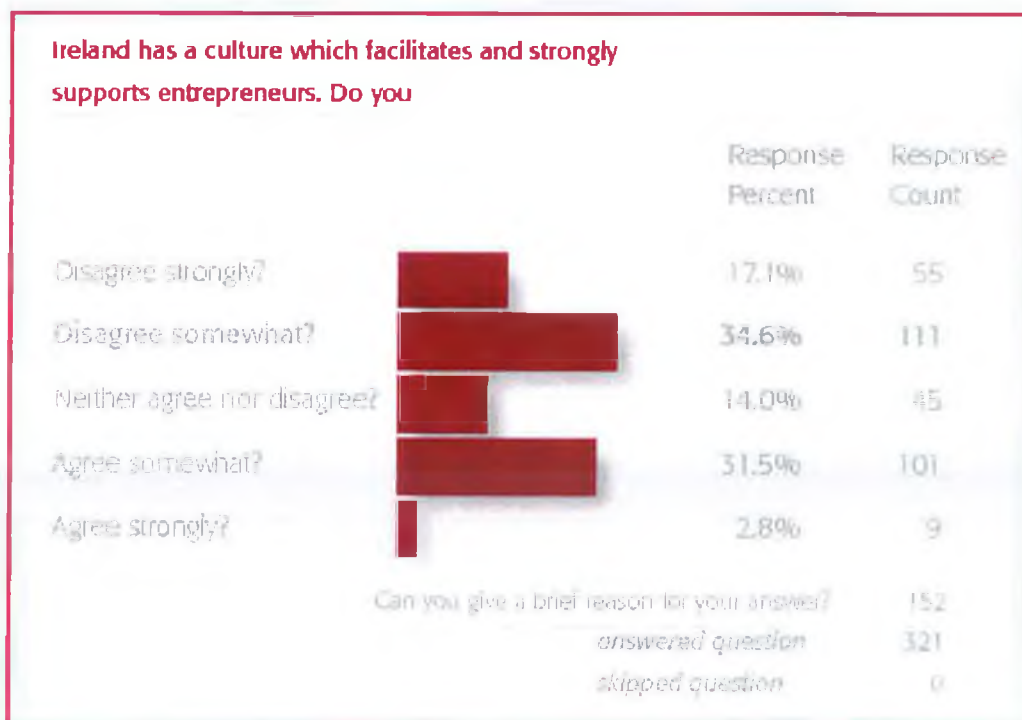
Successful Irish entrepreneur Bobby Kerr agrees: "We need to get rid of the stigma associated with failure here. In the US if your enterprise fails you dust yourself off and move onto your next venture and that's alright. We need that culture here as

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well. At the moment people try once and if they fail they don't try again because failure is such a painful experience" (CPA report 2010).

In a survey conducted by CPA (2010) members were asked if they believed Ireland has a culture which facilitates and strongly supports entrepreneurs. Overall, a majority of respondents disagreed with this proposition with almost 52% either "disagreeing strongly" or "disagreeing somewhat" with it while just 34% "agreed somewhat" or "agreed strongly" with it.

Figure 1.2: Perceptions on the Culture of Entrepreneurship in Ireland



When viewed in relation to our fellow EU or OECD member states the Irish culture is seen as very positive indeed but when measured against the US the perception is that we could do a lot better (CPA 2010).

According to the latest OECD figures Ireland is well ahead in business start-ups when compared to the rest of the world at 4.3% of the population, comparing to the OECD average of 3.3%. However, that being said it lags behind the United States, where 5% of the population has started their own business.

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Ireland has a very favourable entrepreneurial climate: the country has an entrepreneurial climate score which places it in the top three Member States in the EU25. However, as the average score on the entrepreneurial activity index shows, this positive climate is not a breeding ground for an exceptional rate of entrepreneurial activity.

Figure 1.3: European Entrepreneurial Scoreboard



(www.ec.europa.eu)

According to Mark Fielding of ISME, (CPA report 2010) a recurrent theme from entrepreneurs and accountancy practitioners is the apparent lack of encouragement from the State for entrepreneurs on an individual basis. While there is veritable panoply of supports for start-up and early stage businesses available through a variety of agencies the treatment of individual entrepreneurs is seen to be less than encouraging. Examples of this are differences in the treatment of self-employed people and employees within the tax and social welfare systems. “A main consideration [for many would-be entrepreneurs] is the fear that if the enterprise fails, the entrepreneur will not be eligible for any benefits from social welfare”.

2.18 Conclusion

In this chapter the researcher has reviewed the relevant literature and identified the main ideas, issues and debates. In the next chapter the research methodology will be outlined which will include the approaches taken by the author and the rationale behind the process. This will highlight how the researcher approached and organised the research in a systematic and structured manner.

CHAPTER THREE: METHODOLOGY

*"REASON IS THE SLOW AND TORTUROUS METHOD BY WHICH THOSE
WHO DO NOT KNOW THE TRUTH DISCOVER IT"*

BLAISE PASCAL

3.1 Introduction

The objective of this chapter is to outline the methodology process which will be followed and the relevant decisions taken in conducting this research. Firstly the researcher will briefly set the subject of the research in context, and identify the rationale for conducting this research. Subsequently the research question will be stated along with the secondary objectives of this study. Two contrasting research paradigms will be outlined along with the contrasting nature of both quantitative and qualitative research.

3.2 Context

Ireland is currently facing one of the most difficult economic periods in the history of the state. With unemployment at 14.8%, weekly job losses, social difficulties, the banking crisis and a return to immigration, many analysts believe that the solution to the current difficulties lies within the successes of the indigenous sector that have the ability to create and grow new enterprises and generate employment.

3.3 Rationale

Sharp et al. (2002, p. 7-8) define research as “seeking through methodical processes to add to one’s own body of knowledge, and hopefully, that of others, by the discovery of non-trivial facts and insights”. Entrepreneurship has a critical role in the Irish economy as it contributes to the economic growth and development of the nation, this sentiment is echoed by Forfás who stated that “One of the key priorities for Ireland is to continue to grow our entrepreneurial base” (Oct 23rd 2007).

Entrepreneurship creates many benefits including job creation, increased competition, improvements in productivity, and new innovative products/services. The innovative nature of some entrepreneurs is helping Ireland reposition itself as a knowledge economy and as such should be at the centre of government policy.

Forfás (Oct 23rd 2007) also believes that entrepreneurship should be high on the economic and social policy agenda given the range of strategic, economic, spatial, social and personal benefits that it can bring.

Thus investigating the perceptions of entrepreneurs will add to the existing body of academic research and provide new and valuable information for government policy makers in terms of support mechanisms for entrepreneurs in Ireland (www.forfas.ie).

3.4 Research Question

Do entrepreneurs perceive the current economic environment as prohibitive or are there positive support mechanisms in place to sufficiently support existing entrepreneurs or new start-up businesses.

3.4.1 Research Objectives

Building on the rationale which highlights the importance of entrepreneurship, the objective of this research is to investigate if entrepreneurs perceive the current economic environment as prohibitive or is it their perception that there are positive mechanisms in place to sufficiently support existing and nascent entrepreneurs.

The author will also examine the effectiveness of policy and support mechanisms for entrepreneurs and establish if they are sufficient in meeting their requirements.

3.4.2 Secondary objectives

- To develop a profile of entrepreneurs in Ireland
- To explore the reasons for success and failures among entrepreneurs
- To evaluate the support available from government for entrepreneurs
- To examine if entrepreneurs in Ireland perceive that they need more government support to undertake an entrepreneurial career. The author will undertake a series of in-depth interviews to establish entrepreneurs' perceptions of the above statement.

