



Submission to DJEI Public Consultation:

# A National Entrepreneurship Policy Statement for Ireland

June 2013

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## Introduction

Chambers Ireland is the largest business organisation in the State. With over 50 member chambers, we represent the interests of those doing business in every region and sector in Ireland.

Due to the way in which the Chamber Network is structured, we have a unique insight into the opportunities for entrepreneurs and business start-ups throughout Ireland. Through extensive consultation at local, regional and national level, we understand the concerns of the business community and are well placed to voice their opinions.

We welcome this opportunity to comment on the introduction of A National Entrepreneurship Policy Statement for Ireland. Recent research from the Central Bank<sup>1</sup> confirms that it is younger rather than smaller businesses that are responsible for the greatest levels of job creation. Accordingly, it is essential that Ireland develops a coordinated approach to encouraging entrepreneurs and nurturing entrepreneurial spirit. The Department for Jobs, Enterprise and Innovation must be congratulated for the efforts it has made in the areas of job creation and business supports; however, a policy statement, exclusively focussed on entrepreneurship is a welcome addition to existing initiatives.

This is particularly important in the context of the findings of the Global Entrepreneurship Monitor (GEM) report, 'Entrepreneurship in Ireland', which shows that:

- Few people see entrepreneurial opportunities;
- There are continuing low levels of those aspiring to be an entrepreneur; and
- The relative rate of early stage entrepreneurs continues to decline.<sup>2</sup>

Chambers Ireland and the Chamber Network feel it is well positioned to comment on all of the themes raised in the consultation:

- Current Support Systems;
- Information Availability and Accessing Information;
- Business Environment;
- Learning from Others/Networking; and
- Promoting Entrepreneurship.

The material contained in this submission reflects research carried out by Chambers Ireland and information gained through consultation with Chambers of Commerce at a regional and local level. For this reason, it contains many relevant insights into the concerns felt by existing and potential entrepreneurs and those attempting to support them.

We believe that Chambers of Commerce throughout Ireland are best positioned to provide the services that all entrepreneurs require as they are taking their first steps in business.

We ask that any policy statement includes a recognition of the role Chambers of Commerce can play in the support of fledgling entrepreneurs and call on Local Authorities and national Government to collaborate with Chambers in the provision of such services.

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<sup>1</sup> <https://www.centralbank.ie/publications/Documents/02RT13.pdf>

<sup>2</sup> See page 21: <http://www.enterprise.gov.ie/Publications/GEM-Report.pdf>

## Summary of Recommendations

Chambers Ireland believes 'A National Entrepreneurship Policy Statement for Ireland' is a welcome addition to initiatives designed to create jobs and contribute to economic recovery.

We believe such a statement should include the following:

1. A commitment to restore consumer confidence and domestic demand in the Irish economy. Without this, people with entrepreneurial spirit and innovative ideas will remain unwilling to take the risks involved in starting a new business.
2. Government should promote a rationalised and joined-up approach to support for entrepreneurs.
3. Local Authorities and national Government must be encouraged to collaborate with their local Chambers of Commerce to facilitate the dissemination of information and provision of expert knowledge.
4. Entrepreneurial activity should be encouraged by improving the business environment for micro, small and medium-sized enterprises.
5. The Government's guidelines on insolvency must guarantee that individuals who have previously failed in business, but have credible new ideas, are not prohibited from taking further risks.
6. We call on the Government to recognise the work done by business support organisations in the areas of business networking and mentoring. Support and funding should be provided to allow them to continue this work.
7. We encourage the Government to promote and encourage the European Network of Mentors for Women Entrepreneurs.
8. We call on the Government to establish a Youth Entrepreneurship Fund.
9. The policy statement must encourage a focused and coordinated approach to the teaching and development of entrepreneurship through secondary and third-level education.

## Current Support Systems

Currently, there are many groups and agencies offering support for entrepreneurs. Subsequently, the system can appear fragmented and divided, with different schemes offering contrasting objectives and deliverables.

The volume of agencies across the State offering support for entrepreneurs dilutes the clarity needed to foster entrepreneurship. This has a negative impact on job creation and innovation.

The Innovative Policy Research for Economic Growth (IPREG) report into Entrepreneurship and Innovation Policy in European Countries confirms that “initiatives by Government bodies and agencies involving growth policy are often duplicitous.”<sup>3</sup> It further suggests that information and funding available at local, regional and national level does not serve the best interests of potential entrepreneurs.

