



Youth Enterprise: Unlocking Ambitions, Creating Growth



How young entrepreneurs in the UK fare against leading enterprise nations

In association with:





Foreword

Andrew Devenport CEO, Youth Business International

Almost 73 million young people worldwide are searching for a job, and young people are three times more likely to be unemployed than adults. We are facing a worsening youth unemployment crisis.

Entrepreneurship can be part of the solution to this crisis – as a means not only for young people to create a job for themselves, but also to create employment for others.

As a global network dedicated to helping young people start their own businesses, understanding how challenges for young people vary from country to country is immensely important to Youth Business International (YBI).

Only by understanding these challenges can we work out how to deliver effective support to young people who want to start and grow their own businesses. If we fail to do this, we let down young people who have the talent, but lack the means to become entrepreneurs.

This new report, in partnership with Shell and Global Entrepreneurship Monitor (GEM), explores how the UK can learn from other leading enterprise nations. It shows that whilst the UK has made good progress in supporting young entrepreneurs, much more needs to be done.

Youth Business International is committed to helping the UK's young entrepreneurs as best as we can. Our long-standing UK member is youth charity, The Prince's Trust, whose Enterprise programme supports unemployed young people aged 18-30 to work out if their business ideas are viable and whether self-employment is right for them. We also recently welcomed Start-Up Direct to our network, and we look forward to helping the organisation grow.

This week is, of course, Global Entrepreneurship Week (GEW) – the world's largest campaign to promote entrepreneurship. Each year, it plays a critical role in encouraging the next generation of entrepreneurs to consider starting up their own businesses and helping grow early stage start-ups.



Youth Business International is proud to host GEW in the UK in partnership with Barclays, as well as in 10 other countries through our network members, including Australia, Canada and Uganda.

This year marks 10 years of a week of enterprise dedicated to providing individuals and start-ups with practical help and support. Through this initiative, millions of people around the world – young and old – have been able to take a step forward in their entrepreneurial journey.

The UK was a leading world player in recognising the importance of a large-scale campaign to energise entrepreneurship. Let's work together to ensure that this country can continue to be a frontrunner in supporting young entrepreneurs.

Andrew Devenport November 2013

Ed Daniels Chairman, Shell UK Executive Vice President, Downstream Technology

Put simply, the future health of our economy, and our competitiveness on the world stage, depends on the UK's young people setting up successful businesses.

The Prime Minister has said that it is "by backing them, and backing their aspirations that [the UK] will be able to compete and thrive in the global race."

We have a hugely rich resource of skilled youth in this country, who dream of starting a business. The challenge comes in transforming these dreams into a reality. It IS hard to start a business. But, given the importance to the future of our economy – both short and long term – helping young budding business minds has to be a priority for everyone concerned.

Shell LiveWIRE was launched 31 years ago to help address high levels of youth unemployment in the Strathclyde region of Scotland. Three decades on, and the programme has awarded over £5 million and helped approximately 600,000 young people in the UK explore the possibility of starting their own business. Shell LiveWIRE aims to champion creativity and innovation, and foster a culture of peer support that has led our online community to grow to over 230,000 members.

At Shell, we recognise that we can always learn more about how we support young people to take that first step in setting up their own business. This report aims to get a better understanding of the UK's potential next generation of entrepreneurs – their ambitions, their barriers to business, their potential – and, crucially, how this compares to other countries.

We are delighted to partner with Youth Business International, an organisation that shares our passion for helping young people set up their own business, in launching this report. We wanted to launch it during Global Entrepreneurship Week, a time when the country comes together to celebrate the success of our business minds.



Thank you to Youth Business International, the Global Entrepreneurship Monitor and the Shell LiveWIRE team for their work in analysing the data, and writing this report. It shines a spotlight on an area which is critical for the success of our economy. We are already using these findings to help shape and evolve the support which Shell LiveWIRE offers budding entrepreneurs in this country. And we hope that other organisations find it just as useful. It's on us – companies such as Shell, charities such as Youth Business International, policy makers and educational institutions – to help young entrepreneurs turn those business dreams into reality. And, ultimately, help transform the UK into a world beating economy.

Ed Daniels November 2013

Executive Summary

"In a land of opportunity, it's easier to start your own business."

This report reveals that, compared to a number of countries, the UK is not making the most of its entrepreneurial talent-base at the expense of potential job creation, economic growth and international competitiveness.

