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Household Survey of Entrepreneurship 2003 Executive Summary

Research

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Working with the public, private and voluntary sectors to make the UK the best place to start and grow a business.

The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.

Overview

For the Government to achieve its objective of the UK becoming the best place in the world to start and grow a business, there is a need to create a culture that stimulates enterprise in all its forms. Enterprise boosts productivity, increases competition and innovation, creates employment and prosperity, and revitalises communities.

The Small Business Service (SBS) Household Survey of Entrepreneurship 2003 shows that, within a generally positive entrepreneurial context, almost a quarter of adults in England are either already involved in entrepreneurial activity (13 per cent) or thinking about it (11 per cent).

Men are twice as likely as women to be involved in entrepreneurial activity or to be thinking about it. While young people are more likely to be thinking about starting their own enterprise they are less likely to be entrepreneurs than older people. Ethnic minority groups are more likely to be considering starting a business but there are low levels of actual entrepreneurial activity amongst the Black population.

Attitudes to enterprise remain positive, and there is encouraging evidence that enterprise education, training or work experience, or contact with other family members who have run their own business makes people more likely to consider starting a business. The main motivations for starting a business were 'freedom', 'challenge' and wanting to make more money.

The main barriers to enterprise appear to be financial - attitudes to risk have become more negative, and fear of debt has increased significantly.

Aims and objectives

The biennial Household Survey was first conducted in 2001 to establish a baseline for the Government's Public Service Agreement (PSA) target of 'increasing the number of people considering going into business'. It also provides evidence to support the development of SBS core strategies on (i) building an enterprise culture, (ii) encouraging a dynamic start-up market & (iii) encouraging more enterprise in disadvantaged communities and under-represented groups. The survey aims to:

- Measure progress towards the Government's enterprise target on the number of people 'considering going into business'
- Monitor over time people's attitudes, key influences, and levels of enterprise activity
- Explore the main motivations and barriers to starting a business
- Explore variations at regional level and between various demographic groups (defined by age, social class, education and – crucially – by gender and ethnicity)

To do this, the population is segmented into three main groups: Thinkers, Doers, and Avoiders;

- Thinkers are those who are thinking about becoming entrepreneurs
- Doers are those who are already entrepreneurs through running their own business or by being self-employed
- Avoiders are those who are not currently engaged in entrepreneurial activity or thinking about doing so

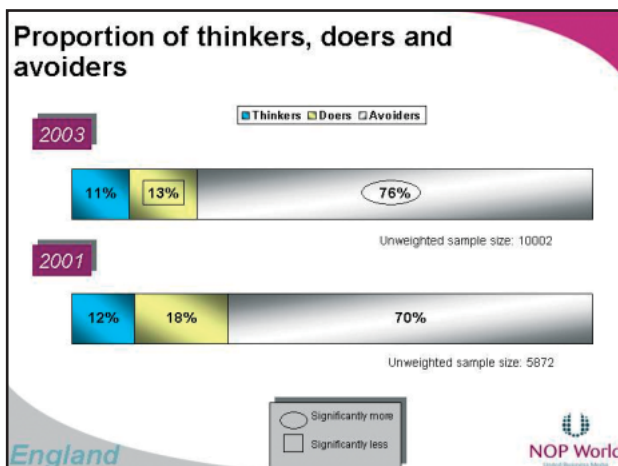
This report summarises key findings from the SBS Household Survey which was designed and managed by SBS Analytical Unit, with fieldwork and analysis carried out by NOP World. The views expressed are not necessarily those of SBS.

