

Yorkshire Forward and Economic Development

Learning Legacy Module 5

Enterprise - Helping New Businesses to Start and Survive



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The Region's
Development Agency

Executive Summary

Yorkshire Forward made the support and development of new businesses part of its core business and Enterprise was a prominent area of activity for the RDA from start to finish.

In 1998 both business start up rates and survival rates were relatively low in the region. The challenge was to raise them through **business start up support** and promotional activity and to through creating an enduring **culture of enterprise**. Most of Yorkshire Forward's Enterprise activity was focused on and grouped around those two strands. It included annual high profile Enterprise Shows, enterprise educational work and practical support delivered through Business Link.

Overall, both quite high levels of outputs and some promising changes in long term regional outcomes suggest that Enterprise activity has been successful. The region has not hit its initial and highly aspirational targets to double the rate of business start ups or entirely closed the gap to the national average. But it has significantly raised the rate of new business formation and done so faster than all but one other English region.

Many lessons were learned in the course of enterprise provision and future opportunities continue to emerge. Key areas of insight and learning are:

Overall

- a) Investing in **enterprise is a long term game and one that is about the type of economy that is sought as well as its scale**. Business start up activity will help to grow an economy, but is unlikely to be a driving factor behind increased economic growth or employment rates in the short term. Much of the value of promoting enterprise is about transforming economic structure, culture and attitudes, stimulating churn and dynamism, and through these factors raising levels of productivity and self reliance long term.
- b) **Progress is not quick, easy or guaranteed – but it is achievable**. Levels of business formation have increased in the region and the gap to the national average has reduced. That suggests that the approach that has been taken is making a difference.
- c) A combination of **integrated and cohesive support is important**, bringing together work on enterprise culture and education with practical support to help businesses get started, and follow on support to help them survive and grow. Access to Finance support was a major gap for some years and linking this to new enterprise support activity was highly beneficial once it began. Holistic delivery that also includes innovation and sector support further enhances impact.
- d) **Enterprise needs champions** – at a senior and an operational level. High level decision makers, especially from the private sector, often have a personal interest in Enterprise and utilising their enthusiasm is critical.
- e) It is possible to become absorbed in delivering services within a team and with established partners and to miss out on **making full use of important and emerging linkages** as a result. Potential for better connections in Yorkshire Forward's experience included with the LEGI programmes and other regions. Social Enterprise is best promoted through integration into mainstream business support, but with strong champions backing it.

Culture and Education

- f) **Creating an enterprise culture is a long term challenge** that involves factors such as attitudes, aspirations, background and wealth, peer pressures and role models. It is easy to neglect this as it is complex and doesn't deliver economic impacts in the short term. However it is a crucial element of long term economic transformation. Enterprise education needs to span all levels from primary to secondary school and through FE and HE. Currently secondary education represents the biggest challenge and addressing that needs supportive national frameworks.
- g) Enterprise education needs to **cover both learning about enterprise, and the development of qualities and character that support enterprise**. Developing the latter set of attributes – initiative, confidence, decision making, presentation and interpersonal skills, creative thinking, etc. – are about upbringing and learning more widely, not any one course. They will enhance success and productivity in most jobs not just entrepreneurship. Using role models that people can relate to, such as those from the local business community, helps people to see that going into business could be an option for them too.

Business Start Up Support

- h) **Enterprise shows work well as a centrepiece** that link enterprise promotion with practical support. They worked best when they were genuinely demand led (they were more supply led by providers initially), spanned two days, were in visible and central locations, and strongly promoted – including through direct marketing and social media.
- i) Business support could further **discriminate between the support on offer for lifestyle businesses and growth businesses**. Genuine support that provides positive help and encouragement – but also frank advice where a business proposition looks doomed to failure – needs to be well delivered consistently.
- j) **Creating 'spin out' businesses from HE is difficult and can be resource intensive** – some very successful businesses can be created, but the numbers are likely to be modest. Transforming academic knowledge in to profit is often better achieved by knowledge transfer into existing businesses.
- k) Provision of managed workspace such as **'business incubators' can be effective and need good management and enforcement** to make sure that established businesses move out to make room for newcomers. Often it is not in a landlord's commercial interest to do this, so contracting and management needs to be planned carefully.
- l) Some opportunities to spark enterprise and new businesses have not yet been fully exploited. These include **targeting support at people when they are at key life stages** (e.g. after having children, graduation, taking early retirement or being made redundant) when they may be most receptive to thinking about their future careers. This happens much less than targeting of demographic groups which can help to reach communities initially, but then works best if integrated and mainstreamed. Other opportunities include making potential entrepreneurs aware of potential gaps/opportunities in the market place and in local supply chains. Whilst not everything that is tried will work, exploring new approaches is crucial to continual improvement and to making a lasting difference.

1. Task and Purpose

Before the RDAs, the extent of activity to help new businesses to start up was low key and sporadic. Whilst the Regional Development Agencies Act 1998 that created England's RDAs did not specifically include enterprise as one of their core purposes, all of the RDAs made the support and development of new businesses part of their core business. Yorkshire Forward was no exception, and Enterprise was a prominent area of activity for the RDA from beginning to end.

The rationale for a focus on enterprise was as much based on intuitive logic as it was scientific. Senior private sector appointees to Yorkshire Forward's Board often had 'enterprise in their blood' and an instinct which told them that getting more people to go into businesses was intrinsic to the task of creating a flourishing and modern economy. The need for more businesses was backed by the statistics too. Before the RDA was created, the number of new businesses in Yorkshire and Humber (see table) was below average and static. There was virtually no increase in VAT registrations in the region between 1994 and 1998 compared to a 10% increase nationally. And by 1998 the national business start up rate was 50% higher than that in Yorkshire and Humber. Increasing the stock of businesses seemed instrumental to securing economic growth.

There were also issues about survival rates. When businesses did start up, too many of them failed in their first three years. The fact that central government identified enterprise as one of five drivers of productivity reinforced the case for a focus on enterprise. It validated a regional narrative based on catch up and opportunity and combined it with a national one based on productivity and growth.

