

dti

**RESEARCH REPORT**

Household Survey of  
Entrepreneurship 2005

EXECUTIVE SUMMARY  
FEBRUARY 2007



## Background

- 1.1 The Small Business Service (SBS) is an agency of the Department of Trade and Industry (DTI). It has a clear vision – for the UK to be the best place in the world to start and grow a business. It works with the rest of the government to deliver its vision:
  - To champion a culture that prizes and fosters enterprise, and helps businesses start and develop as their capabilities grow
  - To make sure that government support services (including access to finance) are accessible, relevant and of high quality
  - To make special efforts to release the enterprise of ethnic minority groups, women entrepreneurs and others who have such potential to contribute to UK business
- 1.2 Being enterprising and starting businesses is vital for the success of the UK economy. It provides a source of new ideas and competition leading to business 'churn', which contributes to enhanced productivity and sustained economic performance. The establishment and growth of new small businesses increases competition and innovation, creates employment, opportunities, and revitalises communities. This is vital to closing productivity gaps with international comparators and between UK regions.
- 1.3 SBS has 'building an enterprise culture' as one of its key strategic themes; it forms part of the Government's Action Plan for Small Business. Enterprise policies contribute to the PSA enterprise targets of increasing the number of people thinking of starting a business, small firms productivity growth, and enterprise in disadvantaged communities and under-represented groups.

## SBS Household Survey – Aims and objectives

- 1.4 One way in which SBS measures its progress towards the PSA enterprise targets is through the SBS Household Survey of Entrepreneurship, which was first conducted in 2001, and again in 2003 and 2005. The survey is conducted amongst a general household population in England<sup>1</sup>, as opposed to a business population, as many entrepreneurs (and would-be entrepreneurs) are not listed in business directories. This report covers findings from the 2005 survey, and compares them with previous surveys in 2001 and 2003.

<sup>1</sup> The survey was also conducted in Scotland in 2005. The results of the Scottish survey are shown in a separate report.

- 1.5 The main aims of the survey are to:
- Determine the proportion of the population already involved in entrepreneurial activity
  - Determine the proportion of the population who intend to set up businesses or become self-employed in the future
  - Ascertain the characteristics and attitudes of the current and would-be entrepreneurs
  - Find out the main motivations that cause people to become entrepreneurs
  - Examine barriers to entrepreneurship
- 1.6 This knowledge helps SBS measure progress towards its targets on building a more enterprising culture, and provides a strong evidence base to inform relevant policy development.

## Definition of Thinkers, Doers and Avoiders

- 1.7 The primary purpose of the SBS Household Survey of Entrepreneurship is to determine the proportions of so-called 'Thinkers', 'Doers' and 'Avoiders' amongst adults aged 16-64 in England. It is important to be clear about the definitions for these three groups in the context of this summary:

**Doers** are those who are self-employed or own a business (fully or partly), either as their main activity or as a sideline to their normal employment activities.

**Thinkers** are those who are not currently Doers, but have recently thought about starting a business, buying into an existing business or becoming self-employed.

**Avoiders** are those who are neither Doers nor Thinkers.

- 1.8 Figures reported in the commentary are significant findings based on the effective sample sizes, except where indicated otherwise.

