"A return to growth depends on nurturing everyday entrepreneurship..."

EVERYONE'S BUSINESS

Duncan O'Leary
Max Wind-Cowie

DEMOS

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As ever, all mistakes and omissions remain our own.

Duncan O'Leary
Max Wind-Cowie
November 2012

Foreword

In 1982 Shell launched its LiveWIRE programme in the Strathclyde region of Scotland with the aim of combating the high level of youth unemployment. At the time, we wanted to foster an entrepreneurial spirit to help create jobs and promote economic growth. Since it was set up, the programme has helped thousands of young people in the UK to explore the possibility of starting their own business and has spread to over 16 other countries* around the world where Shell has operations.

Today, the case for helping young entrepreneurs remains as strong as ever. In 1982, as now, the UK's economy was in recession and there was a need to offer young people practical advice on starting a business. Thirty years on I am proud that, through this programme, Shell has played its part in encouraging dynamic young entrepreneurs and nurturing some highly successful businesses. Today, as the UK strives to promote economic recovery, it is timely to consider what it is that makes our young entrepreneurs tick, their motivations and the hurdles they encounter. This report, based on the views of approximately 1,000 aspiring entrepreneurs from the Shell LiveWIRE community, offers some fascinating insights. I was encouraged to read, for instance, that only 17 per cent of them say that, 'if my business fails, it will be because of the economy', reflecting their belief that successful businesses can be founded even when the economy is not booming.

Equally, the 'can do' attitude prevalent across the survey group was heartening. Surprisingly, the aspiring entrepreneurs ranked 'determination' above 'a good idea' as the top attribute for business success and most were 'evolvers' rather than revolutionaries, making changes to existing business models or products that they hope will give their business an edge.

Predictably, access to capital was the top barrier to success and, as the report suggests, we should learn from other international examples in developing new lines of credit for our embryonic businesses in the UK. In Shell, we are doing our bit to help. Through our Grand Ideas Awards, we make an estimated contribution of £842,961 to the UK economy each year and our Shell LiveWIRE Young Entrepreneur of the Year Award of £10,000 provides an important incentive for start-up businesses across the UK. The Shell LiveWIRE website (www.shell-livewire.org/), launched in 2009, also plays its part in supporting young entrepreneurs, by providing peer-to-peer advice via its 200,000 members.

Thank you to Demos and the Shell LiveWIRE team for their work in putting the report together. A special thanks to everyone who participated in the research, particularly the Shell LiveWIRE community members.

I hope that the data and findings in this report will help organisations, policymakers, academic institutions and other interested parties support young entrepreneurs so that we experience a healthy increase of new start-up businesses in the UK.

Graham van't Hoff
Chairman, Shell UK

* LiveWIRE operates in 17 countries where Shell has operations: the UK, Argentina, Brazil, Brunei, Egypt, Hong Kong, Indonesia, Italy, the Netherlands, Nigeria, Oman, Pakistan, Saudi Arabia, South Africa, Singapore, Syria and UAE (Abu Dhabi).

Executive summary

Britain's long-term economic recovery will depend on our ability to foster new ideas, businesses and innovations: it will be built on entrepreneurialism. The front pages of newspapers may be dominated by where large multinational firms choose to locate their headquarters, but jobs and growth will come in large part through small and medium-sized enterprises (SMEs).

Britain has struggled to emulate the rate of new business start-ups observable before the 2008 financial crisis. Policymakers are united across the political spectrum by the recognition that Britain needs some form of 'industrial strategy' to encourage more start-ups and business growth. Any strategy likely to succeed must start with the experiences, insights and attitudes of entrepreneurs themselves.

This report takes that as its starting point. It is based on a survey of almost 1,000 aspiring entrepreneurs mainly drawn from the Shell LiveWIRE online community. Our survey explores the motivations of aspiring entrepreneurs to start businesses, the nature of the businesses they have either started or intend to start, the personal attributes they believe are central to entrepreneurship, and the barriers they perceive to their business succeeding.

Despite the difficult economic context, our survey reveals there is a 'can do' attitude among aspiring entrepreneurs. Only one in six believes that if their business fails that failure will be due to the state of the economy, rather than any fault of their own. The rest say either that they would put failure down to the weakness of their own business, or simply that good ideas sometimes fail. Linked to this, 'determination' emerges as the attribute aspiring entrepreneurs regard as most important to success – above 'having a good idea'. The majority emerge as 'micro-innovators' rather than revolutionaries looking to change the world, with nearly three-quarters saying that they will build on existing business models in their existing sector.

The survey results also confound some stereotypes of the typical entrepreneur. Money is less of a motivation for starting a business than the chance for people to be their own boss, or pursue a personal passion. Only a small minority enjoy risk for its own sake, with a similar proportion describing themselves as risk averse. Many did not give up everything to start a business – half started businesses while studying or working in another job. Entrepreneurship can begin as an 'add-on' rather than a fundamental life choice.

The biggest barrier to starting a new business, according to aspiring entrepreneurs, is lack of start-up capital. Many also worry about the cost of living and renting office space. When aspiring entrepreneurs are asked about what holds them back, there are some important gender differences: women are more likely than men to report lack of confidence as a barrier to entrepreneurship. However, both men and women crave advice from those who have succeeded in business, whether through books, TV programmes or personal interaction.

The report concludes that those promoting entrepreneurship, whether in government or civil society, should be careful to paint a realistic picture of what it entails. The idea of entrepreneurs as buccaneering revolutionaries, who thrive on risk, give up their jobs, aim to make millions and live for world-changing ideas, does not reflect the reality, which is far more attainable for far more people. In reality, aspiring entrepreneurs believe that with the right attitude, the right advice and the right access to capital people can go a long way.

Establishing the right opportunities to access this advice can be a key role for policymakers. Entrepreneurs want to hear from those who have already made it. The Government should celebrate and support the role of established companies in nurturing start-ups by using the Department for Business Innovation and Skills to create a scheme to match big corporations to small start-ups. Such a scheme would encourage responsible corporations to establish links with start-ups related to (but not in competition with) their business. As our survey demonstrates, entrepreneurs value the advice of successful businesspeople far more than generic advice provided by Jobcentre Plus, public bodies or banks – rather than seeking to mentor entrepreneurs via the state, the Government should be helping to link businesses and encourage peer-to-peer mentoring and support.

Finally, policy must rise to the challenge of restoring healthy lines of capital to new and growing businesses. As the UK has learned, there is no easy solution to this but the report points to lessons from abroad. In Israel, the Government's 'Yozma' scheme has helped produce one of the world's leading venture capital environments; in Germany and Switzerland local banking has allowed more businesses to access start-up capital from the banks than in the UK; and in the USA 'crowd funding' has emerged as a potential alternative to traditional sources of finance.

Models from abroad cannot always be imported wholesale into a British business culture. However, these examples demonstrate that there is a richer public debate to be had in Britain about how best to stimulate new business growth beyond the debate between stimulus and austerity.

Introduction

There's only one strategy for growth we can have now… Back small firms. Boost enterprise. Be on the side of everyone in this country who wants to create jobs, and wealth and opportunity.

Rt Hon David Cameron MP[1]

All three major political parties in the UK agree that entrepreneurship is central to both rebuilding and rebalancing the UK economy. But real questions and disagreements remain about the best way to achieve this – and the most sustainable and effective means of engaging with entrepreneurs.

Britain's long-term economic recovery will depend on our ability to foster, support and promote new ideas, businesses and innovations: it will be built on entrepreneurialism. The front pages of newspapers may be dominated by where large multinational firms choose to locate their headquarters, but jobs and growth will come in large part through SMEs, which account for 59 per cent of private sector employment and almost 49 per cent of private sector turnover in 2012, underscoring their importance to the economy.[2]

Entrepreneurship also has social as well as economic value. Like all industrialised countries, Britain must find solutions to a series of long-term social problems, from the search for a cleaner energy to the challenges associated with an ageing population. Policymakers can set the right frameworks and incentives to help societies rise to these challenges, but ultimately they must also be met with a spirit of enterprise and innovation. Individuals must be prepared to take risks and invest in new ideas. As Klaus Schwab, founder and executive chairman of the World Economic Forum, has argued:

Entrepreneurship is the engine fuelling innovation, employment generation and economic growth. Only by creating an environment where entrepreneurship can prosper and where entrepreneurs can *try new ideas and empower others can we ensure that many of the world's problems will not go unaddressed.*[3]

In the twenty-first century wealth and wellbeing will belong to those countries that foster enterprise and innovation.