VAT registrations in Yorkshire and Humber against national average for England¹

	1994	1995	1996	1997	1998
England average²	16,143	15,628	16,008	17,664	17,683
Yorkshire and Humber	11,715	11,085	11,330	11,915	11,780

A number of reasons for lower enterprise levels were apparent. A lack of accessible support to help people to create a business, and to help it survive the difficult first years was certainly factors. The difficulty of accessing finance also prevented businesses from getting off the ground. This need for resources also applied to existing companies seeking to expand and is dealt with separately (see module 7: access to finance). Furthermore it was evident that enterprise is about culture and aspiration as much as about practicalities and funding. Hence, enterprise education and supporting a culture of enterprise became central to Yorkshire Forward's approach to enterprise.

As Alex McWhirter, who became the first Head of Enterprise at Yorkshire Forward and led the enterprise agenda for most of the Agency's life put it:

¹ Business Start-ups and Closures: VAT Registrations and De-registrations, BERR, 2008

² England 'average' figures are illustrative and based on simple division of England total by the 9 English regions

“People looked at the region and saw it underperformed on enterprise statistics and assumed that’s because people here were not enterprising. That’s not the case. It’s because the number of large employers skewed employment patterns. We need to get the message out that enterprise is a valid career path, but that needs lots of support and education to create a culture of enterprise.”³

Following on from the strong case made for how enterprise should be at the heart of economic growth and transition, the first Regional Economic Strategy⁴ (RES) included an aspirational target to double the number of business start ups by 2010. This was one of seven high level targets that backed the RES and would have meant nearly an extra 12,000 VAT registered business starting up every year by 2010 - a truly revolutionary change. By the time the RES and its targets were reviewed in 2005/6, it was clear that might well be a laudable vision, but it wasn’t a realistic target to judge progress against. The target was hence changed to become a (still ambitious) 25% net increase in business ownership by 2016 – equating to 32,000 additional businesses.

Regional outcome targets were backed by operational level output targets for Yorkshire Forward on the number of new business starts its support had helped to create. This was a much clearer delivery output where Yorkshire Forward had to report progress annually, with a target of upwards of 1,000 new businesses per annum typical. Results and outcome are discussed in section 3.

Exploration of the literature and previous experience in promoting enterprise makes clear just how challenging achieving radical progress would be. It is hard to find examples of large geographic areas where enterprise promotion activity has substantially raised overall business start up rates. So expectations about the degree to which enterprise promotion translates into jobs and growth, in the short to medium term at least, need to be tempered by this reality. Using increased business start ups to power economic growth is not easy and success is far from guaranteed. Running against that it is the observed correlation between productivity and high levels of business ownership and formation: the world’s healthiest economies display high levels of business creation. The relationship is not necessarily causal, but there is a clear case that enterprise goes hand in hand with a more innovative, dynamic and competitive economy.

It s worth considering the value of investing in Enterprise development, against other forms of investment. However, in practice, enterprise encapsulates the kind of ‘get up and go’ that successive Governments have seen as inherent to their economic vision, and was championed by Board members (some of whom are entrepreneurs themselves) support. The simple logic that more business means more growth, coupled with the hope that a new enterprise might just turn into the next Microsoft means that enterprise will probably remain centre stage in economic development for the foreseeable future.

³ From interview with Alex McWhirter by Les Newby for this document, June 2011

⁴ Regional Economic Strategy for Yorkshire and Humber, 2000-2010, Yorkshire Forward, 2000

2. Approach(es) Adopted and Activities

Yorkshire Forward's work on Enterprise started early. The first RES (2000-2010) included 'Higher Business Birth and Survival Rates' as one of its six objectives, and doubling the business start up rate became one of seven aspirational targets. 'Creating new, lasting, competitive businesses' was one of the priorities set out in its summary, and five deliverables backed that up. Enterprise became much more high profile than it had been previously.

Many of the early deliverables on higher business birth and survival rates were in effect to develop and apply new approaches and ideas. Three of five RES deliverables became core elements of subsequent enterprise promotion work, these being:

- Making the process of setting up a business more accessible
- Creating a long term culture change to value entrepreneurs, enterprise and creativity
- Establish supporting funding arrangements, including a new Yorkshire and Humber Venture Capital Fund.

The latter of these led to a whole area of work on access to finance that remained closely linked to enterprise promotion and was for the most part jointly managed alongside it. However, because is also about growing existing businesses and has specific details of its own, it is covered separately (see module 7: Access to Finance).

Of the other two deliverables, one was to establish a 'virtual business school'. Initial work was carried out to progress that concept, but in practice it proved difficult to build a model that met both the needs of potential providers and the market and it was not taken forward. The final deliverable focused on creating '*centres of excellence to increase the commercial exploitation of higher education's research base*'. In reality, that was more about promoting innovation than new start ups (although it did link to creating 'spin out' businesses from HE) and it led to the creation of 'Centres of Industrial Collaboration' (see module 10: Innovation). However, it did contain the key action point of producing a Business Birth Rate Strategy by September 2000.

The Business Birth Rate Strategy⁵ was approved by Yorkshire Forward's Board in September 2000 and was fundamental to how the enterprise agenda was taken forward. It was one of a number of early 'breakthrough projects' and allowed a period up to March 2001 to 'achieve ownership by regional and sub regional partners'. The Strategy's five objectives followed those in the first RES and two of them would prove key to the enterprise agenda:

Creating a long term culture change to value entrepreneurs, enterprise and creativity

- Develop and expand enterprise education (including a young people's enterprise forum)
- Business start up promotional campaign (to encourage more people to start a business)
- Form a pool of 'champion' entrepreneurs (to profile success stories across all social groups)

Making the business support structure fit the purpose

- Provide a comprehensive, co-ordinated business support service (using the public/ private sectors)
- Create or develop informal business networks (for networking, peer support, sharing practice, etc.)
- Develop and introduce an 'opportunity bank' (for depositing and withdrawing business ideas)
- Develop a 'bounce back' programme (to encourage those who fail first time to try again)

The reviewed RES (2003-2012), written two years after the Business Birth Rate Strategy, reproduced its main themes and included clear start dates and responsibilities. Some additional elements had also been introduced by this point. One was a stronger focus on entrepreneurial and business skills. Another was support through provision of *'modern and flexible workspaces, including incubation facilities'*. A third was recognition of social enterprise, which had been largely absent in previous documents. The idea of targeting also started to be introduced, with one action focused on *'promoting enterprise by women, black and minority ethnic communities and in deprived wards'*.

