

## The Enterprise Journey



## Why promote enterprise?

### Enterprise is critical for regional development

SMEs make a significant contribution to UK economic well-being. There are 4.5 million SMEs (700,000 more than in 2000) and employment in SMEs has grown by 1 million (8%) since 2000. SMEs contribute as much as large businesses to UK output (50% of Gross Value Added) and turnover (52%). Critically, small firm productivity growth has consistently exceeded that of large firms in the past decade. (Source: BERR, 2007)

The link between levels of entrepreneurialism and economic prosperity as measured by GVA is clearly evidenced. Because the North East has below average levels of business ownership, and is striving to close the gap with national GVA, increasing entrepreneurialism and entrepreneurship in the region is clearly a priority.

### The RES identifies enterprise as a key target for support

The Regional Economic Strategy (RES) clearly outlines the challenges we face in the North East in closing “the enterprise gap” with other parts of the country and growing the business base by an additional 18,500 to 22,000 businesses over the coming decade.

The task of increasing entrepreneurial activity is a key economic strategy and helping new entrepreneurs establish long-term effective networks is seen as a potential strategy for encouraging and sustaining new businesses.

### What will success look like?

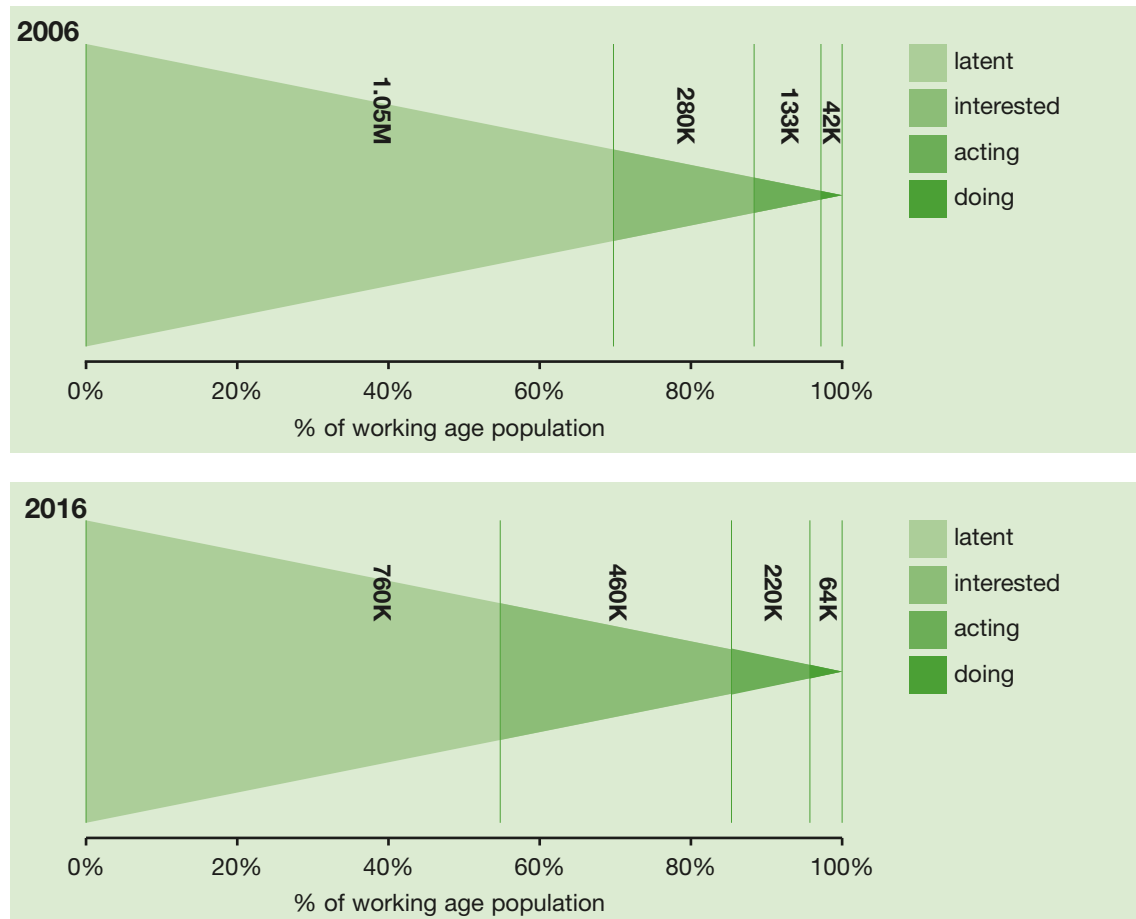
To achieve the overarching Gross Value Added (GVA) target in the RES the region needs to make a step change in its economic performance through significantly improving the underlying economic drivers of productivity and participation.

