

# Building an enterprise culture

## Enabling the enterprise revolution

In 2000, the government set itself the target of making the UK the best place in the world to start and grow a business by 2005. The Small Business Service then set out seven themes to deliver this target, including 'Building an enterprise culture'. This brief puts forward key recommendations for delivering on this theme.

### Summary

The recently published CBI brief 'Small Business Service Five Years On' argues that while the government has implemented a number of policies to build an enterprise culture in the UK, this is a long-term exercise, and there is a long way to go. This brief sets out key recommendations, which would have a very limited cost, but which would make a real difference to developing a self-sustaining enterprise culture.

First of all, it is crucial to recognise that the government's role in encouraging enterprise is not necessarily about doing more. Government actions can stifle enterprise. It is therefore important that at the heart of the government's better regulation agenda is the aspiration to create a more enterprising culture in the UK.

The focus of government policy over recent years has been on encouraging enterprise by encouraging start-ups. While this work is welcome, it fails to embrace the full spectrum of enterprise and entrepreneurship. Being enterprising is about risk taking in all areas of society. It is about competing in schools, innovating in business and challenging the status quo in government. It is also about recognising the importance of encouraging existing businesses to be more enterprising and grow.

While some people are born with an entrepreneurial attitude, other people need to be encouraged. This must be done at an

early age. While the government has begun to make progress by adding enterprise to the school curriculum, this should not be seen as an 'add-on' or a short-term initiative. If young people are to develop a more entrepreneurial attitude, enterprise should be at the heart of the curriculum, running from primary school through university.

However, these initiatives are irrelevant if children are insulated from competition. Enterprise is about taking risks and competing, and children should be encouraged to embrace and use it. To do this, business has a major role to play. Entrepreneurs should engage with young people and show them the challenges and rewards of being entrepreneurial. They must also be willing to share their experience with new and aspiring entrepreneurs, to provide advice and support for them to be able to convert their ideas into reality.

If the government is to achieve its target and really build an enterprise culture, it must put its own house in order. The government should nominate 'enterprise ministers' in each central government department with a responsibility for encouraging their respective departments to be much more enterprising, both in terms of policymaking and operations. These enterprise champions should then co-ordinate their activities to ensure a joined-up approach across Whitehall to maximise the benefits to society and the economy.

### Key CBI recommendations

- The government should recognise that enterprise is about risk-taking in all businesses, thereby encouraging growth and profitability
- The government should nominate ‘enterprise ministers’ in each central government department to promote and join-up the enterprise agenda
- DfES should ensure that enterprise is not just an ‘add-on’ to the school curriculum or a form of business studies. Enterprise should be at the heart of the school curriculum, running across academic subjects for all age groups
- The DfES and SBS should work closely together to look at further ways to encourage a sense of enterprise in students in colleges and universities
- The DfES should ensure that careers advisers are providing information on setting up a business and the self-employment option
- Business has a role to play with local schools to show young people the challenges and rewards of being entrepreneurial
- The DTI should look at ways of encouraging and facilitating mentoring and networking as a way of supporting enterprise
- The government should look more closely at how the UK policy base acts as a deterrent to enterprise and risk-taking by business
- The government’s better regulation agenda should translate into a less-litigious society and one prepared to take risks

### Current situation

While entrepreneurial activity increased in 2001, it fell dramatically in 2002, and has yet to recover.<sup>1</sup> However, it remains ahead of a number of European countries, such as Germany, France and Italy. The challenge is to raise enterprise levels up to that seen in a number of other countries including the US, Canada, Ireland and Australia.