3.5 Research Theory: Positivist vs. Phenomenological Paradigms

Bryman and Bell (2003) states that positivism is “an epistemological position that advocates the application of natural sciences to the study of social reality and

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beyond". This approach is concerned with uncovering the facts and causes of social phenomena (Bogdan & Taylor, 1975).

Table 3.1: Positivistic vs. Phenomenological Paradigms

Positivism	Phenomenology
Quantitative data	Qualitative data
Large samples	Small samples
Hypothesis testing	Generates theory
Data is specific and precise	Data is rich and subjective
Location is artificial	Location is natural
Reliability is high	Reliability is low
Validity is low	Validity is high
Generalises from the sample to the population	Generalises from one setting to another

Hussey and Hussey (1997:54)

Distilling its elements and reducing them to fundamental laws is the best way to investigate a phenomenon. This explains why studies following the positivism approach often single out one explanation in order to understand a phenomenon and deliberately neglect other aspects, which are often investigated in other studies (Blumberg et al, 2008).

The major objections purported by Eger (2003) of social scientists to positivist approaches are:

- Human action is of a variable rather than fixed nature;
- Human action and behaviour is predicated on the articulation of shared meanings;
- The social researcher must seek to identify, understand and interpret such meanings;
- Human actions are directed and rarely value-neutral in content or motivation.

Other criticisms include 'that true value-freedom is impossible to attain and that 'scientific method' is a sanitised and idealized model of what goes on in reality' (Riley, 2000).

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In contrast the phenomenological approach according to Bryman and Bell (2003) is “concerned with questioning how individuals make sense of the world, indicating a subjective approach. This type of approach assumes an inductive approach in that ideas and theory are developed from data in contrast to formulating hypotheses and testing them (Easterby-Smith et al, 1991). This approach seeks to obtain more factual information; such as if entrepreneurs perceive entrepreneurship to be prohibitively risky in the current economic environment.

‘Interpretive’ or ‘Phenomenological’ approaches provide the author with an alternative for the positivist approach. According to Blumberg et al, (2008) in an interpretive approach:

- the social world is constructed and is given meaning subjectively by people
- the researcher is part of what is being observed
- the researcher is driven by interests.

The main criticism of interpretive research is that researchers can never be absolutely sure that they have acquired the ‘world view’ of the people they study, nor that they give the meanings they encounter the correct or only valid interpretation (Riley, 2000). From analysing the above research paradigms and taking the research question into consideration the author believes that the most appropriate research theory to follow is a phenomenological research approach utilizing questionnaires and interviews. Prior to the interview the researcher will conduct the following steps:

- Identify appropriate topics and questions
- Decide on the level of detail
- Draft the questions
- Order the question
- List any probes or prompts; and
- Pilot the questions. Have the informant identify the problems during the pilot (Patton, 2000).

3.6 Qualitative vs. Quantitative Research

Quality is the essential character or nature of something; quantity is the amount. Quality is the what; quantity is the how much. Qualitative refers to the meaning, the definition or analogy or model or metaphor characterising something, while quantitative assumes the meaning and refers to the measure of it (Blumberg et al, 2008).

Quantitative research is generally associated with positivism although not exclusively so. The research methods employed may include questionnaires or surveys which allow for easy comparison and accurate results. Kruger (2003) states that “quantitative methods allow us to summarise vast sources of information and facilitate comparisons across categories and over time”. According Blumberg et al, (2008) deduction is a form of inference that purports to be conclusive-that is, the conclusion must necessarily follow from the reason given, a deduction is valid if it is impossible for the conclusion to be false if the premises are true.

In comparison, qualitative research is associated most often with phenomenology. Epistemologically, phenomenological approaches are designed to obtain an in-depth insight into a particular phenomenon. Many proponents of this research method believe information obtained by numbers is a statistical analysis as oppose to phenomenological research which seeks insight (Bryman & Bell, 2003). There are a variety of methods available to the researcher in phenomenological based research, including in-depth interviewing, and ethnography.

The researcher has selected to take the qualitative approach based on the knowledge gathered from studying both methods and taking into account the advantages and disadvantages associated with both.

3.7 Case Study Research

Case Study research as stated by Yin (1984:13) “is an empirical inquiry which investigates a contemporary phenomenon within its real life context”. The researcher believes that case study research is the most appropriate method in

culminating the knowledge required and will utilize multiple case studies (6) in the study.

Experiments usually deliberately divide the phenomenon from the context and often isolate the phenomenon from the natural context that is replaced by a laboratory setting, while case study research emphasises the embeddedness of the phenomenon in its real life context. The main advantage of case studies compared to other approaches is that they permit the combination of different sources of evidence. It is possible to distinguish roughly three sources of evidence:

- interviews
- documents and archives
- observations

(Blumberg et al, 2008).

3.7.1 Pilot study

As cited in Seidman (1998, p.32), Gove (1971) defines the verb 'pilot' as 'to guide along strange paths or dangerous places'. Although research interviews may not necessarily take you along strange paths or dangerous places, Seidman contends the unforeseen twists and turns of the interviewing process as well as the complexities of the interviewing relationship warrant investigation before a researcher plunges headlong into a project.

For the purpose of this research the interviewee has chosen firstly to begin with pilot testing. The pilot testing will draw subjects from the target population of entrepreneurs. One hundred questionnaires will be administered via e-mail and from those respondents six will be selected for interview (see Appendices 3 & 4).

In this case the interviewee will schedule interviews with the selected individuals. Semi-structured interviews will be conducted in order for the researcher to establish the informant's perspective on the issues and to ascertain if the informant can confirm insights and information already gathered by the researcher.

Informal discussions, or open-ended interviews with key informants, are a crucial part of many case studies, as the key informants provide valuable insights into the

case's and can also point the case researcher towards other sources of evidence, such as relevant documents, archival surveys, or an existing internal survey or study. (Blumberg et al, 2008).

3.7.2 Selection of Cases

The cases selected consisted of six entrepreneurs including two from each of the following categories:

1. Newly established entrepreneurs
2. Established business owner
3. Liquidated entrepreneurs in County Galway.

3.7.3 Interview Instrument

By opting to use a case study design strategy the researcher can employ interviews. The researcher therefore decided to conduct semi-structured interviews with appropriate representatives from the entrepreneurial sector in Co. Galway (see Appendix 5).

Semi-structured interviews are non-standardized and are frequently used in qualitative analysis as the interviewer does not conduct the research to test a specific hypothesis (David, & Sutton, 2004, p. 87). The researcher has a list of key issues, and questions to be covered. In the conducting of these interviews the researcher may opt to change the order of the questions to facilitate the direction the interviewee is following.

It was emphasised to the participants that the interviews were confidential and participants were assured it would not be possible to link any information with them individually. The exact geographical locations of the interviewees were not disclosed in order to protect anonymity, and each candidate was given a pseudonym to further protect anonymity. In order to work most reliably with the words of participants, Seidman (1998, p.97) believes that in-depth interviews should be tape-recorded. The author had some concerns with regards to taping the interviews as it was felt that this may inhibit the participants response, however, this did not prove to be a problematic. As cited in Saunders (2007, p. 334), Healey and Rawlinson (1994) advise interviewers to explain why they would like to use a

recorder rather than simply requesting permission. The author believes adopting this approach proved instrumental in receiving permission to record. Interviews lasted between thirty and forty minutes and were transcribed.

Advantages of semi-structured interviews include the ability of the researcher to prompt and probe deeper into the given situation which gives the opportunity to gather a large amount of qualitative data. In addition, the researcher can explain or rephrase the questions if respondents are unclear about the questions. Disadvantages that may prove an issue is the lack of interview experience the researcher has which may contribute in not being able to ask prompt and probing questions. If this is the case, some relevant data may not be gathered. In addition, inexperienced interviewers may not probe into a situation which may result in a missed opportunity to obtain data.