More businesses, and particularly greater equity in the distribution of businesses in the region, will result in higher GVA, less unemployment and greater opportunities for the people of the North East. SMEs in particular enhance the overall productivity of a region and a sector and spur larger businesses to compete. New SMEs demonstrate these characteristics to an even greater degree.

Enterprise is a key driver of innovation, and represents an opportunity to change the way an economy operates. Getting it right will mean a more vibrant, productive and competitive region, which will be more attractive to skilled in-migrants as well as providing greater opportunities for the indigenous population.

## Where are we now and where do we want to be?

In order to achieve the targets in the RES we would need to increase the numbers of ‘thinkers’ and ‘doers’ in the working age population by around 50% by 2016, as depicted below:



**Figure 1:** Number of additional ‘thinkers’ and ‘doers’ needed to achieve regional targets

### The region has a number of significant challenges

- Fewer people are in business, or thinking about starting a business in this region than elsewhere – 18%, as opposed to 25% in England as a whole. These factors have been compounded over time, creating a significant shortfall in the region’s business stock, which is impacting on the region’s economic performance
- The region has 237 VAT-registered businesses per 10,000, compared with 399 nationally, and is far behind the next area, Scotland, which has 327 businesses per 10,000
- The region creates fewer VAT-registered businesses every year than the national average – 4,630 or 59.7% of the national average
- While the perception for good start up opportunities fell throughout the UK in 2008 (down 9% on 2007), the North East had the sharpest fall (12%) of all the regions
- New and established business owners in the North East are only half as likely to have expectations of job growth in comparison to the UK as a whole

## However, there have been some promising recent trends

- The region has grown its business stock at a faster rate than the national average for the last five years and registered an annual increase of 1,200 businesses or 2.4% in 2006/7
- Early stage entrepreneurial activity (TEA\*) in the North East has increased by almost 2% from 3.2% in 2002 to 5.1% in 2008. At the same time, rates for the whole of the UK rose just 0.1% from 5.4% to 5.5%
- In terms of early stage female entrepreneurship, the North East has moved from being the bottom ranked region in 2002 to second highest in 2008
- The level of innovative entrepreneurship among new and established business in the North East (defined as new combinations of products and markets) is in line with the national average

## How will we get there?

Encouraging new business starts is crucial for the economic success of the region. To ensure a bigger business stock we need to promote a **positive culture** for enterprise and support to individuals on the journey between 'thinking' and 'doing'.

We will increase the **quantity** of new business starts through an integrated approach to building an enterprise culture by building the 'entrepreneurial capacity' of individuals and supporting people to start a business by targeting interventions at groups with shared attitudes, motivations and perceptions.

In practice, this will mean providing support based on the **specific barriers** that an individual needs to overcome on their journey from having an initial interest or desire to start a business to the point where they have an articulated business idea that they are ready to put into practice.

This will deliver maximum return on investment by increasing **productivity** through converting potential entrepreneurs, particularly those with high growth potential, and increasing **participation**, by targeting those groups with high barriers to enterprise.

\* TEA measures the percentage of the adult population (18–64 years old) that is either actively involved in starting a new venture (nascent entrepreneur) or the owner/manager of a business that is less than 42 months old (young business entrepreneur).

