

Creating an Enterprise Culture

Discussion Paper

Advancing Enterprise: Britain in a Global Economy

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Small
Business
Service



HM TREASURY

Enterprise Week

The UK's first ever national celebration of enterprise

November 15–21 2004

What will YOU do?

Participation invited from: businesses, corporate and media partners, education bodies, schools, colleges, universities, trade and professional associations, local authorities, social enterprise networks and any organisations interested in encouraging young people to realise their entrepreneurial potential.

Organised by Enterprise Insight:

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Led by the Institute of Directors, Confederation of British Industry,
British Chambers of Commerce and Federation of Small Businesses

Creating an Enterprise Culture

The Challenge

The UK aims to be the best environment for business with ever more positive attitudes towards enterprise. However, levels of entrepreneurial activity still lag behind those of the US. This paper sets out:

- evidence about the UK's entrepreneurial activity and attitudes to enterprise;
- the importance of an entrepreneurial mindset in creating a dynamic and prosperous society; and
- the challenge ahead: what actions should be taken by each of us to strengthen our enterprise culture?

Levels of entrepreneurship in the UK are high, but an enterprise gap remains

More people are becoming self-employed and businesses are surviving for longer...

- The UK has over 200,000 more small businesses now than ten years ago.
- 2003 showed the fastest rate of increase in self-employment since the late 1980s.
- Today the UK has 3.4m self-employed people, the highest since 1991.
- Prospects for business survival are better than in 1997.
- In 2003, 13% of adults in England were self-employed or owned a business and a further 11% were considering setting up a businessⁱ.

...but UK levels of entrepreneurial activity continue to lag behind the US.

While numbers of small businesses have increased, the level of entrepreneurial activity in the UK lags behind the US. The 2003 Global Entrepreneurship Monitor (GEM) found that the UK's entrepreneurial activity has risen to 6.4% from its 2002 level of 5.4%. This compares with 11.3% for the US and 5.3% for Germany.

Entrepreneurial activity is highest for men in the South East of England

Significant differences in rates of entrepreneurial activity exist, reflecting factors such as age, gender, ethnicity and levels of education. For example, over the last five years, rates of male entrepreneurship have been approximately 2.5 times that of women.ⁱⁱ There are also large variations across the UK, across and within regions.

The enterprise gap is a source of untapped potential

Reducing the entrepreneurial gap between the UK and US is critical to boosting productivity and creating greater wealth for our communities. Estimates show that the UK would have 1.8m more people starting up or running young businesses, if levels of entrepreneurial activity rose to those of the US.ⁱⁱⁱ

Attitudes to enterprise and entrepreneurs are positive

Entrepreneurs are well regarded across the UK

Both adults and young people are generally positive about small businesses and entrepreneurs. 93% of adults admire people who run their own business, and 64% would encourage a friend or relative to start a business.^{iv} 85% of young people in the UK have a positive impression of someone running their own business.^v

Indeed, recent comparison with the US by GEM showed that more people in the UK than the US thought that starting a new business gives high status in society: 71% for UK, 64% for US.^{vi}

Across the regions, most people in the North East accord entrepreneurs high status, while those in the South East view it least favourably.

But corporate leaders believe that UK attitudes are less positive than in other countries

However, corporate opinion believes that attitudes in the UK are less positive than elsewhere. In an international survey of CEOs, 68% of UK senior executives said that entrepreneurial behaviour and entrepreneurs are not highly regarded here, well above the global average of 41% and 23% for the US.^{vii}

In addition, a significant proportion of the UK population believes that those successful in business have low morals or ethics.^{viii}

Entrepreneurship as a career choice is becoming more attractive

More people believe that they are capable of starting a business...

The number of people who believe they are capable of starting a business has increased, with 54% of the adult population saying that they have the skills to start a business, compared to 40% in 2001.^{ix} (66% in the SBS Household Survey)^x

...and the numbers of students who want to run their own business is growing...

Business Dynamics found recently that enterprise and self-employment are becoming increasingly more attractive amongst young people. The number of students who eventually want to run their own business rose from 35% in 2000 to 43% in 2003.^{xi} But less positively, almost half of the students surveyed were not attracted to a career in business.