On this score the news is not all bad. There were an estimated 4.8 million private sector businesses in the UK at the start of 2012, representing an increase of between 200,000 and 253,000 firms over the course of a year.[4] The number of private sector businesses in the UK has increased in each of the last 12 years (rising by a total of around 1.3 million), despite Britain experiencing a double-dip recession during that period.[5]

What is clear, however, is that Britain has struggled to emulate the rate of new business start-ups observable before the 2008 financial crisis (see table 1).[6] Furthermore, the number of businesses in the economy not employing anyone beyond a sole proprietor has increased by more than half a million, with knock-on effects for unemployment.[7] As a nation we may be opening more businesses but they are not creating enough jobs. The question of how best to boost growth and employment levels by kick-starting enterprise remains a major concern.

Table 1 **The number of new businesses created in the UK, 2004–10**

2004	2005	2006	2007	2008	2009	2010
280,080	274,855	255,530	280,730	267,445	236,030	235,145

Policymakers are united across the political spectrum by the recognition both that Britain needs some form of 'industrial strategy' to encourage more start-ups and business growth – and that the country cannot return to the mistakes of the past. As Conservative MP Nadhim Zahawi, himself an accomplished entrepreneur, has argued:

Government definitely has a significant facilitating role in rebalancing our economy, but what's clear is that we shouldn't, as Governments and politicians, be picking winners… Picking winners has been tried in the past, and it doesn't work. What we need to do instead is identify the things we are good at as a country, and do all we can to encourage growth in those sectors. What we should not be trying to do is pick the companies that we think will succeed.[8]

How, then, can government and civil society respond to the challenge of promoting and supporting entrepreneurship? Any strategy likely to succeed must start with the experiences, insights and attitudes of entrepreneurs themselves. It is only through working to identify what our entrepreneurs want and need that we can hope to build an efficient, effective and enterprising system of support for those entrepreneurs and their ideas.

This report takes that as its starting point. It is based on a survey of almost 1,000 aspiring entrepreneurs, drawn predominantly from the Shell LiveWIRE online community. The Shell LiveWIRE programme has been promoting entrepreneurship for 30 years and its online community is the biggest of its type in the UK. The Shell LiveWIRE Grand Ideas Awards provide a financial boost to 48 start-up businesses annually while the £10,000 Shell LiveWIRE Young Entrepreneur of the Year Award encourages business growth and raises their company profile. Our survey explores the motivations of aspiring entrepreneurs to start businesses, the nature of the businesses they have either started or intend to start, the personal attributes they believe are central to entrepreneurship, and the barriers they perceive to their business succeeding.

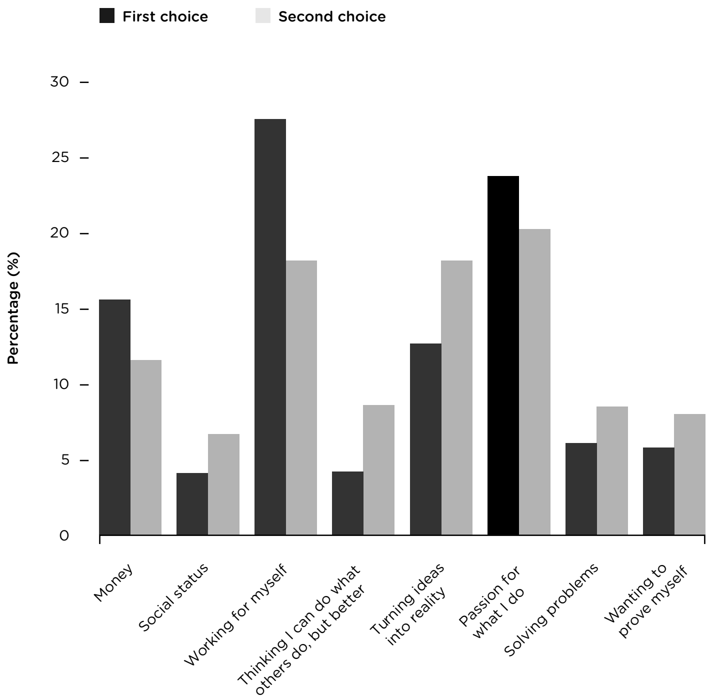
1 Personality and purpose

Any strategy that seeks to engage and encourage potential entrepreneurs must first understand who they are and what motivates them. To build a picture of the modern British entrepreneur, we asked the aspiring entrepreneurs of the Shell LiveWIRE community to tell us about their character and background as well as what drives them to want to start a business. We all know what an entrepreneur is supposed to be like. Risk taking, ideas-driven, obsessed with turning their idea into a money-spinner. But how do entrepreneurs see themselves?

Get rich quick?

Why do people become entrepreneurs? Are they peculiarly driven by money? Or are they simply frustrated by working for others? Do they have a passion for business in general or a passion for one business idea in particular?

Figure 1 **The reasons respondents in our study gave for wanting to set up a business**



As figure 1 demonstrates, the responses from the aspiring entrepreneurs in our study show that making money comes relatively low down the list as a spur to enterprise. It is a less important motivator than 'working for myself', 'passion for what I do' and 'turning ideas into reality'. Money is, however, considerably more important to entrepreneurs than social status, solving problems and proving oneself. There are some gender differences in the polling data. 'Passion for what I do' is the top motivator for women, with 27 per cent identifying this as their top motivator while only 17 per cent of men made the same choice, with more opting for 'working for myself'.

Men also appear to be the more materialistic of the two genders, 17 per cent place it as their top motivator, compared with just 9 per cent of women.

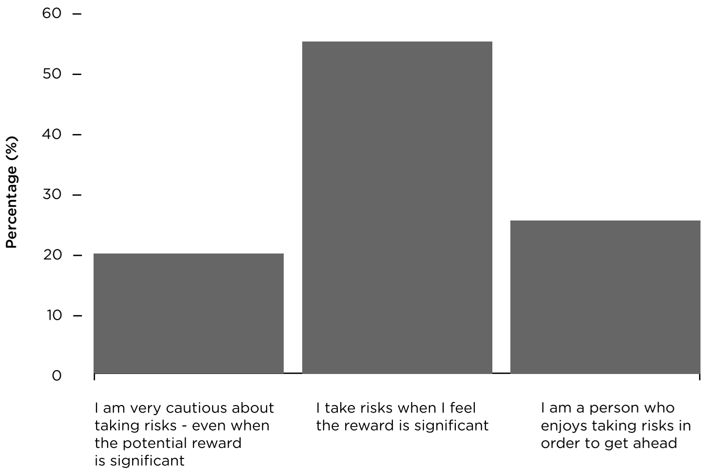
The implication of this is that campaigns to attract more people into entrepreneurship may need to be more alive to differences, at the level of the general population, between the genders. Money is not the big motivator for either men or women, but male entrepreneurs seem to be more attracted by notions of self-determination, while women are more likely to be driven by doing something they find meaningful.

Character myths

Intrinsic to understanding the character of entrepreneurs is developing an understanding of their attitudes to risk. We are often encouraged to view entrepreneurs as risk-taking individuals – the workplace equivalent of gamblers – and indeed, many rhetorically praise the 'risk-taking' nature of entrepreneurs when talking about their achievements. But our polling shows that entrepreneurs actually have a much more nuanced and balanced approach to risk than that which is sometimes attributed to them. In fact, most entrepreneurs deny that they enjoy taking risks.

Only a quarter of respondents said that they were a person who 'enjoyed taking risks to get ahead', while one in five agree with the statement 'I am very cautious about taking risks – even when the potential reward is significant.' The majority of respondents to our poll self-identified as rational risk-takers, saying that 'I take risks when I feel the reward is significant.' For the entrepreneurs in our survey, risk is a means to an end, not something to be pursued for its own sake. The image of the entrepreneur as the gambler, throwing caution to the wind, does not ring true and those seeking to inspire more people to start businesses would be wise not to perpetuate it. The danger is that people who do not regard themselves in this light conclude that entrepreneurship is not for them.

