

Disrupt Inc.

How young people
are challenging the
conventions of
entrepreneurship

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The RSA



INSPIRING
YOUTH
ENTERPRISE



INSPIRING ENTERPRISE

We're committed to promoting economic growth and to fostering the right conditions for people to turn their ideas into business success.

RBS Inspiring Enterprise is how we encourage more people in more communities to explore enterprise, build their skills and start up in business.

Foreword



Together, RBS and Coutts have long been committed to supporting and encouraging our customers to create and build their businesses. We recognise the last 5 years have been challenging times, not only economically for the nation as a whole, but also for those making decisions on how to start their working lives. As a result, the concept of starting a business as a valid career option for young people has never played a more important role than it does now.

As the economic environment changes around us, so too does the way in which young entrepreneurs seek to engage with enterprise – both in terms of their methods when it comes to starting a business, and the way in which they seek to access the expertise and resources needed. In the hands of entrepreneurs, it is hardly surprising that the nature of entrepreneurship itself will evolve and re-invent itself.

We've commissioned this report to understand the changing nature of entrepreneurship in those under the age of 30, and as part of our efforts through Inspiring Youth Enterprise to support them better. The report attempts to shine a light on the experiences and preferences of modern young entrepreneurs, and how their changing needs for support requires us to be reactive and flexible in the services and advice we provide. The path towards entrepreneurship can be a highly unconventional and unexpected journey for young people. We know that approximately 10% of young people in our economy have an intention to start their own business, but currently only 3.5% are doing so. We also know that of those 3.5% who start up, a large proportion cease trading within the first year. The challenge is to inspire more to act and to ensure that start-ups do not simply fail because they cannot access the right network for advice and support.

There is much to learn from this report both for us and the broader enterprise support community.

At Coutts, we have over 20,000 successful entrepreneurs in the UK as clients, and for many of our clients' children enterprise is a preferred career option. We know success is a hard-earned prize and all need support and encouragement along the journey. This is why as part of our continued support of the MADE Festival, Coutts sponsored the Change Makers initiative, where some of Britain's most influential people in business were asked to nominate a promising young entrepreneur building exciting new growth companies. This year, the public selected 27-year old winner Carrie Green, founder of the Female Entrepreneur Association. We have been providing Carrie and all the nominated entrepreneurs focused business support to help them to the next level of success.

Yet in their own way all entrepreneurs are "change makers" in that they challenge convention, pioneer different ways of thinking and introduce better ways of working. The results of this research report clearly show this generation of modern young entrepreneurs is no different.

Andrew Haigh
Executive Director
Client Propositions
Coutts

About this report

This report attempts to shine a light on the new and unconventional ways in which young people are now starting and running businesses. Despite the flurry of media commentary surrounding young enterprise, very little is actually known about how young people become entrepreneurs. Most of our insights are based on quantitative surveys, at the expense of qualitative narrative accounts that are often more revealing. The Disrupt Inc. project has sought to plug this gap by listening to and analysing the stories told by young people about their entrepreneurial journeys: from the emergence of their business idea, to the inception of their business, to where they are today. We hope that these insights will hold valuable lessons for the way in which government, support organisations, the corporate industry and others attempt to stimulate young enterprise in the UK.

About the RSA and RBS Inspiring Enterprise initiative

The Disrupt Inc. project forms part of the wider RSA/RBS Inspiring Enterprise partnership. RBS Inspiring Enterprise encourages more people, in more communities, to explore enterprise, build their skills and start up in businesses. Prior to conducting this project, we brought together over 100 young entrepreneurs and support organisations within 4 cross-country workshops to discuss the opportunities and challenges that today's entrepreneurs face, and to identify what resources and capabilities they need to thrive. The findings of these and other activities under the Inspiring Enterprise umbrella will be used to form a manifesto for young enterprise that will be published in summer 2013. For more information, please visit www.rbs.com/inspiringenterprise

About the RSA

The RSA has been a source of ideas, innovation and civic enterprise for over 250 years. In the light of new challenges and opportunities for the human race our purpose is to encourage the development of a principled, prosperous society by identifying and releasing human potential. The RSA is reviving its tradition of encouraging enterprising responses to today's challenges through its nascent Enterprise programme, a central strand of which – 'Generation Enterprise' – is exploring how we can encourage and enable more young people to start and run successful ventures.

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Methodology

This research was conducted using a mixture of semi-structured interviews and desk-based research. Interviews were held with 31 individuals, including young entrepreneurs, ex-young entrepreneurs who had ceased trading, older entrepreneurs, support organisation representatives and research academics. In an attempt to keep the research balanced, we sought to speak with young entrepreneurs from a variety of different backgrounds, sectors, locations and stages in the business journey. Young entrepreneurs were deemed to be anyone under the age of 30. We identified participants primarily with the aid of the RSA's organisational partners.

The young entrepreneur interviewees were asked a mixture of broad and specific questions relating to their personal history, their characteristics, the source of their business idea, their reliance on finance and other forms of support, their attitude to scaling, their use of Web 2.0 platforms, and so on. We purposefully encouraged the young entrepreneurs to describe their entrepreneurial journey from inception to present day, so as to elicit as many insights as possible. The other interviewees were asked questions relating to the way in which young people start and run businesses, either based on their experiences of supporting them or their knowledge of existing research in this area. The desk-based research consisted primarily of a review of grey literature on young enterprise, with some reading of journal articles. Our initial findings were tested at an expert seminar held midway through the project.

Executive summary

The UK needs young entrepreneurs to thrive. They generate invaluable employment opportunities for themselves and others, contribute to wider economic growth and the improvement of living standards, and drive forward innovation for consumers in the markets in which they operate. In the face of challenging economic circumstances, it is little surprise that the government has urged more young people to consider starting a business.

There are some signs that these calls are being heeded. Since 2010, the number of young people in the early stages of an entrepreneurial venture rose sharply to be at its highest level for more than a decade. Despite these promising movements, however, there is little doubt that the landscape of young enterprise continues to be blighted by two main challenges. The first is that there is a large gap between the numbers of young people who say they wish to start a business and the numbers who go on to do so. The second is that a large proportion of those who do actually begin a business cease trading not long afterwards.

In order to overcome these difficulties and boost the number of successful young entrepreneurs in the UK, it is vital that government, support organisations, the corporate industry and others have an accurate understanding of how young people start and run a business. The starting point for this project was to question our assumptions about this journey by analysing what might be termed the 'lived experience' of young entrepreneurs, as opposed to just their opinions and attitudes measured in surveys.

Our conversations with the young enterprise community indicate that the discourse currently surrounding entrepreneurship tends to disregard the less conventional routes by which young people start and run a business. While many live up to the traditional image of an entrepreneur who is driven by personal enrichment, works predominantly alone and whose business success is owed to meticulous planning, there are others for whom these experiences do not ring true. Rather, they will stumble into a business 'accidentally', start up on a shoestring budget and with an imperfect product, and rely on a whole host of other people to get them to where they want to be (See Box 1)

Box 1: The other side of the coin

Our research examined three aspects of young enterprise: inception (motivations and the emergence of the idea), start-up (how young people get their business off the ground), and relationships and support (who they turn to for help). In each of these areas we found evidence to suggest that some young people's experiences go against common stereotypes:

- The **accidental** entrepreneur: While some young people will decide from an early age that they want to become an entrepreneur, there will be others that follow an '**accidental**' route and stumble into it by way of their passions, working lives or some other stroke of serendipity. The motivation to begin their venture is often social and emotional in nature, rather than monetary.

- The **lean** entrepreneur: Many budding entrepreneurs are now subscribing to the principles of a lean business model – one grounded in bootstrapping and rapid product iterations. Although the success of young entrepreneurs is always to an extent dependent on external finance and strategic planning, some are determined to avoid these at the very outset of their business.
- The **collaborative** entrepreneur: Despite entrepreneurialism being synonymous with individualism, a large proportion of young entrepreneurs are in fact deeply collaborative. Business partners are eulogised by young entrepreneurs as a source of both emotional and practical support, and there is a high value placed on personal contacts and the types of practical help they can provide – often in the form of reciprocal favours.

The concern is that current interventions to support young entrepreneurs do not cater well for these unconventional entrepreneurial journeys. The level of debate around the availability of start-up finance, for instance, overlooks the large numbers of young people who prefer to bootstrap their way through the initial stages of their business. Likewise, the effort spent in establishing formal mentorship schemes such as MentorsMe belie the preference that many young people have for more informal support from personal contacts. More broadly, the language used by support services may alienate and serve to discourage young people who do not tend to associate with the label of the 'entrepreneur'.

Our understanding of young enterprise and the way we attempt to stimulate it therefore needs to change. The starting point is to challenge the prevalent culture surrounding enterprise so that it reflects rather than distorts the reality of how young people start and run businesses. Only by doing so can we encourage more young people to think that entrepreneurship is an option for them. Alongside this, we also need to change young enterprise support in a practical way so that it caters better to the unconventional entrepreneurial journeys of young people.

Below are a number of proposals that could take us closer to achieving this necessary rebalance (more detail can be found on these recommendations throughout the paper):

- Launch a myth-busting marketing campaign to challenge assumptions and change the culture surrounding enterprise.
- Encourage greater numbers of young people to access enterprise support by promoting a more inclusive definition of 'entrepreneurialism' that encompasses a broader range of activities and behaviours.
- Speak to the 'unconverted' and seek out potential entrepreneurs in unconventional spaces, for instance by promoting entrepreneurialism to students of humanities and STEM subjects.
- Embed 'entrepreneurial learning' at all levels of education so as to develop among young people the curiosity and personal competencies needed to start their own venture in later life.