“Interviews should always be considered verbal reports only” (Yin, 1984: 85). Other problems associated with interviews include inaccurate or poor information, bias and poor recollect on the part of the researcher. To combat this potential problem the researcher will request the interviewee’s permission to use a tape recorder during the interview along with note taking and all the information gathered will be transcribed. Prior to the interview the researcher will conduct the following steps:

- Identify appropriate topics and questions
- Decide on the level of detail
- Draft the questions
- Order the questions (Patton, 2000).

3.7.3.1 Data Collection and Analysis

Sharp et al. (2002, p. 114) stress to researchers that ‘textual data are rich and flexible but much attention needs to be paid to their content and meaning if they are to be properly understood’.

The goal when developing interview questions was to collect complete details of the issues relating to entrepreneurship. Although the author has made attempts to

select a representative sample, it must be acknowledged that the success of any case study will highly depend on the alertness, creativity, intelligence, and motivation of the researcher performing the case analysis (Zikmund, 2000).

Each participant was contacted by telephone and given the details of the research project. All agreed to be interviewed and an interview date and time was confirmed. Six face-to-face personal interviews were conducted in total; two newly established entrepreneurs, two established business owners and two liquidated entrepreneurs in County Galway were interviewed for the purpose of this study.

The research project set to explore entrepreneurship and to identify common themes and common patterns from the data received and it was necessary to report the results of the research in a fair and accurate manner. Hence much care was taken on the part of the researcher to ensure any point of view, deductions, conclusions etc. was based on the presentation of data by the interviewees and not merely contention by the researcher.

3.8 Validity and Reliability

To ensure quality of the research design Yin (1984) has outlined 4 tests which aid the adherence to the quality criteria:

- Validity- the validity of the research may be affected due to its unquantifiable nature.
- Internal Validity is not applicable as the research study is exploratory research and internal validity is relevant to try and establish causal relationships.
- External Validity - refers to whether the “findings of the research can be generalized across persons, setting and times” (Cooper and Schindler, 2001: 400). The objective of the researcher is to demonstrate that the findings from both semi-structured interviews can be generalized to the theory supporting the research but this may be difficult to prove as it can difficult to identify typical cases (Bryman, 2004).
- Reliability – to illustrate that the findings will remain consistent if the research is undertaken by another researcher.

3.9 Research Limitations

Limitations the researcher may encounter will be time constraints; however, the researcher believes that these can be overcome by judicious time management strategies. Although the researcher has significant interest in the topic it may prove impossible to give all areas of the dissertation undivided equal attention.

As cited in Beins (2004, p.99), Berkowitz (1992), research typically relies on sample sizes that are too small which results in researchers missing potentially important findings as a result. Therefore, the sample size could be perceived as being a limitation of the research however, due to the scope of the assignment, it was not possible to increase it.

Qualitative research has the disadvantage of non quantifiable conclusions and this may have an effect on the reliability of the research. Another concern is the lack of experience the researcher has in conducting interviews however the researcher feels that this can be overcome through intensive study of general interviewing techniques and in transcribing the data in a coherent and articulate manner.

3.9 Conclusion

This chapter has highlighted the various methods that can be utilized in conducting the research, the rationale for the study including the objectives and the chosen research approach. From analysing the research paradigms and taking the research question into consideration the researcher believes that the most appropriate research method to follow is a phenomenological research approach. This approach is the most suitable in utilising qualitative research which will comprise of documentation research and a semi-structured interview will be utilised to collect the primary research data.

The results of this methodology will be apparent in the next chapters' Findings and Analysis section. The information which was gathered from the interviews will be presented and interpreted by the researcher in the following chapters.

CHAPTER FOUR: FINDINGS

*"THERE IS NO SHAME IN NOT KNOWING; THE SHAME LIES IN NOT
FINDING OUT"*

RUSSIAN PROVERB

4.1 Introduction

This chapter analyses the results from the six semi-structured interviews (see Appendix ...) conducted on a sample of entrepreneurs in the west of Ireland. Two of the entrepreneurs came from each of the following areas;

1. Newly established
2. Established business owner
3. Liquidated entrepreneurs in County Galway

In order to protect the identity of the interviewees each one has been given a pseudonym, it was emphasised to the participants that the interviews were confidential and participants were assured it would not be possible to link any data with them personally.

4.2 Newly established entrepreneurs

The researcher will provide some brief information on the background of each of the entrepreneurs in this section and their interview responses to the issues.

Interviewee No.1

Pseudonym: Patrick

Background

The newly established entrepreneur has a background in marketing and IT, and has spent a number of years developing a product for the IT sector and recently went into business. At the moment there are 4 staff employed in the company but they are expecting to increase this as they expand.

The Culture for Entrepreneurship in Ireland

The entrepreneur believes that the culture of entrepreneurship in Ireland has definitely changed over the last two decades for the better. The entrepreneur however, experienced negative attitudes from family, friends and colleagues who felt that leaving a secure pensionable job was questionable.

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Support available from government for entrepreneurs

The entrepreneur has been frustrated at the level of difficulty experienced in trying to gain assistance from government organisations i.e. Enterprise Ireland. “This has been a difficult task with a lot of red tape thus far, it’s a system that could be made easier if you had one web-site that gave you all the information you needed and allowed you to enter your information in order to establish what body you should be dealing with in order to get assistance, I guess a one-stop shop is what I’m talking about.”

Late Payments

The entrepreneur has not experience late payments as of yet, as the business operates a staged payments system. The entrepreneur stated that “as a relatively new business we could not afford to be waiting on payment it would be detrimental to the business. Cash flow from customers is crucial to this business as gaining credit facilities from banking institutions is extremely difficult in the current economic environment.

Credit Environment

The entrepreneur stated that the credit environment is non-existent at the moment. “There is little or no credit available. It is so difficult to access credit, the banks are not really open for business. I read the papers and listen to the radio and the banks would have us believe that there is plenty of funding available for the right business; the only thing is, no one seems to have the right business”. The entrepreneur believes that the government really needs to show their teeth on this issue if they don’t want to see the dole queues increasing.

Bankruptcy legislation

The entrepreneur is highly in favour of changes to the bankruptcy legislation as he believes that it is extremely outdated and prohibitive to new and potential entrepreneurs.

Chapter Four: Findings

Taxation

Overall the entrepreneur believes that the tax system is relatively fair. However changes need to be made to PAYE tax credits. "I think it is truly unbelievable that I would take the risk of setting up a business and creating employment only to be told I am not entitled to anything if things go wrong. Who will feed my children and pay my mortgage? I am one of the people who hopes to help get this country back on its feet and create employment and I firmly believe I will succeed, but if I am unfortunate enough not to then the Government shouldn't abandon me they should help me get back on my feet to try again". The entrepreneur believed the PAYE tax credit system was like "being thrown to the wolves".

Education System

The entrepreneur stated that the government should incorporate an entrepreneurial module in the secondary school curriculum as this would encourage students to give serious consideration to entrepreneurship as a viable successful career.

Black Economy

Due to the uniqueness of the company's product the entrepreneur stated that the black economy does not pose any threat to the viability or success of the business.

Interviewee No.2

Pseudonym; Peter

Background

Peter operates an accounting business on the west of the city. The business is in operation since 2009. Currently there is only one other member of staff and there are no plans to expand at present due to the current economic environment.