Our analysis shows that the UK has large numbers of young people who have the potential and the skills to be successful business owners and wealth creators – a powerful combination. However, for a variety of reasons, just a fraction of these would-be business-owners are acting on their talents and ambitions to start up their own companies. Moreover, of those who do set up a company, young UK entrepreneurs are more likely than their counterparts in other countries to hit a "growth glass ceiling" – potentially curtailing job creation.

The implications of failing to mobilise the full potential of our talent base are serious – posing a major obstacle to achieving the enterprise-led growth called for by the Prime Minister and putting the UK at risk of being outpaced on the global stage.

About the research

This report is based on research conducted by the Global Entrepreneurship Monitor (GEM). It focuses on comparing and contrasting young people in the UK with other leading enterprise nations: Brazil, US, China, France, Netherlands, Germany and Singapore. Each of the national teams participating in the Global Entrepreneurship Monitor conducted the survey with a random representative sample of at least 2,000 people in the age bracket of 18 - 34 years.

Prime Minister David Cameron, speaking at the Conservative Party conference, October 2013.

Key findings

- There is a significant gap between entrepreneurial potential and entrepreneurial activity – One in five young people in the UK consider themselves to be potential entrepreneurs. Yet, only one in 27 have actually established an active business which is paying at least one salary. This rate of conversion is well behind other countries such as Singapore and China.
- Young people in the UK lag behind on high growth business – None of the young entrepreneurs surveyed had created a business which employed more than 20 people, which is behind most of the other countries surveyed.
- Being an entrepreneur is seen as a "poor career choice" – Only one in two young people consider entrepreneurship to be a good career choice, whereas young people in France, the Netherlands and Brazil are much more positive in their belief that setting up a business is a good career choice.
- Fear of failure is a major barrier to business Two in five young people in the UK believe fear of failure can stand in the way of starting a new business.
- Young people score highly on innovation One-third (34%) of young business owners in the UK believe their business to be innovative – more so than young entrepreneurs in Germany, Singapore and the Netherlands.

UK young people are not converting entrepreneurial potential into economic reality

A significant proportion of young people in the UK consider themselves to be potential entrepreneurs, with nearly one in five (18.2%) believing that they have the skills to start a business and perceive business opportunities.

However, only one in 27 young people in the UK (3.6%) has set up a business that has been in existence from 3 – 42 months and is paying at least one salary (Table 1). Furthermore, just one in 20 young people (5.3%) in the UK is a nascent business owner, i.e. actively involved in setting up

a business, or already own a business which has not yet paid wages.

Worryingly, this UK conversion rate of potential to actual entrepreneur is lower than countries such as Singapore, China and the Netherlands. Singapore has a lower percentage of young people that consider themselves potential entrepreneurs, but over 80% actually turn their potential into actual business activity. Put simply, compared to other countries, the UK is not making the most of our entrepreneurial pipeline.

Table 1: The pipeline of young entrepreneurs

Potential entrepreneurs

Percentage of the youth that believe that they have adequate entrepreneurial skills and who perceive business opportunities.

Intention¹

Percentage of the youth that intend to exploit these opportunities and express an intention to start a business.

Nascent entrepreneurs

Percentage of youth actively involved in setting up a business or who already own a business but whose business has not paid any wages or salaries for 0 – 3 months.

New entrepreneurs

Percentage of the youth that are owners/managers of an active business that has been in existence from 3 – 42 months and are paying salaries and wages.

| Brazil | 31.3% | Brazil | 42.9% | United States | 8.4% | Brazil | 12.3% |
|----------------|-------|-----------------|-------|----------------|------|----------------|-------|
| United States | 24.9% | | 29.7% | | 6.9% | | 10.0% |
| China | 20.6% | France | 29.5% | Singapore | 6.3% | Netherlands | 5.7% |
| France | 20.0% | Singapore | 18.3% | United Kingdom | 5.3% | United States | |
| United Kingdom | 18.2% | United States | 15.9% | Brazil | 5.1% | United Kingdom | 3.6% |
| Netherlands | 18.1% | United Kingdom | 13.8% | France | 4.8% | Singapore | 3.5% |
| nethenarius | | onneed kingdoni | | | | | |
| Germany | 14.2% | Germany | 11.6% | Netherlands | 4.3% | Germany | 2.3% |
| | | | | | | | |

1. Since GEM asks whether individuals intend to pursue a business opportunity in 3 years' time, it would be appropriate use the entrepreneurial intentions rate for 2009. This figure could then be compared to the TEA for each country in 2012 to provide an indication as to how many intentional entrepreneurs actually started a business in 3-years' time, however, due to practical constraints Figure 1 represents the intentional entrepreneurs, nascent and new businesses for 2012.