- Establish micro-loans to enable young people to build prototypes and test the viability of their business idea with real customers in the market.
- Reengineer enterprise support services to cater for the lean, bootstrapping style of entrepreneurship increasingly witnessed among young people.
- Focus more on stoking the demand for the products and services of young entrepreneurs by altering procurement exercises and connecting them with new clients.
- Support co-founding initiatives that enable young people to link up with supportive business partners.
- Nurture the favour economy among young entrepreneurs so as to help them access free forms of practical help from peers.
- Encourage well-established businesses to incubate young entrepreneurs and open up access to their expertise and connections.
- Establish a corporate venturing league to track the numbers of spin-offs that organisations have incubated or invested in.

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The landscape of young enterprise

We are in a global race today. And that means an hour of reckoning for countries like ours. Sink or swim. Do or decline. – David Cameron, 2012 Conservative Party conference speech¹

The case for young enterprise

Our economy and society are in flux. Against the backdrop of a sluggish economic recovery, an historic retrenchment of state spending and an on-going crisis inflicting the Eurozone, policymakers and others have begun to search for a new vision of the country that will define its future trajectory. Central to nearly all these scenarios is the ambition of building a more driven, dynamic and entrepreneurial society.² As David Cameron asserted at the 2012 Conservative Party conference:

“Aspiration is the engine of progress. Countries rise when they allow their people to rise. In this world where brains matter more, where technologies shape our lives, where no-one is owed a living... the most powerful natural resource we have is our people. That’s why the mission for this government is to build an aspiration nation... to unleash and unlock the promise in all our people.”³

Nowhere has this call for entrepreneurialism been directed more loudly or clearly than at our younger generation. With youth unemployment hovering around the 1 million mark and with competition for high quality graduate jobs growing, encouraging young people to start their own business is seen as an increasingly viable means of helping them secure meaningful work. Research by the Federation of Small Businesses reveals that more unemployed people now find work in self-employment than in large firms. Indeed, the proportion of the workforce who are self-employed is at its highest ever level, up 10 per cent since the onset of the economic downturn.⁴

Nor is young enterprise only beneficial to those directly involved. Like all other businesses, the ventures of young entrepreneurs contribute to UK economic growth and help boost living standards through the creation of better and more diverse products sold to domestic and international markets. Moreover, without budding young entrepreneurs there would be little of the ‘creative destruction’ that economies need to innovative and thrive.

The state of young enterprise in the UK

According to recent analysis of GEM⁵ survey data, 7 per cent of 18 to 29 year olds in the UK are now either nascent or new entrepreneurs.⁶ There are also signs that this figure may be on the rise. Since 2010, for instance, the number of young people in the early stages of an entrepreneurial venture underwent a sharp increase, perhaps reflecting the loss of conventional employment opportunities during this period (see Figure 1).

1 Cameron, D. (2012) Speech to the Conservative Party Conference. Available:

<http://www.telegraph.co.uk/news/politics/conservative/9598534/David-Camersons-Conservative-Party-Conference-speech-in-full.html>

2 The European Commission recently took this agenda on at a regional level when it launched the Entrepreneurship 2020 Act. For more information see <http://www.euractiv.com/innovation-enterprise/tajani-wants-entrepreneurs-smes-news-516933>

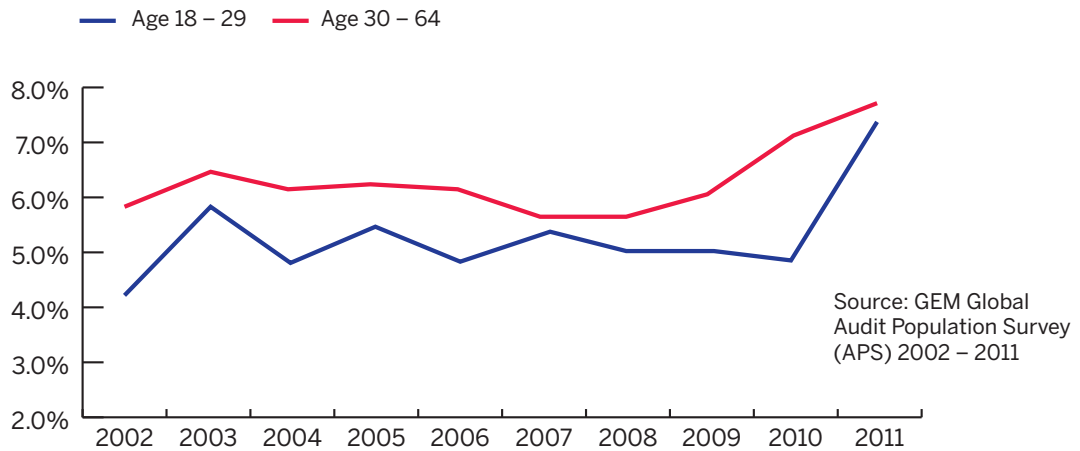
3 Cameron, D. (2012) Op cit.

4 For more information see <http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Employment+Type>

5 GEM refers to the Global Entrepreneurship Monitor, an annual assessment of entrepreneurial activity, aspirations and attitudes in different countries.

6 The analysis of GEM data was undertaken by Professor Mark Hart. See Hart, M., Levie, Jonathan and Karim Shamsul, M. (2012) Closing the Generational Start-Up Gap, Edinburgh: RBS Group.

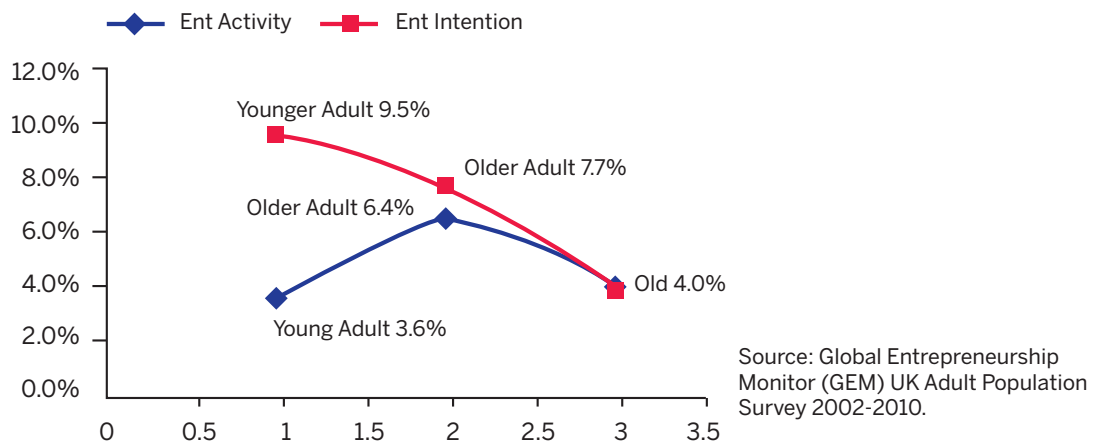
Figure 1: Total early stage Entrepreneurial Activity (TEA) in the UK by Age Group (2002-2011)



However, despite the promising movements witnessed since the recession, there is little doubt that the state of young enterprise in the UK still faces at least two distinct challenges. First, there is a sizeable gap between the numbers of young people who say they wish to start a business and the numbers who actually go on to do so. While young people have a more favourable attitude towards entrepreneurship than older people, they are far less likely to translate these sentiments into action. The aforementioned GEM data indicates that while 9.5 per cent of 18-24 year olds say they intend to start a business, only 3.6 per cent end up establishing one within 12 months. This compares far more unfavourably to older generations (see Figure 2).

The second challenge relates to drop-out rates at the early stage of business creation. The first longitudinal tracking of GEM survey respondents from 2009-10 found that 35 per cent of 18-29 year olds who had begun a business decided to cease trading a year later. This compares to a dropout rate of just over 10 per cent for those over the age of 30.

Figure 2: Difference of Entrepreneurial Intention and Activity of Different Age Groups in UK



1 = Young Adult (Age 18-24); 2 = Older Adult (Age 25-44) & 3 = Old (Age 45-64)

Room for improvement?

A common response to both these difficulties is to accept that they are unavoidable, given the inexperience and low skill base of young people. The argument runs that there will always be a gap between aspiration and reality when it comes to business creation, and that it is natural for large numbers of young people to fail and give up after starting a venture. While there is a degree of truth in these arguments, the experience of some countries suggests that low success rates among young entrepreneurs are far from inevitable.

One of the biggest policy success stories in recent times can be found in Wales. In a response to historically low levels of entrepreneurial activity in the country, the Welsh Assembly initiated a new Entrepreneurship Action Plan in 2002 that was designed to embed enterprise at all levels in the education system and equip more young people with the necessary skills, knowledge and confidence to run a successful business. Although no full evaluation has taken place, many see these efforts as a key reason why early-stage entrepreneurial activity among young people in the country rose from 3.5 per cent in 2002 to 10 per cent in 2011. There are now even calls for a new Action Plan to stimulate entrepreneurship in Wales once again.⁷

Similarly, if we were to look further afield we would see that some countries have much higher start-up rates among their young people than the UK does. A prime example is the US, where 1 in 7 young people engage in early stage entrepreneurial activity, compared to 1 in 17 in the UK.⁸ The same situation is true on the European continent, where countries like Germany outstrip us in entrepreneurial activity.⁹ While it is true that each country has its own unique context and economic make-up, together the experience of Wales, the US, Germany and others suggests that action can and should be taken to improve the state of young enterprise in the UK.

Enhancing support for young entrepreneurs

The level of support offered to existing and would-be entrepreneurs in the UK is extensive. This government alone has enacted or supported several initiatives and policies to boost young enterprise. This includes the Start Up Britain¹⁰ and Business in You campaigns to encourage more young people to think about starting a venture; the StartUp Loans scheme to give budding entrepreneurs access to modest low-rate business loans; the MentorsMe scheme to help link young people with business mentors; and the revamped Business Link services to consolidate business information and advice.