The final RES (2006-2015) made *'Encourage more people to start a business'* its first deliverable. It also referenced the target groups in the previous RES, but reflecting greater evidence and consideration, added older people and 'those at key life points' to the list. It also put further emphasis on enterprise education – in the direct sense of teaching children and young people about enterprise, but also more generally through *'working with teacher training bodies to help teachers apply methods that foster self belief and initiative'* – i.e. life skills and traits that support enterprise as well as productivity and success more generally.

The next sections cover in more detail how the two main strands, enterprise culture and business support for enterprise, worked in practice.

Creating an Enterprise Culture

"People ask whether entrepreneurs are born or made. My answer is made. Lots of people are entrepreneurs in waiting, but haven't known people running a business and haven't had the support, encouragement and knowledge to make it seem like a valid option. Changing that is a long term task and it needs education right from primary school to university."⁶

Yorkshire Forward's first step in promoting an enterprise culture was through the establishment of a Young People's Enterprise Forum in 2000, chaired by Adeeba Malik (Deputy Chief Executive of the business QED and then a Yorkshire Forward Board member). The Forum brought together all the relevant bodies including Business Link, Local Education Authorities, Education Business Link Organisations, the Princes' Trust, Yorkshire Forward and Business Link.

The Forum co-ordinated enterprise education and encouraged it through an array of activities in schools that were keen to participate. This included everything from competitions and talks to '£5 flourish' challenges where groups of young people started off with £5 and endeavoured to grow this to as large an amount as they could over a period of months through entrepreneurial activity.

As time moved on, so did co-ordination, experience and expertise about what worked and what didn't. One of the most successful examples was the Rotherham Ready project that has since been rolled out to other places.

⁶ From interview with Alex Mcwhiter, July 2011

Case Study: Rotherham Ready

The Rotherham Ready initiative was developed to create a culture of enterprise in Rotherham schools and colleges impacting on pupils aged 4-19 and providing a pathway into entrepreneurial opportunities post-16. Funded by Yorkshire Forward between April 2005 and March 2009, the programme had the overall target of helping Rotherham to become the first town or city in the UK to offer Enterprise Education opportunities to all pupils.

The project was developed in response to a wealth of research studies which highlighted the potential for enterprise education, nationally and internationally. With low levels of business stock and high deprivation the Rotherham Business Support and Incubation Strategy recommended more initiatives to support youth enterprise and enterprise in schools.

The programme delivered a variety of activities which included:

- Establishing an Enterprise Champion in all schools.
- Delivering specific enterprise programmes at all key stages.
- Establishing a learning (i.e. enterprise) entitlement for all young people age 4-19.
- Establishing of a Young People's Enterprise Chamber (attached to Rotherham Chamber of Commerce).
- Adopting regional and national accreditation standards in all schools (the Warwick Award, then being piloted).
- Supporting schools in embedding enterprise skills/activity into curriculum development.
- An annual awards ceremony to celebrate excellence in enterprise activity.
- Coordination of all stakeholder activity which complements and enhances core project delivery.
- Maximising initiatives which promoted employer engagement in school activity (the Investors in Education initiative).

The project performed well against its targeted outputs:

Output	Total	% of output target
Number of people assisted with skills development	21,736	142%
Teachers trained as Enterprise Champions	357	275%
Number of schools completed the Warwick Award	93	73%

The evaluation of the Rotherham Ready initiative was extremely positive about the results commenting:

"During this evaluation, the young people we have met/seen range from infants to FE students; they include lower 6th form A-level students and students in special schools. Teachers/Enterprise Champions do not cherry-pick the brightest pupils for events – all abilities are involved. Invariably the Big 13 skills are a natural part of their vocabulary. Children aged 6 and 7 use the terms comfortably and relate them to their world. They exude confidence and vivacity - their good manners put most adults to shame. People involved in the Hull Ready launch have remarked on this in much the same way when they met Rotherham pupils. If only some of this is down to Rotherham Ready, Rotherham is onto a good thing".

The evaluation also praised the ability of the project to be self sustaining. The initiative is no longer a project and as the evaluation says "it has become a 'by schools, for schools' project because those involved see the value in it." Following the end of Yorkshire Forward funding more finance was secured from ERDF to continue Rotherham Ready to 2011. The success of the project has led to other local authorities adopting the 'Ready' Initiative and it has been recognised internationally as good practice, with professors, teachers and business people from Japan, Lithuania, Finland and Spain all visiting Rotherham to see the benefits of the programme.

At the outset of the RDA there had been very little enterprise education taking place. That position changed radically. A hub and spoke model was adopted whereby schools could run activities individually or collectively, but were supported by regional capacity, expertise and funding. This model and the regional support it provided had a number of advantages:

- Schools could access help and support to run activities rather than have to invent and organise everything themselves. This made things much easier for schools and allowed them to utilise expertise rather than to have to build and organise it themselves. Most schools would have been unlikely to deliver enterprise education if they had to do so.
- It ensured money was ring fenced to, and spent on, enterprise education.
- It facilitated learning and exchange of good (and bad) practice so that the most effective approaches could be borrowed and applied and potential pitfalls avoided.
- It delivered substantial economies of scale.

The table shows the key aspects of the stimulating an enterprise culture 'Policy Product' as described in 2010⁷.

Key information	Embedding enterprise culture
Aim	Develop an enterprise culture across the region and stimulate individuals to see self employment as an option.
Average annual budget	approx £2,500,000
Key activities	<ul style="list-style-type: none"> • Young People's Enterprise Forum (YPEF) Programme • Enterprising Britain • Enterprise celebration events
Key outputs	<ul style="list-style-type: none"> • No. of education establishments with enterprise embedded into teaching • Enterprising Places • No. of enterprise celebration events
Outcome	<ul style="list-style-type: none"> • Increase number of adults thinking of starting a business.