Figure 2 **Which of these statements best reflects your attitude to risk?**

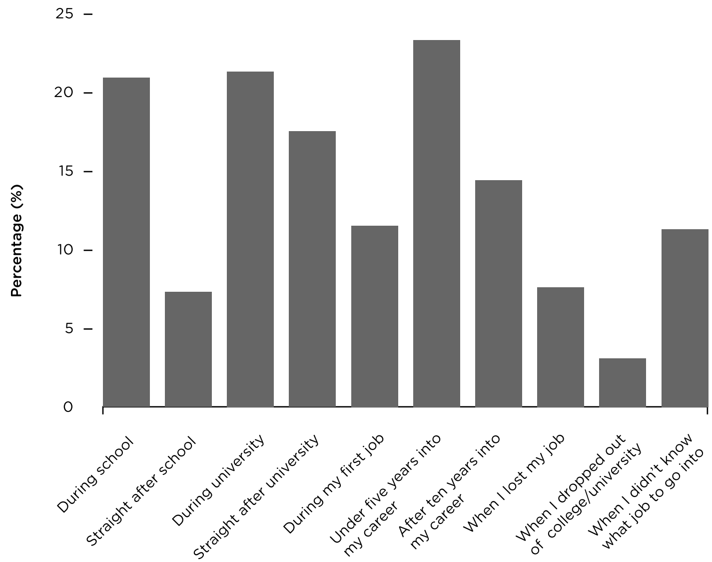


Start-up moments

This pragmatic attitude to risk taking is reflected when people choose to start new businesses. Half of our respondents started a business while either at school, university or during their first job, reflecting the reality that entrepreneurialism does not have to be an all-or-nothing choice. Many entrepreneurs keep their options open, pursuing qualifications and careers at the same time as running an enterprise.

Our polling shows that there is no particular age or life stage at which individuals tend to decide to start a business (figure 3). Respondents to our poll varied in age from 18 to 68 years old. What's more, our entrepreneurs are embarking on their enterprises at a range of key milestones in their lives. 'Start-up moments' are fairly evenly distributed throughout the life-cycle – with individuals looking to start businesses straight after school or university, after being made redundant, and throughout their career. The biggest single start-up moment, however, occurs around five years into an individual's career.

Figure 3 **The point at which the respondents in our study became entrepreneurs**



It is also notable that a significant minority of entrepreneurs have experienced 'forced' start-up moments. Nearly one in ten started a business following either redundancy (7.6 per cent) or dropping out of college or university (3.1 per cent). A further 11.3 per cent decided to become an entrepreneur when they could not decide what job to go into. These individuals turn to entrepreneurship when faced with difficulties in pursuing more traditional forms of economic activity. It is this category that is most likely to have grown as a direct result of the recession. This reflects the intuition of government economists, who have argued that the recent growth in self-employment 'could be as a result of the tough labour market conditions, which may have encouraged people to set up in business as they are made redundant, for example'.[9]

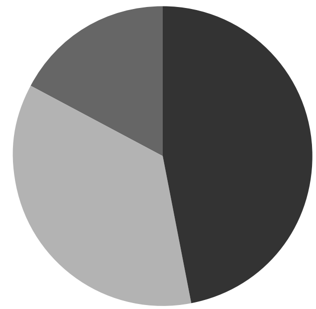
Most entrepreneurs in our survey are first-time business starters: 76.9 per cent of respondents had never started a business before their current venture while 15.4 per cent had experienced just one business failure before their current business. Overall, 21.8 per cent of entrepreneurs had started – and failed to make a success of – a business before founding the business they now run. This points to a significant proportion of business starters who are determined, serial entrepreneurs. It suggests that one of the key components to encouraging a more entrepreneurial culture in Britain is cultivating a healthy attitude towards failure. As the American businessman Henry Ford put it, 'Failure is only the opportunity to begin again, only this time more wisely.'

Whose failure?

We asked respondents to contemplate the failure of their current business, then to estimate the risk of that happening, to place that in the context of other start-ups and to tell us what or who they believed would be responsible (figure 4). They were overwhelmingly optimistic about the prospects for their own businesses: 88.3 per cent of respondents felt that their business had a 50 per cent or more chance of still trading in two years' time. However, their view of start-ups in general was considerably less optimistic – only 26.8 per cent of respondents believe that more than half of new start-ups are still operational two years after launch.

Despite their personal optimism, the aspiring entrepreneurs in our poll were sanguine about the prospects of failure. When asked what or who they would regard as being responsible should their business fail, they were keen to take responsibility and to highlight the fact that sometimes businesses fail despite being founded on good idea.

Figure 4 **The statements that best reflect the attitudes towards the risk of business failure of the respondents in our study**



An overwhelming majority (82.8 per cent) of respondents believe that if their business fails, it will be either because their idea was insufficiently strong or because their idea has been undermined by factors aside from the economy. Only 17.2 per cent believe that macro-economic factors will decide the success or otherwise of their business. This reflects not just the optimism of the aspiring entrepreneurs in our survey, but also the reality that many successful businesses have been launched in previous recessions (see box 1). It is therefore clear that most entrepreneurs believe it is possible to succeed despite less than ideal economic circumstances – and that they take a high degree of personal responsibility for failure.

Box 1 **Businesses started in a recession**

- **Poundland (UK)**: *The first commercial Poundland store opened in December 1990, amid a recession beginning earlier that year and lasting until 1992. Poundland has continued to grow at a 'target-beating' rate.*
- **Bathstore (UK)**: *The first Bathstore opened in 1990 amid the same economic slowdown. It currently has over 160 stores across the UK.*

- Burger King (USA): *Burger King was founded in 1954 as the USA was exiting from the 1953–54 recession. Today the company operates in more than 11,100 locations in 65 countries.*
- Microsoft (USA): *Microsoft was founded by Bill Gates in 1975. It is now one of the world's most successful companies.*
- CNN (USA): *Ted Turner founded CNN during the recession in the 1980s. It has since become one of the most successful news networks in the world.*
- Fisher-Price (USA): *Fisher-Price was founded during the Great Depression in 1930. It is now 'one of the world's leading manufacturers of babygear and pre-school toys'.*
- Dyson (UK): *James Dyson launched his vacuum company in the recession of the early 1990s. Dyson machines are now available in over 45 countries.*
- Impact International (UK): *A global 'people development company' set up during the deep UK recession in 1980. It now operates in over 50 countries and has signed up to the United Nations 'Global Compact'.*
- Lembrassa (UK): *Lembrassa is a lingerie and swimwear company founded in 2008. In 2009, the company had a turnover of £80,000.*
- Takeover/Cloud 9 (UK): *This music publishing company was founded in December 2008. It is a subsidiary of EMI and Takeover Entertainment.*

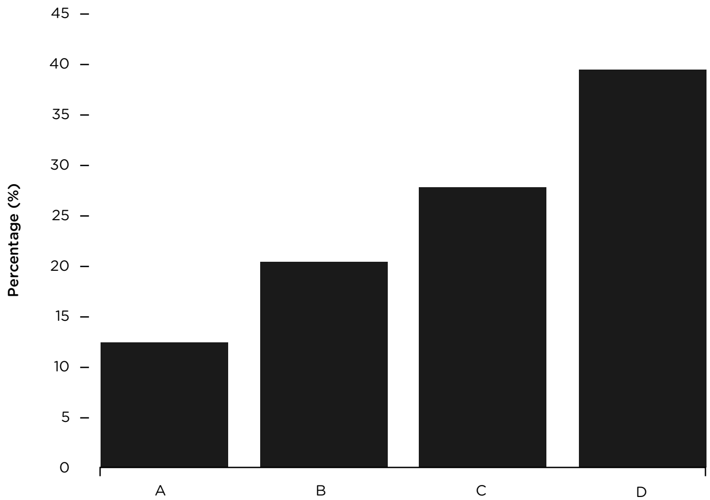
The picture that emerges from our poll is not of the entrepreneur as the maverick materialist but rather as individuals with a 'can do' attitude, a desire to be their own boss, a preference to work on things that matter to them personally and a pragmatic approach towards risk. This may appear less glamorous than the stereotype but it is also distinctly more accessible – something which those interested in promoting entrepreneurship should take note of.

