



# **The NES Follow-up Survey 2006: An Evaluation of the Experiences of New Entrepreneur Scholars and their Businesses**

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## Executive Summary

### Background

The New Entrepreneur Scholarships (NES) were developed through a Treasury initiative to identify how enterprise agencies and business schools could work together to promote an enterprise culture in disadvantaged areas. The programme aims to turn viable business ideas into sustainable businesses. It consists of three main elements: a start-up personal and business development programme, financial support and on-going mentoring. NES was piloted and evaluated in 2000 before being rolled out to all nine English regions in 2001-2.

The Big NES survey was conducted in October and November 2004 to investigate the opportunities provided through NES and to identify outstanding barriers faced by Scholars in founding a viable new business. The current research sought to build on the Big NES survey by conducting a longitudinal assessment of how characteristics at start-up relate to business performance and other outcomes from the programme. It particularly addresses the most fundamental question of whether NES has been merely an interesting experiment or whether it would have a confident future. Our evaluation has shown that not only the New Entrepreneur Scholarships are highly effective in moving participants into business start-up but also in establishing some sustainable/successful businesses.

This summary focuses on the results from the NES Follow-up survey, but a considerable component of it involves comparison between their responses and those of the Big NES survey. The data for both studies derive from self-completion postal questionnaires, completed by NES Scholars followed the programme up until August 2004.

### Methodology

The NES Follow-up survey was conducted through postal and web surveys in July and August 2006. It included the NES Scholars who responded to the Big NES survey and had given consent to take part in future NES research. Of the 467 participants in wave 1 (the Big NES survey), 184 responded to the wave 2 survey (NES Follow-up survey). This is a response rate of 39.4%

Our methodology of following a group of NES Scholars through two surveys means that this research has produced rare longitudinal data useful to trace the NES Scholars journey from setting up to running a successful business. To allow longitudinal data analysis, each respondent's identity was ensured by including a unique identification number. This enabled us to link the current responses to the earlier survey responses. To elicit some of the important missing data, the respondents were contacted again after inputting the data. 138 out of the 184 responded were contacted and relevant information was recorded.

The sample represents similar proportions of male and female led businesses. NES Scholars are drawn from all ages in the working population although a large majority were between 30 and 50 years, with the average age of a NES Scholar being 39.5 years. Over three quarters of the respondents were white and the remaining are from a variety of ethnicities. Scholars are also from a wide range of educational backgrounds with a total of 52.5 percent qualified to at least NVQ level 4. Only a small minority reported being disabled. Respondents were unequally distributed in the nine regions in England, with the North West representing the highest population and the East Midlands making the lowest survey representation.

## Outcomes for NES Scholars

- NES is highly effective in moving participants into business start-up and subsequent retention of their trading status. Currently almost all survey respondents were actively involved in starting a business (9.8 percent), were running their business (76.6 percent) or had opened a business that subsequently closed (6.5 percent). Only 7.1 percent had decided not to start a business. Overall, there is an increase in the number reported as running a business since the Big NES survey. While, 91 percent of those who were running a business had maintained their trading status, 65.5 percent of those who were setting up a business had made the transition to formal trading between the two waves of research. Few Scholars that closed the business had also resumed trading since the last survey.
- Participation in NES resulted in significant changes to the labour market situations of NES Scholars. The proportion of Scholars describing themselves as currently unemployed (11.4 percent) down by 37.0 percentage points compared to the 48.4 percent when joined the programme. The proportion who was self-employed or in business rose by 55.5 percent points from 15.2 percent when Scholars joined NES. Labour market changes are highly significant for Scholars who are running a business. Those who reported running a business, just under 1 percent described themselves as economically inactive.
- Only a sixth (15.8 percent) of the responses are economically inactive at present when compared to over half (55.9 percent) when joining NES programme. A significant majority of respondents (95.0 percent) who were economically active at the time of the Big NES survey had maintained their economic activity and over a half of the respondents (53.3 percent) of the economically inactive moved to economic activity.
- Scholars are working widely varying number of hours in their business. Only a quarter of Scholars work part-time (30 hours or less) and over half of the respondents report working longer than is common in full time employee positions (over 40 hours a week). 11.5 percent worked more than 60 hours a week. The number of respondents currently working exceptionally long hours has reduced and more have moved into part time self-employment status since the last survey.
- Quality of work opportunities generated through running a NES business is mixed. Half reported that if they did not consider the option of becoming self-employed with the NES business, their current financial situation would be a little or a lot better. A majority (67.4 percent) of those running a business also believe that their quality of life would be better without the NES business with only a significant minority see NES business as the reason for their high quality of life. However, of those who closed the business believed that both their financial situation and quality of life had improved as a result of business start-up.
- The results suggests that the overwhelming motivations for continues entrepreneurship have been an amalgam of a desire for being independent of a boss and having freedom to adapt their own approach to work. Only as little as 13.1 percent chose to remain in business as self-employment is a family tradition. Very few also reported that having access to indirect benefits such as tax exemptions motivate them to continue trading.

- The majority of Scholars expressed a nuanced and critical understanding of business opportunities and were personally committed to pursuing enterprise opportunities. Scholars also appreciate that there are risks involved in running a business but believe that it is valuable to generate business experience, even if the business does not work. In particular, they believe that business experience have long term positive impacts and adds to their employability.

### **Living Costs**

- Only a few Scholars drawing a living wage from their businesses. Although the Scholars are making higher drawings from their businesses now than in the first year of trading, they are still not satisfied with the level of drawings they could make from their businesses to cover their living. Still almost a half of the Scholars make no or less than £2,500 drawings a year. Other common sources of living costs were wages from a job, tax credits, loans and other debts and other family support. The probability of a Scholar making higher drawings from the business is positively linked to, among other things, the business turnover and length of trading. There is a 25.8 percent point increase in those who used drawings from the business in the last year and at start-up towards their living costs.

### **Childcare**

- A third of Scholars live with children aged under 16. Most parents in the sample had children of either pre-school or primary school age. Almost all parents had some childcare role and nearly half were the main carers for their children. More NES Scholars with children now have more of a 'childcare block' to trading than before. Although the Scholars at the time of the start-up were expecting to use more informal strategies to combine childcare and trading, they now had to rely on costly means including paying for childcare and limiting work to part time hours to cope with childcare needs. The number of Scholars taking their children out on business or to business premises had decreased sharply since the last survey, although still a third take children to business premises occasionally.

### **Networking**

- Most Scholars actively engaged in social and some business networks. Networking with family members is the most common method of discussion for a majority of respondents. A similar proportion also reported that they fairly or very often contact their friends or current work colleagues, including partners and employees. Of all other groups, respondents most often had interactions were with business customers. Very few interacted with other NES entrepreneurs, and of those who made contacts, this was a less frequent option. NES business advisors, mentors and staff was the least common group of people that NES Scholars meet to discuss their business matters.
- Scholars expressed a number of benefits as a result of networks. A majority of respondents benefited from the moral support as a result of network interactions. A high proportion also agreed that interacting with network members helped them to gain useful industry information. They also appreciate the business strategy advice and business referrals as a result of network participation, although only a minority often benefited from these in the past. It is noteworthy that a sizeable minority (37.7 percent) of Scholars found networks not supported at all in seeking finance for the business and only as little as 7.1 percent of the respondents had benefited from financial support quite often.

## NES Businesses

- In average NES businesses have been trading for 29 months. Of those who have been running a business, 60.3 percent have been trading for more than 2 years. Almost 10 percent trading for 4 or more years indicating that some NES businesses have long term sustainability.
- Although the staff numbers in NES businesses have increased since start-up, most are still small operations. Since start-up, the owner-manager employment status has changed from being the only staff to a status where the owner is managing one or more full/part or casual staff at present. The average number of employees in a NES business is 1.55 (full time equivalent) compared to 1.1 full time equivalent employed at start-up. A majority of the businesses do not have a partner, premises or sub-contractors, a similar proportion some 21 months ago.
- The businesses started by the NES Scholars are largely operating in the service sector. Just under a 20 percent of the businesses were in manufacturing although many of these businesses include a strong service element. Almost three quarters of the NES businesses are sole traders. A notable minority is organised as a limited company. The strategy most frequently pursued by the NES businesses is the service efficiency strategy. Through offering contemporary, attractive, high quality products, these businesses were trying to give their customers a better service and a greater product choice than competitors. Development and utilisation of process or product technology as the basis for establishing competitive advantage was considered by only a significant minority of businesses.
- Scholars reported less competition for their business in the market place and agreed the fact that there is substantial untapped market potential that their NES business can tap into. The industry that a majority of NES businesses serving are in a high growth stage of development although there is a lot of differences between firms in the market they serve in terms of product quality, customer service and marketing strategy.

## Business Investments

- NES scholars have put additional investments since they had started their NES business. Current investment in NES businesses ranged widely, from £200 to £255,000. Just under a quarter of businesses reported a total investment under £5,000. The average investment for NES business at present is £17,779. By far the most common source of business investment was NES/other grant funding with 83.4 percent reported using NES/Grant funding. Personal investment was also a key source of investment for a majority of Scholars. The mean personal investment had increased by almost 50 percent with the median personal investment doubled between the 2 waves of research. Investments from enterprise loans, bank/private loans and loans from family/friends had decreased since wave 1, suggesting that the respondents had paid off some of their debts.
- Of the 103 respondents who said they did have enough money to *start* their business, 65 percent disagreed that they have enough money to *run* a viable business and indicated the need for additional investment.
- Scholars were divided in their opinions of whether it is difficult to raise finance for their business. Just over a third did not agree with the majority and reported that raising

finance for their businesses is not a difficult task for them. However, there is a strong correlation between those who did not report difficulties raising finance for their business and those who made higher personal investments. Overall, the majority of the respondents had supply side constraints when raising finance for their business and this is particularly the case when seeking finance from external sources.

- The mean values for the business investments indicates that it is not the skills and competence that is lacking in entrepreneurs to raise the finance they need for their businesses but that they do not make enough contacts or devote enough time to seek funding opportunities, some demand side constraints.
- Few Scholars managed their resource needs using means other than external finance by practicing different kinds of financial bootstrapping methods. Although these methods are not very popular among Scholars, of those who used, they found the methods very useful. Of those who used bootstrapping techniques, methods concerning sharing and borrowing resources from other businesses is the most common whereas managing business finance through managing taxes is the least common.

### **Business Performance**

- Of those running their business, 82.1 percent reported a last year's turnover of over £5,000. Almost a half had over £20,000 turnover and this includes 22.1 percent of the Scholars in trading who reported turnover of over £50,000
- The data indicates a sharp increase in turnover for a majority of businesses between the two waves of research. The average turnover for a NES business had increased from £12,453 in 2004 to the current average turnover of £34,066 per business. The median turnover changed from just £2100 in 2004 to the current median of £17,000 per business. In 2004, half of these Scholars had less than £5,000 turnover, with only a quarter making over £15,000 turnover. A significant minority had a turnover of over £50,000. In 2006, just a quarter reported a turnover of less than £5,000 and over half reported turnovers of over £15,000. The proportion of Scholars making over £50,000 turnover in their last year of trading had increased from just 5.5 percent in 2004 to 20.1 percent in 2006. Currently, a total of 7.1 percent reported business turnover of over £100,000 and three respondents in this group particularly making very high turnovers of up to £350,000.
- Despite the fact that NES businesses are running successful businesses at present (if the business turnover is taken as a success measure), a majority of Scholars said that they are unsatisfied with the present performance of the business in terms of their turnover (60.7 percent), cash flow (54.7 percent), drawings (68.1 percent) and profits (71.7 percent). However, Scholars are optimistic about making higher turnovers in the future.

