

# Enterprise, the Economy and Society

An enterprise manifesto from  
NFEA – the national enterprise network



As Britain slowly emerges from the deepest recession for almost a century, there is a focus on enterprise as never before. Enterprise has a great part to play in helping ameliorate the consequences the recession has had for individuals, families and communities, and to reduce worklessness. But there are deeper forces at work, independent of the current economic situation.

Ours is a society which is becoming more enterprising. In a fast-changing world, people are adapting to changing circumstances quicker and more effectively than ever, they are learning new skills, they are more confident to apply their natural abilities to innovate, they are more comfortable in taking risks and they are eager to take responsibility from an early age.

And ours is a society which is becoming more entrepreneurial. In Britain today, 72% of our businesses have no employees. This accounts for 12.2% of the workforce. 95% of our businesses have less than 10 employees, accounting for 25.5% of our workforce.<sup>i</sup>

2.5 million businesses are based in the owner's home, a figure that grew by 16% in 2008 alone.<sup>ii</sup>

As the attractions of enterprise and entrepreneurship increase, the attractions of employment in large organisations reduce. No longer do large corporations or public sector employers offer jobs for life, steady progression and a guaranteed pension.

Indeed, the domination of employment by large organisations which has been a feature of society post-Industrial Revolution may come to be seen as an aberration, and most of the remaining large employers may be seen as an anachronism.

Throughout most of recorded history, we have been farmers, hunters, craftsmen, traders or merchants - living on our wits and our skills, and taking responsibility for ourselves and our dependants. Exactly the attributes the twenty-first century needs.

### **Small businesses -**

- Are an engine of innovation
- Are the biggest creator of new jobs
- Are better at moving people into employment from worklessness
- Employ more disabled people, females and older people
- Offer more flexible employment
- Treat employees more fairly<sup>iii</sup>

### **A successful enterprise economy means both:**

**A faster growing economy**

**&**

**A fairer, more diverse, more cohesive society.**

In all we do, our focus is on our clients, those brave people who seek to support themselves, their families and their communities through the skills of enterprise. They may be individuals establishing their own business, or groups coming together to form social enterprises. We are confident in our belief that providing the support they need is in the national interest. We leave others to debate systems, structures, processes and personalities: **we will work positively and collaboratively with any individual or institution which shares our ethos.**

## Enterprise for all

In an ideal world, everyone who was interested in exploring the opportunities for starting their own business, or who wished to improve their business skills would be entitled to personalised, free and accessible support from a relevant professional.

We recognise that an element of prioritising is inevitable. However much of the prioritising is driven by myths.

### **Myth No. 1 - It is possible to pick winners at start-up stage**

Long experience should have taught us by now that picking winners, especially in the early stages of a new business, is well-nigh impossible. Predictions rarely come to pass. Circumstances change. More importantly, too many real growth and innovation businesses are not identified and do not receive the support they deserve. And many businesses have their ambitions and aspirations transformed by exposure to professional business support at crucial points in their development.

### **Myth No. 2 - Lifestyle businesses are of little value and deserve no support**

This is an extremely patronising approach to the vast majority of almost half a million people a year who start a business. They are becoming economically self-sufficient, they are plotting a route from benefit dependency, they are achieving a long-held ambition, or they are perhaps supplementing retirement earnings. They are all role models for friends and neighbours. And some of them will become businesses of substantial scale.

### **Myth No. 3 - Too many new businesses fail**

It is often said that 1 in 3 new businesses fail within 3 years of start-up. This is a misreading of the figures.

Over 2 in 3 businesses survive for more than 3 years but not all closures represent failure: less than half the businesses which close are in financial distress.<sup>iv</sup> They may have succeeded and been sold to new owners. They may have closed as other better opportunities present themselves to their owners. They may have used the businesses as a bridge into employment, or to higher education. Whatever the outcome, they will have learned valuable skills and enjoyed valuable experiences.

**We believe that the enterprise net should be cast as widely as possible. The more people who are engaged in new business starts, the more growing and innovative businesses we have. The more engagement with business support that they have, the easier it will be to identify the businesses which will benefit from specialist support.**

## Delivering enterprise support

Our experience, supported by a body of research, is that businesses and individuals want to see a tailored approach, rather than be “shoe-horned” into generic “one size fits all” schemes. They wish to be treated as individuals and they trust local deliverers, rather than increasingly remote government services or indeed what they see as civil servants. They value easy access, simple and effective delivery, local visibility and an understanding of the economy in which they live. They prefer a “one stop” approach rather than being “handed off” (a telling phrase) to others, particularly at the start-up stage, and where it is necessary to refer them to more specialised forms of support, they expect this to be done smoothly. And they expect the support they receive to be “guided by local knowledge wherever possible.”<sup>v</sup>

We recognise the need for innovation in business support. For example we have played our part in developing and promoting the new discipline of Enterprise Coach. We acknowledge the impact of the internet and regard [www.businesslink.gov.uk](http://www.businesslink.gov.uk) as a superb source of generic advice (though it’s identification with government, and its combination of transactional and information material are obstacles in the eyes of some potential users). Social networking is increasingly important in signposting to sources of support or facilitating peer-to-peer networking. And the growth of the Internet is opening up new business opportunities for small businesses, which now, for example, have the ability to trade internationally far more easily than before.