"Raymond Huang, YBS National Director, believes that young people in Singapore receive high levels of education."

Singapore's Entrepreneurial Pipeline

Why is Singapore so successful at converting potential into actual business activity among young entrepreneurs?

1. Financial support: Sources of funding for new businesses include equity, debt funding, angel investors, venture capitalists, IPOs, government, and private companies and individuals. SMEs can also access government funding through grants, e.g. the Action Community for Entrepreneurs Start-up grant.

2. Government: National policies are business-friendly in terms of administration and tax, and the interests of nascent and new businesses are considered.

3. Education and training: There are many excellent and high-impact government education programmes aimed at early-stage entrepreneurship. The education system encourages creativity, self-sufficiency, personal initiative, and the development of skills that prepare students to start up a business. The impact of these programmes may not lead to immediate entrepreneurial actions by students. Instead, students may start up a business later in life after acquiring more necessary skills, financial reserves, work experience and contacts.

89% of entrepreneurs supported by YBI member, Youth Business Singapore (YBS), have received higher education. Of these, 65.5% have degrees. Even if their degrees are not in Business, students often register for business management or basic business courses. Raymond Huang (above), YBS National Director, believes that young people in Singapore receive high levels of education; well-qualified teachers inspire students to pursue entrepreneurship; and students are good at calculating risk².

4. Access to infrastructure: Physical infrastructure, such as road links, utilities, and communication links, is accessible and provides good support for new and growing firms.

2. http://www.ntu.edu.sg/nieo/Documents/GEM%202012%20Singapore%20Report%20(final).pdf

Growth "glass ceiling": high growth entrepreneurship does not really exist among young people in the UK

Prime Minister David Cameron has spoken frequently of the need for an "enterprise-led recovery".

"The spark of initiative, the courage to make your dream happen and the hard work to see it through. There's only one strategy for growth we can have now and that is rolling up our sleeves and doing everything possible to make it easier for businesses to grow, to invest, to take people on. Back small firms. Boost enterprise. Be on the side of everyone in this country who wants to create jobs, and wealth and opportunity."³

When it comes to youth entrepreneurship, research reveals the UK has a long way to go if it is to be seen as really stimulating high-growth entrepreneurship.

None of the entrepreneurs surveyed had created a business offering employment to 20 or more people. It is this 'missing breed' of high growth entrepreneurs that make a disproportionate contribution to job creation. This compares to 4.2% in Germany, 4.1% in the United States and 3.3% in the Netherlands. However, it is promising that the UK does have the highest percentage of businesses creating between six and 19 jobs (Table 1) of the countries under review.

On a positive note, the research reveals that the aspiration for high growth business is there. Over ten

percent of young business owners (11.2%) intend to employ more than 20 people over the next five years, while one out of five youth-owned businesses in the United Kingdom intends to create between six and 19 jobs over the next five years.

The UK is only just behind the USA in the proportion of young entrepreneurs who have high growth aspirations, and is substantially above the Netherlands. Young entrepreneurs in Singapore have the highest growth aspirations, with nearly onefifth aiming to create 20 or more jobs over the next five years. The report suggests that it is important that the UK's youth-owned businesses are nurtured because young people tend to have more aggressive growth expectations than adult business-owners. According to the data, one out of ten adult-owned businesses intends to create between 6 and 19 jobs, and seven percent of adult business-owners intend to create more than 20 jobs.

It is therefore encouraging that the next generation of entrepreneurs are bullish about their future job growth potential. But, worryingly, the current track record suggests that our young entrepreneurs are hitting a wall when they become a mid-sized company. It reveals yet another gulf between aspiration and reality for young business minds in the UK.