Beyond what the government provides, private and voluntary organisations such as Shell LiveWire, Young Enterprise and the Prince's Trust have been assisting budding entrepreneurs for many years. There are also countless new organisations and initiatives emerging too, often driven by young people themselves. For example, Livity is a social business that brings young people together to co-create media content and spin out their own companies.¹¹ Likewise, MyBnk was established by a young entrepreneur to deliver financial and entrepreneurial skills training in schools across the country.¹² Universities, too, have their own agendas and programmes for stimulating student enterprise. These are likely to be developed further as a result of the 2012 Wilson Review into higher education, which called for greater efforts to nurture an entrepreneurial culture on campus.¹³

While a growing and more diverse 'young enterprise industry' is encouraging, there is certainly room for improvement.¹⁴ The challenge is not only to encourage more young people to think about starting a new venture, but to bridge the gap between those aspirations and reality, and further, to make sure that those individuals who do start trading have the greatest opportunity for success. In doing so, it is vital that all those involved in stimulating entrepreneurship – government, support organisations, the corporate industry and others – have a thorough understanding of what helps and what hinders young enterprise, rooted in the needs and experiences of the entrepreneurs themselves.

7 For more information see <http://www.walesonline.co.uk/business-in-wales/business-news/2011/04/06/bold-action-needed-to-unlock-wales-entrepreneurial-potential-91466-28466615/>

8 Hart, M., Levie, J. and Karim Shamsul, M. (2012) Op cit.

9 Ibid.

10 Start Up Britain is not technically a government programme, although it is strongly supported by the Cabinet Office.

11 For more information see <http://livity.co.uk/>

12 For more information see <http://mybnk.org/>

13 Wilson, T. (2012) *A Review of Business-University Collaboration* London: BIS

14 See for example Doug Richard's report in 2008 for the then Shadow Cabinet on enterprise support. Richard, D. (2008) *Small Business and Government: The Richard Report*

Balancing the debate

Entrepreneur (noun) – a person who sets up a business or businesses, taking on financial risks in the hope of profit – Oxford English Dictionary 2013

The individual, risk-taking maverick

Search for the word 'entrepreneur' in Google Images and you are met with an interesting array of 'celebreneur' photos, smartly dressed business people and motivational messages such as 'focus on success'. Though it is unwise to rely on search engines to get a sense of the current discourse around a particular subject matter, images such as these reveal a surprising amount about the way we as a society understand and relate to the concept of 'entrepreneurship' and the figure of an 'entrepreneur'.

In the dominant discourse, entrepreneurs are portrayed as isolated, highly driven, risk-taking mavericks that are few and far between. There is a common assumption that being an entrepreneur is a career calling as distinct as a nurse or teacher, and one in which the people involved have always known it is a path they would follow. It is also taken as a given that 'entrepreneurialism' is akin to the pursuit of personal enrichment; a means to an end, rather than an end in itself.

Although these may appear to be trite caricatures to readers, there are signs that such perceptions are widespread. Recent research by the Carnegie Foundation showed that, when asked to visualise 'enterprise', 59 per cent of the young people interviewed chose to name 'celebreneurs' and tycoons such as Alan Sugar or Donald Trump.¹⁵ In contrast, only 5 per cent named local business people or nearby start-ups, and only 3 per cent identified those in trades or professions. Popular shows such as Dragons Den and the Apprentice are likely to have played some part in cementing these attitudes.

Time for a new perspective?

The starting point for the Disrupt Inc. research was to question this discourse of entrepreneurship and, if necessary, rebalance it to a point that would better reflect the real experiences of young people trying to start a business. Along with anecdotal feedback coming from the many entrepreneurs we encounter on a day to day basis, the latest research on the attitudes of young entrepreneurs had invoked a number of misgivings about what many had already perceived to be an out of touch view of entrepreneurship.

For example, a survey of 1,000 aspiring entrepreneurs from the Shell LiveWIRE community indicated that money was less of a motivating factor than was the opportunity to be your own boss. The findings revealed that only a minority were risk-loving, and that, more broadly, the approach to business favoured by many young entrepreneurs was 'evolutionary' rather than 'revolutionary'.¹⁶ Other research echoes these findings. Recent work by the Association of Business Psychologists found that entrepreneurs are in fact far more prudent and risk-averse than the wider population, contrary to well-established stereotypes.¹⁷

¹⁵ Metcalfe, J. (2012) *Enterprising Minds: Enterprise, Education & Future Work in the UK*, London: Carnegie UK Trust.

¹⁶ O'Leary, D. and Wind-Cowie, M. (2012) *Everyone's Business*, London: Demos.

¹⁷ Moules, J. (2012) *Entrepreneurs not so keen to take risks [news article]*, *Financial Times*, 18th November 2012.

These findings raise the prospect that some of our assumptions about how young people start and run businesses, and what drives them to begin in the first place, may be inaccurate. It is important to note that this is not an academic point. Public discourse matters because it directly affects young people's attitudes towards entrepreneurship and in turn the likelihood that they will consider it a viable pursuit.¹⁸ Seeing entrepreneurs as mavericks who have sacrificed everything to get where they are may, unsurprisingly, diminish young people's appetite for starting their own venture. Furthermore, there is a danger that false stereotypes may feed into and skew the provision of support available to young entrepreneurs, ultimately to their detriment.

Examining the 'lived experience' of young entrepreneurs

There can of course be no one 'right' entrepreneurial journey. Every individual follows their own path and is driven by different aspirations and incentives, based on their unique character and the environment they inhabit. Some are likely to be motivated primarily by personal enrichment, others won't be; some will be risk-loving and some risk-averse. The aim of this paper is not to give preference to one or the other but to shine a light on the experiences of the unconventional and less well-known young entrepreneurs that we have seen glimpses of.

We have chosen in this project to examine 3 key aspects of young enterprise:

- **Inception** – why young people start a business and where their idea emerges from
- **Start-up** – how young people get their business off the ground
- **Relationships and support** – who young people turn to for help

In exploring each of these aspects, we have decided to focus on what might be termed the 'lived experience' of young entrepreneurs. To do so, we used semi-structured interviews to draw out narrative accounts of how young people started and ran their venture, from the emergence of their idea, to the inception of the business, to where they presently are today. The reason this route was chosen, as opposed to conducting a survey for instance, is because we wanted to get beneath headline statistics and bring to the surface the everyday reality of life for young entrepreneurs.

In the following sections, we explore the findings of these conversations in relation to each of the 3 aforementioned aspects of young enterprise.

¹⁸ Studies have shown, for instance, that gender stereotypes can influence entrepreneurial intentions. Turban, D. (2008) 'The Effect of Gender Stereotype Activation on Entrepreneurial Intentions' in *Journal of Applied Psychology*, Vol 93 (5).

The Accidental Entrepreneur

We need many more people to see themselves as entrepreneurs. To understand that each success story starts with a first step. – David Cameron, StartUp Britain speech 2012¹⁹

Beyond money: the social and emotional drivers of entrepreneurship

Any efforts to stoke greater enthusiasm for entrepreneurship among young people must be grounded in an understanding of the central motivating factors for starting a business. If we can attain a better sense of why young people decide to begin their own venture then it holds out the prospect of improving policies, initiatives and other enterprise support mechanisms by ensuring they go with the grain of people's natural drivers.

Unsurprisingly, none of the young people in our research named personal enrichment as a driver. "Having enough to live on" was a common response when prompted about the place of money in their ambitions. The spectre of unemployment as a reason to start a business was also seldom mentioned. This is perhaps more surprising given that most of the young entrepreneurs had started their ventures during the economic downturn beginning in 2008. What this suggests is that entrepreneurship among young people is driven neither heavily by necessity nor the prospect of affluence. Indeed, the most recent GEM survey data showed that 'necessity entrepreneurship' – where people have 'no other choice' but to begin a business – had over recent years increased among older people but been static among the younger generation.²⁰

For the individuals we interviewed at least, the key motivating factor was frustration. This appeared in two forms. The first was frustration at their personal circumstances. To return to the issue of employment, though many were able to find conventional jobs, these positions were commonly seen as too hierarchical or lacking in real meaning or mission. As one social entrepreneur described it to us:

*"I was working with 12 other interns and had quite a lot of conversations about the sorts of jobs that people were applying for afterwards. Something that was fairly consistent was that people were quite frustrated at the lack of opportunities to do more meaningful stuff... It [the business] was genuinely down to lots of conversations down the pub about how p*ssed off we all were. I guess it was primarily borne out of our own frustrations really."*

Similarly, a number of the young entrepreneurs we met with talked of their eagerness to be their own boss and not to have to put up with the constraints of a typical workplace:²¹

"Frustration drove me to becoming an entrepreneur. I undertook an internship in a start-up and knew that creating a business is something I could do. I don't want to be doing a crappy job."

"The working for myself part really stems from the fact that I just like trying to do things differently... And I always felt that if I was put into a corporate environment I'd have much, much less flexibility to do that... I always wanted to be able to make my own decisions and try and put my own creativity to use without the restrictions of corporate bureaucracy."

19 Cameron, D. (2012) StartUp Britain speech in Leeds. Available: <http://www.number10.gov.uk/news/start-up-britain/>

20 Hart, M., Levie, J. and Karim Shamsul, M. (2012) Op cit.

21 This resonates with the findings of other research, which suggest that highly-educated millennials are 'loyalty-lite', uncomfortable with structures and ambitious to progress rapidly in their career. PwC research indicates that only 18 per cent of millennials expect to stay with their current employer for the long term. PwC (2011) Millennials at Work: Reshaping the workplace, London: PwC.

The second source of frustration related to the circumstances of others. In many cases, the young people we spoke with – particularly the social entrepreneurs – were angered by what they perceived as the poor quality of existing products and services. One young entrepreneur setting up a design consultancy described how she was moved to begin her business after witnessing large inefficiencies in public services:

“I suddenly got more and more angry at the public sector, about how much money we’re wasting and that things could just be done a hell of a lot better.”