Cultural attitudes towards entrepreneurship are strong in the UK, with 36% of people reporting good opportunities,

EXHIBIT: 1

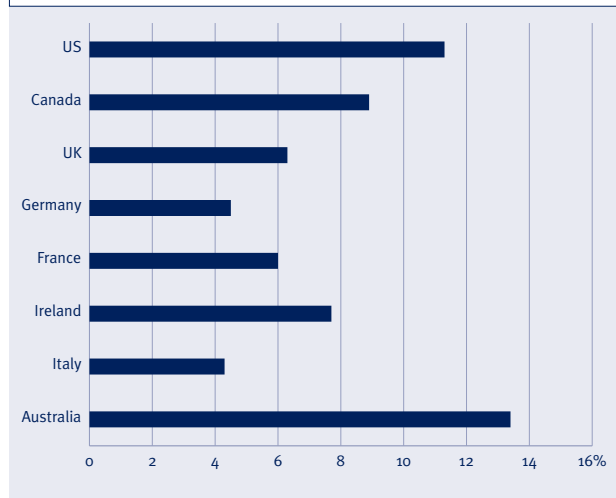
#### Total entrepreneurial activity, UK



Source: GEM

EXHIBIT: 2

#### Total entrepreneurial activity, 2004



Source: GEM

28% knowing an entrepreneur and 52% saying that they have the skills to start a business.<sup>2</sup> These are positive signs but they are not translating into the Small Business Service’s (SBS) goals of increasing the number of people considering becoming self-employed or setting up businesses.

However, the success of initiatives to develop a more enterprising culture should not be measured by these signs alone. There is a need to develop more systematic, long-term and measurable indicators of enterprise beyond the start-up level.

<b>Government target</b>	<b>Evidence</b>
Increase in the number of adults considering going into business or becoming self-employed: <ul style="list-style-type: none"> <li>■ from 12% in 2001 to 14% in 2005 (2003 target)<sup>3</sup></li> <li>■ from 11.3% to 12.3% by 2008 (revised target set in 2005)<sup>4</sup></li> </ul>	In 2001, this was 12%. In 2003 it had fallen to 11% <sup>5</sup>
Increase the proportion of young people (aged 16-24) considering going into business <sup>6</sup>	In 2001 this was 17%. In 2003 it had fallen to 14% <sup>7</sup>
Increase the proportion of people aged over 25 considering going into business <sup>8</sup>	In 2001 this was 11%. In 2003 it was 10% <sup>9</sup>
Increase the number of young people involved in enterprise awareness activities <sup>10</sup>	This was under 30% in 2001. <sup>11</sup> While anecdotal evidence suggests that this figure has increased, direct comparisons with the 2001 figure are unavailable.

## CBI proposals

### 1 Re-defining 'enterprise'

The focus of government policy and government work has largely been on promoting enterprise by encouraging start-ups. The CBI has welcomed this work, but it fails to capture the full nature of enterprise and entrepreneurship.

Being enterprising is about risk taking in all areas of society. It is about being innovative and developing new products. It is about challenging existing practices and existing ways of doing things. This process takes place in new firms. However, it also takes place in established firms if they are to survive, grow and be profitable.

The government must therefore recognise that promoting entrepreneurship is also about encouraging intrapreneurship. It is about encouraging risk taking within existing businesses.

The government should recognise that enterprise is about risk-taking in all businesses, thereby encouraging growth and profitability.

### 2 Prioritising enterprise in government

The SBS has been an important player in trying to make all parts of government 'think small first', particularly in the development of new regulation. The SBS should now give equal weight to championing a 'culture that prizes and fosters enterprise'.

The public sector as a whole needs to be encouraged to support risk taking, innovation and enterprise. By acting with greater entrepreneurship in their operations, departments will improve their own efficiency, deliver better value for money and improve services to the public. More entrepreneurial policy-making will also enable businesses to grow, increase employment and provide the wealth that the country needs.

While the SBS has the task of 'building an enterprise culture' it is clear that the SBS alone cannot deliver the step-change needed in government. Each central government department should therefore nominate one of their existing ministers to act as an advocate for enterprise.

Individually, these 'enterprise champions' would have the responsibility of encouraging their respective departments to be much more enterprising, both in terms of policymaking and operations.

Collectively, they would support the DTI, and the SBS in particular, in building an enterprise culture in the UK. These champions should also deliver a more coordinated approach to enterprise across the government.

The government should nominate 'enterprise ministers' in each central government department to promote and join-up the enterprise agenda.