Entrepreneurs are generally younger and less experienced in business. Therefore, they are less likely to be aware of the supports available.

**Subsequently, a policy statement which promotes a rationalised and joined-up approach to support for entrepreneurs is encouraged.**

## Information Availability and Accessing Information

Research from around the Chamber Network suggests that start-ups and Small and Medium-Sized Enterprises (SMEs) find it challenging to navigate the information and funding available via different support agencies. There is a commonly held view that there is a lack of collaborative thinking in the entire area of supports for entrepreneurs.

We note that organisations such as Cork Innovates have attempted to ease this problem. Cork Innovates has become a valuable conduit which enables entrepreneurs to navigate the support landscape. The Cork Innovates website<sup>4</sup> offers a location that centralises relevant information for budding entrepreneurs.

Chambers of Commerce provide the ideal location for entrepreneurs to access such information.

**Local Authorities and national Government are encouraged to collaborate with local Chambers to facilitate the dissemination of such information and provision of expert knowledge.**

Chambers are in a unique position to understand the concerns of potential entrepreneurs in their area and can subsequently provide the information required in a timely and professional manner.

We are concerned that responsibility for such activity may be given to the new Local Enterprise Offices (LEOs), established to replace the existing City and County Enterprise Boards. There is a feeling that these organisations will not have the requisite knowledge and experience to provide the best service to entrepreneurs and start-up businesses.

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<sup>3</sup> See page 8 of the report: [http://www.ipreg.org/Exe\\_summary\\_Ireland.pdf](http://www.ipreg.org/Exe_summary_Ireland.pdf)

<sup>4</sup> For details see: <http://corkinnovates.com/>

## Business Environment

**We believe that individuals would be more likely to engage in entrepreneurial activity if the business environment for micro, small and medium-sized enterprises was improved.**

Examples of how this business environment could be improved include:

- **Take steps to tackle the unprecedented drop in demand in the Irish Economy.**

Evidence from the ESRI shows a peak-to-trough drop in demand of 27%. Very few people will be encouraged to start new businesses while this situation persists. Government must do all that it can to increase consumer confidence and restore levels of demand. This, in part, will only be possible through improvements in the entire Eurozone.
- **Ensure that public tendering and procurement is open to micro enterprises and SMEs.**

Chambers Ireland welcomes the establishment of the National Procurement Office and is committed to working with Chief Procurement Officer and others to ensure the best outcomes for business and best value for the State.

However, we are aware that not all public procurement goes through this office, with Local Authorities remaining responsible for their own tendering. There is a concern that Local Authorities may not have the requisite expertise to ensure the best outcomes for the business community.

We also believe that a fully centralised system is unlikely to result in the best outcomes for SMEs. It is essential that the type of process reflects the size of the job being tendered for and that the process is structured in such a way to ensure SMEs are not 'frozen out'.

Local Authorities, in particular, should be seen to take the lead on this issue and support local businesses. Goods and services such as stationary, office supplies, ICT consumables, energy products, janitor and cleaning products/services and motor vehicles are readily available from local suppliers.
- **Ensure funding is available for micro enterprises and SMEs from a range of sources.**

In April 2013 Chambers Ireland published 'An Alternative 10 Point Plan for Micro, Small and Medium-Sized Enterprises'.<sup>5</sup> This document includes a range of suggestions which, if implemented, would do much to improve the business environment for start-ups and SMEs in Ireland. For example:

- Halve the level of Capital Gains Tax for entrepreneurs to 16.5%.

It is unfair to apply the same level of Capital Gains Tax to an entrepreneur, who is risking so much to establish an enterprise, as to an individual who, for example, is investing savings in shares in the stock market. A successful entrepreneur makes a significant contribution to the economy in terms of taxes on earnings, employment taxes, rates and economic activity; the other is passive and makes little economic contribution and should therefore pay CGT at a higher rate.
- Introduce an additional tax incentive policy to encourage private sector investment.

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<sup>5</sup> For details see:

<http://www.chambers.ie/assets/media/Images/Publications/White%20Papers/An%20Alternative%2010%20Point%20Plan%20for%20Micro%20Enterprises%20-%20FINAL.pdf>

While recognising the proactive approach of the Department of Jobs, Enterprise and Innovation in this area, for instance with the establishment of the MicroFinance Fund and the Credit Guarantee Scheme, we believe Government must explore a wide range of alternative funding sources, which could provide the funds necessary for businesses to begin trading.