...but fewer people in the UK think being an entrepreneur is a good career choice than in the US

Comparison with the US shows that less people in the UK thought that starting a new business is a good career choice: 51% for UK, but 63% for the US in 2003.

A third of the population fear failure

Yet various barriers to entrepreneurship remain

GEM found that 31.7% of people felt that, "Fear of failure would prevent me from starting a business". Other reasons that prevent people starting a business include access to finance, complexity of regulations and loss of their current income and security. 47% thought that getting finance for the business is a barrier to starting a business.^{xii}

Attitudes can be influenced at key transition points in people's lives

Young people are often influenced by impressions and media images

Individuals' career choices tend to evolve, rather than being made at a single point in time. Young people are often influenced by impressions and images more than facts when making choices.^{xiii}

This points to the importance of engaging young people through:

- realistic role models; and
- media images that portray a holistic view of what it means to be entrepreneurial.

Entrepreneurial capability is critical for success

Enterprise capability is essential to creating a dynamic economy

Today, the importance of having an entrepreneurial attitude has never been greater. As individuals change jobs more often, management structures become less hierarchical, and working methods become more network oriented – all of these are factors that require individuals, and employees in small and large businesses alike, to be able to spot opportunities, take initiatives and adapt to changing circumstances. Similarly, leaders and managers in the public and private sectors need to change and shape complex organisations, to make them as flexible as possible and create environments within which initiative by employees is encouraged.

Enterprise should be a real career option for people throughout the UK

Enterprise needs to be seen and understood as a positive and worthwhile activity. This is important not just for young people thinking about their futures, but by people making career choices, of all ages and from all backgrounds, so that those who choose to engage in enterprise are supported and encouraged.

An understanding of what it means to be entrepreneurial is especially important for young people when they are going through transition points and weighing up choices about their future. Experience of enterprise for young people has been shown to have a positive impact for both participants and business volunteers, particularly amongst young people who face disadvantage.^{xiv}

The Regional Perspective

Entrepreneurial activity is up to ten times higher in some parts of the UK compared to others.

The regional picture shows that London and the South East have the highest stock of business and the highest start up rates per head of population.

Low start up rates in the North East mean that over time they face a huge challenge both to increase their business stock and to close the gap with the south in terms of start up rates.

VAT registrations

Per 10,000 adults	Registrations in 2002	Stock at start of 2002
United Kingdom	37	374
East Midlands	36	357
East of England	41	411
London	57	483
North East	21	216
North West	33	317
South East	44	432
South West	37	410
West Midlands	34	349
Yorkshire & Humber	31	315
Northern Ireland	27	432
Scotland	28	303
Wales	26	332

Source: Small Business Service

Given the variation in attitudes to enterprise, the issues must be tackled at a national, regional and local level.

Each region faces a challenge presented by varying attitudes to entrepreneurship. For example, the South West has relatively few people who think that entrepreneurs have a high status in society. In the North West a low proportion think they are capable of starting a business, while Yorkshire has the highest numbers who fear failure.

Attitudes to Enterprise

% positive response	Good start up opportunities	Have skills to start up	Fear failure	Entrepreneur is a good career	Entrepreneurs have high status
United Kingdom	39.0	54.2	31.7	51.2	71.0
East Midlands	37.3	53.3	30.4	48.4	70.6
East of England	42.7	56.3	30.5	47.8	67.8
London	38.1	56.1	32.4	51.0	71.3
North East	33.3	50.0	33.8	53.5	76.5
North West	34.1	49.2	31.1	54.4	70.4
South East	46.5	56.7	31.5	47.7	64.0
South West	43.2	57.4	28.4	51.1	69.7
West Midlands	36.5	55.8	32.0	55.5	72.4
Yorkshire & Humber	34.4	52.0	35.0	51.0	75.9
Northern Ireland	35.7	47.2	38.1	58.7	76.8
Scotland	39.3	53.2	30.3	50.3	73.4
Wales	37.0	53.4	32.3	52.0	73.8

Source: Global Entrepreneurship Monitor 2003

The Government has taken action to create an environment favourable for business and plays a role in providing opportunities for people to experience enterprise

The Government has created a supportive environment for business

Since 1997, the Government has maintained a stable macro economy and introduced a series of measures to make it easier to start up, grow, and run a business. Business taxes have been reduced, regulations have been abolished and policies to improve access to finance and legislation to promote competition have been introduced. Measures in Enterprise Areas are encouraging businesses in deprived parts of the UK.