Key Findings

Levels of entrepreneurial activity

- Almost a quarter (24 per cent) of the population aged 16-64 in England are either already involved in entrepreneurial activity or are thinking about it.
- The 2003 Survey segments the adult population as follows;
 - 11 per cent are Thinkers
 - 13 per cent are Doers
 - 76 per cent are Avoiders
- Since the previous Household Survey in 2001 the proportion of the population who are Thinkers has remained at a similar level (11 per cent in 2003 compared to 12 per cent in 2001)¹. There has been a decrease in the proportion of the population who are Doers (13 per cent in 2003 compared to 18 per cent in 2001) and an increase in the proportion of Avoiders (76 per cent in 2003 compared to 70 per cent in 2001).²

Chart 1: Proportion of Thinkers, Doers and Avoiders in 2003, 2001



- **Men are twice as likely as women to be involved in entrepreneurial activity or to be thinking about it** (31 per cent compared to 16 per cent). Women are less likely to be Thinkers or Doers regardless of whether they are bringing up a family or not.
- **Younger people are significantly more likely to be Thinkers than older people.** 15 per cent of those aged 16-34 are Thinkers compared to only 8 per cent of those aged 35-64. In contrast younger people, despite thinking about starting their own enterprise, are much less likely to be entrepreneurs than older people. Only 8 per cent of those aged 16-34 are Doers compared to 16 per cent of those aged 35-64.
- **Survey findings are particularly positive for ethnic minority groups and find that there is a strong concentration of Thinkers amongst non-whites.** Almost one third (31 per cent) of those of Black Caribbean and Black African origins and 21 per cent of Asians are Thinkers compared to only 9 per cent of the white population. However these high levels of Thinkers in the minority ethnic population do not appear to be feeding through into actual business activity, since there is no statistically significant difference in the white (13%) and non-white (13%) rates of Doers.
- **There is a strong relationship between level of education and entrepreneurial activity.** Those with a higher degree or degree are more likely than average to be entrepreneurs (15 per cent compared to 13 per cent). Those with some form of further education at either A level or degree level are also more likely to be Thinkers (13 per cent compared to 11 per cent).
- **Those from less privileged backgrounds are less likely to be entrepreneurs.** Only 5 per cent of those who rent from local authorities and housing associations are Doers compared to 15 per cent of those who own or are buying their own properties. Those in the 15 per cent most deprived wards of the country are also slightly less likely than average to be entrepreneurs – only 10 per cent are Doers compared to 13 per cent of those in non-deprived wards.³
- **Those from rural areas are more likely to be Doers than those from non-rural areas** (16 per cent compared to 11 per cent).

¹ The percentage of the population considering going into business has fallen from 11.6% (rounded to 12%) in 2001 to 11.3% (rounded to 11%) in 2003. This change is not statistically significant at the 95% level and therefore there is no evidence to suggest that the proportion has changed.

² The 2003 survey findings were weighted according to the new 2001 Census profile, while the previous 2001 survey was weighted using the 1991 Census profile. However, it should be possible to make broad comparisons between the two sets of data, as the key findings do not change significantly when the 1991 Census weighting is applied to the 2003 findings and vice-versa.

³ Throughout the report any mention of deprived areas refers to the 15 per cent most deprived wards in the country taken from the 'Index of Multiple Deprivation' (IMD) produced by the Department of Transport, Environment and the Regions in 2000. This focuses on wards, and considers income, employment, health deprivation and disability, education, skills and training, housing and geographical access to services in order to calculate an overall measure of deprivation.

- **Regionally there is a north-south divide, with a higher percentage of Doers in London, the South West, East of England (all 15 per cent), and the South East (14 per cent), than in the North West (11 per cent), the West Midlands (10 per cent) and the North East (9 per cent).** There is a similar pattern in the proportion of those considering starting a business, with most Thinkers in London (15 per cent) and least in the North East (7 per cent).