Table 2: Actual job creation of youth businesses

| 1 job | | 2 - 5 jobs | | 6 - 19 jobs | | 20+jobs | |
|----------------|-------|----------------|-------|----------------|------|----------------|------|
| | | China | 35.6% | United Kingdom | 6.3% | | |
| United Kingdom | 86.2% | | | | | | |
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| | | United Kingdom | 7.5% | | | | |
| | | Germany | 2.6% | | | United Kingdom | 0.0% |
| | | | | | | | |

Table 3: Growth aspirations of young entrepreneurs

Low growth expectations

Percentage youth owned businesses that expect to create 5 jobs or less

Medium growth expectations Percentage youth owned businesses that expect to create between 6 - 19

High growth expectations

Percentage youth owned businesses that expect to create 20 or more jobs

| Brazil | 88.2% | Singapore | 22.5% | Singapore | 18.1% |
|----------------|-------|----------------|-------|----------------|-------|
| Netherlands | 85.5% | France | 22.4% | | |
| China | 80.5% | United Kingdom | 21.5% | United States | 11.3% |
| | 71.0% | United States | 18.7% | United Kingdom | 11.2% |
| United States | 70.0% | Germany | 15.7% | France | 11.1% |
| United Kingdom | 67.4% | Netherlands | 11.8% | China | 9.4% |
| France | 66.4% | China | 10.1% | Brazil | 3.1% |
| Singapore | 59.5% | Brazil | | Netherlands | |

Ben Allen, Founder, Oomph Wellness

Shell LiveWIRE's Young Entrepreneur of the Year 2012 is proof that young UK entrepreneurs can push through the growth 'glass ceiling'. Using a £1,000 grant from the Shell LiveWIRE Grand Ideas Award, Ben founded Oomph Wellness in 2011 as a business offering exercise, dance and art therapy sessions for the elderly in the care sector. Today Ben is employing 45 people – comprising a core team of nine plus 36 sub-contractors. The company delivers exercise programmes to over 15,000 people per month and has exported to Hong Kong, with further sights set on New Zealand.

Despite starting small within Scarborough, a matter of months later Ben had subcontracted trainers into nearby Whitby and Bridlington. A year on he won the Shell LiveWIRE Young Entrepreneur of the Year Award and used the £10,000 to grow the business nationally.



In Ben's view, achieving success is about leveraging the networks available to you – he secured pro bono legal and accountancy advice through Shell and other organisations, adding significant scale to his business rapidly.

Having a vision for where you see the business five years down the line is essential to staying on track. In the case of Oomph Wellness this drive came from a desire to create long lasting social change, something Ben is certainly achieving.

Encouraging innovation in Shanghai, China

Giving young people the ability to explore their entrepreneurial passions is a vital stepping-stone in the journey from thinking about being an entrepreneur to actually becoming an entrepreneur.

In China, the Shanghai Yangpu Pre-Incubator Service Centre is trying to provide such a bridge. The Centre, surrounded by universities in the Yangpu district of Eastern Shanghai, enables people to explore entrepreneurship in a risk-free environment.

The Service Centre comprises about 1000 square metres of facilities, including computers, shared conference rooms, and a printing centre. It can accommodate more than 120 ventures at any one time, and supports aspiring entrepreneurs with business counselling.

The initiative, run by YBI network member, Youth Business China, also lends capital to selected



Young entrepreneur Michael Zhang explains his successful high-tech business, supported through the business incubator, to YBI CEO Andrew Devenport.

entrepreneurs - up to 200,000 Yuan (£20,000) for start-up businesses. Many of the businesses developed in the Service Centre are highly innovative, as the young entrepreneurs take advantage of the pre-incubator to try ideas that they might not otherwise have tried.

Entrepreneurship is not seen as a good career choice

Nearly half (43.6%) of young people surveyed in the UK don't think that entrepreneurship is a good career choice. This is significantly higher than many other countries, including China, Netherlands, Singapore and France (see Table 4). This is worrying. Every young person with the potential to start a business, who chooses not to because they don't think it's a good career choice, is a loss to our economy. Yet, the large majority (81.6%) of young people in the UK believe that individuals growing a successful new business receive a higher status – a greater percentage than in other European countries in this report.

This report identifies increasing concern that television programmes such as *The Apprentice* and *Dragons' Den*, which glamorise entrepreneurship and emphasise a brand of high-stakes, high-risk style of business, may actually be putting off budding young entrepreneurs from starting up a business. One of the possible reasons for this is the impression that entrepreneurs need a considerable amount of equity investment – which is often a non-starter for many. Also, young people's perception of what a successful entrepreneur is like, is being shaped by the big success stories, like Sir Richard Branson, Deborah Meaden, Peter Jones or Sir Alan Sugar. For many, the worry is that if they can't emulate these success stories, they shouldn't bother trying.