### **Future aim of the business**

- Of those running a business, 85.1 percent said that their main aim for the next 2 years is to see a business growth. To remain about the same size is a less favourite option for a majority. A significant minority aimed to sell the business (1.4 percent), hand on the business (1.4 percent) or close the business down (2.1 percent) within the next two years. None consider reducing the size of the business as an option for the near future.

- Those who aim to grow their business had made higher turnovers in the last year whereas for those who wanted to consider handing on or closing down their business in the next two years were not making good turnovers. Surprisingly, those who want to remain about the same size were also making above average turnovers at present.

Overall, to a certain extent this survey was successful in providing some evidence of the long-term outcomes of the programme for both Scholars and their businesses. Our main conclusion is that the NES programme is highly effective in moving Scholars, including the unemployed, into self-employment or business and that the NES businesses are making higher turnovers than before. Scholars are highly motivated and demonstrated strong commitment to remain in self-employment, although their quality of life has decreased since business start-up. Most Scholars wanted to see their business grow in the future, although most of the businesses are still trading on a small scale and are largely run solely by the owner. Although the businesses are generating higher turnovers and had experienced sales growth over the years, they face difficulties in generating enough profits to provide Scholars with drawings equivalent to a living wage. Under-investment (lack of resources) and childcare are the key barriers for Scholars to run a viable business.

## 1.0 Introduction

### 1.1 The New Entrepreneur Scholarship (NES) programme

The New Entrepreneur Scholarship (NES) programme provides support to people from disadvantaged areas and backgrounds to start a new business. Research<sup>1</sup> and experience indicate that people from disadvantaged areas or socially excluded backgrounds tend to find it more difficult to access support and finance to help them develop successful small businesses. Although these groups of people often have the acumen to succeed in business, a lack of opportunities often prevents or deters start-up. The New Entrepreneur Scholarship programme was therefore developed to address inequality in support and to reduce the common barriers to starting a business for those living in the most disadvantaged areas.

NES programme was developed through a Treasury initiative and has been championed by the Chancellor of the Exchequer as part of the Labour Government's regional regeneration and social inclusion agendas. Funded by the Learning and Skills Council (LSC) and operational in England only, NES has supported over 5,000 'Scholars' since its pilot in 2001. Management of the programme is contracted to a partnership led by the National Federation of Enterprise Agencies (NFEA) and includes the Association of Business Schools (ABS) and the Prince's Trust. The programme is administered through regional partners and delivered by a variety of local agencies.

The NES programme is similar to other enterprise programmes currently operating in Britain (e.g. the Prince's Trust) in that it provides a modular package of pre-start-up guidance and training, start-up funding and on-going mentoring. However, while most other programmes offer grants and loans on a discretionary basis, NES Scholars each have access to a specific start-up fund. The value of this has varied over time. Following a recommendation from an evaluation of the pilot programme<sup>2</sup>, the start-up fund was established as £3,500. However, in 2004 this was reduced to £2,500 and, in 2005, it was decreased again to the current level of £1,500.

In 2006 the NES programme has been extended to offer a further 1,250 scholarship places to new entrepreneurs in deprived areas.

The guidelines for the management of the scholarship state that the overall aims of the NES programme are to:

- Further the Government's desire to encourage successful entrepreneurial activity.
- Improve the quality of management of businesses or to provide increased employment and educational opportunities.
- Improve business survival rates.
- Develop a programme closely geared to the needs of entrepreneurs from disadvantaged areas.

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<sup>1</sup> Department for Work and Pension (2004), Opportunities for All, Sixth Annual Report; SBS(2004), A Government Action Plan for Small Business: The Evidence Base, DTI: London; Social Exclusion Unit (1999) PAT3: Enterprise and Social Exclusion, OPDM, London

<sup>2</sup> Watson, A. Owen, G. and Stuart, N (2003), "Assessing the Effectiveness of New Entrepreneur Scholarships", DFES Publications, Nottingham, UK

- Provide role models of successful self-starting entrepreneurial activity in disadvantaged areas.
- Assist in widening participation at universities.
- Create a programme that draws on the prestige and breadth of business schools, links to the community and experience of dealing with start-ups from enterprise agencies and The Prince's Trust and draws on practical knowledge developed by established entrepreneurs.

## **1.2 The Big NES survey 2004 (Wave 1 research)**

The Big NES survey is a national survey of all participants on the New Entrepreneur Scholarship programme. The survey was conducted between October and November 2004 and incorporated two methods of data collection: a postal survey and a web survey. The survey included all NES Scholars since the programme's inception in 2001 for whom contact details were available

The Big NES survey particularly sought to investigate the opportunities provided through NES and to identify outstanding barriers faced by Scholars in founding and sustaining viable new businesses. Five questions, in particular, were addressed in the survey. These include:

1. What are NES participants' backgrounds?
2. Why are NES participants motivated to start a business?
3. What resources do NES participants have to start and sustain their businesses?
4. What barriers do NES participants face in starting and sustaining their businesses?
5. What are the outcomes for NES participants?

The survey report highlighted that overall, the NES programme was highly successful in moving participants into business start-up, out of unemployment and into economic activity. However, NES businesses were largely young and small operations and only a few Scholars were making a living wage from their businesses. It was also reported that the majority of Scholars found the NES programme as helpful and the programme was successful in meeting the Scholar's on-going support needs. Almost half of all Scholars reported that they did not have enough money to start a viable business and that they would like to receive increased NES funds, access to NES or other loan funds and advice on how to find alternative sources of funding. Scholars however indicated that they are optimistic about their business and expecting a strong business growth in the future.

A number of important areas of further research have emerged from the Big NES survey. It was revealed that a further tracking of the outcomes for Scholars and NES businesses would be useful both to inform policy and entrepreneurship research.



### **1.3 NES Follow-up survey (Wave 2 research)**

The Big NES survey recommended a second evaluation of the NES programme during 2006 to track outcomes for NES Scholars and businesses in the longer-term. The NES Follow-up survey was therefore conducted through postal and web surveys in July and August 2006 (field work was undertaken during a six week period). It included the NES Scholars who responded to the Big NES survey and had given consent to take part in future NES research. The survey was sponsored by the Learning and Skills Council (LSC) and conducted by Dr. Julia Rouse and Dr. Dilani Jayawarna at the Centre for Enterprise at Manchester Metropolitan University Business School (MMUBS). The researchers were not involved in running the NES programme at MMUBS and this ensured that the research is independent of the NES programme. The researchers were also aided by Mark Sanders, MMUBS's Web Development Manager, in conducting the web survey and Dr. Helen Crompton in editing of the final report. The NES Follow-up survey was initiated by George Derbyshire, Chief Executive of the National Federation of Enterprise Agencies (NfEA).

The investigation was designed to relate the NES Scholars to NES businesses, notably the changes to Scholars status and business outcomes since the Big NES survey in 2004. The information presented will be interest to a variety of audiences, from those engaged in enterprise development policy to both nascent entrepreneurs and small business owners/managers.

### **1.4 Aims of the Survey**

Most of the respondents in the Big NES survey indicated that they are prepared to take part in future research. The NES Follow-up survey therefore sought to build on the Big NES survey by conducting a longitudinal assessment of how characteristics at start-up relate to business performance and other outcomes from the programme. It particularly aimed to track outcomes for NES Scholars and their businesses in the longer-term. Such an analysis would be useful to answer the most fundamental question of whether NES has been merely an interesting experiment or whether it would have a confident future.

Seven key questions were addressed in the survey, as follows:

1. What are the characteristics of NES businesses?
2. How do NES Scholars finance their businesses and cover their living costs?
3. What barriers do NES participants face in sustaining their businesses?
4. What are the outcomes for NES participants to date in terms of:
  - Business survival and performance.
  - Making a living wage.
  - Change in work status.
  - Financial/quality of life situation.
5. Why are NES participants motivated to remain in business or in self-employment?
6. How has the level of business understanding changed since business start-up?
7. What are the aims of the NES businesses in the future?

## 1.5 Structure of the Report

This report sets out the main findings from the analysis of the NES Follow-up survey in 2006, along with some comparative analysis of the findings from the Big NES survey in 2004. The survey covered a representative sample of NES Scholars who completed their NES qualifications by September 2004.

The research methodology, an analysis of response bias and the profile of the respondents are provided in Chapter Two. Chapter Three addresses the current status of the NES supported businesses, business resources and the business experience of the NES Scholars. Chapter Four reports the characteristics of the NES businesses including their business strategy and market competition. Chapter Five analyses the data related to financing both the NES businesses and the NES Scholars while they are in their business. Chapter Six is based upon the work histories provided by all respondents, tracing the movement of the Scholars into the labour market after the NES programme. The stability and pathways to current work statuses were addressed in depth and the current financial situation and quality of life of the NES Scholars were assessed in comparison to the Scholar's status before starting the NES programme.

Chapter Seven examines the main indicators used to measure the 'success' of the NES businesses, presenting findings from a detailed analysis of the current and previous business turnovers and the Scholars level of satisfaction with a number of performance indicators. Chapter Eight pursues the question of where the NES businesses want to be in the future. Chapter Nine is devoted to the subject of business networks and their outcomes. How to deal with children and childcare while in business is addressed in Chapter Ten. Chapter Eleven investigates the Scholars motives to remain in business or self-employment and explores the relationship between motivation and business outcomes. Chapter Twelve examines the Scholar's beliefs about the openness of business opportunities, their perception of business risks and their personal commitment to small enterprise to assess whether NES has helped to develop an enterprise culture. Finally, Chapter 13 attempts to bring all of these findings together by posing the question "*Whether NES has been merely an interesting experiment or whether it would have a confident future*", exploring in particular the outcomes of NES Scholars and businesses using the longitudinal data from the Big NES survey and the NES Follow-up survey.

## 2.0 Methodology

Using a survey methodology, this research sought to develop a longitudinal dataset through which the experiences of both the NES Scholars and the NES supported businesses could be investigated and the outcomes of the programme could be analysed.

In this NES Follow-up survey, the NES participants surveyed in 2004 (the Big NES survey) were resurveyed in 2006, 21 months later. The survey methodology was preferred over exploratory case study methodology for this research due to a number of reasons. First, the Big NES survey recommended a second evaluation of the NES programme to track outcomes for NES Scholars and businesses in the longer term. Survey methodology allows collection of longitudinal data for this purpose. Second, as NES is a national programme, for a comprehensive assessment of the outcomes of the programme it is important to cover the nine regions of England. This demands contacting as many Scholars as possible from each region – strength of the survey methodology. Third, because the Big NES survey included all NES Scholars up to the Sep. 2004 Cohort, to allow comparisons, the follow-up survey needed to contact the entire population of the Big NES responses and survey methodology was the most cost effective means of collecting data.

A postal survey was selected in preference to a telephone survey primarily due to budget limitations. The postal survey was supplemented with a web-survey – an innovative method introduced in the Big NES survey to overcome the primary limitation of the postal survey, its relatively low response rates. All the Scholars who responded to the Big NES survey and had given consent to take part in future research were first contacted in July 2006 with the postal questionnaire and an email giving the instructions to use the web-survey. The non respondents were then followed up with a telephone call, and where appropriate, a telephone interview after two weeks of the initial contact. A telephone interview with those who preferred it was conducted to elicit the same information as in the postal questionnaire. Of the 467 participants in wave 1(the Big NES survey), 184 responded to the wave 2 survey (NES Follow-up survey). This is a response rate of 39.4%.