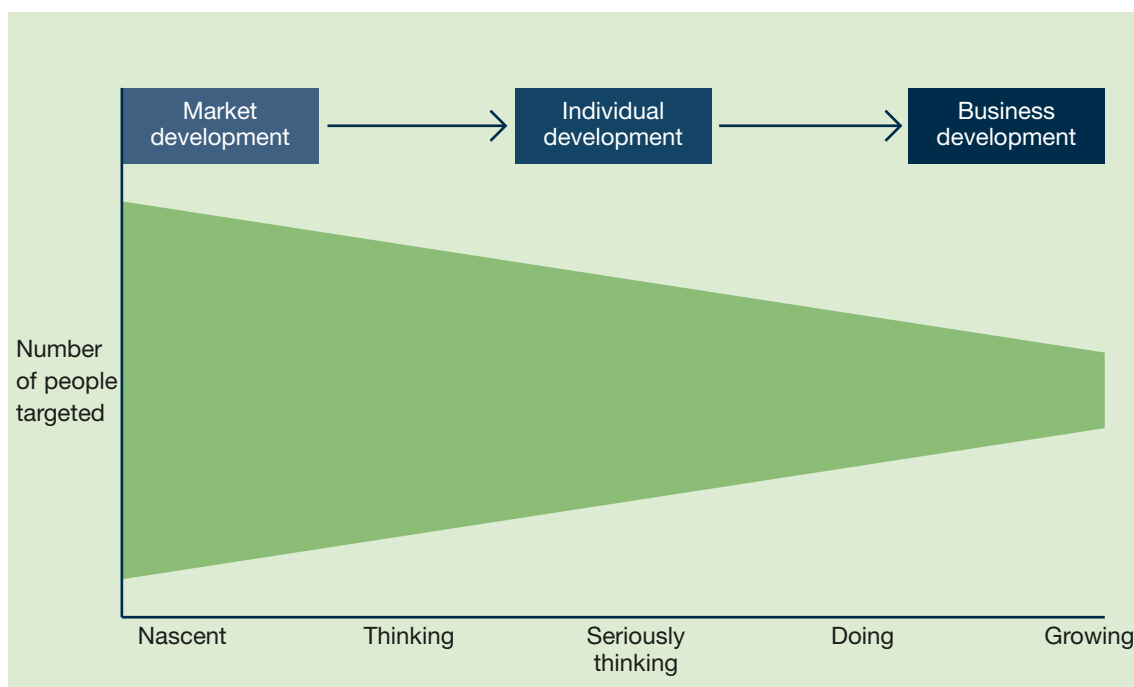
## The regional enterprise framework

### Quantity or quality?

Promoting 'volume' and targeting 'quality' are not mutually exclusive. In fact, doing both together is likely to produce the best results. Scottish Enterprise found the number of high-growth businesses is related to the size of the 'pool' of new starts. This leads to an important conclusion – that the two issues of encouraging a bigger 'volume' of new starts, and of providing extra, targeted support for the small number of faster-growing new businesses, are linked.

### The enterprise 'pipeline'

If our overall objective is to increase the number and diversity of people starting businesses in the region, then we need to articulate the steps someone goes through that lead to the desired outcome.