The Culture for Entrepreneurship in Ireland

The entrepreneur believes that the culture has improved here over the last number of years and that it was necessary for such changes to occur since we cannot rely solely on FDI exports alone. The only way to develop the economy is to increase

Chapter Four: Findings

entrepreneurship and this will only occur if we have a culture where we accept the risk and improve our tolerance for failure.

Support available from government for entrepreneurs

Peter stated that he had not requested support as his business operated in the services sector and that the support available from Government was geared at production and export led businesses and he believed that this was unfair as although he did not export he created employment within the local community He also stated that many of his clients had commented that they also did not seek government support as they felt it to be too bureaucratic and time consuming.

Late Payments

Prior to the recession Peter operated a 30 day payment policy for customers but because of the current economic situation and the fact that his paying customers are themselves waiting on payment from the government he has had to restructure his payment terms to 50% of the total cost before commencement. He has a small number of customers to whom Peter does not apply this upfront payment due to the fact that they are long term customers and the always pay on time.

Credit Environment

I am dealing with clients who have been refused finance for no apparent reason; they have very viable businesses with good cash flow. I am aware that Irish Banking Federation (IBF) has vehemently denied this, however it is my opinion they have closed up shop and I do not see it resuming with any great rigour in the next few years. My clients definitely feel that the banks are making it more difficult for them to access badly needed finance.

Bankruptcy legislation

The bankruptcy legislation is so outdated and needs to be abolished. We need new legislation enacted to remove the fear factor for entrepreneurs. The US is not a bad example and we look at the US a lot in terms of entrepreneurial flair; we should also be looking at their bankruptcy legislation particularly if we are thinking about improving living standards via entrepreneurialism.

Chapter Four: Findings

Taxation

Peter believes that the taxation system is reasonably fair; however there are some issues regarding the tax credit system in relation to accessing job seeker's allowance in the case of the business folding. "I think it is truly unbelievable that I would take the risk of setting up a business and creating employment only to be told I am not entitled to anything if things go wrong".

Education System

I believe the seeds are not being Sown early enough in our educational system to encourage entrepreneurs. It needs to begin much earlier in life in terms of education, whether it is a subject on its own or incorporated into the business module in schools. We need to encourage students to create their own futures

Black Economy

Due to the nature of Peter's business the black economy has had no effect on his business. The clients that Peter works for have found that the environment has become increasingly more difficult as there are more rogue traders in operation.

4.3 Established business owner

Interviewee No.3

Pseudonym; Debbie

Background

Debbie operates a hair and beauty business on the East side of Galway city and is in operation since 2004. The business currently employs a total of 10 members of staff, 2 in the beauty department and the remainder in the hairdressing section of the business.

The Culture for Entrepreneurship in Ireland

The entrepreneur believes that the culture in Ireland has changed significantly in the last decade towards entrepreneurship. I am fully convinced there are individuals who will always succeed no matter what although many have to leave

Chapter Four: Findings

the country in order to do so, which would in some way indicate that the culture is not entrepreneurial enough. I failed on my first attempt, but I was willing to fail and try again it's not always possible to succeed the first time. Look at the success I now have. While entrepreneurs are held in high regard in Ireland the reality is that failure is still failure and this element of the culture definitely needs to change if we are to encourage a more entrepreneurial society.

Support available from government for entrepreneurs

I can't speak to a great extent on this issue other than I didn't receive any support. I did originally look for funding from Enterprise Ireland but I think my employee numbers at the time precluded me for qualifying for support. Then I just decided it was too time consuming and bureaucratic to go any further with it.

Black Economy

The interviewee indicated that this is not a real problem for her business. We have adjusted our prices significantly over the last twelve months in order to compete successfully in the market place. An individual working from home would have to charge almost as much as we are charging without providing all the trimmings we provide, so I don't see it being an issue for my business going forward. That is not to say I am unaware of the effect it is having on other businesses, I have many friends who are entrepreneurs and are competing with this element within the market and are finding it increasingly difficult.

Late Payments

Like the black economy this is not an issue for my line of business, we are a cash business. I am grateful for this as I cannot envisage how much more difficult survival would become in this economic climate if one had to wait on payments, cash flow is the lifeblood of any business.

Credit Environment

According to the interviewee "the dog on the street knows lack of access to credit is crippling enterprises in the country". How can the government expect new entrepreneurs to enter the market when access to finance is such a challenge, those

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with established businesses can't even get finance. The banks do not want this kind of business they are only interested in individuals who have money to invest, 'it's all take and no give with them'.

Bankruptcy legislation

The bankruptcy legislation in this country is archaic and definitely needs to change. The interviewee definitely feels that it would prevent many potential entrepreneurs from embarking on an entrepreneurial career.

Taxation

According to the interviewee the tax system is considered reasonably acceptable among entrepreneurs. "That being said I do feel entrepreneurs who have been unfortunate enough to fail should be eligible for some form of assistance from the government, we have plenty of people who sat around in the good times when work was plentiful and took the handouts because they were too lazy to work and these individuals are still at it, why should these people have more entitlements to government assistance than those who provided employment and took the risks"

Education System

The interviewee identified that there was a requirement for more education particularly for students in fifth and sixth year, "we need to be explaining clearly to these kids that the benefits generally far outweigh the risks, Schools should be bringing in local entrepreneurs to speak to students". I am not saying students should be pushed towards launching businesses immediately upon completion of their Leaving Cert, what I am saying is you plant the seed in their minds in the hope that they will keep their eyes open for opportunities.

Interviewee No.4

Pseudonym; Helen and Tom

Background

Helen and her husband Tom operate in the tourism sector and have been in business for nearly 20 years. Their customers are international, from particularly

Chapter Four: Findings

Germany, Switzerland and Austria. They currently have 4 full time staff employed and also employ part-time staff on a seasonal basis.

The Culture for Entrepreneurship in Ireland

Helen believes that the culture for entrepreneurship has definitely improved significantly in the last 20 years and stated that when they began friends and family thought “they were crazy” as Helen had a secure job working for a bank and Tom worked in the airline industry. Helen believes that today society embraces and supports entrepreneurship which is a positive step in the right direction in terms of fostering more entrepreneurial activity.

Support available from government for entrepreneurs

Support has been lacking for the past 20 years in Helen’s view and it’s only this year after having to fight and demand support that they will receive grant funding of €5,000 through Enterprise Ireland. Helen believes that if you have a small business in Ireland “you get punished” in contrast to large multinational companies who receive all of the benefits and repatriate all profits back to their home countries. “We create employment in Galway, the customers we have spend in Galway, our employees spend in Galway, we as a business spend our profits in Galway and yet we receive very little support from the government in contrast to multinational companies who have full support from the IDA”.

Black Economy

This is having a negative effect on Helen’s business, she stated that there are many unregistered companies in the same industry who do not have to pay commercial charges such as water rates and who do not pay VAT. Helen stated that she currently is in receipt of a VAT bill of €8,000 which she must pay in the next few weeks whereas an unregistered business located not even a mile does not have this expense, this in her view is unacceptable and is forcing many business to close.

Late Payments

Helen does not have any experience of this as all customers pay on time due to the nature of the business.

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Credit Environment

“This is crippling not only our business but others in the same industry”. Helen stated that even though in the last number of years profit margins for her company have been increasing financial support from lending institutions has been decreasing. Helen has a good credit history with her bank, has never defaulted on any of the payments but is unable to access new credit from the banks. “Our business is going extremely well and we did hope to expand into the USA but this is impossible as we cannot get any support from our financial institutions even though they are owned by the taxpayer!”