The methodology of following a group of NES Scholars through two surveys means that this research has produced rare longitudinal data useful to trace the NES Scholars journey from setting up to running a successful business. To allow longitudinal data analysis, each respondent's identity was ensured by including a unique identification number. This enabled us to link the current responses to the earlier survey responses. To elicit some of the important missing data, the respondents were contacted again after inputting the data. 138 out of the 184 responded were contacted and relevant information was recorded.

### 2.1 Questionnaire Design and Piloting

The questionnaire was developed to address the key research questions posed in section 1.4. To allow comparisons with the Big NES survey data, some questions in the Big NES survey were repeated. However, for repeated questions, where applicable, the questions were re-phrased and highlighted the key points to ensure that the most relevant and accurate interpretation of the questions were made by the respondents.

Questionnaire design followed the same principles used in the Big NES survey, which included restrictions to the length of the questionnaire (no more than 8 pages), coloured prints, 'brochure' style and accessibility for Scholars with learning difficulties.

The questionnaire was piloted in three waves. First, members of the Centre for Enterprise, including both researchers and administrative staff, were observed completing the survey. Second, the survey questionnaires were given to 12 NES Scholars who attended an event organised by the Centre and was asked to complete the questionnaire and comment on its length, design, their interpretation of the questions and the possible reasons for non-responses. Several changes were made to the question wording and the questionnaire layout as a result of these pilot surveys. Third, a group of researchers were contacted using emails giving the information to access the web-survey, and were asked to complete the web survey and comment on its accessibility, design and ease of data entering. This was useful as many shortcomings in terms of recording the data produced by the web-survey were identified and actions were taken to ensure the collection of accurate data.

The 12 NES participants in the pilot study were asked to comment on the benefits of offering an incentive to participate in the NES survey. Almost all agreed that they would be more likely to take part in the survey if an incentive was provided. As a result, the follow-up survey prize draw was introduced. The Big NES survey also included a similar prize draw. In the questionnaire, the respondents were given the opportunity to provide their name and contact details, if they wanted to enter their names in the prize draw. This was therefore optional as respondents could also decline to enter the prize draw. A first prize of £250 and two runner-up prizes of £100 were offered. At the end of the questionnaire the respondents were asked whether they would like to be contacted for future research. In the covering letter to both postal and web-surveys, full assurances were given that the lead researchers would hold the data and not inform NES or any other agency/partners. Assurances were also given that the outputs produced from this research will not breach the anonymity of the individuals and that providing contact details would not breach the confidentiality of the research. After the survey was completed, the three prize winners were selected at random and awarded with their prizes.

## **2.2 Sample Selection and Sample Size**

The original sample was compiled through NES local databases provided by the Regional partners. All 2,315 scholars with contact details were contacted in October 2004 first with the postal questionnaire, followed by the web-survey. 529 scholars responded to either postal or web-survey, representing 22.9 percent of the total population.

Of these 529 Scholars, 467 agreed to participate in future NES research. All 467 Scholars were contacted in the NES Follow-up survey. The strategy of following-up the respondents to the Big NES survey who agreed to take part in future research has both advantages and disadvantages. This strategy provided the operational advantage of following-up an existing cohort and provides the chance to trace the transitions of individual respondents across the two surveys (The Big NES survey and NES Follow-up survey). The key disadvantage is that the non-respondents to the Big NES survey will be excluded, including any under-represented groups and new cohorts.

The proportion of the survey population in each region is outlined in Table 2.1 in section 2.4.

## 2.3 Postal and Web survey

During July 2006, all 467 Scholars were sent a coloured-printed postal questionnaire, covering letter and a pre-paid envelope. Two weeks later, Scholars were also sent a reminder letter, including information about how to take part in the web-survey. The web survey posed the same questions as on the postal questionnaire. Scholars for whom a current e-mail address was available were also sent an email, first to give the information to take part in the web-survey and second to remind them to participate in either the postal or web survey. A live link to the web-survey was included in these e-mails.

Some questionnaires (29 in total) were returned because of out of date postal addresses. 13 of those who have changed their addresses have however responded to the web-survey. A further 30 Scholars responded to the web-survey.

## 2.4 Response rates

In total, 467 questionnaires (out of the 529 responding to the Big NES survey 62 did not want to be contacted again for NES research) were posted. 144 paper based questionnaires and 43 web-survey questionnaires were returned. Data clearing, however, indicated that 8 had participated twice in the survey (either by participating in both postal and web survey or by submitting multiple responses to the web-survey). Duplicate files were deleted, leaving a total of 184 responses to the survey. This represents a 39.4 percent of the sample of Scholars to whom a questionnaire was sent. Response rates varied between the regions from a low of 31.1 percent in the North West to a high of 52.6 percent in Yorkshire & Humber. Although the North West represented 26 percent of the original sample, they represent the region with the lowest response rate. Yorkshire & Humber had the lowest response rate in the Big NES survey

**Table 2.1: Response rate based on the Region**

Region	Original sample	Original sample Percent	Respondents to NES Follow-up survey	Percent	Response rate (%)
East	29	6.2	12	6.5	<b>41.4</b>
East Midlands	18	3.8	7	3.8	<b>38.9</b>
London	78	16.6	34	18.5	<b>43.6</b>
North East	58	12.4	29	15.8	<b>50.0</b>
North West	122	26.0	38	20.7	<b>31.1</b>
South East	42	9.0	16	8.7	<b>38.1</b>
South West	53	11.3	21	11.4	<b>39.6</b>
West Midlands	37	7.9	14	7.6	<b>37.8</b>
Yorkshire & Humber	19	4.1	10	5.4	<b>52.6</b>
Total	456	97.2	181	98.4	
No answer	11	2.8	3	1.6	
<b>Total</b>	<b>467</b>	<b>100.0</b>	<b>184</b>	<b>100.0</b>	<b>39.4</b>

## 2.5 Data Analysis

The data was input, cleaned and checked for inconsistencies. Responses with incomplete answers were contacted over the phone to clarify issues and to fill missing data. This helped to improve the quality of the data. The wave 1 data from the Big NES survey was merged with the wave 2 data using the unique identification number given to each respondent. Data was analysed using SPSS version 12.0. For data consistency between the two waves, some variables were modified or new variables were created, for example for investment types and living costs. This was useful for comparative analysis. Graphical presentations were done, where appropriate.

## 2.6 Response Bias

To investigate any systematic bias in the response to the second wave of the NES survey, some of the respondent characteristics were compared at the two waves.

As can be seen from the tables 2.2 - 2.8, there is little difference between the distribution of characteristics across the two survey respondents. The main exception to this relates to ethnicity variable where it shows that respondents with white ethnic background at wave 1 were more likely to be respondents to wave 2 than were those who were non-whites. Binomial tests also suggest that apart from the ethnicity variable none of the variables provides statistically significant difference between the two waves at 5% level of significance. This provides some assurance that there is no or minimal response bias in this survey sample.

**Table 2.2: Survey participants, waves 1-2, by gender**

<b>Gender</b>	<b>Survey participants: wave 1 (%)</b>	<b>Survey participants wave 2(%)</b>
Male	50.7	53.0
Female	49.3	47.0
<b>Total</b>	<b>529</b>	<b>184</b>

**Table 2.3: Survey participants, wave 1-2, by Scholar's age**

<b>Age groups</b>	<b>Survey participants: wave 1 (%)</b>	<b>Survey participants wave 2*(%)</b>
16-29	24.9	23.2
30-49	63.1	65.2
>50 years	11.7	11.6
<b>Total</b>	<b>529</b>	<b>184</b>

\* the age at the time of the Big NES survey (wave 1) was reported

**Table 2.4: Survey participants, wave 1-2, by ethnicity**

<b>Ethnicity</b>	<b>Survey participants: wave 1 (%)</b>	<b>Survey participants wave 2(%)</b>
White	72.0	79.3
Non white	21.9	15.8
Missing	6.1	4.9
<b>Total</b>	<b>529</b>	<b>184</b>

Missing includes 'rather not say' and those who have not responded to this question.

**Table 2.5: Survey participants, wave 1-2, by level of education**

Level of education	Survey participants: wave 1 (%)	Survey participants wave 2(%)
No qualification	5.4	3.9
NVQ1 or equivalent	1.7	1.7
NVQ2 or equivalent	22.5	19.9
NVQ3 or equivalent	20.9	22.1
NVQ4 or equivalent	46.5	49.2
NVQ5 or equivalent	2.9	3.3
<b>Total</b>	<b>529</b>	<b>184</b>

**Table 2.6: Survey participants, wave 1-2, by Region**

Region	Survey participants: wave 1 (%)	Survey participants wave 2(%)
East	6.3	6.6
East Midlands	4.1	3.9
London	17.8	18.8
North East	12.7	16.0
North West	25.2	21.0
South East	9.4	8.8
South West	11.9	11.6
West Midlands	8.6	7.7
Yorkshire & Humber	4.1	5.5
<b>Total</b>	<b>529</b>	<b>184</b>

**Table 2.7: Survey participants, wave 1-2, by business start-up stage**

Stage of business development	Survey participants: wave 1 (%)	Survey participants wave 2(%)
Developing business plan	14.4	12.0
Setting up the business	25.9	22.8
Running the business	49.3	54.3
Decided not to start the business	6.4	6.5
Closed the business	2.6	3.3
No answer	1.3	-
<b>Total</b>	<b>529</b>	<b>184</b>

**Table 2.8: Survey participants, wave 1-2, by business turnover**

Last years turnover	Survey participants: wave 1* (%)	Survey participants wave 2**(%)
No turnover or up to £9,999	69.9	68.2
£10,000-£24,999	16.7	18.2
£25,000-£49,999	7.8	8.1
>£50,000	5.8	5.4
<b>Total</b>	<b>529</b>	<b>184</b>

\*all participants to the Big NES survey was included in the analysis and the data represents the last year turnover as reported in the Big NES survey

\*\*only those who responded to the NES Follow-up survey was included but the data represents the last year turnover as reported in the Big NES survey.

## 2.7 Sample Profile – Respondent Characteristics

Just over half (53.0 percent) of respondents were male (table 2.2). The survey sample therefore appears to show that female Scholars are slightly under represented.

After making adjustments to account for differences in the timing of data collection, the majority of respondents (69.6)<sup>3</sup> were between 30 and 50 years old. The mean age was 39.5. The youngest Scholar was 21 years whereas the eldest was 67 years old. Just 16.6 percent of the respondents were 50 or older.

Over three quarters (79.3 percent) of the respondents were White (see table 2.4). The majority of the remaining 15.8 percent categorised their ethnicity as Black/Black British (7.1 percent). A further 4.9 percent indicated they were of Asian/Asian British ethnicity. Seven respondents identified themselves as having an ethnic background other than white, black/black British and Asian/Asian British.

When respondents were categorised to analyse their highest overall qualification in terms of NVQ equivalents<sup>4</sup>, a total of 52.5 percent were found to have qualified to at least NVQ level 4. The standard of qualifications in this group of respondents includes HND, undergraduate degree and postgraduate certificates, diplomas or degrees. A small proportion of respondents (5.6 percent) were either qualified at NVQ1 or did not report any qualification at all (see table 2.5)

Of the 180 who chose to answer the question on disability, only 7.8 percent (14 scholars) said they consider themselves to be disabled. 10 out of the 14 disabled scholars were men and over half (57.1 percent) had claimed to be qualified to NVQ level 4 or above.

Respondents are unequally distributed in the nine regions in England as explained in table 2.1 and table 2.6. A majority are from the North West (21.0 percent) followed by London (18.8 percent), the North East (16.0 percent) and the South West (11.6 percent). Scholars from the East Midlands are the least represented in the survey (only 3.9 percent responded)

The sample is fairly evenly divided in terms of marital status, with nearly one half living with a partner (51.5 percent) and the other half *not* living with a partner. Of those who do not live with a partner, a large proportion were single (37.7 percent) with a further 10.8 percent separated or divorced. A total of 35.3 percent were married, and more than double this number of respondents was living with a partner.