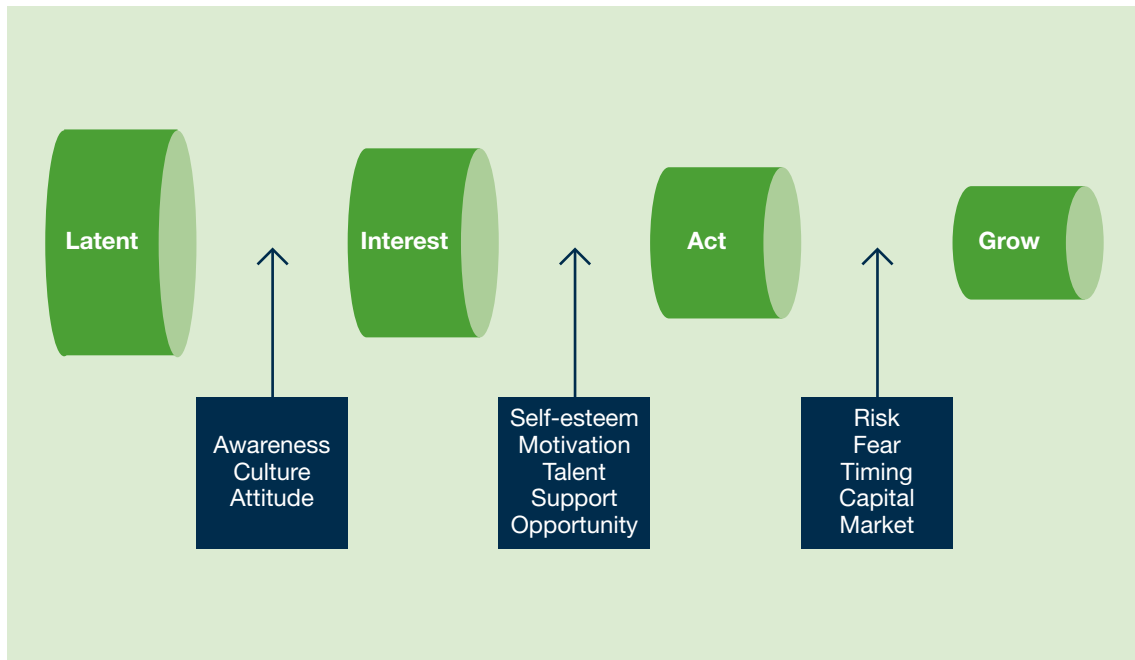


**Figure 2:** The regional enterprise 'framework'

This has led us to develop the above model that aims to describe a sequential model of activities aimed at moving as many people as possible through an enterprise 'funnel' or 'pipeline'.

## Barriers to business start up and growth

One North East has analysed a range of national and regional research reports and project evaluations to better develop our understanding of these barriers. They range from the wider enabling environment (culture, economic conditions) to access to knowledge and information, as well as internal barriers that are very specific to the individual (e.g. self-esteem).



**Figure 3:** Barriers to enterprise

The Enterprise Framework aims to contribute to the overarching ambitions of the RES by supporting those individuals and groups who are thinking about starting or developing their business.

The Framework will provide more coherence and consistency in delivery and will orchestrate action as well as supporting enterprising behaviour. The Framework will encourage region-wide, demand-led activity, based on a better understanding of what motivates people and drives change, referred to as the “Enterprise Journey”.

# Implementing the enterprise journey

## The enterprise journey

The overall goal of the enterprise journey is to increase levels of self-employment and business formation in the region by tackling the particular barriers faced by specific groups of people through focused, tailored interventions. Going forwards, we have identified two overarching programmes of intervention.

### 1. Unlocking the potential

Deeper, ongoing support to groups of people with specific, shared barriers to enterprise, delivered from within their communities of interest by established and trusted sources.

### 2. Converting the potential

Programmes of focused support targeted at people considering starting a business to take action to do so, particularly those who are likely to start a high-growth/high-value business.

## Identifying priority groups

Up to now targeting of public-funded enterprise activities has been largely by demographic and/or spatial characteristics. Typically, this has resulted in projects where participants have been engaged on the basis of gender, ethnicity, economic deprivation, disability status, or by directing support towards particular business types, for example social enterprise.

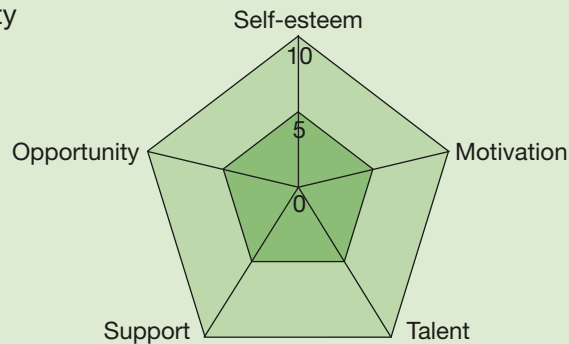
While this has had benefits in clearly defining target groups in a way that is easy to measure, this is a blunt instrument that only describes people in terms of external characteristics, without suggesting **why** people behave in a certain way, so in itself does not provide a guide for action.