2 Business models and barriers

It has become something of a cliché that entrepreneurs are people who have experienced a 'light-bulb moment' and invent a new product or service out of the blue. In many ways, the notion of the entrepreneur as an inventor has been driven by programmes such as *Dragons' Den*, which celebrate revolutionary products over evolutions in delivery or service. However, for the entrepreneurs and aspiring entrepreneurs in our survey, no such 'light-bulb moment' occurs – rather, they build on their experiences to evolve services or products in areas in which they have either worked or have been a consumer.

More than one-third (39.6 per cent) of surveyed aspiring entrepreneurs have previously worked in the sector in which their start-up operates, while more than a quarter (27.7 per cent) claim to have started their business in response to their experience as a consumer in that sector. By contrast, only 20.3 per cent claim to have wanted to start a business and then sought opportunities, and only 12.4 per cent claimed to have designed a new product to meet a previously unmet need (figure 5). This points to a model of entrepreneurship that is rooted much more in professional and consumer experience – in which individuals are putting their skills to work in a field with which they are familiar.

Figure 5 **The reasons why the respondents in our study chose to start in the area in which they are working**



A I designed a product to meet a specific need of mine/family member/friend and felt it had a bigger potential

B I wanted to start a business so researched potential areas for new products/ideas

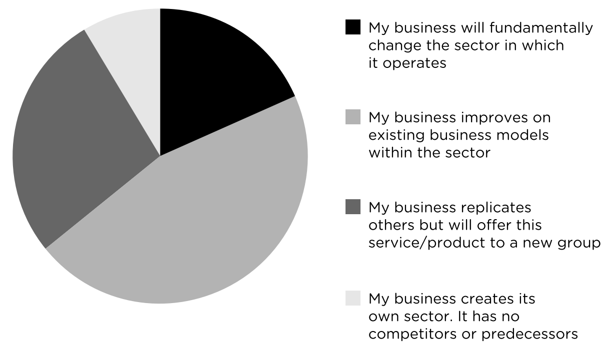
C I have been a consumer in this sector previously and have identified a gap in the market

D I have worked in this sector previously and have identified a gap in the market

What is more, 73.1 per cent of the aspiring entrepreneurs describe their business as evolutionary rather than revolutionary – agreeing that it will either build on or replicate the success of other businesses (figure 6). This is not to downplay the role of innovation in a start-up culture, but rather to understand the true nature of it. Businesses compete because they are either *better than* or *different from* their competitors. Therefore aspiring entrepreneurs require new ideas, but not necessarily revolutionary products or business models.

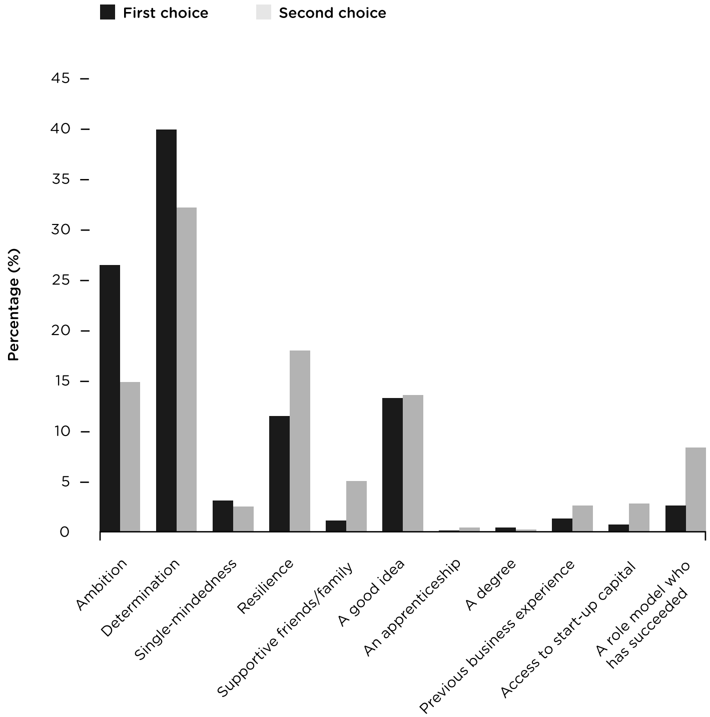
The former chief executive of Starbucks, Howard Schultz, describes this process in his book on the company's success. He writes, 'We would take something old and tired and common – coffee – and weave a sense of romance and community around it.'[10] Starbucks' success is remarkable, but it is a good example of a company that has achieved through building on an existing business model rather than creating an entirely new one.

Figure 6 **The statements that best apply to the respondents in our study's business ideas**



This pattern of evolutionary change is borne out by the attributes that our entrepreneurs identified as being important to the success of enterprising individuals. While 71.8 per cent ranked 'determination' as being one of the top two qualities necessary for success and 41.4 per cent identified 'ambition', only 26.7 per cent regarded having 'a good idea' as important. These overall figures hide some gender differences which are worth noting: women are more likely than men to value good ideas (31 per cent versus 22 per cent for men), while men are considerably more likely to emphasise determination (70 per cent versus 22 per cent for women) (figure 7).

Figure 7 **The attributes that respondents in our study thought were the most important to successful entrepreneurs**



This emphasis on evolution rather than revolution was also reflected in the entrepreneurial 'heroes' selected by our respondents. Offered a wide range of well-known entrepreneurs to choose from, from Jamie Oliver to James Dyson, by an overwhelming margin entrepreneurs chose Sir Richard Branson. Although Branson is, of course, a hugely successful and celebrated entrepreneur it is interesting to note that his achievements have been precisely in the area of evolution. From trains to banking, Sir Richard's approach is to take a service or product and improve on it – not to take a new, big idea from 'light-bulb moment' to production line.

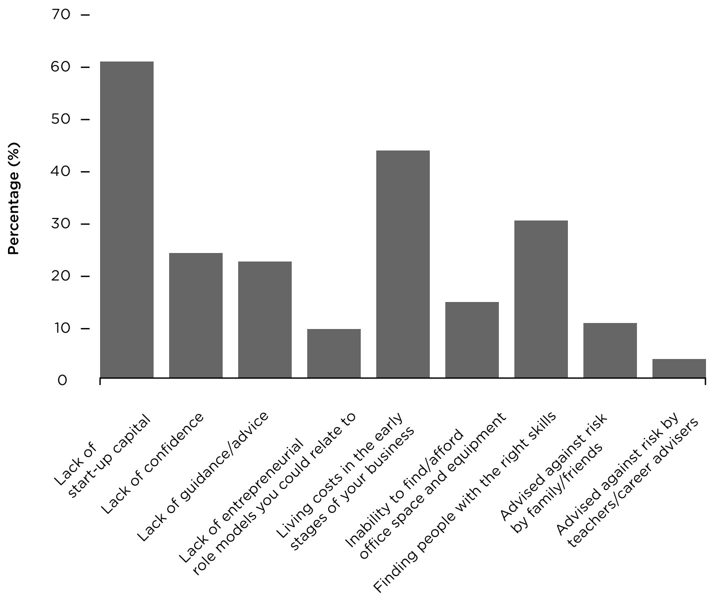
These findings demonstrate that people do not need a world-changing invention to open and run a business – having the right mix of ideas, drive and energy can be enough to help out-perform the competition. Of course, radical innovation is essential, bringing dividends for individuals and for the economy at large, but it would be inaccurate and potentially discouraging to would-be entrepreneurs to present this as the only – or even the most common – route to business success.

Barriers to business

What gets in the way of entrepreneurs making their way from ambition to reality? What helps them make their business work and what factors do they perceive as a drag on success?

Our respondents, unsurprisingly, identify money as a key issue (figure 8). A lack of start-up capital is the most important factor in delaying or preventing business success; other money concerns are also hugely important. Living and office costs, for example, rank highly as problems for budding and fresh entrepreneurs. This implies that the current drive to encourage more home building is something that, if successful, would be a big boost to entrepreneurs. In the medium to long term greater supply of homes would bring down costs, allowing entrepreneurs to spend more money investing in their business and less on rent or mortgage payments. Similarly, policies enabling more affordable office space would provide welcome relief.