The sample representation in terms of the NES Cohort they belong is strongly skewed towards the recent groups of NES Scholars. Just over 60 percent of respondents were from the NES Cohorts 5 or 6 – between Sept. 2003 and Sept. 2004<sup>5</sup>. Only 1 scholar represented the NES pilot carried out in 2000-July 2001. The rest of the sample was from Cohorts 1-4 (39.1 percent).

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<sup>3</sup> Age at the time of the NES Follow-up survey

<sup>4</sup> this was done using a classification employed in the Labour Force Survey

<sup>5</sup> the Follow-up survey contacted only those responded to the Big NES survey carried out in Sept. 2004



### 3.0 Current Status of NES Businesses

This chapter presents an analysis of the stage of business development and business resources. Business resources included analysis of the staff numbers, both currently and at start-up and whether businesses have partners, premises and sub-contractors. It also compares the current stage in business start-up and the business start-up stage at wave 1. Further analysis of the length of trading and Scholars' experience in business start-up are also included.

#### 3.1 Current stage in business start-up

Respondents were asked to indicate which stage they were at in terms of starting the business that NES supported. Just over three quarters of respondents (76.6 percent) reported that they are running the business (table 3.1). A further tenth (9.8 percent) are setting up the business or developing a plan for the business start-up, giving a total of 86.4 percent of respondents actively involved in starting or establishing the business supported by NES. 7.1 percent of the respondents have decided not to start the business supported by NES and a minority of 6.5 percent had closed their NES business.

**Table 3.1: Stage in starting the business supported by NES**

Stage in business start-up	Number	Percent
Developing business plan	2	1.1
Setting up business	16	8.7
Running business	141	76.6
Decided not to start-up	13	7.1
Closed business	12	6.5
<b>Total</b>	<b>184</b>	<b>100.0</b>

#### 3.2 Comparison of the business start-up stage of the respondents at waves 1 and 2

Table 3.2 compares the business start-up stage of the respondents at waves 1 and 2. The two scholars who are currently developing the business plan had decided not to start their business at wave 1. Except one, all who were in the process of setting up the business at wave 2 reported the same trading status at wave 1. Further analysis revealed that these Scholars have delayed the start-up process considerably and on average they have been setting up their business for 36 months. One respondent who had decided not to start the NES supported business at wave 1 has reconsidered the self-employment option between wave 1 and 2 and is now setting up the NES business.

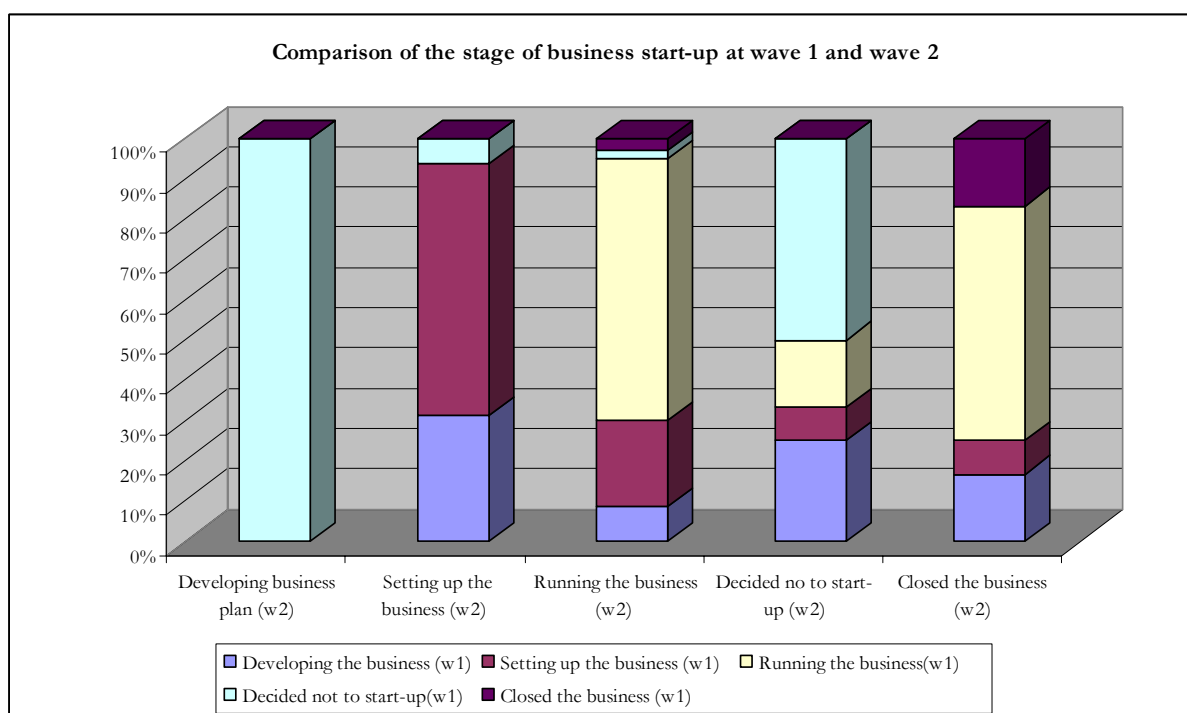
Of the 140 respondents who were running their NES business at wave 2, 65 percent reported the same trading status at wave 1. A further 30 percent made the transition from setting up the business to trading over the past 21 months. Nearly two years later three respondents who have decided not to start their businesses and four businesses that had ceased trading at wave 1 had resumed trading. A majority of those who reported that they had decided not to

start their businesses at wave 2 were not in trading at wave 1. A significant majority (83.3 percent) of those who ceased trading at wave 2 were actively involved in starting or establishing the business supported by NES at wave 1. Figure 3.1 further explains this comparison

**Table 3.2: Stage in starting the business in comparison to the previous business start-up stage**

Business start-up stage at wave 1	Current stage in business start-up (wave 2)				
	Developing business plan	Setting up business	Running business	Decided not to start-up	Closed business
Developing business plan	0	5	12	3	2
Setting up business	0	10	30	1	1
Running business	0	0	91	2	7
Decided not to start-up	2	1	3	6	0
Closed business	0	0	4	0	2
No answer	0	0	1	1	0
<b>Total</b>	<b>2</b>	<b>16</b>	<b>141</b>	<b>13</b>	<b>12</b>

**Figure 3.1: Stage in the business at wave 1 and wave 2**



### 3.3 Length of trading

Respondents were asked when they started trading in the business supported by NES. Table 3.3 shows the number of months the NES businesses had been trading up to 31<sup>st</sup> July 2006.

Of those who were setting up the business, one Scholar had been trading for up to a year, and the remaining has yet to start trading with their NES business. This is a very low representation when compared to the 16 percent of the respondents who at wave 1 had been engaged in both trading and setting up the business. A majority of the Scholars (60.3 percent) who reported being in business had been trading for over 2 years and just over a quarter (25.5 percent) had been trading for at least 3 years. Only 9.2 percent had been trading for over 4 years. Of the twelve closed businesses on which data is available, 83.3 percent had traded for up to 2 years. One scholar had traded for 58 months before decided to cease trading in November 2005.

On average NES businesses have been trading for 29 months. Those who closed the business were only trading for 17 months on average.

**Table 3.3: Length of trading in the NES business (up to 31<sup>st</sup> July 2006)**

Months trading	Setting up the business		Running business		Closed business	
	No	Cum %	No	Cum %	No	Cum %
1-12 months	1	6.3	13	9.2	6	50.0
13-24 months	0	-	43	39.7	4	83.3
25-36 months	0	-	49	74.5	1	91.7
37-48 months	0	-	23	90.8	0	91.7
49-60 months	0	-	11	98.6	1	100
>60 months	0	-	2	100.0	0	
<b>Total</b>	<b>16</b>	<b>-</b>	<b>141</b>		<b>12</b>	

### 3.4 Business ownership and ownership experience

Respondents were asked how many businesses they have owned/co-owned before starting their NES business. As indicated in table 3.4, over three quarters (80.4 percent) had no prior experience in business ownership, indicating that the NES business is their first self-employment experience. Almost a fifth (18.5 percent) indicated that they have some experience in being in business and have owned/co-owned one business before the NES business. Just one respondent had owned four or more businesses before the NES business indicating the limited business ownership experience for this group of business starters.

**Table 3.4: Number of businesses owned/co-owned before starting NES**

Businesses owned/co-owned before NES	Number	Percent
None	148	80.4
One	34	18.5
Two	1	0.5
Three	0	0.0
Four or more	1	0.5
<b>Total</b>	<b>184</b>	<b>100.0</b>

Respondents were also asked how long in total that they have been a business owner/co-owner, including time in the NES business. Just 3.8 percent said they do not have any business ownership experience but interestingly five out of those seven belonged to the group who had decided not to start their business supported by NES (table 3.5). The remaining two were still setting up their businesses. 14.1 percent of the respondents had up to 1 year business ownership experience and a majority (60.9 percent) have between 1 to 3 years business ownership experience. Almost a quarter had more than 4 years ownership experience and this includes 6.5 percent who had more than 6 years of experience.

**Table 3.5: Length of business owner/co-owner experience**

<b>Business ownership experience</b>	<b>Number</b>	<b>Percent</b>
No business ownership experience	7	3.8
< 1 year experience	26	14.1
1-3 years experience	112	60.9
4-5 years experience	27	14.7
6-10 years experience	5	2.7
Over 10 years experience	6	3.3
Missing/no answer	1	0.5
<b>Total</b>	<b>184</b>	<b>100.0</b>

### **3.5 Business resources: Business partners, business premises and sub-contractors**

Respondents were asked 3 questions to assess the scale of their enterprises. Questions were asked about the existence of business partners, premises and sub-contractors. The data presented in the tables below reports the existence of the above resources for those who were setting up the businesses, running the business and closed the business<sup>6</sup>. It is noteworthy that 58.2 percent of the 141 respondents who were running the business, 70.0 percent of the 12 respondents who closed the business and 67.7 percent of the 16 respondents who were setting up the business did not have premises, partners or sub-contractors. A comparison of these resources at wave 1 and wave 2 were also made.

None of the closed businesses had reported the presence of business partners at the time of the closure. Just 10.6 percent of those running a business had a business partner at wave 2 and this is a slight increase from the data provided at wave 1. There was no change between the waves in terms of having business partners for those who were setting up the business at wave 2.

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<sup>6</sup> Comparisons between setting up, operating and closed businesses should be treated tentatively due to the relatively small number of responses relating to setting up and closed businesses and, so, restrictions apply to the generalisability of data related to setting up and closed businesses.

**Table 3.6: Business partners**

Stage of business development	Business partners at wave 1		Current business partners (wave 2)		Number of responses
	Number	%	Number	%	
Setting up the business	1	6.3	1	6.3	16
Running the business	12	8.5	15	10.6	141
Closed the business*	1	8.3	0	0.0	12

\* at the time of closure ; numbers represent those who have business partners

Of those who were running the business at wave 2, over a third (34.8 percent) had business premises (table 3.7). Only 23.4 percent of the same respondents reported having business premises in wave 1, an increase of 11.4 percent. Of those who had closed their business by wave 2, a quarter had premises by the time they closed. A third of these respondents had premises at wave 1. Just two respondents out of the 16 that are currently setting up the business have business premises.