- **Improve the Employment and Investment Incentive Scheme (EIS).**

Chambers have a number of suggestions to improve the uptake and access to the EIS with a view to ensuring that more firms from more sectors use this worthwhile initiative. We note that use of the scheme has fallen dramatically from a peak of €152m in 2007 to a current low of less than €20m. We have a number of suggestions that could ensure enhanced use of this scheme:

1. Consider introducing a 'Seed Employment and Investment Incentive Scheme' targeting investments in seed/early stage companies with an upfront income tax relief of 41% and greater facilitation of Business Angel investors.
2. Remove the high income earner restriction.
3. Reinstate the minimum holding period of five years.
4. Ensure that medium-sized companies in non-assisted areas automatically qualify under the new EU risk capital guidelines for this scheme.
5. Review the impact of broadening the scheme on higher risk and early stage internationally trading businesses.
6. Simplify accumulation rules.

- **Government should drive the use of the Seed Capital Scheme.**

While recognising that Government has sought to enhance usage of the Seed Capital Scheme, we believe that more could be done to grow the number of firms applying for it. These are as follows:

1. Scope and activities of SCS to continue mirror the EIS.
2. Even greater promotion of the scheme.
3. Revenue Commissioners should provide outline approval for SCS claims to facilitate the securing of funding and investment from other sources.
4. Revenue should commit to processing income tax refunds quickly to aid start-up firms with cash flow.
5. We also believe that the Government should consider options for making the scheme more attractive to the self-employed.

- **Encourage SMEs to enter export markets early.**

In this context, the most pertinent market for SMEs that are new to exporting is the United Kingdom; however, most SMEs will never qualify for support from Enterprise Ireland using traditional measures. Therefore, qualification criteria need to be broadened significantly to enable these firms to begin exporting.

We also call on Government to introduce a one stop website for new exporters. Aspiring entrepreneurs would benefit from a one-stop website to provide information on the export or import process. At present, an Irish SME needs to trawl through the websites of a number of different agencies and Departments, with no single source to access information on the numerous requirements involved in

international trade. We would highlight the UKTI website as an example of best practice in this area.<sup>6</sup>

Several Scandinavian countries have succeeded in this area by producing “born-global” companies, ready to export in the early years of their development.<sup>7</sup> This, combined with developed attitudes towards productivity and innovation, has resulted in an impressive number of globally competitive companies

- **Ensure networks of facilitation and infrastructure provide the best possible environment in which to do business.**

Small Office/Home Office (SOHO) businesses must be given every opportunity to succeed by having access to ePayment and eFulfillment. Therefore, the Government’s ambitious plans for broadband connectivity must be realised. Businesses must have access to top quality phone, broadband and postal services.

Chambers Ireland believes that the business environment in Ireland is hostile to those who have attempted to start business but have ultimately failed. The experience of failure often makes such individuals more like to succeed in future ventures. Risk taking behaviour ought to be rewarded rather than punished.

Currently, a failed business is seen as the ‘end of the road’ for some individuals with further good ideas. This perception must be challenged and the **Government’s guidelines on insolvency must be applied in a way that guarantees that individuals who have previously failed in business are not prohibited from taking further risks.**

## Learning from others/Networking

One of the key functions performed by the network of Chambers of Commerce throughout Ireland is the provision of space and opportunities for networking. Chambers have a proven track record in this area and their experience can be leveraged by Government to provide opportunities for all potential entrepreneurs.

Examples of the excellent work carried out by Chambers of Commerce in this area include:

- Limerick Chamber’s Referral Networks,<sup>8</sup> which is an exclusive forum for members, allowing for growth through cooperation and partnership;
- Dublin Chamber’s Business Owners Network. Dublin Chamber also offers advice on more successful networking;<sup>9</sup>
- Ballyhaunis Chamber’s Business After Hours events and Business Information Seminars;<sup>10</sup>
- Kilkenny Chamber’s programme of events which aims to “support all members of the Kilkenny business community including start-ups;”<sup>11</sup> and

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<sup>6</sup> <http://www.ukti.gov.uk/home.html?guid=none>

<sup>7</sup> For details see: <http://www.economist.com/news/special-report/21570837-nordic-companies-have-coped-well-globalisation-need-new-blood-global-niche>

<sup>8</sup> <http://www.limerickchamber.ie/events/referral-network/>

<sup>9</sup> <http://www.dubchamber.ie/events/networking-tips>

<sup>10</sup> <http://www.ballyhaunischamber.ie/node/38>

<sup>11</sup> <http://www.kilkennychamber.ie/Events.aspx>



- Cork Innovates which was established by Cork Chamber and continues to actively support the creation of new sustainable jobs by connecting Cork's entrepreneurial and business community.<sup>12</sup>

These are only a few of the many excellent events and schemes developed by Chambers across Ireland. Government, at a local and national level, can work more closely with these Chambers to ensure entrepreneurs have access to the people and information they need as they are taking their first steps in business.