Bankruptcy legislation

Helen believes that the Government must act on this issue and change bankruptcy legislation. “In the past few years I personally am aware of a number of individuals that have had to file for bankruptcy and had the desire to start over again, some individuals with very innovative ideas but because of stringent legislation they were unable to, many of these individuals have gone abroad and have started over again and are presently successful, the government needs to wake up and see the potential loss of revenue due to outdated bankruptcy legislation.

Taxation

Helen stated that the tax system in Ireland is fair and equitable but the inability to access social welfare for self employed is utterly disgraceful. “I pay VAT, PRSI, and if I were to go out of business I cannot get a cent from the government even though I have paid them thousands over the past 20 years”.

Education System

The curriculum in Ireland needs to be overhauled to include more entrepreneurial activities. Currently the Junior and Leaving Certificates are “exams in information retention and memory exercises, if you have a good memory you will do well in your exams. Where do we see the innovation, the creativity, the entrepreneurship? Just like politicians we need to overhaul the education system and get rid of old dinosaurs”.

4.4 Liquidated entrepreneurs in County Galway

Interviewee No.5

Pseudonym; Mark

Background

Mark, who was in the construction sector, was in business for over 25 years before going into liquidation. At the height of his business he employed 30 full-time staff and had 5 apprentices working with the company.

The Culture for Entrepreneurship in Ireland

The entrepreneur believes that the culture in Ireland has become more positive in the last number of years. “The attitude from the ordinary person on the street has changed significantly over the last decade and is definitely much more supportive of entrepreneurs; the begrudgery element that once existed in Irish culture has definitely faded significantly in my view”.

in terms of financial lending institutions the attitude he believes is quite negative. The entrepreneur stated that lending institutions perceive entrepreneurs who have not succeeded in their first venture as a high risk rather than a low risk investment. “Lending institutions do not appreciate all the knowledge the entrepreneur has acquired during this period and that they are less likely to succumb to the same pitfalls again”.

Support available from government for Entrepreneurs

The entrepreneur never sought any assistance. “I was always too busy working on expanding the business and I guess I always had the perception that there would be too much bureaucracy involved. It all just seemed too complicated”.

However the entrepreneur stated “I hope this government makes changes and makes them fast. But for sure there is one thing they have to do and that’s talk to the people on the ground, the people who have been there, the ones in the know, they won’t learn much up there in their ivory tower. They need to do it and do it fast, because in a nutshell there is no real support out there for entrepreneurs”.

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Black Economy

There has been a major issue for the entrepreneur and he states that there has been a drastic rise in this area. "I found we just could not compete on price. You must take into consideration that as a company we were governed by REA pay rates for all our lads, things like tax, insurance, holiday pay etc all had to be factored in when we priced work. Then you had the lad on the dole doing nixers who could definitely undercut your price as he had none of the overheads I just mentioned". This has continued to be the situation in this industry the entrepreneur stated as he communicates regularly with other entrepreneurs who are finding it difficult to survive because of the black economy and the undercutting of prices.

Late Payments

This was the main reason for the entrepreneur exiting the industry. "There's only one thing worse than late payment and that's no payment! That's what brought my business to its knees. I spent month upon month trying to collect what was owed to the business with little or no success, I even sought to have one of the larger companies liquidated and I can tell you that didn't win me any brownie points nor did it get me the €200,000 or so that I was owed". The entrepreneur believes that a large number of successful businesses are in a similar position and are being squeezed out of the market due to the domino effect.

Credit Environment

The entrepreneur could have managed to keep the company going if the banks had provided financial support but they were not interested. "The company still had plenty of business coming its way and the maintenance side of the business was a steady earner. The only thing the bank was interested in doing was turning the overdraft into a term loan. I can tell you the bank managers disappeared from the golf courses fairly quick when things started to turn in order to avoid their customers".

Bankruptcy legislation

The entrepreneur also agrees with the other respondents in that he believes the. "I am an entrepreneur and don't see myself being anything else, I always loved the

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challenges my work presented, I loved my work, but the current legislation prevents me from venturing again. I know my business went bust but for 25 years I ran a successful business, surely that has to be worth something". The entrepreneur believes this country needs more entrepreneurs who are ambitious and willing to take a risk but with sufficient government support if failure does arise. "They need to look to the U.S.A. and take a leaf from their book".

Taxation

The entrepreneur believes that the tax system needs to give employers some form of entitlement, as there is a huge element of fear out there for would be entrepreneurs, as the Self-employed lose out on the PAYE tax credit. "Now you have to ask where the justice in that is, the entrepreneur takes all the risk, creates jobs and revenue for the government and if the business does not succeed the government turns their back on him/her. The entrepreneur believes that at a minimum Jobseekers Benefit should be provided if their business fails.

Education System

The entrepreneur stated that there is huge room for improvement here. The government has been describing the need for more entrepreneurs but their lack of policy support is questionable. "I don't see much sign of them doing anything in the schools to encourage the young ones coming up. I have never seen a list of career choices that included the word "entrepreneur". I have seen "engineer" , "doctor", "nurse", "secretary" and so on but I don't remember my son coming home and saying I think I would like to be an entrepreneur dad, I have seen it on the career list in school. The government needs to incorporate entrepreneurship in the secondary school educational curriculum.

Interviewee No.6

Pseudonym; Declan

Background

The final entrepreneur was in the retail industry for over 7 years employing five full time staff.

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The Culture for Entrepreneurship in Ireland

The entrepreneur believe that Ireland needs to increase job creation and become much more innovative if we are to provide opportunities for those who have recently found themselves unemployed and also for those entering the labour market from schools and colleges in the next few years. In order to achieve this we depend mainly on those within the community that are entrepreneurial and those individuals need to be supported in order to create such change. "It is evident over the last number of years that there has been progress made in changing the culture towards entrepreneurship in Ireland; however I still see a lot of negativity towards entrepreneurs".

She believes that promoting and strengthening entrepreneurship will be an important approach in aiding the country's recovery from this economic crisis. Therefore, communities and government alike must encourage a stronger culture of entrepreneurship

Support available from government for entrepreneurs

The entrepreneur found that accessing support from government bodies was extremely time consuming, frustrating and bureaucratic. Firstly accessing information on the type of funding or support available to the business proved difficult as "I was being moved from pillar to post by different departments and each time I had to provide the same information all over again and this was extremely frustrating.

Black Economy

The entrepreneur was not really affected by the black economy as customers only dealt with legitimate businesses. However the entrepreneur did state that she was aware of colleagues in different industries who were struggling to survive due to undercutting of prices by certain illegitimate rogues.

Late Payments

This was the main factor that contributed to the closing of the business as many customers had not paid their debts leading to cash flow difficulties. Financial

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support was requested from the entrepreneurs lending institution but none were available, even though the entrepreneur had a good credit history.

Credit Environment

As previously stated by the entrepreneur, the lack of financial support by the financial institution contributed to the closure of the business. She stated that “the government needs to overhaul policy in this area as many viable businesses are going down the tube even though the banks at this stage are owned by the tax payer”.

Bankruptcy legislation

“It is my belief that we need to see a change in Ireland's personal bankruptcy legislation. Entrepreneurship involves a certain level of risk, and on some occasions this will result in failure for the entrepreneur. However, it is important not to forget that the entrepreneur gains experience and learning from a failed business venture which cannot be taught in a classroom and often this can be an important ingredient for future entrepreneurial success. If this government wishes to succeed in building an entrepreneurial economy then we need to see a shift in societal attitudes which recognizes the reality of failure and the lessons learned from it. The Americans do this very well.”

Taxation

The entrepreneur agrees with the other respondents as she believes the taxation system to be fair and equitable. However in terms of the PAYE tax credit system she also states that it is grossly unfair and is an obstacle for many potential entrepreneurs as failure leads to punishment. “There is no Jobseekers Benefit available to those who fail even though the government were quite happy for me to create employment and keep all taxes up to date and now when I need support there is NONE!”