**Table 3.7: Business premises**

Stage of business development	Business premises at wave 1		Current business premises (wave 2)		Number of responses
	Number	%	Number	%	
Setting up the business	0	0.0	2	12.5	16
Running the business	33	23.4	49	34.8	141
Closed the business*	4	33.3	3	25.0	12

\* at the time of closure ; numbers represent those who have business premises

As indicated in table 3.8, a relatively small minority of those running a business (13.5 percent) had sub-contractors, a 9.2 percentage point increase since the Big NES survey (wave 1). A quarter of those setting up the business also had sub contractors, reflecting how these businesses do informal trading before the business is fully established. None of the closed businesses, at the time of the closure, had sub contractors. The two businesses, that were closed at present, but had reported having sub contractors at wave 1, were trading at the time of the Big NES survey.

**Table 3.8: Business sub-contractors**

Stage of business development	Business sub-contractors at wave 1		Current business sub-contractors (wave 2)		Number of responses
	Number	%	Number	%	
Setting up the business	0	0.0	4	25.0	16
Running the business	6	4.3	19	13.5	141
Closed the business*	2	16.7	0	0.0	12

\* at the time of closure ; numbers represent those who have business sub contractors

### 3.6 Resources – staff numbers

Respondents were asked to indicate the number of full-time, part-time and casual staff (including the business owner) at start up and at present. Results are presented in table 3.9. Respondents who reported being in business predominantly own very small businesses. A third (33.0 percent) reported that they did not have any full time staff at start-up, indicating that these businesses were managed by the owner on a part-time or casual basis at start-up. Almost three quarters (73.6 percent) also had one full time staff member when they started trading, and the remaining 6.1 percent reported 2 or more full-time staff at start-up.

A majority of respondents reported that they did not have any part time (78.5 percent) or casual (82.8 percent) staff when they started their business. Only a significant minority had more than 1 part-time (2.4 percent) or casual (4.9 percent) staff at start-up.

The wave 2 data confirmed that, since start-up, some of the businesses had employed new staff. A relatively small minority of businesses (13.4 percent) had reported having 2 or more full time staff, with 9 being the maximum number of full time staff employed in any business in the survey sample. A quarter (23.3 percent) of the businesses still do not have any full time staff, including the owner who is either working part time or casual hours in their business. Although some businesses had employed staff on a part-time or casual basis, the majority do not have any part time (65.6 percent) or casual staff (66.9 percent) at present. Just a fifth (19.4 percent) of the businesses reported having more than 2 casual staff members with one exception employing 30 casual staff. The number of casual staff had the highest percentage increase since start-up and this represents a mean point increase of 0.69.

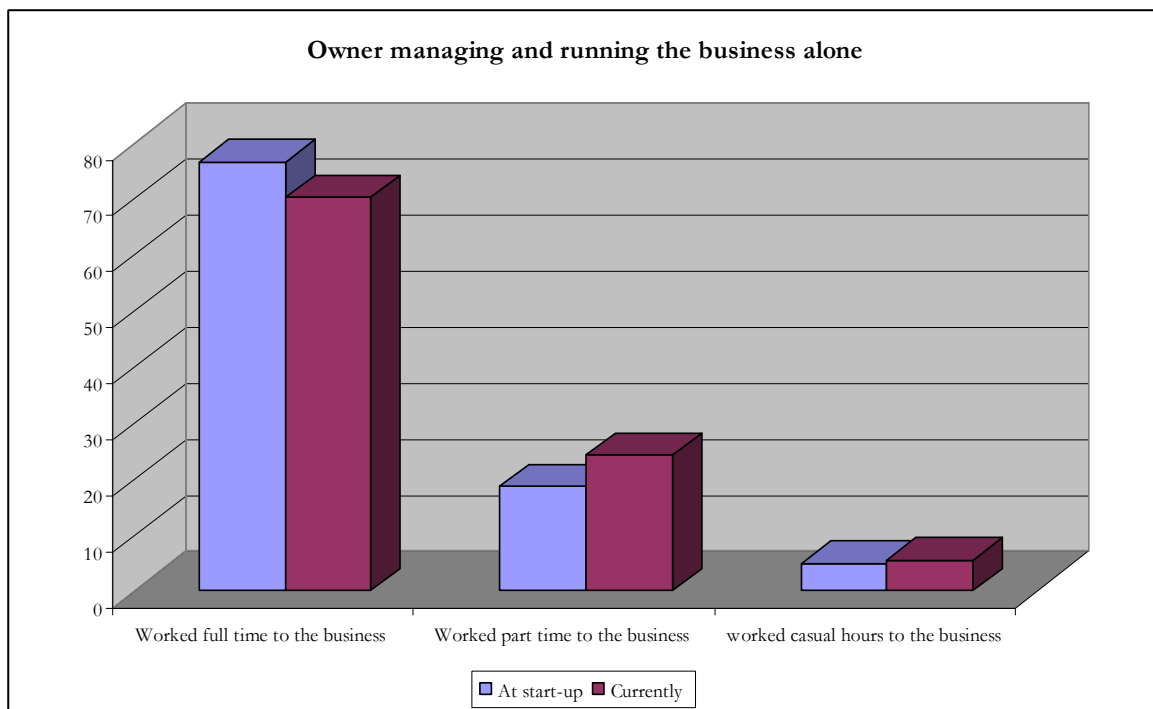
**Table 3.9: Staff numbers**

		Full time staff		Part time staff		Casual staff	
		No	%	No	%	No	%
Now	No staff	38	23.3	107	65.6	109	66.9
	1 Staff	103	63.2	42	25.8	25	15.3
	2 – 5 Staff	20	12.2	12	7.3	24	14.6
	> 5 Staff	2	1.2	2	1.2	5	4.8
	Total no of staff	172		83		159	
	Max. no of staff	9		8		30	
	Missing	6		6		6	
	<b>Total</b>	<b>163</b>		<b>163</b>		<b>163</b>	
At start up	No staff	33	20.2	128	78.5	135	82.8
	1 Staff	120	73.6	31	19.0	20	12.3
	2 – 5 Staff	9	5.5	4	2.4	6	3.7
	> 5 Staff	1	0.6	0	0.0	2	1.2
	Total no of staff	147		46		45	
	Max. no of staff	6		5		6	
	Missing	6		6		6	
	<b>Total</b>	<b>163</b>		<b>163</b>		<b>163</b>	

Valid % are given. N = Setting up business, Running the business, Closed the business

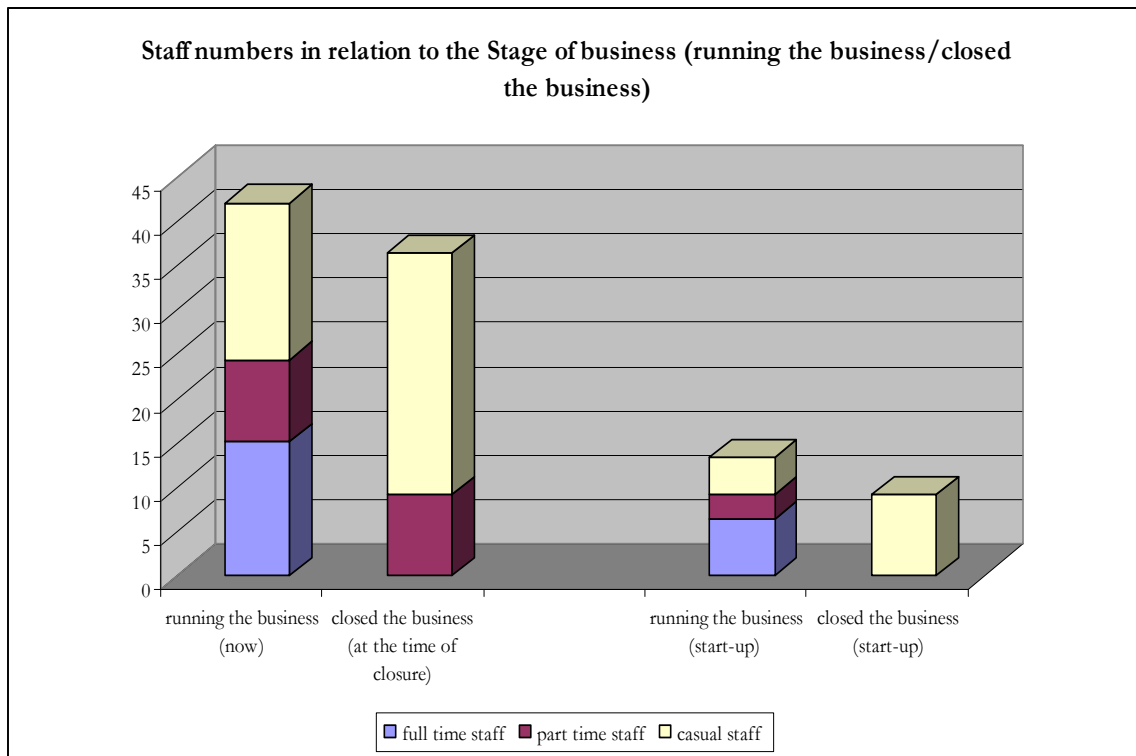
The data was also analysed to see the changing employment status of the owners of these NES businesses (see the results presented in figure 3.2). At start-up, almost three quarters (72.5 percent) of the businesses were solely managed and run by the owner whereas now only 52.6 is solely run and managed by the owner. At start-up, of those who were managed and run solely by the owner, 76.6 percent worked full time in the business. A further 18.6 percent worked on a part-time basis in their business and the remaining 4.8 worked casual hours. The number who self managed full time has dropped since start-up and now only 70.3 percent of the owners work full-time in their business on their own whereas 24.2 percent work on a part-time basis with 5.5 percent now working casual hours.

**Figure 3.2: Owners managing and running the business alone**



There is a significant difference in the staff numbers employed by those who are running a business and those who had closed the business (at the time of the closure). Figure 3.3 highlights the percentage of businesses that had 2 or more full-time, part-time and casual staff, both at start-up and at present.

**Figure 3.3: Staff numbers by stage of business start-up**



73 percent of those running a business and 91 percent of those who had closed the business had started their businesses with the owner being the sole employee. By the time we contacted them for the second time (wave 2), 54 percent of the businesses were still managed and run by the owner himself. Of those businesses that were closed, 64 percent were entirely owner operated at the time of the closure.



## 4.0 NES Businesses – Business Characteristics

This chapter outlines some of the characteristics of businesses started under the NES programme including an analysis of the industry sector, legal form of the business, business strategy, the market condition and the competition that the NES businesses have to face.

### 4.1 Industrial Sector

Respondents were asked what type of business they had started or were trying to establish. Out of the research sample, 156 respondents have given sufficient data to classify their businesses into industrial sector according to the UK Standard Industrial Classification of Economic Activities, 2003. As explained in table 4.1, two thirds of businesses (66.7 percent) were clustered in just three industry sectors: business services (30.8 percent), community, social and personal services (25.6 percent) and wholesale and retail (10.3 percent). A further fifth (19.9 percent) were in manufacturing, although many of these businesses include a strong service element, particularly the retailing of manufactured goods such as hand-made cards and fashion items. Just 13.4 percent of the businesses are in the remaining 5 sectors (construction; hotel and restaurant; agriculture, hunting and forestry; transport, storage and communication; education).