⁷ Enterprise Strategic Review, Yorkshire Forward Enterprise Team, January 2010

There was considerable enterprise education and support activity in FE and HE as well as in schools. Graduate Enterprise was seen internally as one of the Agency's top enterprise strengths. Activity in colleges often combined skills that supported enterprise with wider life and career skills, sometimes linked to cluster development projects (see module 9: Sector and Cluster Development). Examples included work with the Regional Food Group and initiatives such as the 'Junior Chef's Academy' run by Thomas Danby College in Leeds⁸. That offered ten week courses to 12-16 year olds related to food preparation, cooking and entrepreneurial skills relevant to the food and drink sector.

One example of a range of graduate entrepreneurship programmes was the model of 'enterprise boot camps' run by universities. Through these, students would have five days of intensive support on key aspects of starting and running a business – including business planning, product design, budgeting, promotion and marketing.

Other more recent enterprise promotion activities include getting involved with the 'Enterprising Britain' competition. Yorkshire Forward's activity helped Scarborough to win this award, and the competition offers a relatively low cost and high profile way of promoting Enterprise.

Following the demise of regional level enterprise education support, activity is now much reduced. Changes to the national curriculum will have a strong bearing on how far enterprise education continues. The most notable gap is likely to be in secondary schools, a crucial one given that is a point at which many young people make key life and career choices.

Business Start Up Support

The core of this activity was to provide practical, accessible and reliable advice on how to go about starting a successful businesses – and then to help it survive the difficult first years. The table shows the main elements of the Policy Product as reviewed in 2010⁹.

Key information	Business start-up
Aim	Target all potential entrepreneurs looking to start-up in business by successfully diagnosing their needs and offering tailored support.
Average annual budget	approx. £14,500,000
Key activities	<ul style="list-style-type: none"> • Business Link start-up programme
Key outputs	<ul style="list-style-type: none"> • No. of businesses created and surviving 52 weeks • No. of jobs created • No. of businesses intensively assisted to improve performance
Outcome	<ul style="list-style-type: none"> • Increase in VAT registered businesses - up 25% from 32 to 40 businesses per 1,000 adults by 2015.

Initially, Business Link was a separate operation to the RDAs, with four separate Business Link organisations providing services in West Yorkshire, South Yorkshire, North Yorkshire and the Humber. Services offered included those to businesses about to start up as well as some links to creating a culture of enterprise (the 'pre-pre-start' phase as it gets described in the rather clumsy jargon). They also varied by the type of business. Lifestyle businesses would usually receive 'one to many' support via events, education and written material, etc. Businesses with greater growth

⁸ Referenced in: Mid term evaluation of Yorkshire Forward's Food and Drink Investment Programme, mtl, July 2010

⁹ Enterprise Strategic Review, Yorkshire Forward Enterprise Team, January 2010

potential would receive more intensive, often one to one support such as advice and mentoring based on their specific business and circumstances. One reflection from those working on Enterprise is that given the opportunity, they would continue and intensify this differentiation in support for lifestyle and growth businesses.

There were some differences in model, services and quality as would be expected, and a key and ongoing task over the years was to improve consistency and co-ordination. Personal Enterprise Shows proved to be a forerunner of this. As they were introduced by Yorkshire Forward, they were developed as a regional programme but with four local delivery points in the sub regions. This combination of local presence and tailoring created economies of scale, reduced duplication and built greater expertise. The approach was typical of work on Enterprise. How to get the best of both worlds (local and wider) with different geographies and structures will be an issue for the future.

Co-ordination between the sub-regional Business Links and Yorkshire Forward grew stronger until Yorkshire Forward was given responsibility for commissioning and managing Business Link services in 2005. Services were further modified and enhanced following a Yorkshire Forward review in 2006 and the awarding of a re-organised Business Link contract in 2007 (see module 6: Support to Existing Businesses).

There was a balance between services that were provided in-house by Business Link and others that were bought in from specialist providers, such as lawyers, accountants, Intellectual Property and Patent specialists, mentors, as well as services from Chambers of Commerce or enterprise agencies in some instances. A key point for success was the importance of following through the business start up journey from infancy to maturity. Many new enterprises are reported as having major challenges and stresses 12-18 months after starting up, so ensuring support is available at that point is crucial. Establishing peer to peer networks where entrepreneurs can share experiences, good practice and support each other is also helpful and can help to counter the fact that starting a new business can be a lonely experience. Finally, it was pointed out that whilst encouragement is the norm, advisors to those about to invest large sums of money into setting up business that look like sure fire failures, should tell them of their fears. 'Tough love' is sometimes required.

Enterprise Shows

Probably the highest profile work on business start up support came through Enterprise Shows held annually from 2002-2010 in four cities concurrently (see case study). These were centrepiece events that not only provided support but raised the visibility of Enterprise, and in doing so helped to promote a culture of enterprise. The intensity of support was instrumental in kick-starting a positive cycle.

Case Study: Enterprise Shows

Enterprise Shows were launched in 2002 to assist in encouraging entrepreneurialism by bringing together the full range of help and support for potential entrepreneurs in one place. The shows were funded and supported by Yorkshire Forward in partnership with Business Link. In their first year, the shows were one day events. However this model did not work well and they moved to become full weekend events in subsequent years.

The 2004 Enterprise Shows represent a good example of how the shows were structured. There were four shows with one event for each sub region - York, Leeds, Hull, and Sheffield. Each show took place over 2 days in a prominent city centre location. The shows were divided into five zones, which represented the life cycle of a business and provided attendees with the contacts necessary to develop their business ideas further:

Zone	Purpose
Zone 1 - Dreaming It	Attendees are given advice on how well suited attendees are to have their own business and an opportunity to discuss their initial ideas.
Zone 2 – Planning to Succeed	Attendees are provided with practical and impartial advice from experts to help them plan their business.
Zone 3 – The Information Gateway	A research resource to equip attendees with a greater knowledge for their business.
Zone 4 – Running Your Business	This zone shows attendees the support that's available once they are up and running.
Zone 5 – Doing It	An opportunity for attendees to speak with an adviser to decide what they need to do next.