One North East is proposing a process of defining priority groups based on a clear evidence base that provides a rationale for their selection (either because they have high potential or high barriers), targeting them in a meaningful way (the 'hooks') and delivering interventions through appropriate networks.

Priority groups can be identified at any geographic level, from neighbourhood to community, local, sub-regional and regional.

## Opportunity readiness

**Figure 4:** Opportunity readiness pentagon

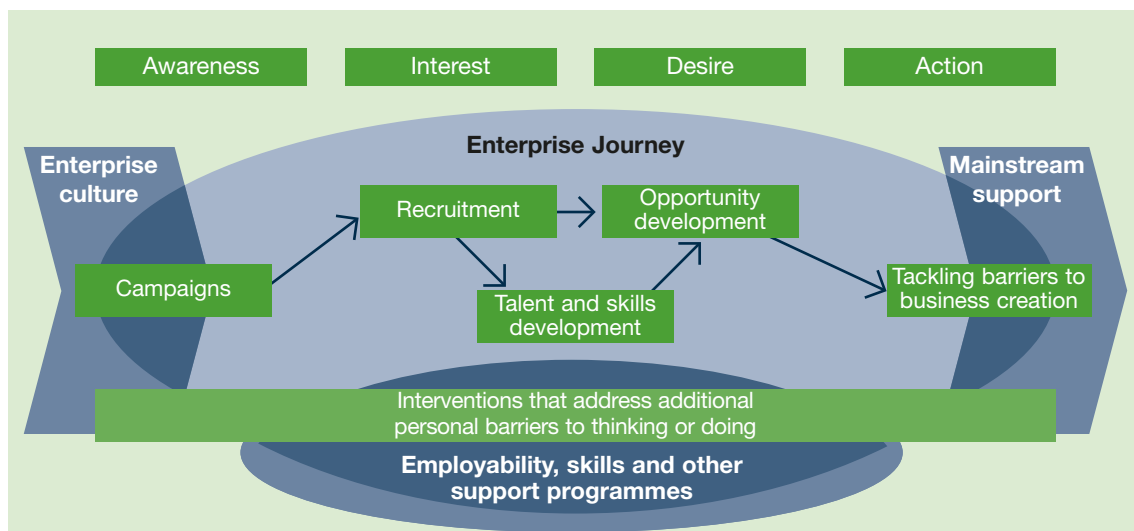


Target groups will be described in terms of five factors:

- **Self-esteem** is determined by an individual’s confidence and self-belief in being able to pursue an opportunity
- **Motivation** is a measure of the level of desire or need to pursue the opportunity
- **Talent** describes the extent to which someone possesses the necessary skills to achieve their goals and their sense of self-efficacy
- **Support** measures the degree of resources a person has to draw on. This can range from financial assets to the level of encouragement they receive from their partner or community
- **Opportunity** examines the level of optimism the individual feels about the potential market for their skills and business idea

And interventions will be designed to address the specific barriers they face in enhancing or developing their ‘opportunity readiness’.

## The steps of the enterprise journey



**Figure 5:** The enterprise journey



## **The enterprise journey will have six steps that will apply to all targeted groups**

### **1. Campaigning**

Raising awareness among people of the potential for enterprise to enable them to balance their need for income-generating activity through campaigns, word of mouth, piggybacking on existing awareness-raising activities etc.

### **2. Recruitment**

Identifying people to participate in the programme via their communities of interest, which may be spatial areas, activity based (e.g. sports clubs, craft groups etc.), lifestyle focused (e.g. Sure Start, Schools, Ante Natal groups), learning centres (e.g. adult education institutions, universities, colleges), professional arenas (e.g. workplace, professional membership organisations etc.).

### **3. Talent and skills development**

Offering appropriate skills development in areas where the lack of those skills and abilities is a barrier to thinking more seriously about starting a business. Examples might be literacy and numeracy, family budgeting, IT skills, creative thinking, idea generation etc.