**Table 4.1: Businesses by Industrial Sector**

<b>Industrial sector*</b>	<b>Number</b>	<b>Percent</b>
Business services+	48	30.8
Other community, social and personal services	40	25.6
Manufacturing	31	19.9
Wholesale and retail^	16	10.3
Construction	6	3.8
Hotel and restaurant	5	3.2
Agriculture, hunting and forestry	5	3.2
Transport, storage and communication	3	1.9
Education	2	1.3
<b>Total</b>	<b>156</b>	<b>100.0</b>

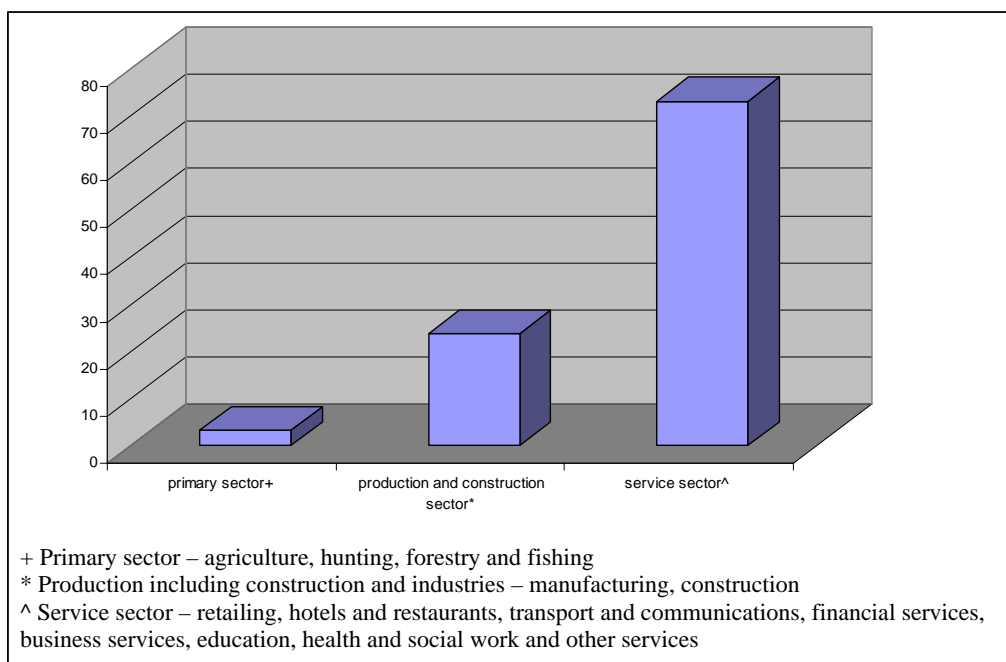
\* Compiled according to the UK Standard Industrial Classification of Economic Activities 2003.

^ Wholesale and retail/repair of motor vehicles and household goods sector.

+ Real estate, renting and business services sector.

The responses were concentrated in three blocks of business types- primary sector (agriculture, hunting, forestry and fishing) production and construction sector (manufacturing and construction) and service sector (retailing, hotels and restaurants, transport and communications, financial services, business services, education, health and social work and other services) - which align with the Standard Industrial Classification (SIC 92). According to this classification it is very clear that the sample is dominated by the service sector businesses (see figure 4.1). Almost three quarters (73.1 percent) are in the service sector with a significant minority (3.2 percent) representing primary sector businesses.

**Figure 4.1: Businesses by the three industrial sectors (primary, production and service)**



## 4.2 Legal Form

Respondents were asked about the legal form in which their business was organised. Five categories were offered: Sole Trader, Partnership, Limited Liability Company, Limited Company and Franchised Operations. Although the option of choosing others were provided no one classified their business as 'others'.

**Table 4.2: Legal form of the NES business**

Legal form of the NES business	Number	Percent
Sole trader	124	72.5
Partnership	3	1.8
Limited liability partnership	8	4.7
Limited company	30	17.5
Franchised operations	0	0.0
Missing	6	3.5
<b>Total</b>	<b>171*</b>	<b>100.0</b>

\*those who have decided not to start the business(13 in total) have not been taken into account for this analysis.

A substantial majority of NES businesses were sole traders (72.5 percent). A further 17.5 percent had formed a limited company, and just 6.5 percent were organised as some form of partnership.

All of the closed businesses, 73 percent of those who are running the business and 8.0 percent of businesses that are planning and setting up are sole traders.

### 4.3 Business Strategy

The respondents were asked a series of questions about their business strategy. A list of strategic options was presented and the respondents were asked to what extent they have used those strategies in making their business successful against their competitors. Eleven options provided were reduced to six key strategies for small business management, using the strategic typology proposed by Carter et al<sup>7</sup>. The data is presented in table 4.3. The analysis included both those who were running the business and those that had closed the business.

The strategy used by most respondents was service efficiency strategy. Both options under this strategy, offering better service (91.1 percent rated this as fairly often or very often) and providing quality products and services (97.3 percent rated this as fairly often or very often) were given a high rating by the Scholars. The next most popular is the product distinctiveness strategy, with both options of 'offering distinctive goods and services' and 'giving the customer more choices' were rated by the majority of the Scholars as being used fairly often or very often. In a scale of 1-5, where 1 represent never and 5 represents very often these two strategic options received a mean value of 4.39 and 4.09 respectively. Almost 90 percent of respondents rated offering distinctive goods and services as being used very often or fairly often and this figure comes to 76 percent for the strategic option of giving the customer more choices.

A majority of respondents also noted that they often develop strategies to respond to market needs. Half of the respondents used this strategy very often with a further 37.3 percent having used it fairly often. A lower majority (58.4 percent) of respondents found serving customers missed by the competitors as a strategy they often pursue with a further 16 percent of the respondents never or rarely used this strategy in winning new customers. The mean score for this strategic option was 3.70.

A majority of scholars also reported using site appeal strategy, including providing a good location/convenience and providing better facilities for customers, fairly often or very often, but these percentages are less than for other strategic choices. A large minority (37.7 percent) used the benefits of providing good/convenient location very often with 62.4 percent using this strategy either fairly often or very often. Providing better facilities is a less favourite choice for a majority with just above half of the sample using it either fairly often or very often. Site appeal strategy as a whole had a mean value of 3.57 (in the scale above of 1-5).

Winning customers through technological sophistication was a less popular strategy among the NES businesses. Although respondents use new technology either fairly often (19.6 percent) or very often (41.2), only a third pursue developing new technology as a business development strategy. Just under half of the respondents never or rarely considered using this strategy to beat their competitors.

Only a sizeable minority of Scholars follow cost effective strategy. The practice of charging lower prices from customers is a popular strategy only among one third of the respondents (33.0 percent either fairly or very often use this strategy)

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<sup>7</sup> Carter, N.M. Steam, T.M. Reynolds, P.D. Miller, B.A. (1994), "New Venture Strategies: Theory Development with an Empirical Base", *Strategic Management Journal*, 15(1)

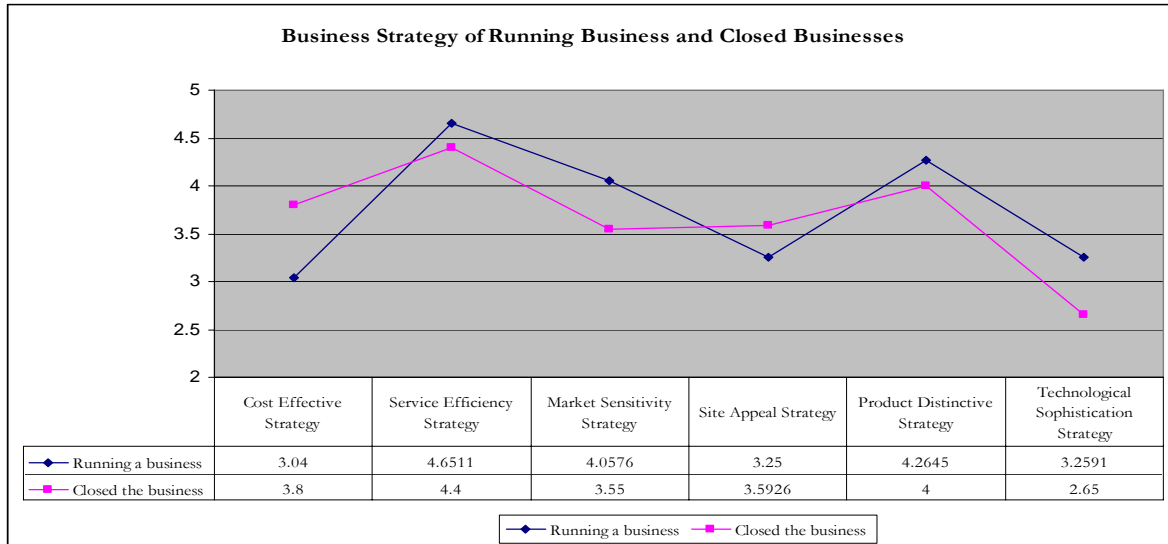
**Table 4.3: Business strategy**

		Never		Rarely		Occasionally		Fairly often		Very often			
Your business strategy		No	%	No	%	No	%	No	%	No	%	Total	Mean
<b>Cost effectiveness strategy</b>	Charging lower prices	17	11.3	23	15.3	60	40	29	19.3	21	13.7	150	<b>3.09</b>
	Offering better service	3	2.0	2	1.3	7	4.7	40	26.8	97	65.1	149	<b>4.52</b>
<b>Service efficiency strategy</b>	Providing quality products and services	1	0.7	1	0.7	2	1.3	26	17.3	120	80	150	<b>4.75</b>
	Responding to market needs	1	0.7	3	2	15	10	56	37.3	75	50	150	<b>4.34</b>
<b>Market sensitivity strategy</b>	Serving customers missed by your competitors	12	8.1	12	8.1	38	25.5	34	22.8	53	35.6	149	<b>3.70</b>
	Providing a good location/convenience	16	11	9	6.2	30	20.5	36	24.7	55	37.7	146	<b>3.72</b>
<b>Site appeal strategy</b>	Providing better facilities for customers	28	19.9	10	7.1	26	18.4	27	19.1	50	35.5	141	<b>3.43</b>
	Offering distinctive goods and services	5	3.3	2	1.3	16	10.7	33	22	94	62.7	150	<b>4.39</b>
<b>Product distinctiveness strategy</b>	Giving the customer more choices	8	5.4	8	5.4	19	12.8	40	27	73	49.3	148	<b>4.09</b>
	Using new technology	20	13.5	13	8.8	25	16.9	29	19.6	61	41.2	148	<b>3.66</b>
<b>Technological sophistication</b>	Developing new technology	46	31.5	23	15.8	26	17.8	18	12.3	33	22.6	146	<b>2.79</b>

Cases including those that are running the business or those that have closed the business

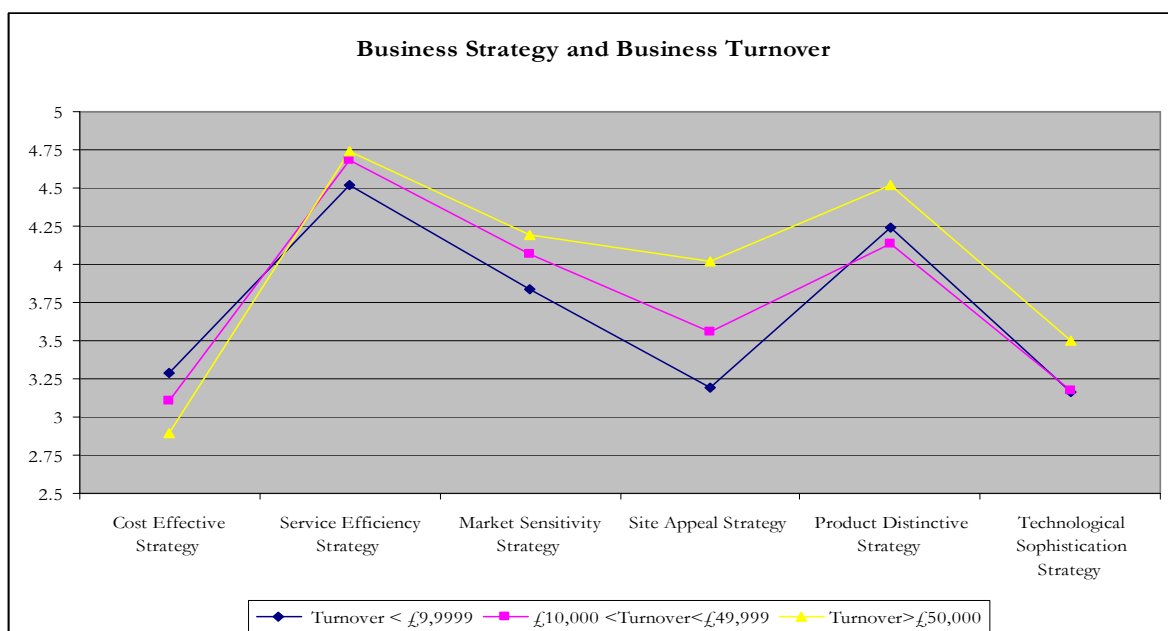
Figure 4.2 reveals that there is a significant difference in the patterns of business strategy adopted by those who are running a business and those who closed the business. Scholars who closed the business had reported using cost effective strategies and site appealing strategies more often than those Scholars running their business at present. The least used strategy for those who closed the business was the technology sophistication strategy. There is a statistically significant difference ( $p < 0.05$  level) between those who are running a business and those who had closed the business in terms of using technology development as a strategic option.