Distil this further and it is possible to see that the ventures of many of the individuals we spoke with were essentially opportunistic responses to the problems they personally encountered. As one entrepreneur remarked, “I guess we found a problem and thought we had a pretty good solution.”

Box 2: Pascale Barget and John-Michael Sookias, Twenty Something London



Pascale Barget and John-Michael Sookias started Twenty Something London in September 2012. Their aim was to create a platform that would allow young Londoners to find and support independent businesses, whether they be cafés, restaurants, bars, shops or events. The idea for the business emerged out of a blog Pascale began writing when she was 19 years old as a personal hobby. Having graduated from university, Pascale decided to turn her passion into a viable business and partner up with John-Michael, a business graduate who had the same idea. Just 6 months later and Twenty Something London has grown into a website with over 19,000 visits per month. Their next big idea is to build a mobile app that can help Londoners on the move more easily find independent businesses. Whatever they decide to do next, they say they will always be guided by their mission to be a ‘collective’ for local talent rather than just a recommendation site.

Stumbling into entrepreneurship

That many young entrepreneurs’ businesses are founded on a solution to a problem is perhaps more revealing than it may at first appear. The dominant discourse surrounding entrepreneurship paints a picture of people who have deliberately set out to start a business, often from a very young age. These ‘conscious entrepreneurs’ search out ideas and then build their business around the most promising one, perhaps returning to others at a later date in the fashion of a serial entrepreneur. A number of the young people we spoke with certainly fitted this description. A student from Leeds who is currently setting up a clothing business described to us his determination to find a suitable venture:

“I wanted to do something on my own. I tried to search for a few ideas for businesses and eventually decided upon one that was more achievable than the other ideas. I spent a fair amount of time thinking about it.”

Another emphasised that he had always wanted to become an entrepreneur:

“I knew that [I would start a business] from this high. I never had any doubt. I never wanted to work for somebody else. I always wanted to start my own company.”

Yet for the many who fitted this narrative of a conscious entrepreneur there were an equal if not larger proportion of young entrepreneurs who did not. To return to the solution-meets-problem scenario, while some entered entrepreneurship through the conscious entrepreneur model of objectively scanning the ‘problem space’ for viable solutions and business ideas, many found their route into business through serendipity: by stumbling across a ‘problem’ they were passionate about and then building a business around a solution to it. One is conscious, the other ‘accidental.’²²

In many cases, these ventures were borne out of a personal hobby. One young entrepreneur had started by writing a blog about activities for twenty somethings in London, and eventually realised that the website could be scaled into a viable events business (see Box 2). Similarly, another young entrepreneur in London came to establish her housing business after writing a book about the issues of squatting and empty properties.

Speaking of the people she supports in her role, one university enterprise officer told us:

“They usually get their ideas from hobbies. It’s often something that they’ve been doing outside of their degree, with relation to a society or a hobby or a sport... and they’ve noticed a problem or an issue and they’ve been complaining to their friends about it and then it’s usually actually a peer that’s said to them “Well, why don’t we do something about it?”

Interestingly, a number of the expert practitioners we spoke with judged that people whose businesses were built on a passion were much more likely to be successful than those that were not:

“The best ideas, the ones that work, tend to come from a deep personal interest... I meet a lot of students who have basically sat themselves down and tried to look for a gap in the market and then tried to build a business in it, but it doesn’t tend to work. They’re looking for an easy win.”

In addition to hobbies, there were a number of instances where accidental or serendipitous ventures emerged as a result of the entrepreneur wanting to provide a better version of something they had previously consumed or produced while working elsewhere. One young entrepreneur, for example, created a new customer-analytics platform in response to the problems he encountered whilst working at Groupon.

Shell LiveWIRE research echoes these findings and shows that rather than having ‘light-bulb’ moments, most young entrepreneurs develop a business based on their direct experiences.²³ Of the young people they surveyed, close to 40 per cent had identified a gap in the market of the industry they had worked in, while more than 25 per cent had found their idea for a business off the back of a product they had previously consumed. Related research highlights the growing number of people engaging in ‘user innovation’ to modify and create new products. According to NESTA, there are now potentially over 3 million user innovators in the UK, a quarter of whom are creating new inventions that they are sharing with others.²⁴

²² This term was coined by Scottish entrepreneurial expert Iain Scott.

²³ O’Leary, D. and Wind-Cowie, M. (2012) *Op cit.*

²⁴ Hippel, V. and Flowers, S. (2010) *Measuring User Innovation in the UK*, London: Nesta

Is the label a barrier?

It is little surprise that most of those in our study who 'stumbled' into entrepreneurship did not affiliate closely with the label of 'entrepreneur' – at least until they were well into running their business and interacting with other self-defined entrepreneurs. As one young person put it, "It basically took a lot of people to consistently describe me as an entrepreneur to make me believe that that was the case." For at least one individual we spoke with the label still doesn't resonate: "I'm definitely not an entrepreneur. To be an entrepreneur, I'd have to do more and prove myself." Other research suggests this issue may be prevalent in certain industries such as the creative sector. A study of music graduates, for instance, showed that many felt there was a tension between being creative and being in 'business.'²⁵

This is potentially a significant barrier to the growth of young enterprise in the UK. If people do not consider themselves to be 'entrepreneurs' in the conventional sense, the danger is that they may disregard or feel alienated from the many government and non-state enterprise support services available to help them. A number of our young entrepreneurs and expert practitioners raised this issue, with one saying that government support and loans "are available only to those who look for them", and another remarking that "you don't know about enterprise unless you're supposed to know." In short, the exclusive, narrow label of entrepreneur may be a hindrance to young enterprise in itself.

Implications for young enterprise support

This section has highlighted that the path towards entrepreneurship can be a highly unconventional and unexpected journey. There are many cases where young people, determined from an early age to become an entrepreneur, set out to identify the perfect idea and build their business up from scratch. Another route exists, however, whereby young people's passions, hobbies and working lives lead them by a stroke of serendipity to begin trading a product or service. The motivation to begin their venture is also often social and emotional in nature, rather than monetary. The concern we have identified is that those young people who are on this unconventional journey may not necessarily relate to the label of entrepreneur, and thus will miss out on valuable support.

Any efforts to bolster young enterprise in the UK must therefore pay close attention to the potential exclusivity that comes from the language and portrayal of enterprise. In doing so, we advocate the following measures:

- **Launch a 'myth-busting' marketing campaign to change the culture surrounding enterprise –**
Culture is one of the biggest barriers stopping young people from starting a business. Too many young people do not associate with the dominant language and imagery of enterprise, which is out of sync with the reality of everyday life for young entrepreneurs. Young enterprise support organisations should club together to launch a marketing campaign that challenges the myths surrounding enterprise. This should be led by support organisations rather than government, and involve high quality marketing expertise.
- **Broaden the definition of 'entrepreneurialism' –** We should redefine the very notion of entrepreneurialism, described recently by the authors of the best-selling book *ReWork* as 'out-dated and loaded with baggage.'²⁶ Government and non-state support services should promote an inclusive definition that encompasses more entrepreneurial activities, from selling items on online marketplaces to creating new business outfits within companies along a model of 'intrapreneurialism'. The aim would be to encourage more young people to come forward and access support by making the entrepreneur label and language easier to associate with.

²⁵ Mason, C., Sheridan, M. and McFarlane, J. (2012) *Making a Living in the Music Industry: The experience of recent music graduates*. Paper presented to ISBE Annual Conference, Dublin, November 6-8th 2012.

²⁶ Fried, J. and Heinemeier Hansson, D. (2010) *ReWork: Change the way you work forever*, Vermilion.

- **Seek out potential entrepreneurs in unconventional spaces** – ‘Build it and they will come’ is rarely a good model for running a service. Rather than relying on self-defined entrepreneurs to find support services, more effort should be taken by entrepreneur support organisations to unearth potential entrepreneurs in unconventional spaces. In the context of higher education, this might mean going out to university hobby clubs or approaching students of courses not typically deemed as entrepreneurial, for instance in the STEM or humanities fields. Steps might also be taken to promote entrepreneurialism among the wider workforce, given the numbers who build businesses off the back of their time as an employee. In short, outreach needs to mean reaching out to people who haven’t even considered setting up a business yet, not just to those who have.
- **Embed entrepreneurial learning in all levels of education** – Enterprise education has been shown to have a significant impact in boosting both the numbers of young people intending to begin a business and actual start-up rates.²⁷ However, there is concern that provision is limited²⁸ and where available often poor quality and only bolted onto curricula and courses as an appendage.²⁹ As a result it does not cater well for ‘accidental’ entrepreneurs not in search of it. Steps should be taken to embed ‘entrepreneurial learning’ in all aspects of education so that more students can develop these skills. The model proposed by the Gazelle Group is designed to develop among all young people the ‘T-shaped’ personal competencies of networking, creativity and acting on opportunities that are integral to any future career path, including entrepreneurship. This is distinct from existing education, which tends to focus on helping students attain qualifications (not necessarily competencies) for jobs that may not exist in years to come (See Box 3).

Box 3: Entrepreneurial learning and T-Shaped competencies

Entrepreneurial learning has been defined as “learning to recognise and act on opportunities, and interacting socially to initiate, organise and manage ventures.”³⁰ Proponents of this model, including the Gazelle Group of FE college leaders, argue that it is fundamental to helping young people develop the ‘T-shaped’ competencies of networking, creativity and acting on opportunities that they will need to thrive in future work, whether that be as an entrepreneur or regular employee. In practice, entrepreneurial learning involves a mixture of developing young people’s technical skills and knowledge, providing them with access to real world business experiences (e.g. through a college-based social enterprise restaurant), encouraging them to start their own business ventures (e.g. through a school incubator), and creating a school culture of continuous self-development. The aim of entrepreneurial learning is to embed enterprise within every aspect of a school or FE college, thereby exposing all young people to the nature of business and developing the competencies and curiosity needed to start their own venture in later life.