Figure 8 **The barriers that the respondents in our study found it most difficult to overcome**



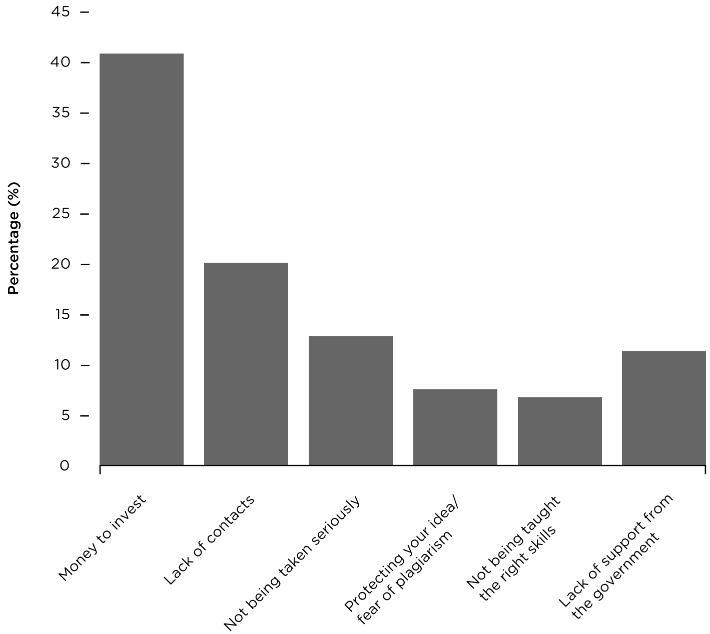
The problem of lack of capital is dealt with later in the next chapter, but it is worth noting at this stage that it is a greater reported problem for women in our survey than men: 63 per cent of women identify this as one of their biggest two barriers to success, while the figure is somewhat lower at 56 per cent among men.

Beyond finance, there are other examples of barriers encountered by would-be and new entrepreneurs that need to be recognised by government and civil society organisations looking to boost enterprise. Many feel a lack of personal confidence and of the guidance they would need to make their business work. Again, this is a greater reported barrier for women than men: 32 per cent of women cite lack of confidence as one of their top two barriers, while just 18 per cent of men report it. In general, men are more likely to report difficulties

identifying people with the appropriate skills to help them found and grow their enterprise. This lack of skills in the marketplace – and the inability felt by many start-ups to find and secure skilled people – is an important barrier both to starting and then to growing a business.

We had similar responses when we asked respondents to identify specific barriers to their personal success (as opposed to that of their business) (figure 9). While money is, once more, the key concern – they also rate their lack of personal connections and the absence of skills and/or the perception of those around them particularly highly. There is clearly a role for organisations and institutions in connecting entrepreneurs both to their fellow businesspeople and to individuals with the skills to help their business succeed.

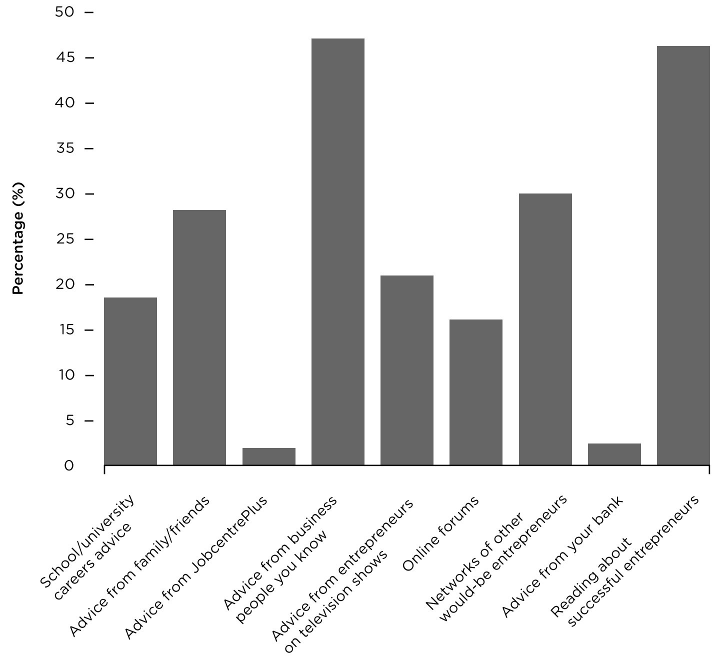
Figure 9 **What the respondents in our study think is the biggest barrier to business success**



What helps?

We also asked respondents to identify the services and support they had found useful in setting up their businesses (figure 10). It is clear from our findings that entrepreneurs most value the advice, ideas and inspiration lent by existing businesspeople and other entrepreneurs – finding their support more useful than more traditional or institutional models. 'Advice from successful businesspeople you know' (46.8 per cent) and 'reading about successful entrepreneurs' (46.0 per cent) come comfortably above everything else when people are asked what helped them start a business.

Figure 10 **The sorts of advice that the respondents in our study found useful when starting a business**



It is clear that institutional advice – from careers advisers, job centres or investors – is less important to start-ups than more informal advice and guidance from individuals who have built a business themselves.

Understanding today's entrepreneurs

The reality of entrepreneurs' attitudes, ideas, needs and challenges can differ enormously from some common assumptions. Rather than being 'revolutionaries' – driven by a 'light-bulb moment' and an appetite for risk, many entrepreneurs simply build out from their own existences, knowledge and experiences, often starting businesses while they do other things, from studying at university to working in another job.

Today's entrepreneurs are worried about money – not least because they struggle to support themselves while starting a business and find seed capital frustratingly difficult to come by. A strategy that seeks to answer the gaps entrepreneurs feel exist would, therefore, focus on providing two types of capital: the traditional kind that businesses need to make investments, and the social capital that provides people with the advice and support networks they depend on.

3 Capital requirement

The biggest barrier to entrepreneurship revealed in our survey is access to finance. More than six in ten respondents identified a lack of start-up capital as the barrier they have found most difficult to overcome. Such a complaint is becoming familiar. Sharp contraction in credit, such as that which has taken place since the financial crisis, tends to be felt more keenly in newer and smaller businesses, which are less likely to have cash reserves to fall back on in leaner times.

The British Chambers of Commerce argues that new and growing businesses 'have largely been frozen out of the market for finance in recent years'[11] – an argument supported by the trends in lending collated by the Bank of England. The data show that overall lending to SMEs has been falling since 2009,[12] with repayments from existing loans exceeding new term loans.

Some of this may be attributable to a decline in the demand for credit, with entrepreneurs less inclined to take on the risks associated with new loans. However, there appears to be little doubt among policymakers that a reluctance among the banks to lend remains a problem. The Business Secretary Vince Cable has argued that reluctance among banks to lend to start-ups and small businesses is 'throttling the recovery of British industry because companies cannot get loans to expand their business'.[13] As a result, there has been a series of policy initiatives designed to boost lending and therefore fuel enterprise. These include Project Merlin, the National Loan Guarantee Scheme, the Business Finance Partnership and, most recently, the launch of the government-backed StartUp Loans Company (www.startuploans.co.uk/), chaired by James Caan.

It is too early to judge the success or failure of the last of these initiatives, which has received a cautious welcome from business groups. But the other initiatives introduced to boost lending have enjoyed only limited success. Project Merlin set out ambitious objectives but missed its lending target for SMEs by over £1 billion,[14] while the other two schemes are smaller in scope: £2.5 billion of loans through the National Loan Guarantee Scheme[15] and £1.2 billion under the Business Finance Partnership.[16] Such measures have proven unable to reverse the trends in lending for either SMEs or larger businesses. A closer look at the data from the last 18 months reveals that lending has continued to decline (table 2).

Table 2 **Lending to SMEs, 2011 Q2 to 2012 Q2**

Period	Gross lending	Repayments	Net lending
2011 Q2	11.3	12.2	−0.9
2011 Q3	11.8	12.3	−0.5
2011 Q4	11.0	12.5	−1.5
2012 Q1	10.1	12.0	−2.0
2012 Q2	9.5	11.0	−1.5

Source: Bank of England, *Trends in Lending October 2012*[17]

The major six banks involved in Project Merlin (Banco Santander, Barclays, HSBC, Lloyds Banking Group, Nationwide and Royal Bank of Scotland) account for 70 per cent of all lending to British businesses.[18] Those working in financial services complain that these institutions are being asked to do contradictory things by policymakers. Banks are being urged to repair balance sheets and increase capital ratios, while increasing lending at the same time. The first of this implies more caution, the second more risk taking. The result is ongoing scepticism, in the banking sector and wider business community, that government policy will have the desired effect in restoring healthy lines of credit to new and growing businesses.