**Figure 4.2: Business strategy by stage of business development**



There is also some relationship between the type of strategy adopted by the business and the business performance measured in terms of their last year turnover (figure 4.3). There is a significant difference between the turnover groups in terms of using site appeal strategy, product distinctive strategy and technology strategy. The probability of a business making higher turnover using cost effective strategy is low when compared to those making less turnover. There is a significant difference in the use of technology strategy by those making over £50,000 turnover than the rest of the Scholars.

**Figure 4.3: Business strategy and business turnover**



## 4.4 Market Competition

Table 4.4, summarises the responses to questions about their market conditions. Respondents were asked to what extent they agree or disagree (in a four point scale where 1 - strongly disagree to 4 - strongly agree) with five statements about the market in which their business is competing. These questions were included in the questionnaire to identify the type of competition that NES businesses have to work under and to analyse business success in relation to market competition.

A large majority of respondents (89.7 percent) agree or strongly agree with the statement that there is a lot of difference in the market they serve in terms of product quality, customer service and marketing techniques used. This includes one third of the respondents who strongly agree with the fact there is a strong market differentiation in the market they serve. A smaller majority of respondents (60.9 percent) agreed that large companies dominate their market, indicating the relatively disadvantageous position they are in by being very small to micro businesses (see the size of NES businesses in section 3.6)

The fact that there is a substantial untapped market that they can tap into is strongly agreed by a fifth of the respondents. A further 58.5 percent of the respondents agree, leaving only a relatively small minority of respondents who either disagree or strongly disagree with the fact that they have limited market potential. Over 60 percent of the respondents disagree with the statement that their market is crowded and that they have limited market opportunity. It is noteworthy that a small minority of respondents (8.6 percent), however, strongly agreed with this statement with a further 29.4 percent agreeing, suggesting that over a third of the Scholars have to face high competition in their markets. Almost half agreed (49.7 percent) and a further 13.5 percent strongly agreed that the industry their business caters for is in a high-growth stage of development.

**Table 4.4: Market in which the business is operating**

	Strongly disagree		disagree		Agree		Strongly agree			
	No	%	No	%	No	%	No	%	Total	Mean
Large companies dominate the market	11	6.7	53	32.3	54	32.9	46	28	164	<b>2.82</b>
There is a lot of difference between firms in terms of product quality, customer service and marketing	3	1.8	14	8.5	92	55.8	56	33.9	165	<b>3.22</b>
There is substantial untapped market potential	2	1.2	31	18.9	96	58.5	35	21.3	164	<b>3.01</b>
The market is crowded – there are too many competitors	20	12.3	81	49.7	48	29.4	14	8.6	163	<b>2.35</b>
The industry is in a high-growth stage of development	4	2.5	56	34.4	81	49.7	22	13.5	163	<b>2.76</b>

## 5.0 Financing NES Scholars and NES Businesses

In this chapter the financial resources for NES businesses are analysed in terms of business investment and NES Scholars' living costs. The issues involved in raising the finance these businesses need and the respondent's analysis of the sufficiency of the investments to run a viable business are also discussed. Financial resources from various sources are categorised into personal investment, grant investment, bank loan investment and non bank loan investment and these categories were used to compare the change in patterns of investment between the two waves of research. The analysis of whether or not the Scholars had used a number of bootstrapping techniques, and if used, how effective they are is also included. The financial resources of Scholars are analysed in terms of the sources of living costs during the last year and this data is then compared with the sources of living costs during the first year of trading (wave 1 data)

### 5.1 Business Investments

Respondents were asked how much money they have used to finance their NES business since it started. A total of 157 respondents reported the business investments, categorised into 8 groups in the questionnaire. Total investment is presented in table 5.1. Total business investment ranged from between £200 and £255,000. The average investment is £17,779, an increase of £5,942 in average investment from wave 1. In both waves the average figures were distorted by a small number of businesses with exceptionally high investments. However the median of £8,000 total investment indicates that 78 of the respondents had less than £8000 investment whereas the remaining 79 had made £8000 or more. The median total investment had increased from £5,825 to £8,000 between waves.

**Table 5.1: Total business investment**

Total business investment	No	% Wave 2 (2006)	Cumulative percentage (in 2006)*	% Wave 1 (2004)	Cumulative Percentage (in 2004)	Percentage point difference (wave 2-wave 1)
No Investments	0	0.0	0.0	1.7	1.7	-1.7
Up to £1,000	1	0.6	0.6	1.3	3.0	-0.7
£1,000 - £4,999	37	23.6	24.2	32.4	35.4	-8.8
£5,000 - £9,999	64	40.8	65.0	38.5	73.9	+2.5
£10,000 - £19,999	25	15.9	80.9	16.3	90.2	-0.4
£20,000 - £39,999	16	10.2	91.1	5.1	95.3	+5.1
£40,000 - £49,999	3	1.9	93.0	1.5	96.8	+0.4
£50,000 - £99,999	8	5.1	98.1	1.9	98.7	+3.2
£100,000+	3	1.9	100.0	1.3	100.0	+0.6
Total	157	100.0		100.0		

\*valid percentages were taken

As indicated in table 5.1, almost a quarter (24.2 percent) of businesses reported a total investment under £5,000. A further 40.8 percent said that total investment in their business was between £5,000 and £9,999. Two thirds of business investments are below £10,000. This represents an 8.9 percent point decrease from investments under £10,000 made by the same scholars at wave 1, reflecting the fact that NES scholars have made additional investments since starting their NES business.

Out of the remaining third, 15.9 percent reported investment between £10,000 and £19,999. A further tenth (10.2 percent) reported investments between £20,000 and £39,999, giving a total of a quarter (26.1 percent) of respondents making business investments between £10,000 and £40,000 exclusive. In wave 1 only 21.4 percent of the respondents said that total investment in their business was between £10,000 and £39,999, a percentage increase of 4.7. Further, 1.9 percent respondents in wave 2 reported investments between £40,000 and £49,999, leaving a significant minority (7.0 percent) reporting exceptional investments of over £50,000. This included 3 respondents (1.9 percent) who had invested £100,000 or more.

Table 5.2 summarises the amounts of money the respondents received from various sources included in the questionnaire. Whether or not the various sources of investments were actually being used by the NES scholars is indicated in table 5.3. By far the most common source was NES/other grant funding (95 percent using this source of funding by wave 2). According to wave 2 data, NES/grant funding varied from £0 to £243,500 per business and 83.4 percent wave 2 and 82.4 percent wave 1 respondents reported using NES/Grant funding. A 3.3 percentage point increase in the NES/Grant investments over £5,000 was reported between the 2 waves of research.

The second most common source of funding was personal savings, with three quarters of the wave 2 respondents reporting personal investments ranging between £200 and £64,000 with a mean personal investment of £4918. In wave 1, only 57.4 percent of the respondents made personal investments, a 17.6 percentage point decrease from those who made personal investments in wave 2. Almost a third (31.8 percent) invested personal savings over £5,000 and this is a 13.9 percent increase since wave 1.

Credit card or overdrafts were other popular sources of investment for a relatively small majority of respondents. A quarter (25.6 percent) reported that they have used this source of investment but two thirds (67.8 percent) of those who used this investment reported that they had invested less than £5,000. Credit card or overdraft investment is the only external debt investment source that gave an increase figure between the two waves (8.4 percent increase).

Investment from enterprise loans (4.3 percent), bank/private loans (1.1 percent) and loans from family/friends (1.8 percent) had decreased since wave 1, suggesting that the respondents had paid off some of their debts. 15 percent of respondents reported investment from a bank or other private loan. Bank/private loan investments varied between £1,000 and £245,000 with a majority receiving under £5,000. Only 8.9 percent of the respondents received bank/private loans over £5,000 and this includes 1.2 percent of the respondents who received £50,000 or over.

Enterprise loans were reported by 15 percent of the respondents. These were reported to range from £440 to £10,000 but of those who received enterprise grants 11.5 percent received under £5,000. Loans from family and friends were reported by 9.4 percent of respondents. These ranged from £500 to £25,000, most were under £3,000.

Gifts from family and friends were received by 10.6 percent of the respondents. These ranged from £100 to £10,000. One tenth (9.6 percent) of these respondents received under £4,000. There was a 5.1 percent increase in the number of respondents receiving gifts from family and friends towards business investments since wave 1.



**Table 5.2: Sources of business investments**

Total business investment	Personal savings		NES/ grants		Enterprise loans		Bank/private loans		Credit cards or overdraft		Gifts from family/friends		Loan from family/friends	
	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006
No Investments	42.6	24.8	9.3	5.1	80.7	85.4	84.5	85.4	82.8	75.2	94.5	89.2	88.8	90.4
Up to £4,999	43.4	43.3	82.4	83.4	15.5	11.5	6.6	5.7	12.7	17.2	4.9	9.6	8.9	7.6
£5,000 – £9,999	7.4	15.9	5.3	6.4	2.8	1.9	3.6	3.2	3.4	3.2	0.4	0.6	1.3	0.0
£10,000 - £49,999	5.7	14.6	2.3	3.2	0.8	1.3	4.2	4.5	1.1	3.8	0.2	0.6	1.1	1.9
£50,000 - £99,999	0.8	1.3	0.2	0.6	0.2	0.0	0.6	0.6	0.0	0.6	0.0	0.0	0.0	0.0
£100,000+	0.0	0.0	0.4	1.3	0.0	0.0	0.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0

2004 - data from wave 1 research; 2006 – data from wave 2 research

**Table 5.3: The use of different sources of business investments by the Scholars**

Total business investment	Personal savings		NES/ grants		Enterprise loans		Bank/private loans		Credit cards or overdraft		Gifts from family/friends		Loan from family/friends	
	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006	2004	2006
Do not use	42.6	25.0	9.3	5.0	80.7	85.0	84.5	85.6	82.8	74.4	94.5	89.4	88.8	90.6
Used	57.4	75.0	90.7	95.0	19.3	15.0	15.5	14.4	17.2	25.6	5.5	10.6	11.2	9.4

2004 - data from wave 1 research; 2006 – data from wave 2 research

**Table 5.4: Mean investments**

	Total investments		Personal investments		Grant investments		Bank loan investments		Non bank loan investments		Total debt investment	
	<i>2004</i>	<i>2006</i>	<i>2004</i>	<i>2006</i>	<i>2004</i>	<i>2006</i>	<i>2004</i>	<i>2006</i>	<i>2004</i>	<i>2006</i>	<i>2004</i>	<i>2006</i>
Mean	11837	17779	2674	5101	4699	7168	2726	4473	1151	932	3876	5405
S.D	24457	35855	7272	9069	15586	25590	12876	21375	3886	2765	14205	21701
Median	5825	8000	1000	2000	3500	3500	0	0	0	0	0	0
Min.	0	200	0	0	0	0	0	0	0	0	0	0
Max.	268500	255000	80000	64000	265500	243500	190000	250000	50000	25000	194000	250000
<b>N</b>	<b>472</b>	<b>157</b>	<b>472</b>	<b>157</b>	<b>472</b>	<b>157</b>	<b>472</b>	<b>157</b>	<b>472</b>	<b>157</b>	<b>472</b>	157

2004 - data from wave 1 research; 2006 – data from wave 2 research

Values are given in £s.