Potential for planned entrepreneurial activity

- Respondents identified as Thinkers can be further segmented into 'serious Thinkers' or 'less-serious Thinkers'. Over half (54 per cent) of Thinkers have given serious thought to starting their business and are almost certain that their business will happen, or think it is likely to happen at some stage. For definition purposes these are referred to as 'serious Thinkers' within the report.
- A third of Thinkers (32 per cent) are less serious, have given entrepreneurship some thought and think it may possibly happen at some stage. Only 13 per cent said that they had not given it much thought but would like to do it some day. Those who fell into the last two categories are referred to as 'less serious Thinkers' (46 per cent).
- The majority of Thinkers have had some relevant background experience in the form of enterprise education, training or work experience, or contact with other family members who have run their own business. 70 per cent of Thinkers have had relevant training or experience compared to about half (49 per cent) of the general population. 81 per cent of Thinkers have friends or family who are running or have run their own business in the past compared to 67 per cent of the general population. It seems therefore that these experiences are likely to inspire thoughts about taking part in entrepreneurial activity.

Current entrepreneurial activity

- Of those involved in entrepreneurial activity, around 70 per cent are self-employed and 30 per cent own or part own a business.
- The majority of entrepreneurs run their business (or are self-employed) as a main activity (75 per cent) whereas around a quarter do so as a sideline.
- Almost one quarter (22 per cent) of businesses were started within the last year and a further 20 per cent in the last 2-3 years. 7 per cent were started three to four years ago whilst 14 per cent were started 6-10 years ago. About one third (35 per cent) were started more than 10 years ago.

- In contrast to Thinkers, those currently involved in entrepreneurial activity are less likely to have had relevant enterprise education, training or work experience than the population as a whole. Over half (53 per cent) said that they had none of these experiences compared to 49 per cent of the population as a whole. However, a high proportion of Doers are over the age of 35 and so are less likely to have experienced enterprise training and education, which is a relatively new concept.

Profile of Thinkers and Doers

CHAID analysis was carried out to establish the most important attitudinal and demographic factors in determining who is most likely to be a Doer⁴. The analysis shows that broadly speaking, the most important factor is that they feel they 'have the skills and knowledge to start up a business', followed by 'social class', 'wanting to work for a small business rather than a large one' and 'Government Office Region'.

The same kind of CHAID analysis shows the most important factors in determining who is most likely to be a Thinker. These factors include; those who 'enjoy the challenge of situations which others might consider risky', followed by 'age' and 'low fear of debt'.

Cluster analysis was also carried out on the responses to the attitude statements⁵. The group which is the richest source of both Doers and Thinkers is the 'risk takers', which are most different from the general population in how strongly they:

- Disagree that they are scared of being in debt
- Disagree that they avoid taking risks whenever possible
- Agree that they often see success stories about running a business in the media
- Disagree that they would not feel confident speaking to a bank manager about a loan

'Risk takers' are more likely to be men, young, highly educated and in higher socio-economic groups. Of those identified as 'risk-takers';

- 59% were male
- 26% were aged between 25-44
- 39% had a degree or higher
- 27% were in socio-economic group AB and 45 per cent in group C1

⁴ CHAID analysis is a means of determining which variable out of all those examined explains most of the difference between Doers and non-Doers, and then once this has been allowed for, which variable explains most of the rest of the difference and so on.

⁵ A six-cluster solution was selected, which segments the population into six groups with similar kinds of views. The six segments were named 'all rounders', 'lack entrepreneurial drive', 'don't see success stories in the media', 'anti-entrepreneurial', 'keep their head down' and 'risk takers'.