Furthermore, the idea that starting a business isn't a good career choice could first have been seeded when our young adults were children. The Global Entrepreneurship Monitor has consistently rated entrepreneurship education at

primary and secondary school levels as poor across almost all countries. Regardless of the level of education within economies, the type of education offered does not seem to promote entrepreneurship. Building on this research, the report suggests that developing a better awareness of entrepreneurship through the media and a greater focus on entrepreneurial skills within the UK education system could improve how young people view entrepreneurship as a career choice, and increase the number of young people that act on their entrepreneurial potential.

Media coverage could help to counter this narrow version of entrepreneurship by not just focusing on a few very successful entrepreneurs but on a more representative sample of "real" entrepreneurs. This would also encourage young people to take a step forward with their entrepreneurial ambitions. However, our analysis suggests that media in the UK appears less likely to write about entrepreneurship than countries such as Brazil, the Netherlands, China and Singapore.

Popular Brazilian entrepreneurship magazine Pequenas Empresas & Grandes Negócios (PEGN) has a circulation of 100,000 - reflecting enthusiasm for entrepreneurship as a career choice, especially among the young. The role media can play in creating a positive attitude about entrepreneurship as a viable way to achieve business success cannot be underestimated. In the case of PEGN, 70% of readers plan to start a business within a year.⁴

| What percentage of you a business is considere | ung people believes that starting d a good career choice? | What percentage of you growing a successful no | ung people believes that people ew business receive high status? |
|---|--|---|---|
| | | | |
| | | United Kingdom | 81.6% |
| | | | |
| | | | |
| | | | |
| United Kingdom | 56.4% | | |
| | | | |
| | | | |

Table 4: How do young people perceive entrepreneurship?

 $4. \qquad http://www.multimediausa.com/resources/consumer-magazines/Pequenas-Empresas-Grandes-Negocios.pdf$

Fear of failure continues to be a major issue in developed countries

"I've not failed. I've just found 10,000 ways that won't work."

Thomas Edison

A significant proportion of young people in the UK (42.4%) believe that fear of failure is a barrier to starting a new business.

Concern about setting up a business is only natural, as there is of course risk involved. But it is not inevitable that this concern should stop people following their dreams of becoming an entrepreneur. Fewer young people in China and Brazil believe that fear of failure will stand in the way of starting a business. Also, older people in the UK are more confident about being an entrepreneur with only 32% seeing fear of failure as a barrier to starting a business. As a society, the UK needs to help young people see that "failure" is a sometimes a fruitful corollary to entrepreneurship. It is a learning experience, and an important pathway to business success. Almost every successful entrepreneur celebrated in the media has "failed" in some way at some time. Their strength is turning this into a learning experience, and building from there.

Fear of failure was found to be a significant barrier for young people in other countries as well. This presents us with an opportunity: if we can make young people in the UK feel supported, and find a way of conquering their fear, more new businesses could be set up. This could potentially allow the UK's youth to steal a march on their international counterparts.

Table 5: Fear of failure

The percentage of young people who believe that fear of failure can prevent individuals from starting a new business.

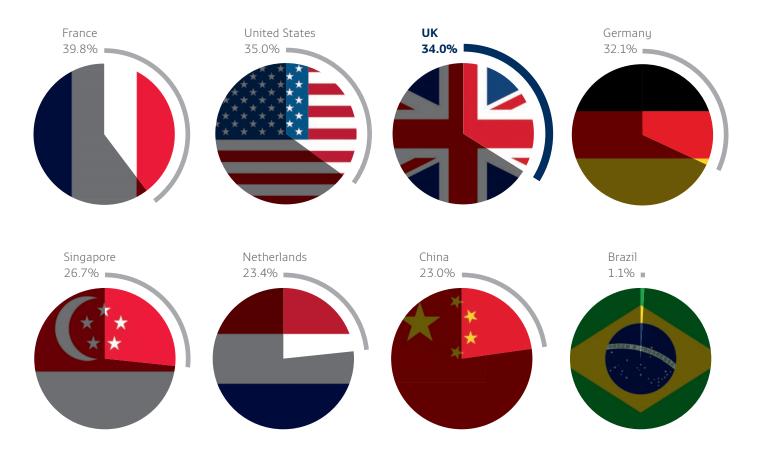
| China | 30.3% |
|----------------|-------|
| Brazil | 33.4% |
| United Kingdom | 42.4% |
| Singapore | 44.2% |
| Netherlands | 44.0% |
| | 45.5% |
| France | 47.9% |

Young entrepreneurs in the UK display high levels of innovation

This report looked at not only the quantity of young entrepreneurs, but also at the quality. Our analysis shows that the UK's young people fare strongly when it comes to how innovative they believe their business ideas are – ahead of Germany, Singapore and only just behind the US. A third of youth-owned businesses in the UK perceive their product or service to be new to some or all customers and believe that few or no other businesses offer the same product. It was also found that innovation-orientation in the UK tends to be higher among youth owned businesses. This is of relevance to the UK economy because innovative companies are expected to perform better in terms of turnover, exporting goods and services and organisational growth. For example, France has less entrepreneurial activity overall amongst its young people, yet that activity can be considered to have a greater impact on growth given that they have a very high level of innovation.