27 Hart, M., Levie, J. and Karim Shamsul, M. (2012) *Op cit.*

28 Lord Young (2012) *Make Business Your Business: Supporting the start-up and development of small business*, London: BIS.

29 Wilson, T. (2012) *Op cit.* and Botham, R. and Mason, C. (2007) *Good Practice in Enterprise Development in UK Higher Education*, National Council for Graduate Entrepreneurship.

30 Gazelle Global (2012) *Enterprising Futures: The changing landscape now*, London: Gazelle Global.

The Lean Entrepreneur

Stanley Kubrick gave this advice to aspiring filmmakers: “Get hold of a camera and some film and make a movie of any kind at all.” Kubrick knew that when you’re new at something, you need to start creating. The most important thing is to begin. So get a camera, hit Record, and start shooting. – Jason Fried and David Heinemeier Hansson, Founders of Basecamp and authors of ReWork.³¹

Less is more

So far it has been highlighted that the entrepreneurial journey taken by many young people is to some extent ‘accidental’ in nature, as opposed to a ‘conscious’ decision made from an early age. Regardless of which route is taken, budding entrepreneurs will face very much the same obstacles in the early stages of starting their venture. Knowing what these start-up barriers are – and how best to overcome them – is of paramount importance to the ability of government and support organisations to offer relevant programmes that can boost the durability of young enterprise in the UK.

Foremost among these barriers is often said to be a lack of finance. It is invariably one of the most popular responses provided by young people when surveyed about barriers to start-up. Recent analysis of GEM survey data showed that 63 per cent of non-entrepreneurs and 61 per cent of current entrepreneurs felt money to be the biggest obstacle – an overwhelming amount considering that the next most popular answer of skills and knowledge was only cited by around 20 per cent of respondents in both cases.³² A similar number of young entrepreneurs in the Shell LiveWIRE survey pointed to the lack of start-up capital as a barrier.³³ Far fewer mentioned other obstacles such as a lack of advice, confidence or role models.

Given these results, it is little surprise that the government has made the availability of finance the focal point of its efforts to boost young enterprise. The StartUp Loans scheme has been initiated to channel greater amounts of capital to budding young entrepreneurs in the form of low-rate loans of up to £5,000. Other efforts include the Enterprise Finance Guarantee scheme, whereby the government guarantees 75 per cent of each individual loan provided by lenders to SMEs. Likewise, the National Loan Guarantee scheme is intended to lower lending rates to small businesses through a broader £20bn funding guarantee for banks.

Despite the fanfare surrounding the availability of finance, our interview findings indicate that money may not in fact be as fundamental as is widely perceived – at least not during the very early stages of the business venture. A large number of the young entrepreneurs we spoke with were reticent about taking out a loan, in part because of the prospect of being saddled with debt and in part because of their ambition to run a ‘sustainable’ business that survives out of its own accord:

“A loan is a last resort. The interest rate is too high... The interest rate scares a lot of people off.”

“We wouldn’t go near loans. Self-sustainability is important – the question we ask is how do we sustain ourselves?”

³¹ Fried, J. and Heinemeier Hansson, D. (2010) *Op cit.*

³² Hart, M., Levie, J. and Karim Shamsul, M. (2012) *Op cit.*

³³ O’Leary, D. and Wind-Cowie, M. (2012) *Op cit.*

“What we’ve realised over time is that we don’t necessarily want funding because the reason we started this enterprise was because we wanted to develop a sustainable business model; a business that pays for itself.”

Many also spoke of the dangers of being profligate when outside money is brought in to get a business off the ground – whether in the form of a loan or an equity investment:

“I’ve met so many projects that have really lots of investors and they just throw money at stuff, like pay for the Facebook promotions and pay for a launch party with free drinks... you’re not proving anything to yourself.”

“There have been times when we’ve felt that we’ve been pushed to increase our capacity before we’re ready to, because a funder has decided that this is something that they might be interested in investing in... I think there’s this kind of race to the end with funding being the kind of success point and actually that’s not the case.”

This was also a view shared by many of the support organisation representatives. One interviewee based in London lamented that a lot of the bright young people coming through his doors “get totally mired down in [thinking about] ‘where can I find investment?’... and the trappings of an old fashioned point of view.” Another spoke of the damaging fixation that some of their participants have with registering their company and buying an expensive URL before they have fully thought through their business idea.

The majority of our young entrepreneurs did not subscribe to this approach, however. They were highly mindful of what they perceived to be the dangers of relying on external finance. Indeed, many were keen to bootstrap the business by both keeping costs to an absolute minimum and relying on savings or multiple jobs to make ends meet. This goes against the grain of entrepreneurial convention, which suggests most young people need start-up funding to get their venture going.

The rise of the lean start up model

In reality, the route chosen by most of our entrepreneurs was one commonly referred to as the ‘lean start up model’ of business creation. One of its foremost proponents, Eric Ries, describes this as “a new way of looking at the development of innovative new products that emphasises fast iteration and customer insight, a huge vision, and great ambition, all at the same time.”³⁴

This involves rapidly testing the demand and viability of products and services in the market as cheaply as possible through the use of prototypes. Entrepreneurs will ‘pivot’ to change their offer if need be, or ‘persevere’ along their existing route depending on the market response. The aim is to test assumptions with real customers from the outset, and to iterate rapidly to arrive at a feasible business proposition. The trial and error approach contrasts with the conventional route to start-up that sees entrepreneurs attempt to perfect their product or service before taking it to market, often through meticulous planning, modelling, projections and external finance.

³⁴ Ries, E. (2011) *The Lean Startup: How constant innovation creates radically successful businesses*, Portfolio Penguin.

The way many of our respondents described their business model showed elements of the lean start up process – though few explicitly named it as such. One entrepreneur described the process he used to get his technology product off the ground as follows:

“We started off with an initial demonstration of our product as it is today. It is not what it is right now. We showed it to the customers, we tested it, we found that it would not scale. So we came up with a second version of the product. Tested that and found that it scaled a little bit better, but it wasn't quite what customers needed. And we went away and did it a third time. And it was always [developed using] customer-based feedback.”

Conversely, many of the young entrepreneurs described how little value they derived from the conventional business plans they were advised to put together:

“Don't do your cash flows for the next five years in the first six weeks. We recently looked back over our original business plan and it's mental, it's absolutely mental. We haven't even written a business plan since, it was pointless. When you're young it's arbitrary numbers and it doesn't make any sense.”

These views appear to be supported by research elsewhere. For instance, a study undertaken by Babson College of 117 former students found no difference in business performance between those who had prepared a business plan and those who hadn't.³⁵ Many of our support organisation representatives agreed with this sentiment:

“Rather than teaching students how to write a business plan for venture capital which I might have done two or three years ago, it's far more about testing out business models [now]... If a student comes to me and says I need £5,000 to start this, I'll be more like, if I could give you £100 what could you do with that that would prove there's a market for this, and let me have more faith in the idea before I sink more money into it. That's actually been quite successful and a lot of students are coming round to this idea.”

The increasing quality and availability of Web 2.0 tools is likely to have played a major role in enabling more young people to build 'minimum viable products' and swiftly take them to market.³⁶ As one young entrepreneur put it:

“You can get a business started just based on knowledge alone. You don't need to pay for anything these days... This is all due to the internet. If you want to start an impactful business, there's nothing stopping you except for the motivation to do it. There's no hard-edged hurdle.”

³⁵ Lange, J. E. et al. (2005) *Do Business Plans Make No Difference in the Real World? A Study of 117 New Ventures*, Babson College. Available: http://fusionmx.babson.edu/entrep/fer/2005FER/chapter_xii/paperfr_xii3.html Source: Bradford W. Bentz.

³⁶ Radically diminishing start-up costs is the subject of a popular book by Chris Guillebeau. Guillebeau, C. (2012) *The \$100 Startup: Reinvent the way you make a living, Do what you love, and Create a new future*, Crown Business.

Box 4: Alyssa Smith, Jeweller



Alyssa Smith is a 26 year old international jewellery designer based in Hertfordshire. Although Alyssa was recruited by a well-known jewellery designer after she graduated from university, she immediately knew that working for someone else wasn't for her. She left this employment and decided instead to work a couple of days a week in a gift shop and start making her own jewellery to sell locally. Alyssa used the £300 her grandma gave her to buy a jewellery bench and then sold the pieces she made at a mixture of car craft fairs, local shops and market stalls, as well as in people's houses. She raised additional finance by doing carboot sales. She describes her first years as a time when she didn't earn a great deal but was able to boost her profile and grow slowly but surely on a tight budget. As she put it, "if you've got no option, you have to bootstrap." 3 years on, Alyssa is now selling her products to a growing international market and expects a turnover in excess of £100,000 in the next financial year.

Stepping over the brick walls

There is some evidence to suggest that the increasingly lean style of entrepreneurship we are witnessing is not being adequately catered for by either government or non-state support initiatives. One veteran young entrepreneur we met said they had found business support to be "old school", with some organisations asking for 20 or 30 page business plans that "meant nothing." Another described how the heavy emphasis put on planning and finance by advisors "puts people off from starting in the first place."

It may be no coincidence then that the StartUp Loans Scheme has achieved lower than expected take-up rates. Despite having a pot of some £110 million to channel over 3 years and a target of delivering 2,500 support packages by early 2013, so far only a few hundred loans – the equivalent of £1.5 million – are reported to have been provided to people since its inception late last year.³⁷ Interestingly, one of the support organisation staff we interviewed said they had decided not to promote the loans to nascent young entrepreneurs for fear it would damage their business.