The outcomes of the shows were very positive. An evaluation of the Enterprise Shows found that there was a high level of satisfaction amongst attendees. At the exit survey stage, 61% stated that the show was 'very good' and 98% said that they were more inspired after attending the Show. The Enterprise Shows attracted high quality attendees with business ideas already developed. In total, 55% said that their business or business idea was in early development, while 17% had formal business plans. Only 6% of the Enterprise Show's visitors had no idea for their business at the time they attended.

A learning point from the 2004 Enterprise Shows was that the venues were too small for the demand and larger venues should be secured for future shows. City Centre locations proved well suited to the events, with open, visible venues ideal (such as a marquee used in Leeds Millennium Square). Another learning point was to ensure better post event communication to follow up with attendees after the shows and offer further support and encouragement where possible.

Numbers at the shows rose year on year. Whilst the total attendance for the first shows was under 1,000, the shows in 2010 attracted an audience of around 4,500. Word of mouth recommendations plus increasingly prominent and sophisticated promotion helped to boost attendance. In later years, use of direct marketing and social media were both successful. For instance text messages were sent to remind thousands of potential attendees about the show the day before they started.

Another unexpected testament to the shows success was that they attracted repeat visitors from one year to the next – people eager to keep in touch with the latest developments and advice.

Managed Workspace and Incubators

Another area where support was offered to new businesses was through provision of business incubator' premises aimed at new businesses, usually small scale, affordable and flexible in nature. This was normally in conjunction with or led by providers of workspace and local partners.

Reflections on businesses incubators were typically that they could work if they were run well and remained true to their purpose. The key point was that they needed to ensure that businesses within them stayed on a short term basis – up to three years or so – before moving on to other premises long term. The difficulty was that did not always happen. In particular, where incubator space is provided by a landlord who benefits from rental income, the incentive is to allow businesses to stay longer. For the landlord, an established business who pays reliably is much less riskier than bringing in a new company. Hence mechanisms and models are needed whereby the incubator role is properly enforced – in turn adding to the churn and sense of dynamism within a centre.

A further observation is around the need for co-ordination and proper assessment of demand. Particularly in response to European Funding calls, there have sometimes seemed to be multiple, but uncoordinated incubator proposals in quite proximate locations.

'Spin Out' Enterprises from Higher Education

The idea of creating stronger connection between business and higher education is now well established and other documents in this series explore it in more detail (see module 10: Innovation). Usually the connection in question is about making better use of HE expertise within existing businesses to help them innovate, become more competitive and grow. A variation on the same theme – the 'spin out' business – is relevant to the Enterprise agenda whereby HE expertise is used to develop a new business.

Experience at Yorkshire and Humber level suggested that despite significant interest and effort in this concept, it was hard to catalyse the creation of many spin out businesses. A handful of such businesses were created, including examples such as Bradford Particle Science, and when successful they can generate very large returns. Overall, however, this is an agenda where experience suggests it takes plenty of money, time and effort, plus a dose of good fortune, to get a significant return in terms of successful spin outs. Other difficulties include turning a successful spin out business into local benefits. Successful ventures can be quite swiftly bought by (often foreign) investors who may then develop or manufacture using the technology in question abroad or otherwise away from the region. On the plus side that should mean a substantial pay out to reinvest (provided the right contractual arrangements are in place), but it does not necessarily translate into significant jobs or growth locally.

Some of the opportunities to advance this agenda are likely to require changes to the context that academics work within. Universities need to ensure their research portfolios score highly in assessment exercises, which is reliant on getting original research published. That runs counter to typical commercial interests where keeping new ideas and R&D developments close to home is often the norm to gain competitive advantage. Equally whilst good work and goodwill has brought the worlds of business and HE closer together, there remain significant divides in culture, motivation and mindset that mean excellent academics do not always make good business people. Spin outs probably work best where academics are already quite commercially aware and connected – where this is not the case, technology transfer to existing businesses may prove a better route to market.

Targeting the Enterprise Agenda – demographic groups, geography and life stages

When Enterprise activity first got going under Yorkshire Forward, there was little demographically based targeting. However, as the policy advanced, so did the pressures to hone in on certain groups, in some instances (e.g. women) because they were underrepresented, in other cases (BME communities) because they were overrepresented and may present opportunities to build on.

Yorkshire Forward's experience was that targeting could be useful at the first stage - finding ways into communities and encouraging them to think about starting a business. After that, it was felt that blunt demographically based targeting was more of a handicap than it was helpful and that a mainstreaming approach worked better.

An alternative, somewhat more sophisticated approach, was to target people at life stages rather than because of their age, ethnicity or gender. Certain key life stages and events – having children, graduation, redundancy or early retirement for instance - naturally cause people to think about their career choices and life direction and as such present opportunities to get people into enterprise (see annex A). There is a lack of empirical evidence to quantify the success or otherwise of such approaches, but those close to the Enterprise Agenda recognise such targeting as a significant and previously underutilised opportunity.

A further type of somewhat different targeting is based on geography, most notably encouraging enterprise in deprived areas such as through the 'LEGI' (Local Enterprise Growth Initiative) programme announced in the 2005 Budget. Yorkshire Forward's local authorities were some of the most successful nationally in winning LEGI status, with Bradford, Leeds, Doncaster, Sheffield and North East Lincolnshire all successful in establishing programmes.

Yorkshire Forward was supportive of the LEGI proposals and had helped with evidence on some of the bids for LEGI status. However, in practice connection between LEGI programmes and Yorkshire Forward's Enterprise work was not as strong as it might have been. The Yorkshire Forward Enterprise Review in 2010 concluded that enhancing the Agency's knowledge and interaction with local LEGI programmes in the region was essential.

Social Enterprise

Social enterprise was seen as something Yorkshire Forward should support, but the mechanics of how best to do so needed some thinking through. One view was that social enterprises were in essence normal businesses that just happened to reinvest their profits in communities or good causes, hence they should be mainstreamed within standard enterprise support. Another view was that they had quite specific circumstances and a different feel that made them better covered through Yorkshire Forward's inclusion agenda (see module 13: Social Regeneration).