### **4. Opportunity development**

Helping people to develop and explore appropriate business opportunities; this might include franchise opportunities, part-time business models, home-based businesses, social enterprise, building enterprise teams etc. As part of the Enterprise Journey, there must be a pro-active approach to stimulate and raise awareness around business opportunities and ideas that could become businesses.

### **5. Barriers to business creation**

Helping people to understand the business barriers they may encounter and signposting to appropriate support at the right time. The focus is on commercialising and operationalising ideas and opportunities identified at the previous step. Activities will focus on risk, finance, marketing etc. and brokering and supporting clients to the appropriate mainstream support to move their business ideas on.

### **6. Personal barriers**

Supporting people to overcome the additional personal or social barriers preventing them from considering, exploring or pursuing a business idea. For example, these might range from confidence building for people who have been out of the labour market for a long time, students who need more training in negotiation and presentation skills etc.

## Delivery of the enterprise journey

### Projects in scope will:

- Demonstrate regional, sub-regional or local **need**
- Provide **evidence of gap** in current provision
- Deliver on a **regional** or sub-regional scale with **local flexibility** to attune solutions to meet local needs where appropriate
- Where possible be delivered via **existing organisations**, networks and infrastructures, with provision for capacity building as needed
- Build on existing **good practice** or pilot **new and innovative** ways to address one of the priority areas
- Be fully compliant with the **Business Support Simplification Programme** product portfolio (where appropriate)
- Show complementarities with the regional **Business Link** offer and demonstrable **added value**

### Delivery organisations will also be expected to:

- Provide support and **capacity building** for organisations in the community who target this group already, so they can raise awareness about enterprise among their client group and confidently signpost people to appropriate sources of support going forwards
- Effectively **measure and track** the progress and journey of clients, up to and (in some cases) beyond the point of onward referral
- Demonstrate knowledge, understanding and ability to effectively use **existing community networks** to deliver many of the elements of the project
- Build good links to **mainstream business support** services, as these will be critical in ensuring appropriate referrals for people who want to pursue a business idea

### Outcomes and outputs:

- Evidence of **people making progress** on the enterprise journey by reduction in perceived barriers to enterprise
- Evidence that the **capacity of community-based organisations** to support enterprise development in their area has been built
- Evidence that the **impact of other funding streams** (e.g. Working Neighbourhoods) has deepened
- Increase in **numbers of businesses** in the region, especially in areas of low business density
- Increase in the **diversity of people** starting a business, especially more women-led businesses
- Increase in the **numbers of high-growth business starts**, especially among women in science, technology and innovative businesses
- Improved **business sustainability**
- Job **creation**

### Outcomes will be evidenced by:

- **Increase in numbers thinking** and seriously thinking about starting a business in the target group, evidenced by a greater convergence between the regional and national average
- **Measurable progress on the enterprise journey**, evidenced by distance travelled against a baseline, using an appropriate measurement tool
- **Increased capacity** among organisations serving the target community to raise awareness of, support and signpost to enterprise support
- **Increase in referrals** to Business Link North East (BLNE), enterprise agencies and community coaches of people from the target group
- **Improvement in mainstream support** providers to target people in this group by informing the development and design of business support service

For more information please contact:

**Tasleem Baqir**

Enterprise Manager

Email: [tasleem.baqir@onenortheast.co.uk](mailto:tasleem.baqir@onenortheast.co.uk)

Direct Dial: 0191 229 6373

**Stella House**

Goldcrest Way

Newburn Riverside

Newcastle upon Tyne

NE15 8NY

Tel: 0191 229 6200

Fax: 0191 229 6201

[enquiries@onenortheast.co.uk](mailto:enquiries@onenortheast.co.uk)

[www.onenortheast.co.uk](http://www.onenortheast.co.uk)

The information in this document can be made available in a variety of languages and formats.

Please contact the Marketing Team:

Tel: 0191 229 6836

E-mail: [marketing@onenortheast.co.uk](mailto:marketing@onenortheast.co.uk)

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