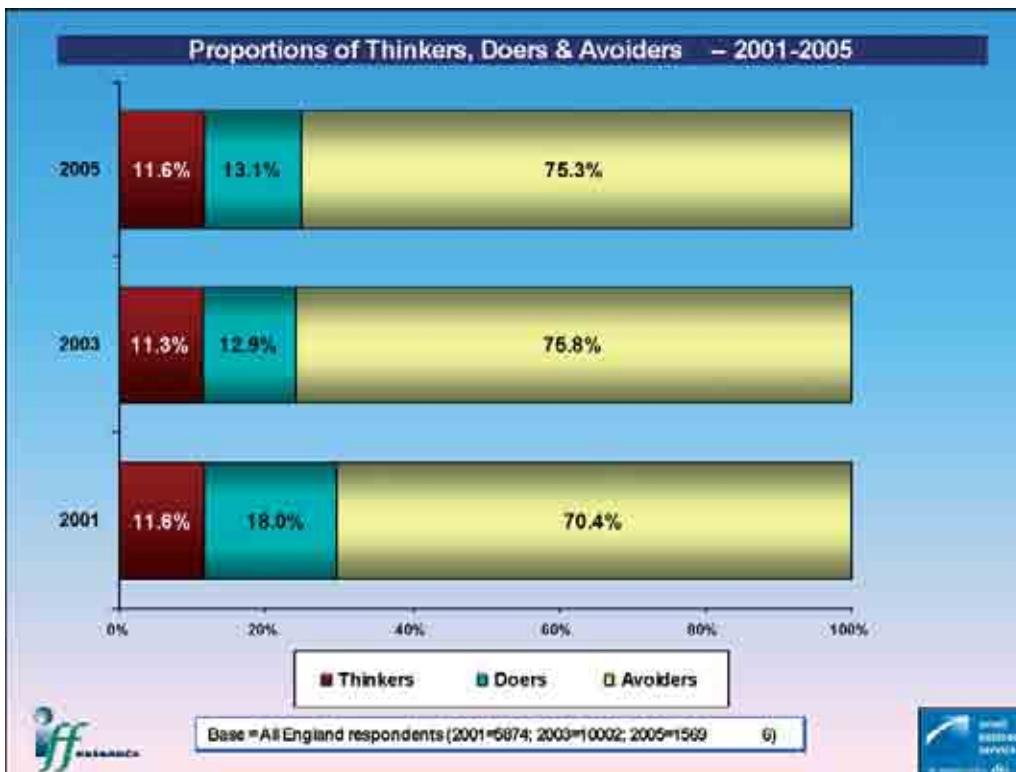
## Key findings

### Overall entrepreneurial activity

- 1.9 The overall level of entrepreneurial activity in 2005 has remained constant with that seen in 2003, with 13.1 per cent of the population of England aged 16-64 being self-employed or business owners (0.2 percentage points compared to 2003, but lower than in 2001). A

further 11.6 per cent are thinking about starting a business or becoming self-employed ('Thinkers' – up 0.3 percentage points). The proportion of Thinkers was similar in 2005 and 2003 to that seen in 2001.

## Proportions of Thinkers, Doers & Avoiders 2001-2005



- 1.10 Although the absolute proportions of Thinkers and Doers has not changed significantly, there is evidence that the make up of these groups is now different. Compared to the 2003 survey there are now more Thinkers and Doers who are either male aged 16-24, or female aged 16-34. This has resulted in significant increases in entrepreneurial activity among the 16-24 age group and among women generally. By contrast, the level of enterprise seen among other demographic groups, e.g. the proportion of male 35-54 year olds who are Doers, has declined.
- 1.11 The main ethnic minority groups in England continue to be more likely than average to be Thinkers, but less likely than average to be Doers. Analysis by region of birth shows that the people most likely to be Thinkers were born in Eastern Europe, West Africa and the Middle East.
- 1.12 There is a clear relationship between higher educational attainment and being a Thinker or Doer, with those who have NVQ Level 5 qualifications being the most entrepreneurial.

- 1.13 Those living in rural areas, and also the least deprived areas are more likely to be Doers than those living in other urban areas. By contrast, the most deprived areas see the highest concentration of Thinkers.
- 1.14 There is a clear relationship between enterprise training and entrepreneurship, especially among younger people. Twenty per cent of 16-24 year olds who have received any form of enterprise training are Thinkers, compared to 15 per cent of those who have not. For the population as a whole, 16 per cent of those who received enterprise training are Thinkers, compared to just 7 per cent of those who have not.

## Thinkers

- 1.15 The main motivations for wanting to start a business have changed little since the 2003 survey. The main motivations are as follows:
- the freedom to adopt one's own approach to work
  - to challenge oneself
  - to make more money
  - to be one's own boss
  - to make an idea or innovation happen
  - to fill a gap in the market
- 1.16 Motivations for wanting to be an entrepreneur do vary according to demographic sub-groups. Younger Thinkers are more money-oriented, but also idealistic.
- 1.17 Older Thinkers are more likely than younger ones to see gaps in the market. Indeed, younger Thinkers are less likely to have researched their potential market than the older ones, particularly in comparison to the 2003 survey.
- 1.18 Younger Thinkers, and especially younger male Thinkers, are more likely than other groups to be motivated by role models.
- 1.19 Compared to the 2003 survey it appears that fewer people are motivated to go into business through necessity.
- 1.20 Thinkers are more likely in 2005 to want to get involved in the Service sector than before, especially business services and childcare.

## Doers

- 1.21 The evidence suggests that in 2005 there were fewer Doers owning businesses as sidelines, which indicates that they are now more likely to be concentrating on their main businesses.

- 1.22 More than three quarters of all Doers have started their business from scratch.
- 1.23 In comparison to all Doers, those who have started trading in the past two years are more likely than average to have been motivated by money, wanting to make an idea or innovation happen, wanting to turn a hobby into a business, or dissatisfaction with previous jobs and unemployment. Among these people there are fewer 'push' factors – i.e. having to go into business through the necessity of not being able to find a suitable job.