Both models were applied at different times in Yorkshire Forward. The agenda was first taken forward as part of Yorkshire Forward's Inclusion activity, as those involved saw it as part of the community economic development approach they were progressing. Initially the RDA's Enterprise function had been focused on helping to get businesses started per se without segmenting into particular types of enterprise. However, as social enterprise became more strongly promoted, it became clear that it was best mainstreamed within Enterprise work, if still championed by and linked to the Inclusion agenda. Co-ordination became more effective over time, and social enterprise became wholly mainstreamed into Business Link services.

3. Resources, Results and Outcomes

As of early 2010, Yorkshire Forward had an Enterprise team of six people (including its Assistant Director who also managed a number of other areas of business activity). They were between them responsible for policy areas including: embedding enterprise, enterprise events, social enterprise, communication, managing and liaison with Business Link start up programmes, 'Enterprising Britain' activity, and segmented activity focused on groups including youth enterprise, graduate enterprise, women's enterprise, BME community enterprise, senior enterprise, as well as general work to screen new proposals, influence ERDF enterprise proposals, and general team management and communication tasks.

Quantitative Analysis

An indicative guide to the impact of work on Enterprise, at least in recent years, is provided by an evaluation of Yorkshire Forward's 'Policy Product Ranges' (PPRs)¹⁰. Enterprise was coupled with Access to Finance as one of 11 main PPRs, but the Business Start up Programme was also singled out as an activity area within that. Based on the data, which covered the three financial years between and 2007/8 -2009/10, the following illustrative estimates were made.

Business Start-Up Programme Overall Performance 2007-1010

Total Spend on Business Start Up Programme	£77.8m
Estimates based on Project Data	
Gross Jobs Created/Safeguarded	16,139
Additionality Factor*	41%
Net Jobs Created/Safeguarded	6,617
Cost per Job (Gross/Net)	£4,820 (gross), £11,758 (net)
GVA per £ invested (based on projects creating jobs)	8.6
Total new additional cumulative and future GVA (£m)	£671.5
Estimates Based on National Benchmarks¹¹	
GVA per £ spent (for individual level enterprise support sub theme which includes Access to Finance)	14.1
Total estimated gross GVA (given project spend)	£1,096.5m

*Additionality is the percentage of gross outputs that can be considered as net outputs once factors such as displacement, deadweight, leakage, substitution and multiplier effects have been considered.

Overall, Enterprise activity shows a healthy return on investment in terms of both GVA impacts and employment. Every pound spent on Business Start-up programme activity was likely to generate a return of somewhere between £8 and £14, depending on the nature of the project and the methodology used for calculation. The most recent Business Link evaluation shows even higher returns and calculates that the service produced a GVA return of £35 per pound spent in 2009/10, which included extensive start up and enterprise activity. There is unavoidably some 'deadweight' (businesses which may have set up anyway without support) but overall the outputs from the programme have been high and achieved good value for money.

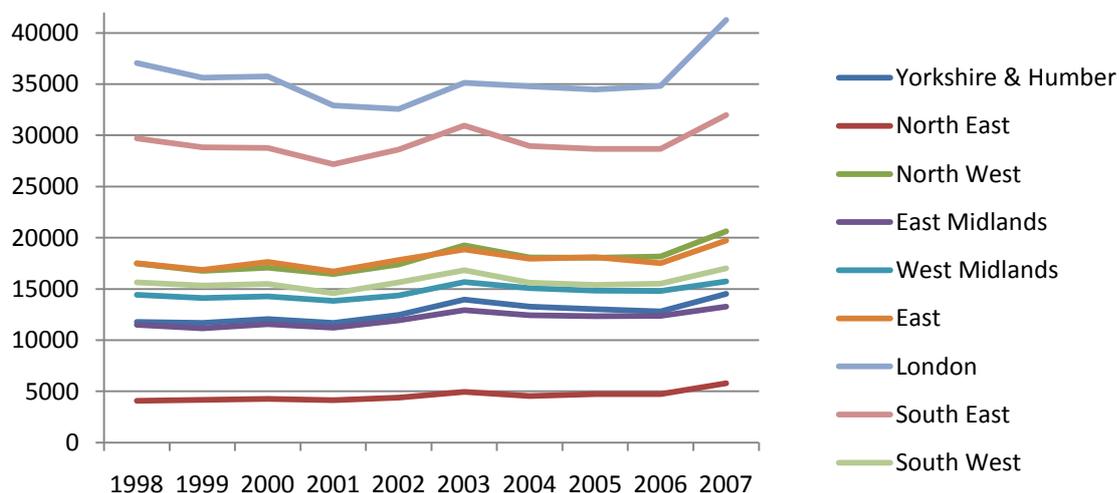
¹⁰ YF Policy Product Range Evaluation – Estimating Potential GVA, Regeneris, 2010

¹¹ Based on data for RDA spend in the 2002/3-2006/7 period in: Impact of RDA Spending, PwC, 2009

Despite the healthy outputs returns based on enterprise start up support activity, an important point is that the fuller returns are likely to be longer term. Whilst some businesses will fail, others will mature and grow over time.

So how far do the impressive outputs generated translate into overall start up activity in the region? The graph charts enterprise rates (based on new VAT registrations) between 1998 and 2007.

VAT registrations per year by region, 1998 - 2007¹²



VAT registered new businesses in Yorkshire and Humber rose from 11,780 to 14,525 between 1998 and 2007. That represents a 23.3% increase, well above the national average increase of 13.0% and the second highest of any English region (the North East saw the greatest increase). Whilst business start-up rates remain below the England average, that gap has reduced over the RDA's lifetime.

The increase in businesses starting represents a modest but significant proportion of the total active enterprises in the region. In total, there were 167,170 active enterprises in the region in 2008, this represented a 6.5% rise compared to 2004, marginally below the national average rise of 7.4%. The region is creating more enterprises than it loses, but that net business stock figure is not increasing fast enough to close the gap to the national average.