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Education System

The most important training needs of entrepreneurs identified by the interviewee are management, marketing and finance skills. The educational system needs to train young people in these areas as well as in an entrepreneurial way of thinking. We see many summer schools and camps for sport, languages and the arts, why are the government not encouraging entrepreneurship training camps?

The entrepreneur stated that in order to change attitudes and create a positive entrepreneurial climate, it is necessary to train young people. She sees the youth as the future of this country. Developing the suitable entrepreneurial environments will support and facilitate young people in developing and realising their business ideas.

4. 5 Conclusion

In this chapter, the researcher has presented the findings of the study pertaining to entrepreneurship in relation to the six interviewees; two in the newly established sector, two in the established business owner sector and finally two who have seen their businesses liquidated in recent times. The findings of the interviews conducted will be discussed in the following chapter.

CHAPTER FIVE: DISCUSSION

"DISCUSSION IS NOT TO PERSUADE, BUT TO CLARIFY"

LEO SZILARD

5.1 Introduction

The purpose this dissertation is to investigate if entrepreneurs perceive the current economic environment as prohibitive or is it their perception that there are positive mechanisms in place to sufficiently support existing and nascent entrepreneurs.

5.2 The Culture for Entrepreneurship in Ireland

All six (100%) of the individuals entrepreneurs interviewed were in agreement that there had been significant changes to entrepreneurship culture in Ireland over the last number of years, with many believing that entrepreneurs are held in much higher regard now than a decade ago. However, they also felt that there was more change required with regard to the acceptance of failure. This sentiment is also shared by the well established and renowned business owner Bobby Kerr who states that “we need to get rid of the stigma associated with failure here. In the US if your enterprise fails you dust yourself off and move onto your next venture and that’s alright. We need that culture here as well”.

5.3 Support available from government for entrepreneurs

All six candidates interviewed shared a similar opinion on this topic. While not all candidates requested government support those that did found it to be time consuming, confusing and officious. Reasons for not seeking support posited by the remaining interviewees were based on their perception that the system is too complicated and bureaucratic.

According to the CPA report of 2010 it is generally universally accepted that Enterprise Ireland and the State support system is good at what it does. However, there have been issues in relation to difficulties in navigating the systems and the bureaucratic nature of the organisations. Bureaucracy (time consuming, complicated) and the narrow focus of government support agencies such as Enterprise Ireland is a recurring issue for entrepreneurs for over a decade (Forfas 2006, CPA 2010)

5.4 Black Economy

Five out of the six candidates interviewed stated that the black economy has had no affect on their business due to the nature of the businesses they are involved in.

One candidate indicated that his business could not compete with the prices being charged by rogue traders and this was one of the contributing factors to the demise of his business. While five out of the six candidates were not affected, four out of the six indicated that they were aware of business acquaintances that were being affected by the black economy. Evidence is available to endorse the interviewees' sentiment from Mark Fielding CEO of the Irish Small and Medium Enterprises Association who estimates the state could be losing out on up to €5 billion in revenue, lost due to the existence of a growing 'black economy'.

5.5 Late Payments

Of those candidates interviewed three out of the six indicated that late payment was not an issue for them, due to the particular nature of their business. Of the remaining three candidates two said that it had been a definite contributor to the liquidating of the business if not the main contributor. Peter the remaining candidate has encountered problems in this area and as a result has had to change his terms of payment. It is important to note that all candidates indicated that cash flow was fundamental to the continued existence of their business.

Late and non-payment has always been a problem for SME's however the economic crises we now face has apparently brought the situation to a head evidence exists that there are many SME's forced to close due to increased cash flow problems .

When smaller businesses are not being paid on time, they cannot in turn pay their suppliers and the vicious domino effect ends with the smallest and most vulnerable being forced to close down, with the resultant job losses." There is evidence that many sound, profitable, long-standing businesses are finding it difficult to get access to bank credit because of the banks' perception that SMEs are a high-risk sector. These businesses are experiencing increased cash flow problems, leading to many companies letting people go, reducing operations and in many cases closing down," said Fielding.

The ISME Credit Watch Survey for winter 2010 shows clearly that smaller enterprises are continuing to suffer because of deliberately delayed payments from both state agencies and larger businesses. According to Intrum Justitia spokeswoman Annika Billberg “Around 25% of all bankruptcies in Europe are due to late payments,” “the consequences of companies being unable to get paid are that they are unable to expand or even keep staff” (www.intrum.co.uk).

5.6 Credit Environment

The six candidates interviewed have all agreed that the country's destabilised banking sector has added exponentially to the difficulties facing Irish SMEs accessing bank credit. All six candidates are of the opinion that the banks are closed for business based on their own personal experience. Two of the candidates indicated that lack of assistance from the banks where they had been long-standing customers forced them out of business. According to these individuals the banks have now changed their perception of SMEs and now view them as high-risk. Interviewees indicated that their experience is that funding is still not flowing to small and medium-sized enterprises and as a direct result many of them are finding it very difficult to keep their doors open. Many businesses have resorted to letting staff go in the hope of keeping the business afloat.

According to one interviewee “access to capital as one of the most important needs of entrepreneurs in the current climate”. However, this issue is not been addressed by the government to any great degree”. The sentiment of the candidates is reflected in the latest ISME quarterly bank watch survey (13th June 2011), in which it has been revealed that 55 per cent of firms, who applied for funding in the last three months, were refused credit by their bank.

5.7 Bankruptcy legislation

All of the six candidates interviewed believed that bankruptcy legislation needs to change and it is their opinion that a system closer to the American model would be more supportive of entrepreneurship in this country. Accordingly candidates feel if this government wishes to succeed in building an entrepreneurial economy then

they need to create a shift in societal attitudes which recognizes the reality of failure and the lessons learned from it and this shift must be lead by government.

According to CEO Mark Fielding of ISME Current Irish bankruptcy laws are penal, outdated and anti-entrepreneurial.

5.8 Taxation

The consensus among all six of the entrepreneurs interviewed indicated that overall they are of the belief that the tax system is relatively fair. However, all six candidates have raised the issue of PAYE tax credits and the need for change in this area which entrepreneurs perceive to be grossly unfair and an obstacle for many potential entrepreneurs. One of the newly established entrepreneurs had this to say on the topic

“I think it is truly unbelievable that I would take the risk of setting up a business and creating employment only to be told I am not entitled to anything if things go wrong”. A further candidate added it is a case of failure leads to punishment.

The CPA survey (2010) also highlighted the fact that there is widespread criticism of the fact that entrepreneurs are not entitled to Jobseekers Benefit should their business fail.

5.9 Education System

Malcolm Stevenson Forbes (publisher of Forbes magazine) once said “*Education's purpose is to replace an empty mind with an open one*”. There was a resounding call by all the candidates for the Government to incorporate entrepreneurship in the secondary school educational curriculum. The general consensus among candidates is that there is room for improvement. One candidate explains: “we need to be explaining clearly to these kids that the benefits of entrepreneurship generally far outweigh the risks, Schools should be bringing in local entrepreneurs to speak to students”. Based on the opinions posited by the interviewees it appears that the feeling is; planting the seed at an early stage will bring the required results.

