

# From start-up to scale-up

# The RSA's research

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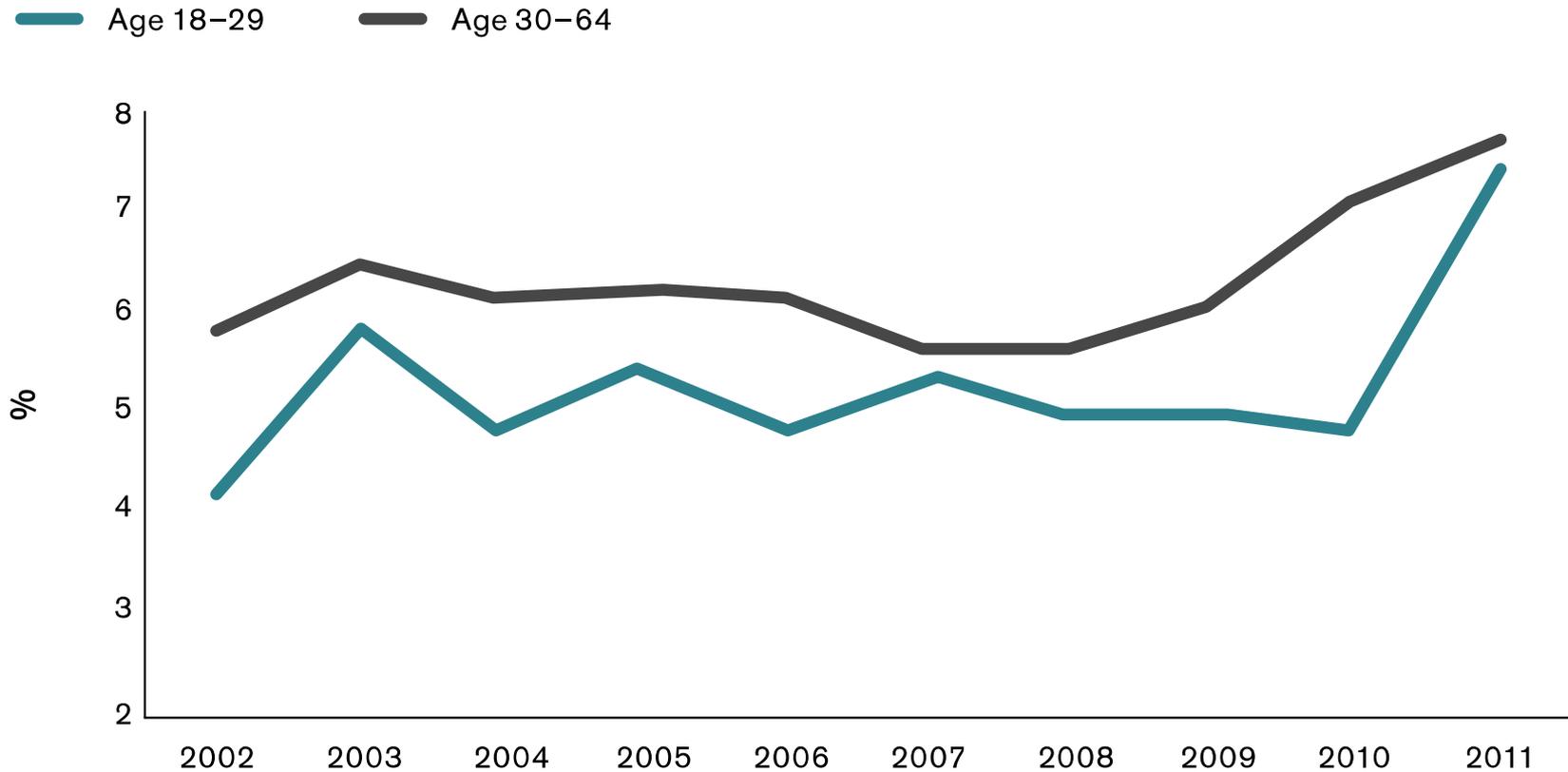
# What do we know about young enterprise?