Other indicators present a somewhat mixed picture. The number of people 'thinking about starting a business'¹³ in the region declined between 2003 and 2009, if slightly less than the equivalent figure did nationally. However, the small percentages involved (2.3% of the population in 2009) mean that the statistics on that indicator are inherently rather variable. It demonstrates the long term nature of the task for enterprise education activity to feed through into business realities. More positively, there has been a significant rise in the proportion of the working age population who are self employed. That increased to 9.4% of the population by 2008¹⁴, a rise of 9.1%. That well exceeded the national average (a 2.2% increase), and as with new VAT registrations was the second highest rise nationally.

¹² Data from Progress in the Region, Yorkshire Futures, 2009

¹³ Based on Acxiom lifestyle data, 2009 (Acxiom UK Ltd.)

¹⁴ Progress in the Region 2009, Yorkshire Futures, 2010

Qualitative Analysis

Work is proceeding to collate enterprise evaluation work nationally¹⁵, and that will provide useful context for Yorkshire and Humber's results once completed. Yorkshire Futures' 'what works' review of enterprise¹⁶ is also a useful reference guide. Within the region, the internal Enterprise Strategic Review in Yorkshire Forward (January 2010) provided a number of useful insights into the 'Embedding Enterprise' Policy Product and what had been felt to work well, what could be improved, and future possibilities. These are summarised below:

Embedding Enterprise Internal Analysis (summarised)	
Strengths	Weaknesses & Opportunities
<ul style="list-style-type: none"> • Examples of best practice to showcase • YPEF is effective at influencing both at regional and national level • The graduate enterprise project is seen as an exemplar project for collaboration with the region's higher education institutions (HEI's) • Key players in the Enterprising Britain (EB) competition at little direct cost. We now have places eager to enter and win since Scarborough's success and have good foundations and the expertise needed to create more enterprising places 	<ul style="list-style-type: none"> • Outcomes from enterprise awareness raising in schools are hard to measure and we might only start to see results in 10 years time • Scope for more influence over the women's enterprise agenda - lots of externally funded initiatives and a need for shared coherence • Not enough focus on the 'enterprise journey' (see annex A) • Develop better linkages with the LEGI programmes and with other regions • Influence local authorities to become more motivated to deliver their core outcomes through an Enterprise agenda
Business Start-up Internal Analysis (summarised)	
Strengths	Weaknesses & Opportunities
<ul style="list-style-type: none"> • A regional Business Link with the efficiencies and consistency this affords • An open and clear delivery model that allows development of products using existing processes • The Enterprise Shows have been growing from strength to strength, with survey and evaluation results to back this up • Business Link has a strong social enterprise focus and understanding. 	<ul style="list-style-type: none"> • Risk that Business Link support is expected to be all things to everybody • Knowledge of social enterprise sector is spread across the organisation (and strongest in the Inclusion Team) • Contractual delays and complications

¹⁵ Learning from RDA experience: enterprise, entrepreneurship and business start ups, Bea Jefferson, CRESR, Sheffield Hallam University, 2011 – work in draft at the time of writing

¹⁶ What Works, a review of evidence in the what works database, Dr Luke Pittaway, Jollo Ltd. For Yorkshire Futures, 2007

4. Insights and Lessons Learned

Key areas of insight and learning are:

Overall

- a) Investing in **enterprise is a long term game and one that is about the type of economy that is sought as well as its scale**. Business start up activity will help to grow an economy, but is unlikely to be a driving factor behind increased economic growth or employment rates in the short term. Much of the value of promoting enterprise is about transforming economic structure, culture and attitudes, stimulating churn and dynamism, and through these factors raising levels of productivity and self reliance long term.
- b) **Progress is not quick, easy or guaranteed – but it is achievable**. Levels of business formation have increased in the region and the gap to the national average has reduced. That suggests that the approach that has been taken is making a difference.
- c) A combination of **integrated and cohesive support is important**, bringing together work on enterprise culture and education with practical support to help businesses get started, and follow on support to help them survive and grow. Access to Finance support was a major gap for some years and linking this to new enterprise support activity was highly beneficial once it began. Holistic delivery that also includes innovation and sector support further enhances impact.
- d) **Enterprise needs champions** – at a senior and an operational level. High level decision makers, especially from the private sector, often have a personal interest in Enterprise and utilising their enthusiasm is crucial.
- e) It is possible to become absorbed in delivering services within a team and with established partners and to miss out on **making full use of important and emerging linkages** as a result. Potential for better connections in Yorkshire Forward's experience included with the LEGI programmes and other regions. Social Enterprise is best delivered through mainstream business support, but with strong champions promoting it.