This is not to say that finance and planning is unnecessary. Rather it is to suggest that these mechanisms may be directed at the wrong time in the life cycle of a young entrepreneurs' business. One support organisation representative in London used the analogy of a graduated set of steps to illustrate the ease of getting a business started but the incredible difficulty of moving from one stage to the next:

“So you'd have your first step, which is roughly horizontal because you get what you're going, you've got momentum and nothing else matters. And then you hit your wall, your first step, and that's when you hire about five people. Suddenly your monthly outgoings are a figure that you could never have previously imagined you'd even build, you've got to find five or six grand every month and then you're on this vertical. And that's really hard for a period of time and then you break through it.”

Despite some of the more experienced young entrepreneurs praising the impact of accelerator programmes and high-level initiatives such as the new Seed Enterprise Investment Scheme,³⁸ there was a general sense among support officers that too little assistance is available to help young people surpass hurdles further down their business journey. As one put it, “once they're a little bit established it can be quite difficult to then get the kind of advice and support that they need to keep going after the first year.” This includes the support to hire and manage their first employees, set up shop in their own premises, scale product and service production and deal with larger and more serious clients – most of which require sizeable finance, strategic planning and a guiding hand.

What this suggests is that current support for young entrepreneurs may be wrongly front-loaded: help is geared too heavily towards those just starting out at the expense of more well-established young entrepreneurs who are in the greatest need of finance and other serious forms of support.

Implications for young enterprise support

This section has shone a light on a different means by which young people start and grow a business. Although the success of many young entrepreneurs is from the outset dependent on external finance and strategic planning, there are others who eschew these mechanisms (at least in their very early stages) in favour of a leaner business model – one built on budgeting and rapid product iterations. This is particularly true of those in the growing service industry, where Web 2.0 has radically diminished barriers to entry. Notwithstanding large pockets of effective support programmes, many initiatives today do not cater well to this alternative route to start-up. Too much attention is paid to helping businesses at the very point of inception, possibly at the expense of assisting more experienced entrepreneurs overcome the various 'brick walls' they encounter further down the line.

³⁷ See for instance *Evening Standard* (2013) *£30m boost for Government's Dragons Den-style loans scheme* [news article], *Evening Standard*, 3rd January 2013.

³⁸ *The Seed Enterprise Investment Scheme allows investors to receive up to 50 per cent tax relief in the year the investment is made.*

To address these difficulties, we advocate the following measures:

- **Establish micro-loans to help young entrepreneurs test proof of concepts** – Our findings indicate that without developing and testing prototypes with real customers, young entrepreneurs are in danger of building a business that will be liable to sink when launched, however meticulous their planning. Greater efforts need to be made to channel proof of concept funding to would-be entrepreneurs – something currently reported to be difficult to secure. Universities could set up their own individual proof of concept grants for students. A wider solution is to ring fence a portion of the StartUp Loans scheme funds for low cost prototype loans of a few hundred pounds – something that could be a precursor to a larger loan.
- **Reengineer support services to cater for the lean, bootstrapping style of young entrepreneurs** – Government (e.g. Business Link) and non-state support services (e.g. university entrepreneur societies) should revise their activities in light of the popularity and perceived effectiveness of the 'lean start-up model'. In practice, this means advisors would spend less time helping fledging entrepreneurs prepare a business plan for external finance, and more effort encouraging and enabling them to build and test prototypes in the market. One university support officer we met revealed that they had already dispensed with business plans and replaced them with shorter, more practical 'implementation plans.'
- **Stoke demand for the products and services of young entrepreneurs** – Government efforts to support young entrepreneurs are typically centred on the likes of campaigns, finance, mentorship schemes and entrepreneurial education; all of which are on the 'supply side' of support. Though this may be useful in the early stages of a new business, there is only so much it can do to help more established young entrepreneurs. More action should be taken on the demand side of young enterprise support. Where feasible and ethical, young entrepreneurs could be built into supply chains, for instance by altering council procurement exercises.³⁹ A more substantial action is for local authorities, mayors' offices and LEPs to create new marketing and networking opportunities for young entrepreneurs to meet potential customers. A recent RSA study found that local authorities could play a 'weaving' role linking would-be entrepreneurs with local social needs that could be addressed through a business model, such as childcare or meals on wheels for older people.⁴⁰

³⁹ A study undertaken by the Centre for London highlights the challenges that tech start ups face in accessing government contracts. Many of the entrepreneurs, often young ones, feel locked out of procurement exercises. Nathan, M., Vandore, E. and Whitehead, R. (2012) *A Tale of Tech City: The future of Inner East London's Digital Economy*, London: Centre for London.

⁴⁰ Marcus, G., Broome, S. and Norris, E. (forthcoming) *Healthier Harwood: A networks approach to local social and economic need*, London: RSA.

The Collaborative Entrepreneur

An individual pursuit or a team game?

It has so far been suggested that young people's entrepreneurial journeys are not as they first appear. Sometimes their routes into entrepreneurship are 'accidental' as opposed to 'conscious'. Often, they use a bootstrapping 'lean' business model rather than one built on meticulous planning and external finance. This section will explore one last aspect of the entrepreneurial journey: the types of people young entrepreneurs interact with and the support they derive from these relationships.

When asking the question of how we might enable more young people to start and run businesses, more often than not our answers will implicitly assume that they operate as lone individuals. Most will of course acknowledge that budding young entrepreneurs need some outside support to stand on their own two feet. Yet it is taken for granted that entrepreneurs usually work by themselves, want as little outside interference as possible, are driven by the profit mechanism, and only deal with others through market transactions.⁴¹ In short, they are the embodiment of the economist's rational agent.

Our research reveals this image of the solo entrepreneur to be largely a myth. Rather than wanting to 'go it alone', the young people we spoke with were highly collaborative and mindful of the benefits that others could bring to their venture. This was most clearly visible in their experiences of and attitudes towards business partners. Indeed, very few of the young entrepreneurs we spoke with had set up their venture alone, instead seeking out partners who could offer emotional support and motivation during their toughest times:

"Good partners give you self-belief on the day when you are lacking enthusiasm for what you're doing."

"I couldn't have done it without him... we differ on a lot of things, but we have huge respect for each other, and all our talents are so different, like he's a very shrewd, sharp businessman... I'm much more that, like, I'll have a crazy idea that will end up working."

"What we're able to accomplish between the two of us is greater than the sum of our parts. Having that is the most important thing because you will come across really tough times... you're able to get through them better when you have somebody else to bounce ideas off, who sees things differently."

In some cases, co-founders were sought after for more pragmatic reasons. Setting up a business with a partner effectively doubled their businesses' manpower, ideas and, perhaps most critically at the early business stage, access to networks and useful contacts – whether in the form of investors, customers or suppliers:

"It was difficult to find manufacturing firms to produce my product. Without personal contacts, I would have been stuck. My partner's family runs a firm that uses a factory in Hong Kong, and we were able to use the same one... I would have kept it [the business] to myself but I needed the contacts they brought with them."

⁴¹ The Eurobarometer survey on attitudes towards entrepreneurship show that 54 per cent of all Europeans believe that entrepreneurs only think about their own wallet. Moreover, 49% believe that entrepreneurs exploit other people's work. For more information see http://europa.eu/rapid/press-release_MEMO-10-232_en.htm

The importance of these relationships is such that some of the support organisations reported encouraging their participants to seek out co-founders as a matter of course. One support organisation representative has taken it upon herself to tell her participants “loudly and often that they’re not going to make it on their own.”

Yet this is not to say that all co-founders are appropriate, or for that matter easy to come across. Many of the young people reported having personality clashes and disagreements with ex-partners over the direction of their business, with one lamenting that “finding a business partner is just as hard as finding a partner in your social life.” Despite this, we continue to take it for granted that entrepreneurs can forge business partnerships relatively easily.

Box 5: Douglas Cochrane and Josh Bicknell, Balloon Kenya



Douglas Cochrane and Josh Bicknell started Balloon Kenya having been frustrated at the lack of job opportunities available to graduates like them. Balloon Kenya matches bright young people from around the world with budding Kenyan entrepreneurs to develop and launch scalable new ventures. Participants work with registered Kenyan groups over a period of 6 weeks to develop new businesses, after which Balloon Kenya takes the most promising and provides micro-loans and practical support to get them off the ground. In 2012 they took 16 participants to Kenya to support 352 young Kenyans. In the process they delivered 816 hours of training and invested nearly £5,000 in 20 start-ups. Douglas and Josh say they owe much of their success to the networks they have made over the years, whether that is family providing work space or friends sharing their expertise and guidance at tricky points in the business. They are also clear that Balloon Kenya wouldn’t be what it is today without either of them being there to support the other. As Douglas put it, “I couldn’t have done it on my own.”

Drawing on the favour economy

Just as many young entrepreneurs saw a value in business partners, so too did they appreciate the importance of networking and making use of personal contacts. Most of the support they derived through connections came in the conventional form of advice and knowledge. In some cases, however, they were able to access practical help, for instance in developing a website, designing a product, or gaining entry to new markets:

“We got so much help from different people. We met this guy who is like a multimillionaire... and he just started meeting us and helping us and testing our product with us.”

“We were lucky enough to know somebody who already plans to travel to 5 festivals in the UK on a tour bus – this means we don’t have to pay the high costs of renting a stand [to sell our product].”

“I had to clean his house for him [a university friend] to do like a month of online search engine optimisation for free. So I had to give him a service, which cost nearly the amount of services given back. It wasn’t free in that way. I gave something.”

That much of this support was reciprocated may indicate the existence of a ‘favour economy’ between young entrepreneurs and others, most likely borne out of a desire to keep costs to an absolute minimum. As one individual put it, “when you have no money you have to be creative in other ways. You can’t just pay to have something done.”