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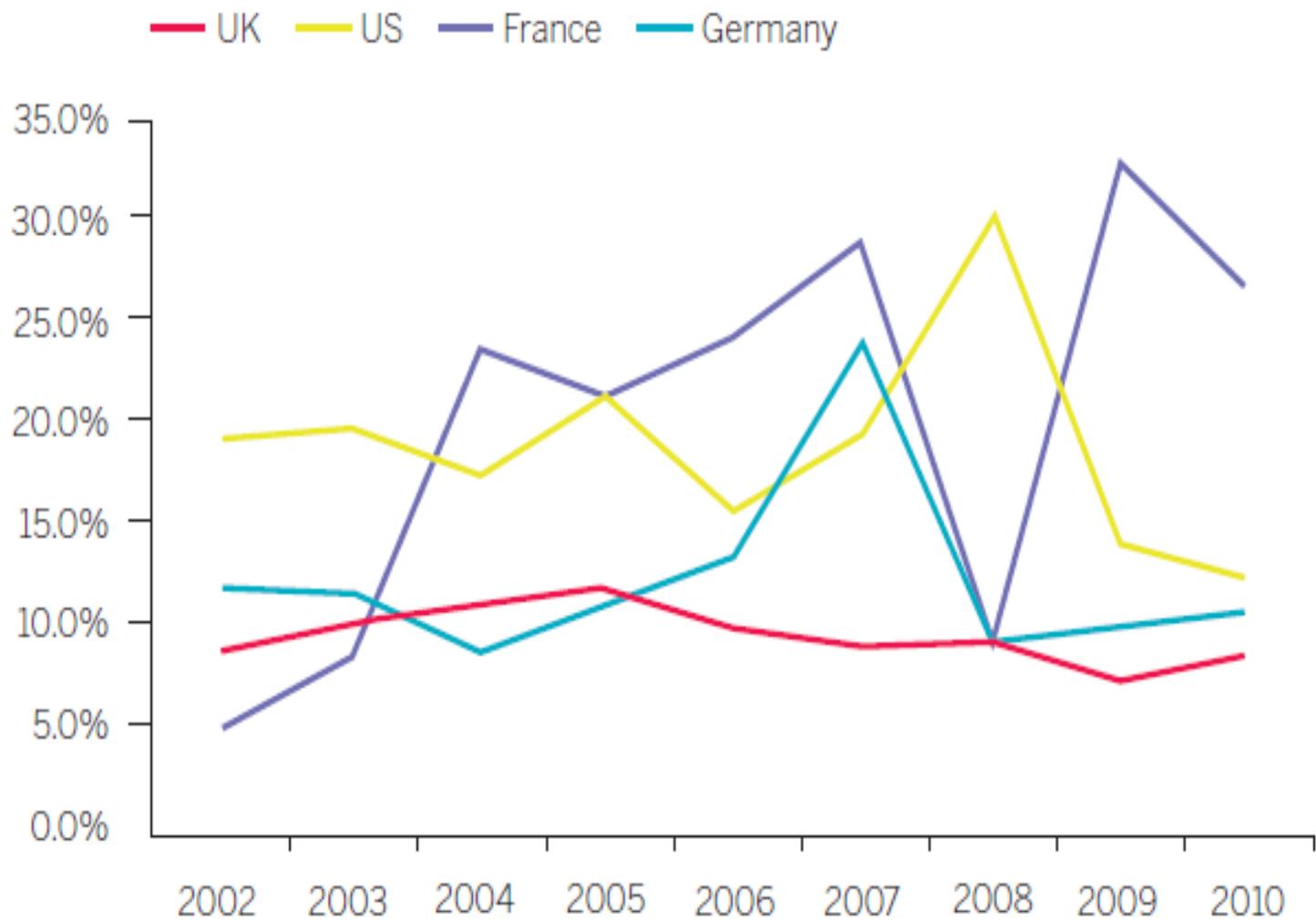
- Entrepreneurial activity among young people has grown sharply in recent years
- But 3 key challenges remain:
  1. An intention deficit
  2. A gap between intention and activity
  3. A high drop out rate and low growth ambitions

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**Figure 1: Total early-stage Entrepreneurial Activity (TEA) in the UK by Age Group (2002–2011)**