Culture and Education

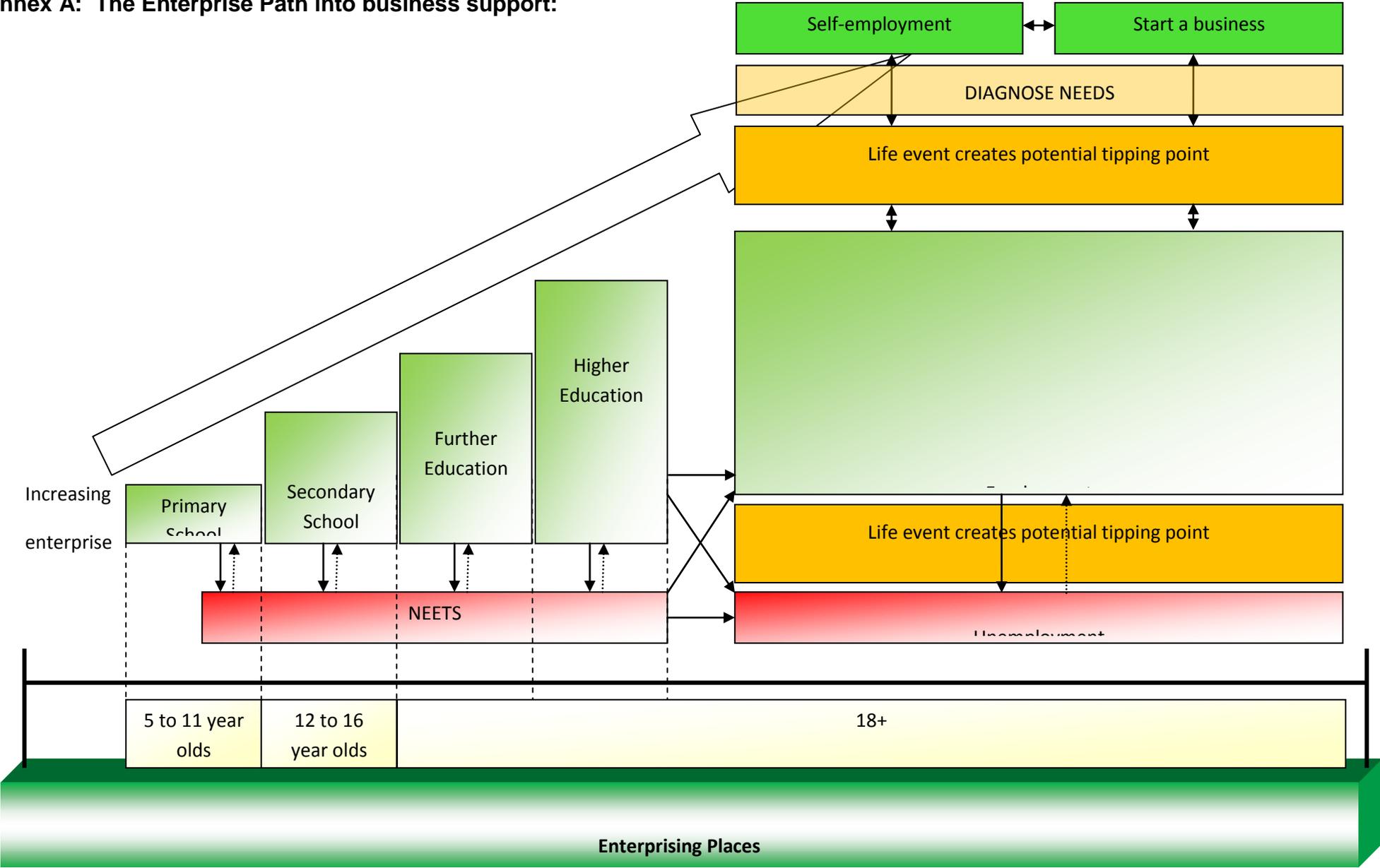
- f) **Creating an enterprise culture is a core and long term challenge** that involves factors such as attitudes, aspirations, background and wealth, peer pressures and role models. It is easy to neglect this as it is complex and doesn't deliver economic impacts in the short term. However it is a crucial element of long term economic transformation. Enterprise education needs to span all levels from primary to secondary school and through to FE and HE. Currently secondary education represents the biggest challenge and addressing that needs supportive national frameworks.
- g) Enterprise education needs to **cover both learning about enterprise, and the development of qualities and character that support enterprise**. Developing the latter set of attributes – initiative, confidence, decision making, presentation and interpersonal skills, creative thinking, etc. - are about upbringing and learning more widely, not any one course. They support success and productivity in most jobs not just entrepreneurship. Using role models people can relate to, such

as those from the local business community, helps people to see that going into business could be an option for them too.

Business Start Up Support

- h) **Enterprise shows work well as a centrepiece** that link enterprise promotion with practical support. They worked best when they were genuinely demand led (they were more supply led by providers initially), spanned two days, were in visible and central locations, and strongly promoted – including through direct marketing and social media.
- i) Business support could further **discriminate between the support on offer for lifestyle businesses and growth businesses**. Genuine support that provides positive help and encouragement – but also frank advice where a business proposition looks doomed to failure – needs to be well delivered consistently.
- j) **Creating ‘spin out’ businesses from HE is difficult and can be resource intensive** – some very successful businesses can be created, but the numbers are likely to be modest. Transforming academic knowledge into profit is often better achieved by knowledge transfer into existing businesses.
- k) Provision of managed workspace such as **‘business incubators’ can be effective and need good management and enforcement** to make sure that established businesses move out to make room for newcomers. Often it is not in a landlord’s commercial interest to do this, so contracting and management needs to be planned carefully.
- l) Some opportunities to spark enterprise and new businesses have not yet been fully exploited. These include **targeting support at people when they are at key life stages** (e.g. after having children, graduation, taking early retirement or being made redundant) when they may be most receptive to thinking about their future careers. This happens much less than targeting of demographic groups which can help to reach communities initially, but then works best if integrated and mainstreamed. Other opportunities include making potential entrepreneurs aware of potential gaps/opportunities in the market place and in local supply chains. Whilst not everything that is tried will work, exploring new approaches is crucial to continual improvement and to making a lasting difference.

Annex A: The Enterprise Path into business support:



This paper is part of a suite of 'Learning Legacy' reports produced by Yorkshire Forward in 2011. The series is intended, as far as we can, to capture knowledge, achievements and lessons learned from regional economic development. It seeks to pass knowledge on to other bodies who may be able to apply it now or in the future.

We are grateful to all the many partner organisations, businesses and individuals who have contributed to this work over Yorkshire Forward's lifetime.

In addition to an Overview, the full range of modules in the series covers:

- 1: Economic Strategy
- 2: Research, Intelligence and Evaluation
- 3: Responding to Economic Shocks
- 4: Low Carbon Economy
- 5: Enterprise - Helping New Businesses to Start and Survive
- 6: Supporting Existing Businesses
- 7: Access to Finance
- 8: International Trade and Investment
- 9: Sectors and Clusters
- 10: Innovation
- 11: Skills
- 12: Urban Renaissance and Physical Regeneration
- 13: Social Regeneration and Inclusion
- 14: Transport
- 15: Rural Renaissance
- 16: Tourism and Major Events

Useful web links and access points for modules from this series will include:

Leeds City Region LEP <http://www.leedscityregion.gov.uk/LEP.htm>

Sheffield City Region LEP www.sheffieldcityregion.org.uk/local-enterprise-partnership

York and North Yorkshire LEP <http://www.ynylep.co.uk/>

Humber LEP (web address to be confirmed)

BIS Local <http://www.bis.gov.uk/policies/economic-development/bis-local-offices>

Yorkshire Forward www.yorkshire-forward.com



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