5.10 Conclusion

In this chapter, the researcher has presented the findings of the study pertaining to entrepreneurship. Six entrepreneurs were selected for interview and discussed issues in relation to the area of entrepreneurship, two candidates were selected from each of the following categories; *newly established entrepreneurs, established business owners, liquidated entrepreneurs in County Galway.*

Having conducted the interviews it has become very evident that entrepreneurs perceive the current economic environment is prohibitive due to a number of factors. Firstly although all respondents believe that the cultural environment has become more favourable towards entrepreneurship there is still a stigma associated with failure that may contribute to a lack new business start ups. Many believe that the lack of knowledge regarding entrepreneurship being imparted to students in second level is non-existent and this does not help to foster an entrepreneurial culture.

The lack of government support is also an issue cited by all 6 respondents, the bureaucracy and red tape associated with accessing funding is time consuming, frustrating and arduous and hence causes may not to seek such support. Also the issue of taxation, although perceived by all as equitable, needs to be overhauled to allow entrepreneurs access job seekers' allowance in the event of business failure; especially considering the fact that all make PRSI contributions. Existing Irish bankruptcy legislation is perceived by entrepreneurs to lock out from entrepreneurial activity those whose previous attempts at entrepreneurship have failed.

The stringent banking regulations enforced since the recession are having a debilitating effect on many entrepreneurs as they cannot access financial support in order to support the business whether in terms of expansion plans or to deal with late payments from suppliers. All respondents cited that the lack of financial support is causing viable business to liquidate resulting in many job losses.

Chapter Five: Discussion

The issue of late payments has also been cited by some of the entrepreneurs as a serious problem and in some cases has caused the demise of the business. The general consensus among the entrepreneurs interviewed is that if this issue is not tackled immediately that businesses will continue to fold, adding to the high rise in unemployment levels and the closure of many viable companies.

The ISME report and entrepreneurs themselves state that the existence of the black economy and lack of apparent enforcement of regulatory and tax laws allow people who operate in the black economy to undercut legitimate operators. This is sector-dependant in some cases.

CHAPTER SIX: CONCLUSION & RECOMMENDATIONS

*'EACH IS GIVEN A BAG OF TOOLS, A SHAPELESS MASS, A BOOK OF
RULES, AND EACH MUST MAKE -ERE LIFE HAS FLOWN -A STUMBLING
BLOCK OR A STEPPING STONE.'*

ROY L. SHARPE

Chapter Six: Conclusions & Recommendations

6.1 Introduction

The aim of this chapter is to present the conclusions and recommendations of the research project. The researcher will highlight the implications for entrepreneurship and public policy generation. The researcher will also describe the study's limitations and possible avenues for further research.

6.2 Contribution

The author has contributed to the existing literature on the challenges faced by entrepreneurs by comparing the opinions of entrepreneurs with regard to their experiences to the current available literature. In so doing the author has used many reports such as ISME, Gem, etc in relation to Ireland in a probit framework which has produced some interesting results. The researcher was herself an entrepreneur during the period 1989-2004 but due to youth and absence of family commitments did not perceive the environment for entrepreneurship to be particularly risky. Moving forward to today's climate she sees that today's lack of credit (despite public ownership of banks in Ireland) and lack of support for unsuccessful entrepreneurs is creating a particularly hostile environment at the very time when Ireland needs entrepreneurship more than ever.

6.3 Limitations

The very breadth of literature available on entrepreneurship created an unexpected obstacle for the researcher and therefore the researcher encountered some time constraints; however judicious time-management strategies on the part of the researcher helped to overcome the problem to a degree.

The small number of respondents interviewed may have limited sufficient information obtained for this study and the inclusion of more entrepreneurs and possibly more sectors of industry may have added considerably to the findings.

Another concern is the lack of experience the researcher had in conducting interview's although the researcher believes that this issue was overcome through intensive study on general interviewing techniques.

Chapter Six: Conclusions & Recommendations

Qualitative research has the disadvantage of non-quantifiable conclusions and this may have an effect on the reliability of the research.

6.4 The importance of entrepreneurship

Henry Ford, the inventor of the Model T, once said, "*It's strange how, just as soon as an article becomes successful, somebody starts to think that it would be more successful if only it were different.*" That somebody is an entrepreneur, someone who has a vision of what might be.

It is evident from this research that entrepreneurship plays a key role in the growth of nations and can bring about a range of economic, regional and social benefits. Therefore now more than ever this Government needs to look to its own to ensure the future growth and prosperity of the country. For many years now Ireland has depended mainly on FDI to drive the economy, ignoring the potential of its own entrepreneurs. The time has now come for Ireland to look to its own to drive the economy through entrepreneurship and the creation of Irish indigenous industries. However in order to do this, the Government needs to improve the systems that strives to encourage the innovation and risk taking of entrepreneurs. If the government fails to do this then the economy will take much longer to recover and this will in turn impede the long- term prospects of this country.

The Government on its own cannot create jobs; however, they can help to create an environment that is more conducive to job creation. The banks, now in public ownership need to be pushed by the government to fulfil their obligations and invest in small business in order to ensure their survival. This is a critical stage for the economy and ensuring that vital funding and supports are available to entrepreneurs is essential.

6.5 Recommendations

The following recommendations come in part from the results attained from interviewees also included are some of the researchers own recommendations that the current government could take on board in order to create a more supportive environment for entrepreneurship in this country.

- To counteract the negative connotations of business failure in Ireland government press departments, business sources, and educational material and media outlets should demonstrate that business failure may be a normal part of entrepreneurship from which entrepreneurs re-invent themselves in a different activity having learnt from failure.
- Establish a national website to provide information on enterprise and other pertinent supports offered to business
- The Irish government needs to listen to entrepreneurs; this could be achieved through a formal forum for entrepreneurs to engage with the government.
- ISME stated that the state is losing around €5bn per year to the black economy in revenue. In order to level the playing field for legitimate entrepreneurs the Department of Finance should exempt revenue and statutory regulatory bodies from the ban on recruitment in the public service because more effective tax collection will provide a more equitable system for all.
- The researcher has uncovered that late payment by government agencies is quite common. Cash-flow issues are cited as a common reason for business failure. Because of this Government should give example by ensuring timely payment to entrepreneur suppliers of goods and services to it.
- To ensure that the now public owned banks release credit which entrepreneurs surveyed see as the life-blood of business. They see an unjust irony in the situation where institutions that are now publicly owned are denying credit to the same public.
- Ireland's bankruptcy legislation effectively locks out an entrepreneur from credit for a period of 12 years following bankruptcy. This legislation needs to be updated so as to help create a more favourable environment for entrepreneurship

Chapter Six: Conclusions & Recommendations

- While entrepreneurs broadly agree that the taxation system is equitable a serious issue arises in the event of business failure in that there is no entitlement to job-seekers allowance. This the interviewees perceive to be unjust.
- Establish a one stop shop for enterprise support agencies and programmes to reflect the shifting enterprise challenges faced by entrepreneurs in this current economic environment highlighted in this research.
- The future growth of this economy is dependent on our young people, the second level students of today. From this cohort will emerge the next generation of entrepreneurs. There is a need, therefore, to create an understanding among these students of what is required and how they can improve their chances of becoming successful entrepreneurs. Entrepreneurship needs to be promoted among this cohort in order for them to understand the passageway to entrepreneurship
- Further developing an environment for greater connectivity for entrepreneurship in education across the whole system thus ensuring that all students become more aware of the supports and opportunities available.