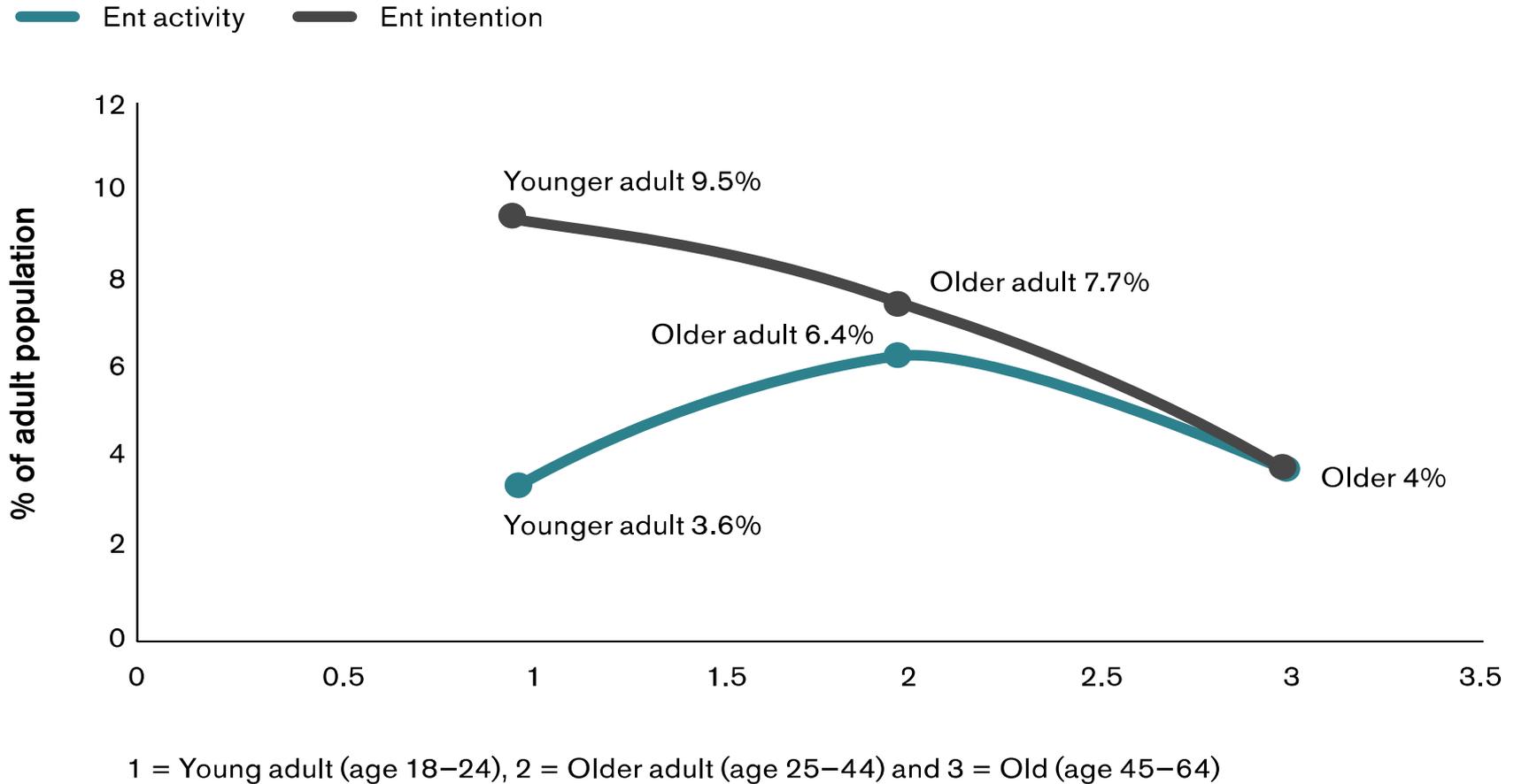


Source: GEM Global adult population survey (APS) 2002–2011



Source: GEM APS, 2002-2010

## Figure 2: Difference of entrepreneurial intention and activity of different age groups in UK



Source: Global Entrepreneurship Monitor (GEM) UK adult population survey 2002–2010

# What's the problem with growth?

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- A BIS study of growth ambition (2012) found that only 22 per cent of SMEs had a 'substantive' ambition to grow
- Another BIS study (2013) found that only 5 per cent of non-employers in 2007 increased employment over the 5 year period to 2012, compared to 20 per cent of employers with 1-4 members of staff