Attitudes to enterprise

- Two-thirds of adults (66 per cent) agreed that they had the skills or knowledge to be able to start a business, which CHAID analysis has shown to be the most important factor in determining the likelihood of being a Doer.
- The proportion of adults who admire people who start their own business has gone up from 86 per cent in 2001 to 93 per cent in 2003, but the proportion who say they would encourage a friend or relative to start a business has gone down from 76 per cent to 64 per cent.
- Fear of debt seems to have increased significantly - the proportion who agreed that they are scared of being in debt has gone up from 66 per cent in 2001 to 74 per cent in 2003.
- Attitudes to risk have become more negative – the proportion who enjoy the challenge of situations which many consider risky has gone down from 65 per cent in 2001 to 57 per cent in 2003. 60 per cent of respondents in the current survey said they avoid taking risks whenever possible.
- Only 13 per cent of Thinkers thought it would be very risky to start a business, but 49 per cent thought it would be fairly risky.
- There has been a small increase in the proportion of adults who agreed that people who start and fail at business deserve a second chance (except in cases of fraud or malpractice) – up from 84 per cent in 2001 to 87 per cent in 2003.
- Only about a third of adults (35 per cent) agreed that many people who are highly successful in business have low morals or ethics.
- About a quarter (27 per cent) said they would not feel confident talking to a bank manager about a business loan.

Motivations

The main motivations for those considering starting a business (Thinkers) were:

- Freedom to adopt their own approach to work (93 per cent)
- To challenge themselves (89 per cent)
- Wanting to make more money than they are currently earning (86 per cent).

The main motivations for those already running their own business (Doers) were:

- Freedom to adopt their own approach to work (90 per cent)
- Always wanting to be their own boss (75 per cent)
- Wanting to challenge themselves (74 per cent)
- Making more money than they were earning before (71 per cent)

Barriers to entrepreneurial activity

The main reasons which might prevent Thinkers from starting a business were⁶:

- Getting the finance for the business (39 per cent)
- Fear of getting into debt (23 per cent)

No other factor (including regulations) was mentioned by more than 20 per cent.

The main reason preventing Avoiders from wanting to start a business was⁶:

- Getting the finance for the business (35 per cent)

Only two other factors were mentioned by more than 20 per cent;

- Fear of getting into debt (25 per cent)
- Losing the security, income or good promotional prospects from current job (23 per cent)

Conclusions

A wide range of factors affect an individual's willingness to consider starting a business. They include attitudes to enterprise in society at large, the information imparted to young people at school and at university about the enterprise option and perceptions of the risks and rewards involved.

Overall, these findings provide evidence of a healthy and dynamic enterprise economy, with almost a quarter of adults in England either already involved in entrepreneurial activity (13 per cent) or thinking about it (11 per cent), and generally positive attitudes to enterprise and those running their own businesses. However, levels of entrepreneurial activity, particularly the proportion of adults currently running their own business or self-employed, have fallen since the previous Household Survey in 2001.

⁶ When those who mentioned three or more reasons were then asked which were the most important ones.

There is continuing evidence that particular groups, such as women and certain ethnic minority groups, are less likely to be involved in entrepreneurial activity. For some groups such as young people and Black people, this is true despite the fact they are more likely to be considering starting a business.

But there is encouraging evidence that relevant background experience in the form of enterprise education, training or work experience, or contact with other family members who have run their own business makes people more likely to consider starting a business.

Survey findings in general support the existing research evidence and policy actions in the Government Action Plan for Business, which plans to encourage enterprise for young people through enterprise promotion and education, and a range of policies to build enterprise in disadvantaged areas and amongst under-represented groups.

Methodology

The survey involved a total of 10,002 interviews with individuals aged between 16 and 64 living in England. Fieldwork was conducted between October and December 2003 using Computer Assisted Telephone Interviewing technology (CATI) and a random sample of telephone numbers. 6,002 interviews were achieved in England for the main-stage survey. Two boosts were also conducted in the North East and North West which consisted of 2,000 interviews in each region.

Data were weighted according to age, gender, Government Office Region, ethnic origin and housing tenure in order to be representative of the population of England. The 2003 survey findings were weighted according to the new 2001 Census profile, while the previous 2001 survey was weighted using the 1991 Census profile. However, it should be possible to make broad comparisons between the two sets of data, as the key findings do not change significantly when the 1991 Census weighting is applied to the 2003 findings and vice-versa.

Further information

The full report is available in electronic format only from the website listed on the back page.

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