Box 6: Barterplace by Enterprise Rockers

Barterplace is an online platform allowing entrepreneurs to exchange goods and services in return for like for like assistance from others. Entrepreneurs trade everything from legal assistance, graphic design, website development, business card production and even transport. After a free 3 month trial, users sign up for a minimal monthly charge of £1.50, after which they are able to use Barterplace as much as they wish with unlimited transactions and no additional fees payable. Hundreds of entrepreneurs already use Barterplace and the founders at Enterprise Rockers only expect this number to grow over the coming years as budding entrepreneurs become more aware of how they could save money using the ‘share economy’.

Informal vs. formal support

In contrast to the enthusiasm shown for such informal peer support, a number of our respondents expressed misgivings over the types of help that could be found in more traditional enterprise services. For example, whereas personal networks could be a source of solid practical assistance, the same could not be said of some mainstream institutions whose help was viewed as rudimentary and prosaic. One entrepreneur described his experiences as follows:

“What was presented as support to us was actually time-wasting. Lots of talk about ideas, but people need practical help – we needed desk space, we needed an accountant who could help us sort our VAT, we needed a website which doesn’t look amateurish. We ended up having to find these ourselves. Current support is essentially chat. Practical support is lacking.”

Mentorship programmes were also criticised. While some young people eulogised about the value of their mentors, others reported being matched with veteran entrepreneurs whose advice and insights, though well intentioned, were not relevant to their own business. One young entrepreneur in the food industry recalled his surprise and disappointment at being placed with a mentor who had been an ex-finance director in the transport sector.

Conversely, a number of young entrepreneurs held a greater preference for advice and support that came from other young entrepreneurs – those who had only recently started up and whose experiences chimed with their own. As one young entrepreneur put it:

“You need honest guidance, ideally from people who’ve been through the process fairly recently... not just somebody who started a business 20 years ago.”

This may indicate potential difficulties for the new MentorsMe scheme, which is based on a formal matchmaking process between experienced mentors and nascent entrepreneurs. As the Sutton Trust recently revealed, certain types of mentoring can be worse than no mentoring at all.⁴²

The inequality of social capital

Taken together, this suggests that personal connections – and importantly the capacity to make use of these connections – are vital to the success of young entrepreneurs in starting and running their business. Such social capital opens up the doors to new markets, better sources of finance, practical assistance, more relevant advice and better suppliers.

It is of some concern then that social capital does not appear to be particularly widespread. Some of the young people we spoke with relied on family connections to get started – something that cannot be said of everybody:

“We were very fortunate in our early days. We had a pretty prestigious law firm help us out, just give us a lot of free advice. One of the lawyers there was a friend of my family, and he kind of helped us out, walked us through it at the beginning stages.”

“A lot of the expertise and guidance, whether helpful or not, we were able to get access to because my business partner went to a very good school... lots of his friends have access to the right sorts of people for what we’re doing. So do his parents as well.”

The latest results from the RBS Youth Enterprise Tracker Poll point to the same issue. 27 per cent of the 18-30 year olds surveyed said they needed better networks, compared with 16 per cent of the general population.⁴³

Likewise, while some spoke of having the grit and “gumption” to manage connections effectively – for instance in assertively dealing with clients – others indicated a relative absence of such a capability. A support organisation representative we spoke with described some of their participants as being “scared of doing something wrong”, whether in getting their product out to market or sharing their ideas with others.

What follows is that formal services should be most important for, and attentive to, the areas and groups where social capital is relatively sparse. It is somewhat worrying then that a number of support mechanisms appear to cater better for those with existing entrepreneurial connections and know-how. One entrepreneur put it succinctly when he remarked that support schemes “are available only to those who look for them.” Another young entrepreneur described the support he received as “ridiculously middle class”, since it overwhelmingly appeals to and attracts affluent young people.

⁴² For more information see <http://www.suttontrust.com/news/news/poor-mentoring-can-be-worse-than-no-mentoring-new-toolkit/>
⁴³ RBS Group (Dec 2012) RBS Youth Enterprise Tracker (conducted by Populus).

Implications for young enterprise support

This section has illustrated how entrepreneurship is much more of a team game than an individual pursuit. Business partners are eulogised by young entrepreneurs as a source of both emotional and practical support, and there is a high value placed on personal contacts and the types of practical help they can provide – often in the form of reciprocal favours. This stands in contrast to some support services and mentorship programmes, which are seen by some as too pedestrian. Access to this rich network of support, however, is dependent on having sufficient ‘social capital’ – that is, existing connections and the nous to expand and make use of them.

We offer the following recommendations to nurture social capital where it is lacking and capitalise on it where it is available:

- **Support co-founding initiatives that help young people find business partners** – Good business partners are hard to find, particularly for young people who are only just starting out. To ease the matchmaking process, we advocate the expansion of co-founding initiatives such as the Founders Hive at Google Campus. This invites people to pitch business ideas to a diverse audience of potential backers and partners who are then able to link up afterwards. Platforms such as CoFoundersLab seek to facilitate matchmaking online as well as face to face.
- **Nurture the favour economy among young entrepreneurs** – Fledgling entrepreneurs rely on favours from others to grow their business on a shoestring, whether in designing a website or getting legal advice. These connections depend mostly on serendipitous encounters and knowing the ‘right people’. Government and support organisations could do more to channel young people to organised exchange platforms such as the Barterplace run by Enterprise Rockers (See Box 6). For a small fee, this enables cash-strapped entrepreneurs to search for a particular type of assistance among thousands of members, and to put forward their own offer in return. Similarly, support organisations and university enterprise programmes could do more to bring together their participants to network, share learning and exchange favours.
- **Encourage well-established businesses to incubate young entrepreneurs** – Bright young entrepreneurs could be housed within SMEs and other established businesses for mutual benefit. Young people gain access to invaluable connections, expertise and infrastructure, while larger firms benefit from fresh thinking and the challenges posed by a disruptive organisation. Only recently, The New York Times established timeSpace, a new initiative opening up their office space and expertise to media start-ups that would have originally been seen as a commercial threat (See Box 7). On a smaller scale, Livity in the UK has run a number of events to partner incubator businesses with young people starting up. Support organisations and university enterprise services should follow these examples and attempt to match their young entrepreneurs with relevant businesses in their local area.
- **Establish a corporate venturing league table** – Entrepreneurial staff within organisations are vital to the vibrancy and competitiveness of UK companies, as well driving performance in the public and voluntary sector in tough times. To encourage corporations, and public and voluntary sector institutions to nurture such ‘intrapreneurship’, data could be collated and published showing the number of spin-offs and ventures that organisations have created, incubated and/or invested in. This would support the Government’s objective to encourage greater initiative and employee ownership of service improvement, as well as building strong innovation pipelines and employer brands.

Box 7: timeSpace by The New York Times

timeSpace is a new initiative set up by The New York Times to incubate up and coming media start-ups in their New York headquarters.⁴⁴ The successful candidates will be able to grow their business over a 4-month period with access to office space, technology, networks and the expertise of newspaper staff. If the business turns out to be a viable proposition, the newspaper may pilot their products or services as part of its own activities, or even buy equity in the company. timeSpace is seen by The New York Times as a way of stimulating innovation in media services and staying ahead of their competitors “in the midst of unprecedented change.”

⁴⁴ For more information see <http://www.nytimes.com/timespace/>

Where next for young enterprise in the UK?

Balancing the discourse of entrepreneurship

We began this short study by laying out the twin obstacles hindering the growth of young enterprise in the UK today. First, there is a significant gap between the numbers of young people who say they want to start a business and the numbers who actually go on to do so. Second, a large proportion of those who do eventually start a business cease trading not long afterwards.

Government and support organisations have taken valiant steps in response to these difficulties. Money has been pumped into the system to ease liquidity and channel funding to those wishing to create a new business, most notably through the flagship StartUp Loans scheme. Campaigns such as Business in You have been launched to raise the profile of entrepreneurship and encourage more young people to consider starting up. Advice and information schemes have also been strengthened, for instance through the launch of the national MentorsMe programme and the consolidation of Business Link services. Though these examples are national, similar efforts are being initiated at a grass roots level, whether within local authorities, universities or enterprise support services.

Our findings indicate that some of these interventions, though well intentioned, are grounded too heavily in one discourse of entrepreneurship at the expense of another less conventional, and more marginal one. While some young people will live up to the conscious, meticulous and lone stereotypes that are so synonymous with entrepreneurship, many others will not. Rather, they will stumble into a business 'accidentally', start up on a shoestring budget and with an imperfect product, and rely on a whole host of other people – mostly personal acquaintances – to get them to where they want to be (see Box 8).

We have found that there is more than one way for young people to start and run a business. Yet it is clear that current efforts to help young entrepreneurs are geared noticeably towards those taking the more conventional entrepreneurial journey. The level of debate around the availability of start-up finance ignores the large numbers of young people who prefer to bootstrap their way through the initial stages of their business. Likewise, the effort spent in establishing formal mentorship schemes belie the preference that many young people have for more informal support, namely from friends and other close acquaintances their age. More broadly, the language used by support services may alienate and serve to discourage young people who do not tend to associate themselves with the label and image of the 'entrepreneur'.