All pupils will soon be able to gain enterprise experience while at school

The Government can also play a role in providing opportunities for people to experience enterprise at key points in their lives. At present approximately 30% of pupils gain experience of enterprise.^{xv} From September 2005, all pupils will be able to have at least five days of enterprise activity before they leave school. Increases in the number of volunteers from businesses will be needed to ensure pupils benefit from realistic role models.

A national campaign will inspire and mobilise young people to be enterprising

The Government is also supporting a major national campaign by Enterprise Insight to create a significant shift in the enterprise culture of the UK, including the first national Enterprise Week in November 2004.

Enterprise Insight is a campaign coalition, founded by the UK's leading business organisations and including enterprise capacity-building organisations, education bodies and Regional Development Agencies. The campaign will focus on young people, providing inspirational role models and peer networks to encourage them to be enterprising.

The campaign welcomes other organisations that would like to become involved, particularly in organising high-profile activities for Enterprise Week, and conference participants are invited to contact:

advancingenterprise@enterpriseinsight.co.uk

Many initiatives to raise awareness of enterprise are being supported

The Small Business Service published a government action plan for small business^{xvi} this month, which details the existing and new policies promoting enterprise by, for example:

- funding projects to raise awareness of enterprise amongst under-represented groups;
- reviewing the routes from benefits to self employment; and
- giving financial support to voluntary and not-for-profit organisations who are carrying out excellent work.

How can YOU help to strengthen the UK's enterprise culture?

The creation of a more enterprising culture can be achieved only with widespread engagement by individuals and organisations across the UK. Specific actions taken by the business community, non-profit organisations and the Government, working individually and together, will have a significant impact on entrepreneurial activity and productivity. How you can help to achieve this goal?

- How can you help to ensure young people have mentors and meaningful local entrepreneurial role models?
- Is it sufficient to add enterprise to the curriculum, or do we need a deeper change in how our educational institutions promote enterprise?
- Is your organisation encouraging entrepreneurial activity as much as it could?
- Are there ways we can reduce the fear of failure and encourage more risk taking?
- Could you or your business support potential entrepreneurs from deprived communities? Or commit to places that are perceived to have fewer investment opportunities?

You can contact Enterprise Insight and its members, the Small Business Service, branches of Chambers of Commerce, Federation of Small Businesses, CBI and IoD, Regional Development Agencies, schools and education business partnerships to make it happen.

Footnotes

- ⁱ Interim findings from the forthcoming SBS Household Survey of Entrepreneurship, 2003.
- ⁱⁱ Global Entrepreneurship Monitor, UK reports, 1999-2003.
- ⁱⁱⁱ Based on Global Entrepreneurship Monitor data, UK 2003, London Business School.
- ^{iv} Interim findings from the forthcoming SBS Household Survey of Entrepreneurship, 2003.
- ^v A review of Enterprise in Education and the Economy, Davies, 2002.
- ^{vi} Global Entrepreneurship Monitor, UK 2003, London Business School.
- ^{vii} Liberating the Entrepreneurial Spirit, Accenture, 2003.
- ^{viii} SBS Household Survey of Entrepreneurship, 2002.
- ^{ix} Global Entrepreneurship Monitor, UK 2003, London Business School.
- ^x Interim findings from the forthcoming SBS Household Survey of Entrepreneurship, 2003.
- ^{xi} Student Attitudes to Business, Business Dynamics, 2003.
- ^{xii} Interim findings from the forthcoming SBS Household Survey of Entrepreneurship, 2003.
- ^{xiii} A review of Research into Career Decision Making Among Young People, Central Office of Information, 1999.
- ^{xiv} Young Enterprise Northern Ireland, 2002
- ^{xv} A review of Enterprise in Education and the Economy, Davies, 2002.
- ^{xvi} A government action plan for small business, Small Business Service, January 2004.
<http://www.sbs.gov.uk/content/7-strategies/ActionPlan.pdf>



www.hm-treasury.gov.uk