Policymakers ought therefore to explore alternative routes to increasing finance for entrepreneurs. The remainder of this chapter explores four models, drawn from around the world, that offer different types of examplars.

Four models

The venture capital model – Israel

Policymakers in Britain are showing a growing interest in Israel and its remarkable success in recent years in creating a high tech start-up culture. Despite its relatively modest population (of around 7 million people) Israel has more tech start-ups than any country outside the USA.[19] As a country, it has almost double the number of patents per head of population as the UK[20] and has proved effective at commercialising its inventions.[21] Such an enterprise culture has stood the country in good stead: Israel was one of the last countries to enter recession and one of the first to emerge from it.[22]

The bedrock of this success is Israel's thriving venture capital industry – the country is ranked second only to the USA in venture capital availability.[23] This healthy availability of finance for new businesses can be traced back to 1992 and the creation of Israel's 'Yozma' programme, a government-backed initiative, which dedicated $100 million to attracting international venture capitalists to Israel.

Bringing those companies to Israel was understood to be vital, because of the nature of early-stage investments, which are often made without assets to secure against and frequently involve companies or individuals without a proven track record. Having locally based investors was seen as vital to overcoming these hurdles to investment in the early stage of business, while international networks could be drawn on when businesses became more established.[24]

Venture capitalists interested in taking part in the scheme would be asked to put forward $12 million, which would be matched by $8 million worth of investment from the Yozma fund itself. The public money would have a capped upside and investors would have the opportunity to buy out the government stake within five years on prearranged terms.

This structure brought several advantages. Not only did it leverage international investment into a country that had lacked a vibrant venture capital industry before the initiative, but it also avoided the cardinal error of the Government 'picking winners'. Decision-making about what to invest in remained in the hands of the private investors, while public money was deliberately used to encourage high volumes of investments, rather than a small number of higher value, high risk moves. The Government did not assume it knew all the answers, it simply sought to produce a marketplace that could do the job instead.[25]

The net result of the Yozma programme is impressive. Over nine years the number of Israeli companies launched with venture capital funding increased from 100 to 800 and, having done its job of helping building a thriving venture capital industry in Israel, Yozma was privatised in 1997.[26] Britain currently resides 23rd in the international table for venture capital availability – learning from and replicating the Yozma scheme looks an attractive option if the money can be found to take it to scale.

The local banking model – Germany and Switzerland

Two countries closer to home that have avoided some of the problems Britain has experienced in lending are Switzerland and Germany. Both have a form of local banking, which is designed to channel investment to small and medium-sized areas within defined geographical limits.

Germany's *Sparkassen* – local savings banks – have become the envy of small businesses in Britain starved of credit. *Sparkassen* must adhere to the same regulatory rules as other financial institutions in Germany, but their ownership structure and specific geographical remit set them apart. *Sparkassen* have no shareholders; they are 'owned' by the public authorities from municipalities that they operate within.[27] *Sparkassen* pursue a 'dual bottom line' – they must turn a profit but are also expected to serve the local economy. According to the law, the activities of each *Sparkasse* must be restricted to 'the economic locality in which the enterprise is domiciled'.

The purpose of these geographical limits placed on the *Sparkassen* is to make capital available to creditworthy businesses in each area, which might otherwise be passed over by larger banks, as they operate in international markets and may be focused on larger or higher margin investments. The result is that 70 per cent of all German business lending is undertaken by way of the local banks.[28] Start-ups access approximately 27 per cent of their capital from banks, compared with a figure of around 12 per cent in the UK.[29] Following the financial crisis, the *Sparkassen* were able to increase their lending, while the large commercial banks scaled back. This has helped ensure a healthy credit line to new businesses, contributing to Germany's remarkable recovery from its own recession.

In Switzerland, 24 out of 26 Swiss cantons (the member states that make up the federal state of Switzerland) have their own savings banks, which use their funds to invest in local industry. Swiss law prescribes that these banks must be at least a third owned by the canton itself – a public authority – although half have some private ownership through share issues. Those banks that have issued shares often take steps to ensure that they are largely owned by those living within the borders of the canton, retaining the connection to the local area. Some cantonal banks have their liabilities guaranteed by the canton (and pay a fee for it), while others do not. Otherwise, cantonal banks are regulated like all other Swiss banks.[30]

As with the German *Sparkassen*, the Swiss cantonal banks have proved resilient to economic shocks because of their predominantly conservative business models, involving collecting savings, investing in local industry and maintaining high capital ratios. The cantonal banks have been able to fill at least some of the lending void following the 2008 financial crisis. While lending from the large commercial banks dropped by 38.5 per cent between 2007 and 2011, the cantonal banks increased it by 15.2 per cent.[31] In doing so, they have helped maintain the lifeblood of credit that British SMEs have been deprived of.

Policymakers should explore what lessons the German and Swiss models have for British business. Regulations limiting the activities of credit unions have been relaxed, in an effort to encourage more local, cooperative forms of finance (previously credit unions could not invest in industry), but local authorities may well have to take the lead if local finance is really to reach anything like the German or Swiss examples.

Crowd funding – the USA

In April 2012, President Obama signed the Jumpstart Our Business Startups (JOBS) Act, a flagship measure from his administration to boost entrepreneurship. The legislation follows the remarkable rise of crowd funding, a new technology-enabled source of finance for business ventures.

Crowd funding allows businesses to accept small contributions from private individuals without having to make a public share offering. The idea began as a means for those in the creative and cultural industries to raise small amounts of money from large numbers of people, often for ventures unlikely to be profitable enough to be creditworthy. For example, fans would donate a certain amount of money each to help a band record a new song, or to put down the deposit for a concert somewhere. In return, they would receive certain privileges, such as free tickets to the concert, or at least a first option on buying them.

What began as a simple way to gather donations has rapidly become a way for small investors to buy equity in companies and entrepreneurs to raise money for business growth without having to rely on traditional forms of finance. In the USA there has been a remarkable growth in crowd funding: the website Kickstarter has raised more than $200 million for 22,000 product offerings, with two million people contributing money.[32] The firm has announced it will launch in the UK in late 2012. Meanwhile, 24 businesses have already raised more than £3.9 million through Exeter-based Crowdcube, launched in February 2011, which aims to open up small-scale investment to entrepreneurs.[33]

The UK market for crowd sourcing is less well developed than that in the USA. President Obama's JOBS Act seeks to entrench this advantage by relaxing regulations on share offers. Before the Act, enterprises were obliged to report as public companies as soon as they had 500 shareholders. The new law raises that threshold to 2,000 and excludes investment through crowd funding from calculating the number of shareholders. Start-ups will therefore face fewer reporting requirements than they did, especially if they access finance through the crowd funding model.[34]

In the UK policymakers must decide how to balance the benefits of this kind of deregulation with some of its potential downsides. Fewer requirements around company reporting may increase the risks of fraud. And unlike with company shares there is no easy exit for those who invest, as no secondary market exists. This means that investments are often more 'all or nothing' in nature and can take longer to come to fruition. Policymakers will have to find the right balance, so that extra credit can be unleashed, but with sufficient protections and transparency for those risking their money.

The incubator model – the UK

One source of potential investment from within Britain itself is larger companies offering support to spin-out and start-ups. While UK banks may be busy repairing their balance sheets, large businesses in Britain have as much as £750 billion held in reserve, according to some estimates.[35]

It is in this context that some of the most exciting aspects of start-up culture are being driven by larger companies 'incubating' start-ups, by offering a mix of funding, contacts, office space, advice and mentoring. The Tech City initiative, launched in 2010, is one example of this in east London, where Vodafone provides office space and investment to promising start-ups through its 'technology lab' on site. Google, meanwhile, has set up a 'creator space' in Soho, offering state of the art support for businesses to produce the best content for the Google-owned YouTube site. Larger businesses are using their expertise and financial muscle to help boost start-ups.