Table 6: Innovation

The percentage of young people who consider themselves to have developed a new product or service



Conclusion

There is no question that a high volume of successful young entrepreneurs makes a huge difference to a country's economy and where it stands on the world economic stage. The UK has huge potential – both in terms of quantity and in terms of quality – for high growth youth businesses. But on too many occasions this talent is not being channelled into real companies.

For the sake of these young aspirational business leaders, and the UK's economy, Youth Business International and Shell, based upon the results from GEM, asserts that more has to be done to support young entrepreneurs at four distinct points:

- Starting up we need to increase our conversion rate of potential entrepreneurs into active businesses, and do so now. We need to work harder at identifying hard and soft support for those young people, who have the ambition and the ideas, to help them take the first steps to follow their dreams.
- Scaling up for those young entrepreneurs who are running their own businesses, we need to find a way of helping them to break through the apparent "glass ceiling", which is acting as a brake on their ambitions for high growth.
- Societal perception of being an entrepreneur the idea of what an entrepreneur is, and how infallible an entrepreneur has to be, must be challenged. We need to widen young people's perception of what a successful business-owner

looks like, so that they have the confidence to both bring their companies to life, whether they plan to provide employment for themselves, create a worldbeating business, or be something in between.

• Youth education – we need to start early. Young people in the UK are asked to start thinking seriously about their potential future careers as early as 14 years old, when they choose their GCSE subjects. The understanding of what an entrepreneur is must be weaved into our education system from the beginning so it is seen as a viable career choice from an early age.

Our young people are one of our richest resources. These young business minds are the ticket to a sustained economic recovery, and future global economic competitiveness. But, like with any natural resource, this potential and energy needs to be drawn out and leveraged to its full extent. Initiatives such as Shell LiveWIRE and YBI's two members in the UK – The Prince's Trust and Start-up Direct – play a vital role in helping young people turn their ideas into successful profitable businesses. But, as we've seen, more needs to be done.

Policy makers, initiatives such as Shell LiveWIRE, charities such as YBI, and the media must work together to ensure that more young people don't just dream about entrepreneurship, they are able to do it. It just makes business sense.







Front cover images show (from left to right):

Shell LiveWIRE entrepreneur, Jules Quinn, founded the Newcastle-based business The *TeaShed, which is a design-led tea company "born and brewed in Britain". The *TeaShed, founded nearly 2 years ago, has speciality teas imported from Sri Lanka; teaware; gifts and homeware.

Shell LiveWIRE entrepreneur, Ben Allen, founded Oomph Wellness in the UK 2011 – a business employing 45 people and which offers exercise, dance and art therapy sessions for the elderly in the care sector. The company delivers exercise programmes to over 15,000 people per month and has exported to Hong Kong.

Youth Business China entrepreneur, Wenhui Ma, started Yi Xin Yuan Folk Culture Company which is located in the Islamic region of northern China. Her handicrafts business employs over 90 women in her community, and her products are exported internationally.

Page 14 images show (from left to right):

With the support of The Prince's Trust, a member of Youth Business International, Claire Foster was able to set up Superjuice, a mobile juice and smoothie bar in Taunton. Her business grew to include porridge, hot juices and home-made soups.

Food inventor Charlie Harry Francis is owner of Lick Me, I'm Delicious – a company specialising in frozen treats, including custom ice-cream creations.

Page 15 images show (from left to right):

With support of The Prince's Trust, a member of Youth Business International, Emma Reilly was able to overcome bullying and mental health challenges to set up a successful design company in Newcastle, north east England.

The Prince's Trust, a member of Youth Business International, has supported Lisa Dunlop to open her own beauty business, Beauty Secrets, which is located in a busy area of Belfast.

Zida Xie is a young entrepreneur supported by Youth Business International member, Youth Business China. He heads Shenyang Lear Environmental Engineering Company, specialising in environmental engineering and waste water treatment.

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Youth Business International

www.youthbusiness.org