## Avoiders and barriers to entrepreneurship

- 1.24 The most frequently mentioned barriers to starting a business or becoming self-employed are the fear of getting into debt (mentioned by 54 per cent of Avoiders), the chance that the business might fail (50 per cent), getting finance (48 per cent) and losing the security of the current job (45 per cent). While financial factors remain the main barriers to entrepreneurship, there have been falls since 2003 in the proportion of Avoiders citing the majority of potential barriers. Most notably, fear of adding to existing debt has dropped from 47 per cent to 37 per cent, and fear of getting into debt from 63 per cent to 54 per cent.
- 1.25 Equally, fewer Avoiders are scared that their business might fail (50 per cent compared with 58 per cent in 2003), and that they would be concerned about not being able to make enough profit (43 per cent compared with 52 per cent in 2003).
- 1.26 Overall, fewer barriers to entrepreneurship are mentioned by respondents in the 2005 survey, compared to 2003. This is particularly the case for the Black African Avoiders, Bangladeshi Avoiders and White Other Avoiders, who cite the fewest number of barriers.
- 1.27 These findings all point to Avoiders being less negative about enterprise, seeing less standing in their way to starting up in business in the future.
- 1.28 Women are much more likely than men to cite the amount of time involved and the effect on domestic responsibilities as barriers to entrepreneurship.
- 1.29 A third of Avoiders would not consider entrepreneurial activity under any circumstances – these people tending to be older. For the rest, the key factor that would make people consider setting up their own businesses would be easier access to finance.

## Attitudes to enterprise

- 1.30 Since the 2003 survey there have been several changes in public attitudes towards enterprise and entrepreneurs. In 2005 people are more positive about encouraging friends to start their own businesses (66 per cent in 2005, up two percentage points). They are also less risk averse (56 per cent agree that they avoid taking risks in 2005, compared with 60 per cent in 2003).

## Social enterprise

- 1.31 A quarter of all respondents are familiar with the idea of a social enterprise, and of these eight per cent claim to work for one (about 2 per cent of the population of England).
- 1.32 Ethnic minority groups tend to be less aware than White British people of social enterprises, but if they are aware they are more likely to work for one – especially Black African and Bangladeshi people.
- 1.33 Agreement with the notion that businesses should have social and environmental responsibility is universal, but when it comes to motivations for starting businesses Thinkers are more likely to claim to want to do this for social and environmental reasons than Doers who have already set up in business in the last couple of years.

## Conclusions

- 1.34 Whilst the survey has found little evidence of a sharp growth in entrepreneurial activity in the last couple of years, there are clear indications that the efforts in promoting entrepreneurship by the Government, the Small Business Service, Business Link and other organisations are having an effect. In particular there have been small but statistically significant increases in the proportions of young entrepreneurs and female entrepreneurs.
- 1.35 This reflects the fact that a very high proportion of young people have received some form of enterprise training or work experience, and that exposure to this increases the desire to start their own business.
- 1.36 It is also the case that the multi-ethnic make-up of this country serves to heighten the overall desire to want to become an entrepreneur, with certain ethnic groups being much more likely than average to be Thinkers. This is certainly the case with Black Caribbean and Black African people, although they are less likely to be Doers than other ethnic groups.

- 1.37 Differing entrepreneurial levels between those born overseas and those born in Britain also point to a positive effect of recent immigration, e.g. people born in Eastern Europe are much more likely than average to be either Thinkers or Doers.
- 1.38 Regionally, people in London are still the most likely to be involved in entrepreneurial activity, with those in the North East being the least entrepreneurial.
- 1.39 Overall, the findings point to a healthy and dynamic enterprise economy within England, with increasing levels of entrepreneurial activity for young people and women, and encouraging indications of increasingly positive attitudes to enterprise and the impact of enterprise training and experience.

## Summary of methodology

- 1.40 15,696 Computer Assisted Telephone Interviews were completed across England between 8th September 2005 and 16th January 2006<sup>2</sup> by IFF Research Ltd. from its Telephone Interviewing Centre in London. Approximately 10,000 of these were conducted at random in proportion to the populations of the nine England Government Office Regions (GORs), amongst 16-64 year olds. Further boosts were conducted in the South East, North East and Yorkshire and Humberside. Finally, a specific boost of the main ethnic minority groups<sup>3</sup> in England was conducted.
- 1.41 The only quotas that applied in the survey were based on region. At the analysis stage the data were weighted according to targets derived from the 2001 census of England in order to correct the regional quotas, and thus the dataset is intended to be fully representative of the resident population in England aged 16-64. Interlocked weighting targets based on region, gender, age and ethnicity were also used, in order to correct any imbalances occurring because of differential response.

<sup>2</sup> All the main interviews and regional boosts were completed by the 21st December 2005. The ethnic boost continued into January 2006. 2010 interviews were also conducted in Scotland. These are reported separately.

<sup>3</sup> Black Caribbeans, Black Africans, Indians, Pakistanis, Bangladeshis and Chinese.

## Further information

1.42 This is the summary of the full report, which is available in electronic format.

[www.sbs.gov.uk/analytical](http://www.sbs.gov.uk/analytical)

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The views expressed in this report are the authors' and do not necessarily reflect those of the Small Business Service or the Government.