But for a significant number of people, further support is required. It is important to remember that digital exclusion applies to those most in need of support. **The demand for face-to-face advice is actually growing**, possibly because many people need help in understanding the material they are provided with over the Internet.<sup>vi</sup>

To be truly effective, business support needs to be available across a range of media with the client provided with the option of following whichever route he or she feels most appropriate.

## A comprehensive package

NFEA member’s experience, dating back to previous recessions and based on experience of involvement in over 10% of the national start-up figures, leads us to propose a model we have titled the Enterprise Escalator. It brings together tried and trusted approaches, is consistent with the Government’s Solutions for Business and is modular in nature, allowing for variations in local and regional priorities and budgets.

But the Enterprise Escalator provides a comprehensive customer journey, comprising:

- Outreach and awareness raising. We need to continue to raise the awareness of the opportunities entrepreneurship offers and to make specific efforts to engage with groups under-represented in entrepreneurship, both at a national and local level.
- Pre-start advice. It is important to evaluate individual’s skills and motivations to ensure they are consistent with a successful start. We should recognize that starting a business is not the right course for everyone and we should not set people up to fail. Thus there need to be links back to alternative solutions for those who decide against start-up, such as adult training and employment opportunities.
- Start-up training. Everyone should be entitled to introductory and basic training, in parallel with standard web, telephone and printed advice. In particular, feedback from our network, based on discussions with clients and

the financial community, is that there is an enhanced need for financial management training, to facilitate renewed lending into the small business sector.

- One to one support. Our experience is that spending time with a business adviser is the most effective single form of support.
- Access to finance. There are obvious challenges in resourcing start-up grants and deploying them effectively. Small grants can be effective as a marketing tool, and we know that, utilised carefully, small grants can be vital in getting some small enterprises off the ground and unlocking finance from other sources. CDFI's, particularly business orientated ones, need further support, and again can unlock much greater packages of finance from commercial sources.
- Mentoring. Provision of mentoring in the early stages of trading is limited at present. It should be available to a much wider audience than those receiving the intensive start up support.
- Networking. This can be a superb resource in terms of business development, confidence building and facilitating peer-to-peer networking which gets such high marks in most surveys of effective business support.

**We recommend that the Enterprise Escalator be established** as an outward facing title for this range of support mechanisms, the proportions of which, and the overall availability of which can be flexed as circumstances dictate. Additionally, new and small businesses need easy access to business premises, of which NFEA manage some, but not enough, and a supportive infrastructure. The regulatory burden needs to be cut, particularly in relation to the planning and legislative barriers to home based businesses and the roll out of fast broadband needs to be accelerated.

## In summary

A successful enterprise economy means both economic growth and greater social inclusion.

Supporting people into self-employment is a cost-effective option for Government, even discounting the wider social and economic impacts.

The way to have more high growth, high innovation and high employment start-ups is to have more start-ups of all types.

The demand is for accessible, credible and independent advice.

We need a logical Enterprise Escalator of support, which people can step on or step off from at different points and a government which provides a supportive business environment.

## **NFEA is the national enterprise network.**

Our members are drawn from local enterprise agencies and a wider range of enterprise support organisations and provide an array of services to new and emerging businesses, including independent and impartial advice, training and mentoring to all who seek them. With roots dating back to the 70's, NFEA members are social enterprises, with boards drawn from the local community, and have extensive experience of providing support to new and emerging businesses, and with representation in over 250 locations, they offer an unrivalled route to this market.

In 2008 alone, the NFEA network of enterprise support organisations supported over 100,000 pre starts, nearly 25,000 start ups and 130,000 established businesses - totalling over 250,000 clients across the country. Many NFEA members have expanded in scope and now provide advice and guidance to a wide range of clients ranging from young people in schools, colleges and universities, through the pre-start and early stages sector to established businesses. Many are able to supplement their core services with the provision of incubation and managed workspace where they support over 2000 businesses, and with tens of millions of loan and investment capacity.

Full NFEA members are required to meet exacting quality standards covering both their individual advisers and the organisation. NFEA owns, with a partner, Customer First UK Ltd, the national standard for Customer Service, and manages the Approved Local Enterprise Agency register on behalf of the Secretary of State

## References

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<sup>i</sup> BIS 2006

<sup>ii</sup> Enterprise Nation 2009

<sup>iii</sup> ONS 2007 Labour Force survey April-June

<sup>iv</sup> Barclays Bank, Profiting from Support 2002

<sup>v</sup> Scottish Parliament Enterprise and Culture Committee "Effective Business Growth support", Welland Pilot 2006/7, LEGI Consultation 2005

<sup>vi</sup> Open University Quarterly Survey of small Business in Britain Q4, 2009



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