One of the longest running examples of the incubator model is the Shell LiveWIRE programme itself, established in 1982, which offers a mix of funding, personal support and peer networks for would-be entrepreneurs. LiveWIRE's Grand Ideas programme offers four £1,000 prizes each month for 16–30-year-olds who have set up an innovative new business idea in the last 12 months. Each month, ten shortlisted candidates are invited to send in a one-minute videoed 'elevator pitch', which is voted on by members of the LiveWIRE online community. The process helps spread best practice throughout the community – reflecting the findings of our survey that aspiring entrepreneurs crave advice and role models.

Annually, Shell LiveWIRE also awards a £10,000 prize to the Young Entrepreneur of the Year, with the winner chosen by collating the scores of an expert panel of judges and an online vote. All winners are required to reinvest the money into their own company, rather than spending it on wages, rent or equipment.[36] Winning business ideas for the award have been extremely varied, and include bespoke wedding dresses in 1991, a new Mexican take-away outlet in 2001, an online prescription glasses business in 2005 and Active Supply and Demand in 1992 (which has become the £10 million business Big Storage).[37] Many of these businesses have grown into recognised brand names and are trading internationally, including Glasses Direct, Shiply.com, Gael Force Marine and KwickScreen.

A survey of winners since 2008 indicates that the programme generates an estimated £842,961 for the British economy each year, creating nearly 100 new jobs (see the appendix for how this estimate was calculated). Of those who have benefited from financial investment from the programme, 63 per cent say it has given them greater confidence in their product, and 72 per cent say it has given them greater confidence in their own abilities.

Policymakers in Britain are showing a growing interest in the incubator model for business start-ups, with high hopes being pinned on Tech City as Britain's answer to Silicon Valley, where business-to-business relationships have spawned a generation of incredible success. However, research from the

Centre for London, at Demos, in 2012 identified a series of shortcomings for the initiative, from problems with internet connectivity to lack of experienced mentors to help guide young firms through their early years.

Lessons

Each of these four models has particular advantages. The Yozma scheme is attractive because the venture capital model often delivers more than just money. Investors who take equity stakes are often both experienced and willing to commit time and energy to provide the mentoring that entrepreneurs value so highly. Similarly, the value of the incubator model lies in not just the access to capital, but also the relationships that aspiring entrepreneurs are able to benefit from, either with peers in schemes like LiveWIRE, or with parent companies in the Tech City example. Drawing on that experience can be vital to their success.

The local banking model and the crowd funding examples demonstrate that there is a range of options available to policymakers, which do not always fall into the same categories. The crowd funding model implies a degree of deregulation, for example, while the value of the German *Sparkassen* and the Swiss cantonal banks derives precisely from the restrictions placed on who they can lend to. The banks are expected to turn a profit but the strict geographical remit of the banks is designed to ensure that creditworthy businesses all over the country have access to the finance they need.

Getting the right mix will not be easy – and models from abroad cannot always be imported wholesale into a British business culture. However, the examples laid out in this chapter do imply that there is a richer public debate to be had in Britain about how best to stimulate new business growth beyond the entrenched positions of stimulus versus austerity. These macro-economic questions will not go away, but they must be coupled with a renewed emphasis on how to ensure aspiring entrepreneurs can get access to the right sources of finance and advice.

Conclusion

Modern economies depend on the dynamism of entrepreneurship and enterprise – both as originators of bold, new ideas and as mechanisms for improving and finessing existing products and services. How to support and enable entrepreneurship, particularly in the wake of a double-dip recession, is therefore a crucial question for politicians and policymakers.

Too often, however, this question is reduced to a debate between different macro-economic strategies. Austerity versus stimulus. Fiscal policy versus monetarism. These dilemmas will not go away but they cannot be the end of the conversation. The micro questions – of how best to respond to the needs of enterprising individuals and what barriers need to be removed – must also receive proper attention.

In order to establish what that micro level policy should look like, we need to listen to the voices of those who have started, or are about to start, new ventures. Who are they? What motivates them? What gets in their way and what support do they most value? We also need to develop a clear-eyed view of what has worked – both internationally and in the UK. There's no need to reinvent the wheel on entrepreneurship – much has been achieved through smart policy around the world and through civil society and corporations here in Britain. An approach rooted in combining the experience of entrepreneurs, the successes of other countries and the achievements of non-governmental support schemes stands the best chance of producing an effective and sustainable outcome for entrepreneurs.

One of the main implications of this report is that those responsible for promoting entrepreneurship need to get the messages right. Too often, our understanding of entrepreneurs – their character, motives and ambitions – is formed more through cliché and a couple of big-name examples than through an understanding of what everyday life is really like for people starting a business. We often expect entrepreneurs to conform to the stereotype of the driven inventor, pushing back against all orthodoxy and obsessed with their revolutionary idea; most of the time, this simply does not ring true.

Rather than being 'revolutionaries' – driven by a 'light-bulb moment' or an exceptionally innovative idea – most entrepreneurs are not only 'evolvers' but also happy to define themselves as such. Therefore they require a different kind of support. Of course revolutionaries are important, but they are also rare. Many would-be entrepreneurs – and a higher proportion of women than men – say they suffer from lack of confidence and would benefit from the advice of those who have already succeeded in business.

It is crucial, too, that any organisation interested in promoting entrepreneurship acquaints itself with the reality of why entrepreneurs say they are entrepreneurs. Although money may be a key concern for those who have already decided that they want to start a business, it does not appear to be the prime motivator of most entrepreneurs. Instead, subtler spurs such as the desire to work for oneself, on something that inspires some passion, are more important.

The increase in 'forced start-up moments' – people starting a business because they find themselves at a critical juncture with limited alternative options – is another important trend. At a time when jobs are scarce, civil society can reinforce the message that turning misfortune into a new project is positive and commendable – we can provide the prestige boost to help motivate those for whom entrepreneurship may initially appear a risky, second choice.

Finally, understanding barriers and what really helps is crucial. Of course money is important. The biggest barriers to entrepreneurial success, according to entrepreneurs themselves, are lack of seed funding and the difficulties of supporting oneself while building a new business from scratch. But securing funding competitively is vital to the quality assurance process that helps to ensure the best ideas, innovations and businesses survive and the worst are saved from themselves.

What next?

More needs to be done to leverage money into start-ups and small and new businesses, and we can learn from international and civil society schemes about how this can best be achieved. But there is more to supporting entrepreneurs than trying to help them fund themselves. On the one hand, the support most valued by entrepreneurs is that of fellow businesspeople, successful role models and peer networks. On the other, many aspiring entrepreneurs told us that their biggest barrier to success (aside from simple cash) is their lack of networks, contacts and guidance.

This is an area where any successful intervention to support entrepreneurialism can, and should, apply itself. All of the successful international and civil society models explored in this paper incorporate an element of either mentoring or peer-to-peer networking – this is an essential ingredient in making enterprise policy a success. The Israeli Yozma scheme, for example, might look exclusively financial – with its emphasis on attracting venture capitalists – but was in fact borne out of a recognition that entrepreneurs require not only financing but also support and advice. Yozma has been successful not just because it leveraged funds into start-ups – in the end, the Government could just as easily have found $100 million to invest – but because it brought expertise.

Likewise, through their structure, the local banking infrastructures of Switzerland and Germany have naturally maintained not just spending through the crash but also close, meaningful relationships between entrepreneurs and their bankers. Our polling evidence suggests that entrepreneurs in the UK find their banks among the least useful sources of advice and guidance available – in part this has been driven by the interpersonal, distant and unconnected nature of UK banking. Many German and Swiss local bank managers act as not just financiers of entrepreneurialism but also trusted advisers to the entrepreneurs with whom they invest. Finally, both the incubator and crowd funding models lend entrepreneurs the invaluable resource of other entrepreneurs and interested parties to bounce ideas off and ask for advice.

The Government should look at how to create an environment in which venture funding for entrepreneurs is both more easily accessible and more closely aligned to also providing insight, expertise and experience. But the responsibility for promoting entrepreneurship cannot and should not be left to central government alone. The Shell LiveWIRE scheme is an example of how civil society and established businesses can work together to promote entrepreneurship and cultivate innovation and enterprise.