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APPENDICES

Appendix 1: Government Support

	Enterprise Ireland	Údarás	County Enterprise Board	Business Innovation Centre	Area Partnership
Financial					
Employment Grants	✓	✓	✓		
Capital Grants	✓	✓	✓		
Training Grants	✓	✓	✓		
Feasibility Study	✓	✓	✓		
Rent subsidies	✓	✓			✓
Seed capital	✓	✓		✓	✓
Marketing grant	✓	✓	✓		
Technology Transfer	✓				
Loan Guarantees	✓				✓
Loans					✓
Management Development grant	✓	✓	✓		
Non Financial					
Business Plan support	✓	✓	✓	✓	✓
Bookkeeping and secretarial services					✓
Mentor	✓		✓	✓	✓
Business Advice	✓	✓	✓	✓	✓
Recruitment and training	✓	✓			
Management training	✓	✓	✓	✓	✓

Appendix 2: ISME Bank Watch Survey June 2011

ISME BANK WATCH SURVEY June 2011	
	June'11
Required a change in banking facilities in last three months.	30%
Approached bank	92%
Made Informal Approach.	81%
Made Formal (written) Approach.	56%
Unsuccessful	54%
Banks making it more difficult to access finance	72%
Aware of Banks' appeals procedure	48%
Aware of the Credit Review Office.	55%

Mar '11	Dec '10	Sept 10	June'10
25%	25%	25%	32%
83%	96%	95%	95%
65%	62%	62%	88%
38%	49%	45%	53%
48%	32%	42%	55%
79%	68%	83%	82%
44%	43%	42%	29%
46%	41%	41%	23%

Appendix 3: Email

I am a postgraduate student at the Galway-Mayo Institute of Technology currently undertaking my Masters of Business in Strategy and Innovation Management. I am currently undertaking my thesis with the aim to uncover if Entrepreneurship is prohibitive in the current economic climate in Ireland.

Conducting primary research is an important factor in the completion of my thesis and I would be extremely grateful if I could conduct an interview with you to uncover the above knowledge gaps. Please find attached a copy of the interview questions. I would be grateful if I could conduct an interview at your convenience; this would take no more than an hour.

I wish to emphasise that any information obtained will be treated in the strictest of confidence and the company name may be disguised if requested. If you have any queries please feel free to contact me at the above email address or by phone at 087 2775109 or if you wish to contact my supervisor Mr. Ivan McPhilips at 091 582639.

I would like to thank you in advance for your contribution and valuable assistance and I look forward to hearing from you.

Kind Regards

Rachel Burke

Appendix 4: Pilot Questionnaire

Name:

Address:

Phone No:

Q.1 How many years has your business been in operation? (Tick appropriate box)

Up to 2 years	
Between 2 and 4 years	
Between 5 and 10 years	
More than 10 years	

Q.2 What was your age profile when you established your business?

20-25 years	
26-31 years	
32-37 years	
38-43 years	
43+ years	

Q.3 Previously what was your employment background?

Q.4 What type of industry sector do you operate in?

Q.5 Did you perceive an opportunity or was it out of necessity you started your business?

Q.6(a) Do you believe the climate for entrepreneurship in Ireland over the last 18 months has? (please tick only 1 box)

Deteriorated?	
Deteriorated somewhat?	
Remained the same?	
Improved somewhat?	
Improved?	

6 (b) Please give brief reason to your answer @ Q 6(a)

Q.7 (a) In the last 18 months, i.e. since June 2010, has your number of employees in your business increased, decreased or stayed the same?

	Full-time	Part-time	Seasonal	
Increased				Go to Q.7(b)
Decreased				Go to Q.7(c)
Stayed the same				

Q.7 (b) If the number of your employees have increased, why?

Q 7(c) If the number of your employees have decreased, why?

Q.8(a) In the last 18 months, i.e. since June 2010, has the turnover of your business increased, decreased or stayed the same?

Increased		Go to Q.8(b)
Decreased		Go to.Q.8(c)
Remained the same		

Q.8 (b) Can you estimate by what percentage has your turnover increased?

0-10 %	
11-20 %	
21-30 %	
31-40 %	
41-50 %	
51 % +	

Unsure	
--------	--

Q.8 (c) By about what percentage has your turnover decreased?

0-10 %	
11-20 %	
21-30 %	
31-40 %	
41-50 %	
51 % +	
Unsure	

Q.9 (a) Since June 2010 have you requested from any bank, any of the following types of finance?

New overdraft

Increased overdraft

Loan

Invoice Discounting

Leasing or Hire Purchase

Other (specify)-

None

Q.9 (b) If so have you been successful

Yes

No

Q.10 Have you seen viable business get into difficulties due to lack of credit from the banking system?

Yes

No

Don't know

Q.10 Irish culture facilitates and strongly supports entrepreneurship? Do you

Disagree strongly	
Disagree	
Agree strongly	
Agree	
No opinion	

Q 11(a) In your opinion is the support provided by Enterprise Ireland and other state agencies

Very good	
Good	
Fair	
Poor	
Very poor	

Q.11 (b) Have you any suggestions on what changes could be made, if any?

Q.12 (a) Have you faced difficulties in your business in the last 18 months?

Yes

No

Q.12 (b) If so, what kind

Q. 13(a) Has your business ceased trading in the last 18 months?

Yes

No

Q.13(b) If yes can you provide some information as to the main causes for this occurrence.

Q.14 Would you be willing to make yourself available for an interview, at a time convenient to you, to discuss this topic further in the strictest of confidence?

Yes

No

Appendix 5: Questionnaire

Background

1. When did you establish your business
2. What was your age profile when you established your business?
 - a. 20-25
 - b. 26-31
 - c. 32-36
 - d. 37-42
 - e. 42 +
3. Previously what was your employment background?
4. What type of industry sector do you operate in?
5. Including yourself how many people are employed in your business?
6. Have you increased/decreased/ or remained constant the number of employees since the establishment of your business?
7. When did you employ the largest number of employees? (How many)
8. What factors have contributed to this change in employee numbers?
9. When did you employ the lowest number of employees? (How many)
10. What factors have contributed to this change in employee numbers?

Motivations for establishing the business

9. Did you perceive an opportunity or was it a necessity to start up the business?
10. Prior to establishing your business how long did you contemplate setting up a company?
11. Before establishing your company what did you perceive to be the benefits and drawbacks of entrepreneurship?
12. What level of research did you conduct prior to start up?
 - a. financial institutions
 - b. consultants
 - c. state agencies
 - d. own research
 - e. other methods

13. How long did it take to conduct the research?

- a. 0-3 months
- b. 3-6 months
- c. 6-12 months
- d. 12-18 months
- e. 18 months +

Climate for Entrepreneurship

14. When you established your business how did you perceive the overall climate for entrepreneurs

- a. positive
- b. negative

	Up to 2008	Since to 2008
Positive		
Negative		

15. Why?

16. Currently do you perceive the climate as being prohibitively risky?

17. What factors are of most concern to you now?

Government Support

18. In establishing your business did you avail of any government support?

19. Did you perceive the support to be sufficient at the time?

20. What type of government support did you receive?

- a. Enterprise Ireland
- b. County Enterprise Boards
- c. Incubation Centres
- d. Udaras na Gaeltachta
- d. EU grants

e. Other

21. Did you find it difficult to access this support? If so, why?
22. Did you apply for and were you refused any other government support, if so, why?
23. Currently have you applied for any government support?
24. Currently are you in receipt of any government support?
25. Currently are you finding it difficult to access government support?
26. If yes, do you have any suggestions as to how this could be improved?

Banking

27. Did you find it difficult to access funding from the bank in establishing your business?
28. Currently are you finding it difficult to access credit from financial institutions?

Taxation

29. Do you consider the taxation system favourable to entrepreneurs? Why?
30. What do you perceive the biggest taxation drawback for existing, new and potential entrepreneurs?

Business Optimism

31. Do you plan on expanding your business in the next 12-24 months?
32. Do you plan to employ more staff in the next 12-24 months?
33. Do you have any recommendations for government in terms of fostering entrepreneurship in Ireland?