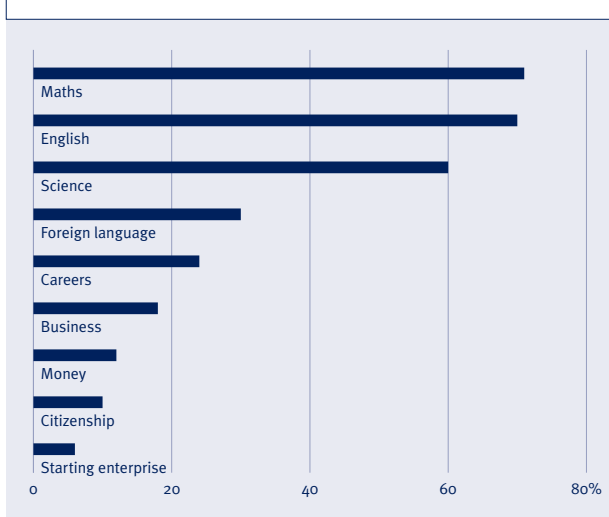
### 3 Promoting enterprise in education

Encouraging people to be more enterprising needs to start at an early age. Therefore, ensuring that enterprise is at the heart of the education system, for all age groups, is fundamental if the UK is to develop a more entrepreneurial culture.

The CBI supports work to encourage enterprise in education. Recent government actions, such as the implementation of the recommendations of the Davies Review, the establishment of Business and Enterprise Colleges and the work of Enterprise Advisors are all steps in the right direction.

#### EXHIBIT: 3

##### Topics young people said they learned a lot about (%)



Source: The Enterprise Campaign Tracker, Enterprise Insight 2005

The CBI has also been active in this area. It was one of the founders of Enterprise Insight, which is running a national campaign to promote the spirit of enterprise to young people and those who influence them.

However, despite this, the number of young people saying that they learned a lot about starting an enterprise remains relatively low. Over the next few years one would expect this to increase, but there is a long way to go.

It is absolutely crucial that right across the education system, enterprise should not be seen as a separate academic subject, or a particular form of business studies. Enterprise education is about being creative and taking risks as well as learning key life-skills such as negotiation and team building. It is something that should be part of academic subjects right across the curriculum.

However, changing the enterprise culture requires a long-term approach. Therefore short-term initiatives can undermine long-term progress. If enterprise education is to become embedded into schools, then the government must provide support to these projects so that they become self-sustaining.

DfES should ensure that enterprise is not just an 'add-on' to the school curriculum or a form of business studies. Enterprise should be at the heart of the school curriculum, running across academic subjects for all age groups.

While nearly half of 15-19 year olds would consider setting up their own business when they finish university,<sup>12</sup> by the time students leave university, only a third want to start up a business and 68% do not believe they have got the skills they would need.<sup>13</sup>

The government is trying to boost enterprise in universities through schemes such as the National Council for Graduate Entrepreneurship. However, funding for this scheme is limited to around £700,000 per year. In addition, there is a lot of unexploited potential for improving levels of enterprise in Further Education colleges.

The DfES and SBS should work closely together to look at further ways to encourage a sense of enterprise in students in colleges and universities.

Individuals find it easier to access information about a career that would involve employment as opposed to enterprise. Anecdotal evidence also suggests that many careers advisors, including those in school and at Job Centres, do not provide information on the details of self-employment or on how to set up a business.

The DfES should ensure that careers advisers are providing information on setting up a business and the self-employment option.

#### 4 Encouraging business participation

Enterprise education in school must be as much about a 'hands-on' approach as well as theoretical.

Young people must be able to engage with real businesses and real entrepreneurs. It is also important that both teachers and pupils have a clear understanding of the realities of business. The only way to achieve this is by working closely with the business community.

Business has over recent years been asked by the government to work in schools at many levels, including providing mentoring to headteachers, helping with literacy programs and working to improve the employability of pupils. While these are important, it is clear that the one thing that businesses can bring to schools which no other partners can is enterprise.

Businesses are able to generate the kind of work experience that provides an insight into some of the more enterprising opportunities and challenges in their organisations.

In this respect, the work of organisations that link together schools and the business community are invaluable. The work of Young Enterprise, for example, has been of great benefit to the promotion of enterprise to young people. These schemes help to shatter the myths associated with starting a business and help young people identify the challenges.