**We call on the Government to recognise the work done by Chambers of Commerce in any policy statement and provide support and funding to allow them to continue this work.**

We note that the Oireachtas Joint Committee on Jobs, Enterprise and Innovation recently produced a report calling for a new national State mentoring group to support new and existing businesses.

This report states:

“For both start-up and existing businesses looking to scale, mentors play a critical role in supporting the management teams in successfully driving the business forward. Mentors perform a range of roles from a general role across all areas of the business to a specific-focus role such as in the sales and marketing area. Mentors are typically drawn from a variety of backgrounds including entrepreneurial, general business/management experience, technical and sectoral speciality.

In the case of start-ups, mentors play a particularly crucial role in supporting a fledgling business to get off the ground and into a viable position through supporting what are usually first-time entrepreneurs.”<sup>13</sup>

**This is another area where Government can collaborate with Chambers of Commerce, who have accumulated considerable experience and expertise in this area over many years.**

## Promoting Entrepreneurship

It is important that Ireland develops a business culture which is sympathetic to the needs and celebrates the success of entrepreneurs.

Consultation with the Chamber Network suggests that entrepreneurs, along with SMEs, can face greater challenges than established businesses. Due to the fact that many entrepreneurs are new to the processes involved in starting a business, education and support must be provided at each step of the way, in an accessible manner. This is particularly important to those not previously familiar with the entrepreneurial environment.

We also recognise the potential for universities and other third-level education providers to promote, encourage and develop entrepreneurship in Ireland. We would argue that there is a degree of fragmentation among these projects which leads to uncertainty among potential entrepreneurs.

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<sup>12</sup> <http://corkinnovates.com/what-we-do/>

<sup>13</sup> See pg 8: <http://www.oireachtas.ie/parliament/media/committees/jobenterpriseandinnovation/State-Mentoring-Services-Report-Feb-2013.pdf>

**A national policy statement should ensure that provision is coordinated and reflects best practice in all institutions.**

Chambers Ireland recognises that certain social groups are underrepresented among entrepreneurs. The IPREG report states that, “Diversity in entrepreneurship and innovative entrepreneurship is essential for uncovering dormant activity.”<sup>14</sup>

We note that while 51% of the Irish population is female, the ration of male to female entrepreneurs is 2.5:1.

**We encourage the Government to promote the European Network of Mentors for Women Entrepreneurs.**<sup>15</sup> The programme in Ireland, Mentoring for Female Entrepreneurs,<sup>16</sup> is coordinated through the Enterprise Europe Network, whose offices are located in Chambers of Commerce in Galway, Dublin, Cork, Waterford and Sligo. We would welcome any Government initiative to extend this programme to other areas and increase the number of female entrepreneurs in the State.

Young people are also underrepresented among entrepreneurs. **Chambers Ireland supports the establishment of a Youth Entrepreneurship Fund**, initially proposed by Celbridge Youth Council and supported by both Fine Gael and the Labour Party. Given the rate of unemployment among young people in Ireland, encouraging and providing them with the necessary education and financial support can make an important contribution to reducing this rate.

The GEM report highlights education as one of the main constraints to entrepreneurial activity in Ireland.<sup>17</sup> Their research shows that there is little focus on entrepreneurship in the education system and a shortage of teachers with the knowledge and experience to teach it.

**Chambers Ireland calls for the policy statement to encourage a focused and coordinated approach to teaching entrepreneurship through secondary and third-level education.**

## Conclusion

There is little doubt that entrepreneurship is an important path to job creation and economic recovery. Furthermore, evidence shows that Ireland currently lags behind many of its competitors in this area.

Therefore, A National Entrepreneurship Policy Statement for Ireland provides an excellent opportunity to create an environment more sympathetic to the needs of those taking the first steps in business.

Such risk takers require support and must be encouraged through financial incentives and access to knowledge and information.

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<sup>14</sup> Op-cit, pg 8

<sup>15</sup> [http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/women/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/women/index_en.htm)

<sup>16</sup> <http://www.mentoringforfemaleentrepreneurs.com/index.php>

<sup>17</sup> Op-cit, page 36