Local authorities should learn from schemes such as Shell LiveWIRE and explore what they could do to emulate and support their success. Establishing platforms for entrepreneurs to use to speak to one another, linking local established businesses to aspiring entrepreneurs, adapting the competitive element that Shell LiveWIRE uses so well – all of these are possibilities for local authorities working in partnership with public, private and civil society bodies in their area.

There is also clearly a role for established businesses and corporations in providing support, encouragement and expertise to new businesses. No one is expecting commercial bodies to pretend they are charities or, even, to transform themselves into venture capitalists. But the rigour and understanding that established, successful businesses have can be just as crucial to an entrepreneur as ready cash. What's more, the guidance of a senior, successful leader in the corporate world might well make the difference between securing investment and being turned down for those entrepreneurs who lack confidence and business skills but nonetheless have a great idea.

Mentoring and supporting new businesses should be part of any major corporation's corporate social responsibility (CSR) strategy – whether achieved in partnership with other organisations or simply through existing networks and staff. The Government should celebrate and support the role of established companies in nurturing start-ups by using the Department for Business Innovation and Skills to create a scheme to match big corporations to small start-ups. Such a scheme would encourage responsible corporations to establish links with start-ups related to (but not in competition with) their business. As our survey demonstrates, entrepreneurs value the advice of successful businesspeople far more than generic advice provided by either Jobcentre Plus, public bodies or banks – rather than seeking to mentor entrepreneurs via the state, government should be helping to link businesses and encourage peer-to-peer mentoring and support.

Not only would participation in such a scheme be a way of 'giving back' and of further supporting the economy as a whole – it holds potential economic benefits for companies, too, bringing them into contact with new ideas and helping embed them in the future of their sector. The Government has a role to play in helping big and small businesses to connect and to benefit from sharing expertise and pooling innovation.

Those promoting entrepreneurship, whether in government or civil society, should be careful to paint a realistic picture of what it entails. The idea of entrepreneurs as buccaneering revolutionaries, who thrive on risk, give up their jobs, aim to make millions and live for world-changing ideas does not reflect the reality, which is far more attainable for far more people. In reality, aspiring entrepreneurs believe that with the right attitude, the right advice and the right access to capital, people can go a long way.

Any successful start-up will tell you that understanding your potential clients is crucial to getting your offer right – when it comes to designing services for entrepreneurs this is a lesson we all too often forget. We need to work with and listen to entrepreneurs before shaping our interventions – that way we can work to build an effective and efficient infrastructure to support their endeavours. To do it the other way round – as has sometimes, unfortunately, been the case – is to fail to understand even the most basic lesson of business.

Apendix: Estimating the impact of the Shell LiveWIRE scheme

Methodology

The figure given in this report for the annual contribution of the Shell LiveWIRE programme to the economy is an estimate, based on survey responses from beneficiaries of the programme over the last four years. These beneficiaries are winners of the Shell LiveWIRE 'Grand Ideas' prizes. Four prizes of £1,000 are awarded each month as well as a £10,000 prize for the Shell LiveWIRE Young Entrepreneur of the Year. The Grand Ideas Awards have been running for four years.

Any estimate of this type must take into account questions of attribution and deadweight, to ensure that a LiveWIRE 'contribution' is not claimed for activity that would still have taken place in the absence of the programme and the grants it makes to new businesses. Our approach was to use survey data to establish the average, estimated contribution of the scheme to individual businesses and then to use that information to extrapolate the overall contribution of the scheme to the UK economy.

Such an analysis required a survey of LiveWIRE winners from the last four years of the scheme's operation. This survey gathered information about respondents' current activities (employment status, whether they are running a business, or setting up a business); details of this activity (size of business in income, time of operation); and the role LiveWIRE played in this activity (asking survey participants to estimate how much LiveWIRE was responsible for their current success and how much other factors played a part. Respondents were asked to estimate the specific contribution of LiveWIRE as a percentage).

We then multiplied the total turnover of each business surveyed by the percentage of their business success that respondents attributed to participation in LiveWIRE. Having established this figure for each respondent to our survey we then produced an average of the results for the entire sample and calculated an annual contribution, based on the number of Grand Ideas Awards participants each year (44). See the hypothetical example in box 2.

Box 2

Hypothetical example

Business A has an annual turnover of £50,000 and the owner believes Shell LiveWIRE is 70 per cent responsible for him setting it up. The Shell LiveWIRE programme can therefore claim 70 per cent – £35,000 – of the turnover of this business.

The average amount that LiveWIRE can claim from all the businesses surveyed turns out to be £30,000.

There are 100 people taking part in the survey. Of these 100 people, 80 (80 per cent) set up their own business (the rest are employed, training and so on).

This means a total financial impact attributed to LiveWire from the sample in this survey = (80 businesses × £30,000 in Shell LiveWIRE contribution) = £2,400,000.

If the LiveWIRE scheme helps 50 businesses per year, then the total yearly contribution to the economy is £1,200,000 – half of the 100 sample size, or 80 per cent of 50 businesses per year x £30,000.

Survey results

The Shell LiveWIRE programme has made four grants of £1,000 per month to Grand Ideas winners for the last four years. This gives a total of (4 winners x 12 months x 4 years) 192 winners in total.

Our survey yielded 71 respondents. Of those 56 were now running their own business, 1 was unemployed because of caring responsibilities, 10 were employed and 4 were in training or education.

Of the 56 running their own business:

- 10 (18 per cent) estimated that Shell LiveWIRE was 0 per cent responsible for the success of their business.
- 20 (36 per cent) reported a contribution of more than 0 per cent but were less than a year old, so they did not yet have financial information which would allow an estimation of their contribution to the economy.

This left a sample of 26. The average business turnover of those in this sample was less than £100,000 per year, though one business had a turnover of between £500,000 and £1,000,000 per year. This participant was in one of the older cohorts in the survey – 2009, suggesting growth may occur over the longer term. The average number of employees per business was 3 but ranged from 0 to 17 – in this sample of 26, a total of 71 people were employed.

The average attribution of business success to the Shell LiveWIRE programme was estimated to be 25 per cent, but ranged from 1 to 85 per cent. In other words, participants in this survey estimated, on average, that their success in setting up a business was 25 per cent thanks to Shell LiveWIRE.

By multiplying each of the businesses' annual turnover by the percentage that participants in the survey attributed to Shell LiveWIRE, we generated 26 figures that we might call 'attributable turnover'. The total attributable turnover in this sample was £707,000. This means that the Shell LiveWIRE scheme is responsible for an estimated average of (£707,000 / 26) £27,192 per business in our sample of 26 businesses.

We then used these data to estimate Shell LiveWIRE's annual economic contribution. We know that of the annual cohort of 48 Grand Ideas winners in the Shell LiveWIRE programme, 40 will attribute some of their success to LiveWIRE (whether success in setting up a business, or in gaining employment); 31 of these 40 (77 per cent) winners will run their own business, producing turnover that can be attributed to Shell LiveWIRE of (31 businesses x £27,192 attributed to LiveWIRE on average) an estimated £842,961 contribution to the economy per annum.

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The UK's long-term economic recovery depends on the triumph of entrepreneurship – growth will come from mainly from start-ups and small and medium enterprises (SMEs). Politicians are united across the political spectrum in arguing for an 'industrial strategy' to encourage this kind of business growth, and any strategy likely to succeed will start with the experiences, insights and attitudes of entrepreneurs themselves.

Everyone's Business articulates those attitudes. Through a survey of almost 1,000 aspiring entrepreneurs it explores their motivations to start businesses, the nature of the businesses they have either started or intend to start, the personal attributes they believe are central to entrepreneurship and the barriers they perceive to their business succeeding. The survey reveals a 'can do' attitude among aspiring entrepreneurs, who value determination above all else and attribute failure to weak business models or simply bad luck rather than circumstances in the wider economy.

The survey reveals a surprising picture of the average entrepreneur, who is more likely to be a 'micro-innovator', building on existing business models, than a buccaneering revolutionary who thrives on risk. The report suggests that this more realistic and attainable image of entrepreneurship is the one that policy makers should have in mind. Finally, entrepreneurs highlight a lack of capital as the biggest barrier to starting a new business. Therefore, the report recommends the Government focus on restoring healthy lines of capital, including considering alternative models such as local banking and crowd-funding.

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