Box 8: The conventions and unconventions of young enterprise

Aspect of young enterprise	Conventional discourse	Unconventional discourse
Inception	<p>The conscious entrepreneur</p> <p>Entrepreneurship is a conscious career path chosen by people at a young age. Young entrepreneurs seek out a gap in the market and build their business around it</p>	<p>The accidental entrepreneur</p> <p>Young people often ‘stumble’ into entrepreneurship in serendipitous ways. The driving factors are fundamentally social and emotional, rather than monetary.</p>
Start-up	<p>The meticulous entrepreneur</p> <p>Entrepreneurship requires meticulous planning and strategizing. Young entrepreneurs need a solid business plan and enough finance to get their operations off the ground.</p>	<p>The lean entrepreneur</p> <p>Building a business can be achieved on a lean business model based on bootstrapping and rapid product/service iterations. Young entrepreneurs are averse to relying on external finance.</p>
Relationships and support	<p>The lone entrepreneur</p> <p>Entrepreneurs are largely self-reliant, hardnosed individuals who are capable of making something out of their own skills and business nous. Relationships are there to further the business.</p>	<p>The collaborative entrepreneur</p> <p>Entrepreneurship is a team game rather than a collective endeavour. Entrepreneurs derive great value from business partners and other personal connections. Informal support is preferred over the formal kind.</p>

Less heat, more light

Taken together, this suggests that the current provision of entrepreneurial support, though generous and extensive, is somewhat misdirected. Indeed, the plentiful nature of the provision may be an issue in itself. In his 2008 report for the then Shadow Cabinet, the entrepreneur Douglas Richard took issue with what he considered to be the burgeoning size of the UK’s ‘enterprise support industry’.⁴⁵ According to Richard, the number of small business support schemes operated by government at the time of writing numbered 3,000 and cost some £2.5bn. His recommendation was to pare back support and leave only a limited role for the state, for instance in providing information through Business Link services.

Though Richard focused mainly on cost, the real issue here is not the amount of money spent but rather the way it is spent. Channelling money to highly visible schemes such as a new national mentorship system may be symptomatic of a wider attitude that sees grand policy solutions as the best way to achieve objectives. The idea that multimillion-pound interventions can bring about much of an impact, however, is increasingly disputed by the likes of public policy experts such as Paul Ormerod, John Kay and Nassim Nicholas Taleb, who see them as inefficient and overly rigid.⁴⁶ What is more, the larger the policy, the more likely it is to be framed by the dominant discourse and skewed by stereotypes.

⁴⁵ Richard, D. (2008) *Op cit*.

⁴⁶ See, for example, Taleb, N. N. (2012) *Antifragile: Things that gain from disorder*, Random House; Ormerod, P. (2010) *N Squared: Public policy and the power of networks*, London: The RSA; and Kay, J. (2011) *Obliquity: Why our goals are best achieved indirectly*, Profile Books.

For a complex challenge such as that to stimulate greater levels of young entrepreneurial activity, what is needed is not necessarily large-scale 'elegant' solutions but rather 'clumsy' ones that are built on experimentation at a grass roots level and which go with the grain of young entrepreneurs' real experiences, however unconventional they may sound.⁴⁷

Recommendations for young enterprise support

Our findings indicate that there can and should be another way to support young enterprise in the UK – one that is more nimble and better attuned to the unconventional entrepreneurial journeys taken by many young people. Laid out below is a summary of the recommendations listed throughout this paper, all of which are designed to help more young people become successful entrepreneurs. Underlying these recommendations is an attempt to challenge and change the outdated and potentially harmful culture that currently surrounds enterprise.

- **Launch a 'myth-busting' marketing campaign to change the culture surrounding enterprise** – Culture is one of the biggest barriers stopping young people from starting a business. Too many young people do not associate with the dominant language and imagery of enterprise, which is out of sync with the reality of everyday life for young entrepreneurs. Young enterprise support organisations should club together to launch a marketing campaign that challenges the myths surrounding enterprise. This should be led by support organisations rather than government, and involve high quality marketing and branding expertise.
- **Broaden the definition of 'entrepreneurialism'** – We should redefine the very notion of entrepreneurialism. Government and non-state support services should promote a more inclusive definition that encompasses more entrepreneurial activities, for instance running home businesses and selling craft products. The aim would be to encourage more young people to come forward and access support by making the entrepreneur label easier to associate with.
- **Seek out potential entrepreneurs in unconventional spaces** – Rather than relying on self-defined entrepreneurs to find support services, more effort should be taken to unearth potential entrepreneurs in unconventional spaces, for instance by promoting entrepreneurialism to young employees who might create a spin-out from their current company. Outreach needs to mean reaching out to people who haven't even considered setting up a business yet, not just to those who have.
- **Embed entrepreneurial learning in all levels of education** – Enterprise education is often bolted on to school curricula and university courses as an appendage. It therefore does not cater well for 'accidental' entrepreneurs not in search of it. We advocate the 'entrepreneurial learning' model proposed by the likes of the Gazelle Group, which attempts to develop among all young people the "T-shaped" personal competencies of networking, creativity and acting on opportunities that are integral to any future career path, including entrepreneurship.
- **Establish micro-loans to help young entrepreneurs test business proof of concepts** – Without developing and testing prototypes with real customers, young entrepreneurs are in danger of building a business that is liable to sink when launched. Greater efforts should therefore be made to channel proof of concept funding to would-be entrepreneurs. One option would be to ring fence and market a portion of the Start-Up Loan Scheme funds for low cost prototype loans of a few hundred pounds – something that could be a precursor to a larger loan.

47 Grint, K. (2008) 'Wicked Problems and Clumsy Solutions: the role of leadership' in *Clinical Leaders*, Vol 1 (2).

- **Reengineer support services to cater for the lean, bootstrapping style of young entrepreneurs** – Government and non-state support services should revise their activities in light of the popularity and perceived effectiveness of the 'lean start-up model'. In practice, this would mean advisors spending less time helping fledging entrepreneurs prepare a business plan for external finance, and more effort encouraging and enabling them to build and test prototypes in the market.
- **Stoke demand for the products and services of young entrepreneurs** – Government efforts to support young entrepreneurs are typically centred on the likes of campaigns, finance, mentorship schemes and entrepreneurial education; all of which are on the 'supply side' of support. More action should be taken on the demand side of young enterprise support. Young entrepreneurs could be built into supply chains, for instance by altering council procurement exercises. A more substantial action is for local authorities, mayors' offices and LEPs to create new marketing and networking opportunities for young entrepreneurs to meet potential customers.
- **Support co-founding initiatives that help young people find business partners** – Good business partners are hard to find, particularly for young people who are only just starting out. To ease the matchmaking process, we advocate the expansion of co-founding initiatives such as the Founders Hive at Google Campus. This invites people to pitch business ideas to a diverse audience of potential backers and partners who are then able to link up afterwards.
- **Nurture the favour economy among young entrepreneurs** – Fledgling entrepreneurs rely on favours from others to grow their business on a shoestring, whether in designing a website or getting legal advice. These connections depend mostly on serendipitous encounters and knowing the 'right people'. Government and support organisations could do more to signpost young people to organised skill exchange platforms such as the Barterplace run by Enterprise Rockers.
- **Encourage well-established businesses to incubate young entrepreneurs** – Young entrepreneurs could be housed within SMEs and other established businesses for mutual benefit. Young people would gain access to invaluable connections, expertise and infrastructure, while the firms would benefit from fresh thinking and the challenges posed by a disruptive organisation. Such a scheme could learn from the timeSpace initiative, which has opened up the office space and expertise of The New York Times to media start-ups.
- **Establish a corporate venturing league table** – To encourage corporations, public and voluntary sector institutions to nurture such 'intrapreneurship', data could be collated and published showing the number of spin-offs and ventures that organisations have created, incubated and/or invested in.

Box 9: Principles for young enterprise support organisations

Alongside specific recommendations, our findings point to broader principles that could help inform the support provided to young people by national and local organisations operating across the country:

Rehumanise entrepreneurship – Dispel the myth that setting up a business is only for a certain type of person. Encourage more people to see themselves as entrepreneurs and make it more about the activity than the persona. Change the language of support services to accommodate those less familiar and comfortable with the idea of entrepreneurship.

Speak to the unconverted – Look for potential entrepreneurs in unlikely spaces, including hobby clubs, STEM and humanities degree courses, and graduate career placements. Wherever possible, embed enterprise support directly within the activities they are already doing, not as a bolt-on course that they are unlikely to see or benefit from.

Trim excess support – Be wary that not all support is good support. Too much can be as bad as too little. Only offer advice, funding, mentorship and other forms of assistance when they are necessary. Focus limited resources on the most difficult stages of young people’s entrepreneurial journeys.

Cover the spectrum of the business life cycle – Provide or sign post support to young entrepreneurs at all points along their entrepreneurial journey, from inception, to start-up, to acceleration. Take care that entrepreneurs further down the line are not left to their own devices.

Encourage interaction with the market – Know that planning can only prepare young entrepreneurs so much. Urge people to get experience and test their ideas in the real world by selling their product or service as soon as they can, even if that means failing small. Activity in the market should be seen as a form of education in itself.

Harness hidden assets – Tap into the latent informal assets that surround budding young entrepreneurs. This includes the advice, information, finance and physical space that family, friends, other entrepreneurs and the wider community could share. Formal support should go with the grain of these assets and make use of them wherever possible.

Place outcomes over outputs – Measure the number of young entrepreneurs engaging in trading and track their survival rates, not just the amount of people who have been through the support process. The number of business plans written and training workshops attended reveal very little about the effectiveness of support programmes.

Next steps

We hope that this report stokes a wider discussion about the way in which we as a society perceive entrepreneurship. As we have shown, our ability to support more young entrepreneurs to start and run a successful business is dependent on how accurate these assumptions are. Any efforts to improve young enterprise support – whether provided by government, support organisations or others – must acknowledge that there is no one entrepreneurial journey that young people follow. Some will need finance to start; others won’t. Some will prefer formal mentors; others would rather rely on informal contacts.

The RSA and RBS will continue to engage with these issues and challenge entrenched assumptions, critically examining existing support and suggesting ways in which it could better serve the needs of young people. The next publication from our Inspiring Enterprise partnership, the Young Enterprise Manifesto, will show how we have engaged with support organisations to take this agenda forward.

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