**Business has a role to play with local schools to show young people the challenges and rewards of being entrepreneurial.**

However, entrepreneurs have a wider role to play. While the education system has a role to play in educating young people about enterprise and business, this will never be enough to face the realities of the business world.

While government support schemes are valuable, the reality is that the best support for new and growing businesses can only come from entrepreneurs. Mentoring and networking are an important part of ensuring that aspiring and existing entrepreneurs are able to translate their ideas into reality.

**The DTI should look at ways of encouraging and facilitating mentoring and networking as a way of supporting enterprise.**

#### 5 Promoting risk taking

One of the biggest barriers in the UK to starting up a business is 'mentality' and risk aversion: 32.9% of people would not set up their own business because of the fear of failure.<sup>14</sup> Despite efforts to reduce this figure, it is actually higher than it was in 2001, and higher than in the US (21.2%).

The government has introduced legislation such as the Enterprise Act which reformed competition and insolvency law and attempted to remove some of the stigma attached to business failure. And, indications are that there is a strong correlation between the leniency or harshness of bankruptcy law and levels of entrepreneurship.

However, there is a greater focus in the UK on perceived risks rather than on potential rewards. In many cases, the UK is unwilling to applaud success. Profit should not be seen as a dirty word. It is the reward for taking risks, and is crucial to encourage enterprise and paying for investments.

**The government should look more closely at how the UK policy base acts as a deterrent to enterprise and risk-taking by business.**

Businesses are being discouraged from being entrepreneurial by an increasingly litigious society. People must recognise that with increased rights comes increased responsibility. The development of a 'victim culture' discourages enterprise and is damaging to the long-term prospects of the UK.

Businesses are also being discouraged from inviting school children into workplaces because of spurious claims. The CBI hopes that the Compensation Bill will help to tackle this issue.

Children are becoming increasingly insulated from competition. While schools are right to encourage children to participate, it must be recognised that competition and risk taking are integral parts of society. Lack of competition in schools therefore leaves children unprepared for the realities of life. Educating children about risk, getting them to understand, embrace and exploit it is crucial, because risk and dealing with losing are inevitable parts of life.

**The government's better regulation agenda should translate into a less-litigious society and one prepared to take risks.**

## Enabling the enterprise revolution

In 2000, the Government set itself the objective of making the UK the best place in the world to start and grow a business. In 2002, the Small Business Service set out seven strategic themes to focus its work to achieve their overall goal.

Throughout 2005 and 2006, the CBI is publishing a series of reports, *Enabling the enterprise revolution*, looking at whether progress has been made, and will provide key recommendations on each of the themes to the government on how to achieve its targets.

The reports will be published and be available at [www.cbi.org.uk/enterprise](http://www.cbi.org.uk/enterprise):

- August 2005—The Small Business Service Five Years On
- Oct 2005—More dynamic start-up market
- Nov 2005—Building an enterprise culture
- Jan 2006—Improving small businesses' experience of government services
- Mar 2006—Better regulation and policy
- May 2006—More enterprise in disadvantaged communities and under-represented groups
- July 2006—Improving access to finance
- Sept 2006—Building the capability for small business growth
- Nov 2006—Making the UK the best place in the world to start and grow a business—recommendations.

## Further information

The CBI is the UK's leading business organisation, speaking for some 240,000 businesses that together employ around a third of the private sector workforce. The majority of CBI Members are from the SME sector.

The SME Council is the focal point within the CBI for identifying and addressing issues of particular interest to small and medium-sized firms, and provides a voice for them to influence mainstream CBI policy and influence government at home and abroad. The Council currently has a membership of around 40 companies, spanning all the UK regions and various business sectors.

The Enterprise Group ensures that the views of CBI SME members are directly represented to Government. It has achieved considerable success over the past few years. The information flows in the other direction, too, and the CBI's Enterprise Group gather and summarise data from the legislative programme and give pointers to likely changes that will affect members' business.

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### Special thanks

Nick Cotter, SME Council Member and Managing Director of Trans4mation Ltd based in the West Midlands who acted as Project Leader for this paper.

## References

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