# What are the barriers to growth?

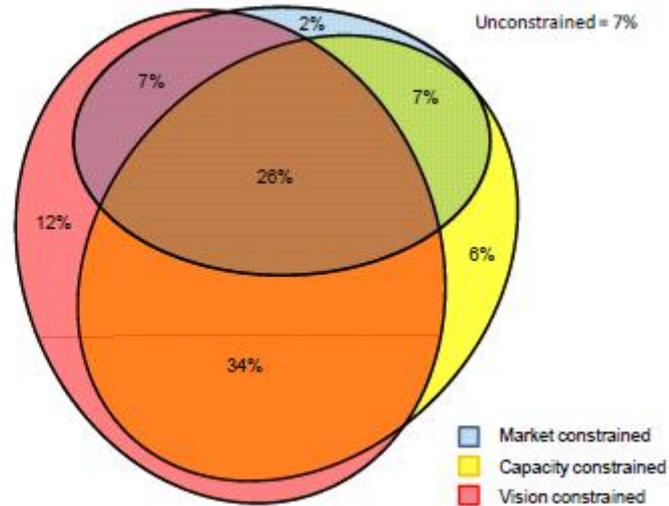
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1. **Capacity** – i.e. poor ability to manage cash flow, handle regulations, find the right staff and access finance
2. **Market** – i.e. limited demand for products/services as a result of external social and economic factors
3. **Vision** – i.e. strong desire to stay small and operate as a lifestyle business (many may not consider themselves to be ‘entrepreneurs’)

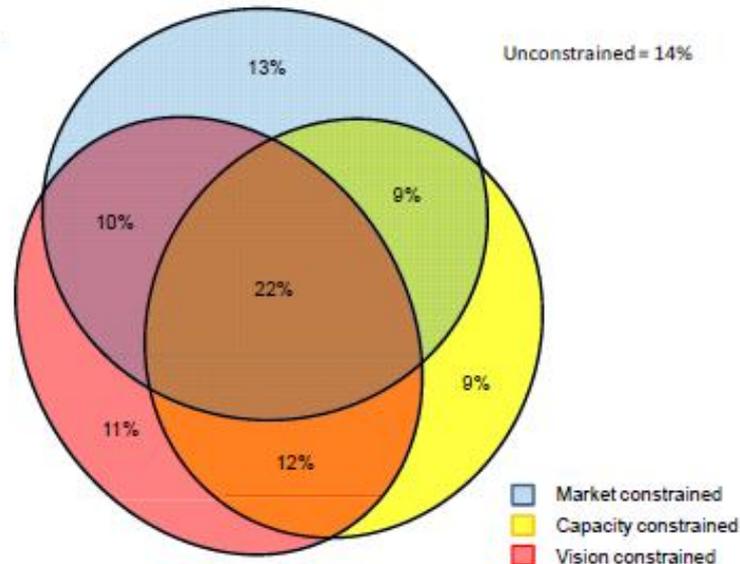
# Is vision the biggest barrier to growth?

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Venn diagram of constraints –  
businesses with 0 employees



Venn diagram of constraints –  
1-4 employees



# A problem of perception?

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- Some examples from recent research:
  - **VAT** – Almost half of businesses not registered for VAT considered it would be difficult or very difficult if they crossed the threshold, compared to 13 per cent of registered businesses considering this step in hindsight
  - **Recruitment** – Non-employers judged non-wage recruitment costs to be £17,000, whereas employers judged these to be £7,000

# What has been done to break the barriers down?

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- Lord Young has proposed new ways to support microbusinesses
  - Business schools have been called upon to lend their expertise to microbusinesses
  - A new £30m growth vouchers scheme is soon to be implemented
  - Government departments have been tasked with simplifying procurement procedures to help microbusinesses win public sector contracts (worth £230bn a year)

# What has been done to break these down?

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- Non-government efforts have also emerged
  - The Goldman Sachs '10,000 Small Businesses' programme, hosted by 4 universities
  - GrowthAccelerator led by private sector business growth experts
- But few of these are geared towards young people in particular
- And most are geared towards entrepreneurs who already have growth ambitions

# Questions for this morning

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1. Should young people be encouraged to grow?
2. What is holding back growth ambitions?
3. What practical solutions would help to overcome these?