Personal investments – personal savings + gifts from family/friends

Grant investments – NES funding + other grant funding

Bank loan investments – bank/private loan investments + credit card and overdrafts

Non bank loan investments – enterprise loans + loans from family/friends

Sources of investment have been categorised into four groups: personal investment, grant investment, bank loan investment and non bank loan investments. Table 5.4 provides the descriptive statistics for these four investment categories, total investment and total debt investments made by respondents to both the Big NES survey (wave 1) and NES Follow-up survey (Wave 2). Apart from the non bank loan investments, all other sources of investments had an increased mean value in wave 2 when compared to wave 1 data. The mean personal investment had increased by almost 50 percent with the median personal investment having increased from £1,000 to £2,000 over the 21 months between the 2 waves. Mean Grant investment also increased by a third (33.4 percent) between the waves even though the median had not changed and remained at £3,500 (the average NES grant per business). Total debt investments, also showed an increase since we contacted the scholars last, with a mean point increase of only £1,529 (28 percent).

## 5.2 Bootstrapping

Scholars were given a series of bootstrapping techniques (number of ways to manage their money and to save money) and asked in their experience, how useful they have been. In addition to the three scales to rate the helpfulness of the elements (not helpful, quite helpful and very helpful), the option of 'not used' was provided for those who have *not* used these techniques at all. Analysis of the responses given to these questions is outlined in 5 parts: buying goods and services, managing customer payment processes, saving money on staff, raising new finance and managing taxes.

### Buying goods and services

Table 5.5 presents the results for the bootstrapping techniques to manage and save money when buying goods and services to the business. Out of the nine possible ways, five had not been used by a substantial majority of respondents. 'Co-ordinate purchase with other businesses' is the least popular bootstrapping technique (88.5 percent not used this technique at all). However, of those who have used this method, all found this to be quite helpful to very helpful. 'Lease equipment instead of buying' was also not common among NES scholars, with only 16.5 percent of the respondents having used it and 14.6 of those found it helpful. A quarter (25.6 percent) of the respondents had shared the space with others at some point in their business with only 4.4 of them found it as not helpful. Over a quarter (27.9 percent) had borrowed or shared equipment with other people or businesses with 9.1 percent of those who used this technique finding it very helpful. 71.5 percent of the respondents had never delayed payments to suppliers deliberately but of those who have done this, 24.3 percent found it quite helpful or very helpful. Half (50.9 percent) of the respondents said that they never bought used equipment rather than new equipment, but of those who did, 44.8 percent claimed that it was quite helpful or very helpful. 'Negotiate lower prices with suppliers' (59.8 percent) and 'buy in bulk from suppliers' (61.2 percent) were used by a majority of respondents and have found these methods very useful (31.7 stated that 'negotiate lower prices with suppliers' as very helpful and 30.3 percent stated that 'buy in bulk from suppliers' was very useful). The bootstrapping technique found most helpful (very helpful to 55.5 percent and quite helpful to 15.2 percent) was running the business strictly from home. A significant minority (6.1 percent) however, found that running business from home was not helpful.

**Table 5.5: Bootstrapping techniques - buying goods and services**

	Not used		Used – not helpful		Used – quite helpful		Used – very helpful	
	No	%	No	%	No	%	No	%
Buy used equipment rather than new equipment	84	50.9	7	4.2	39	23.6	35	21.2
Lease equipment instead of buying	137	83.5	3	1.8	12	7.3	12	7.3
Borrow or share equipment with other people or businesses	119	72.1	5	3.0	26	15.8	15	9.1
Share space with other businesses	119	74.4	7	4.4	17	10.6	17	10.6
Run business strictly from home	38	23.2	10	6.1	25	15.2	91	55.5
Buy in bulk from suppliers	64	38.8	2	1.2	49	29.7	50	30.3
Co-ordinate purchase with other businesses	146	88.5	0	0.0	12	7.3	7	4.2
Negotiate lower prices with suppliers	66	40.2	4	2.4	42	25.6	52	31.7
Deliberately delay payment to suppliers	118	71.5	7	4.2	29	17.6	11	6.7

\*\*Those who decided not to start the business and those who are in the process of developing the business plan are excluded from the analysis

N = 169

### Managing customer payment processes

A majority of respondents had not used any of the techniques listed to manage customer payment processes (see table 5.6). Charge interest in overdue accounts is the least used method and obtain payment in advance from customers is the technique found most helpful. Of those who had the experience in charging interest on overdue accounts, 7.3 percent found it not helpful at all. A further 5.5 percent found it very helpful. A quarter (24.8 percent) had used the technique of offering customer discounts if they pay by cash and only 4.2 percent of these respondents said that it was not helpful. A third had stopped doing business with late paying customers and 26.7 percent of these respondents found it helpful. Speeding up invoicing and debt-chasing processes was also found quite useful (21.8 percent) or very useful (17.6 percent) in managing finances for almost 40 percent of the respondents. A low majority (54.5 percent) of respondents found obtaining payment in advance from customers very helpful or quite helpful with just 3 percent of the respondents who used it found it not helpful.

**Table 5.6: Bootstrapping techniques - managing customer payment processes**

	Not used		Used – not helpful		Used – quite helpful		Used – very helpful	
	No	%	No	%	No	%	No	%
Offer customers discounts if they pay by cash	124	75.2	7	4.2	21	12.7	13	7.9
Obtain payment in advance from customers	70	42.4	5	3.0	36	21.8	54	32.7
Stop doing business with late paying customers	110	66.7	11	6.7	19	11.5	25	15.2
Charge interest on overdue accounts	136	82.4	12	7.3	8	4.8	9	5.5
Speed-up your invoicing and debt-chasing processes	96	58.2	4	2.4	36	21.8	29	17.6

**Saving money on staff**

Bootstrapping techniques of saving money on staff are presented in table 5.7. Only one in ten (11.2 percent) had shared employees with other businesses. Just over a quarter (27.8 percent) had hired staff for short periods instead of permanently and 16.7 percent of those had found it very helpful. Only 3.1 percent of the respondents found hiring staff on temporary contracts not useful. Nearly a half (45.7 percent) found employing relatives or friends at low or no salary was helpful, but 51.2 percent of the respondents had never used this technique.

**Table 5.7: Bootstrapping techniques - saving money on staff.**

	Not used		Used – not helpful		Used – quite helpful		Used – very helpful	
	No	%	No	%	No	%	No	%
Hire staff for short periods instead of permanently	117	72.2	5	3.1	13	8.0	27	16.7
Share employees with other businesses	143	88.8	2	1.2	8	5.0	8	5.0
Employ relatives/friends at low or no salary	84	51.2	5	3.0	29	17.7	46	28.0

**Raising new finance**

All the three techniques to raise new finance had been used by some respondents with ‘using a private credit card or overdraft for business expenses’ being found most helpful for a majority of respondents (table 5.8). Half (49.1 percent) had used a private credit card or overdraft to cover business expenses and 38.8 percent of these respondents found it quite helpful to very helpful. However, a sizable minority of Scholars (10.3 percent) found this not very helpful to manage their finances or as a useful way to save money. Over half (55.1 percent) had invested money from a job they do alongside the business and 17.7 percent found that this is very helpful. Only a quarter (26.5 percent) had obtained loans from relatives/friends to raise new finance for their business and almost all found this as helpful.

**Table 5.8: Bootstrapping techniques - raising new finance**

	Not used		Used – not helpful		Used – quite helpful		Used – very helpful	
	No	%	No	%	No	%	No	%
Use a private credit card or overdraft for business expenses	84	50.9	17	10.3	27	16.4	37	22.4
Invest money from a job you had alongside the business	90	54.9	5	3.0	40	24.4	29	17.7
Obtain loans from relatives/friends	119	73.5	2	1.2	17	10.5	24	14.8

**Managing your taxes**

‘Delaying payment of taxes deliberately’ was not used by a significant majority. ‘Delaying payment of value-added tax (VAT) deliberately’ was only used by 4.3 percent of the respondents and 1.8 percent of them found this not helpful. Of the 12.2 percent of respondents who deliberately delayed payment of income tax, 4.3 percent found it not helpful.

**Table 5.9: Bootstrapping techniques - managing taxes**

	Not used		Used – not helpful		Used – quite helpful		Used – very helpful	
	No	%	No	%	No	%	No	%
Deliberately delay payment of income tax/self-assessment	144	87.8	7	4.3	10	6.1	3	1.8
Deliberately delay payment of value-added tax (VAT)	157	95.7	3	1.8	3	1.8	1	0.6

There were considerable difference in patterns of use and reported usefulness of the different bootstrapping techniques according to the age of the business and the total investment made by the business. Response was strongly correlated with those trading longest using more bootstrapping techniques, however, those making lower investments were less likely to use bootstrapping techniques and if used found it less useful than those making higher investments.

**5.3 Raising the finance the business needs**

Table 5.10 summarises responses to questions about raising finance for their NES supported business. These questions were intended to assess the need for any additional investment and the balance between the supply side and demand side constraints of these businesses in relation to raising finance they need. In a scale of strongly disagree (1 points) to strongly agree (4 points) the respondents were asked to indicate their perception on a set of statements that asked the difficulty in raising finance (supply side constraint) and their level of understanding, skills and commitment to raise finance for the business (demand side constraints) .

**Table 5.10: Issues involved in raising finance for the business**

	<b>Strongly disagree</b>		<b>disagree</b>		<b>Agree</b>		<b>Strongly agree</b>			
	No	%	No	%	No	%	No	%	Total	Mean
It is difficult to raise finance for my business	10	6.1	49	29.7	62	37.6	44	26.7	165	<b>2.85</b>
My business has enough finance	49	29.5	64	38.6	44	26.5	9	5.4	166	<b>2.08</b>
I/we understand the financial needs of the business	4	2.4	10	6.0	115	68.9	38	22.8	167	<b>3.12</b>
I/we have the skills to discuss raising finance with the banks and other sources	12	7.2	36	21.7	94	56.6	24	14.5	166	<b>2.78</b>
I/we are making enough contacts with banks and other sources to raise the finance we need	24	14.7	72	44.2	60	36.8	7	4.3	163	<b>2.31</b>
I/we devote enough time to raising the finance we need	18	10.8	76	45.8	64	38.6	8	4.8	166	<b>2.37</b>

Total number of respondents included in this analysis = 171. Valid percentages are given

Those who have decided not to start the business are excluded from the analysis

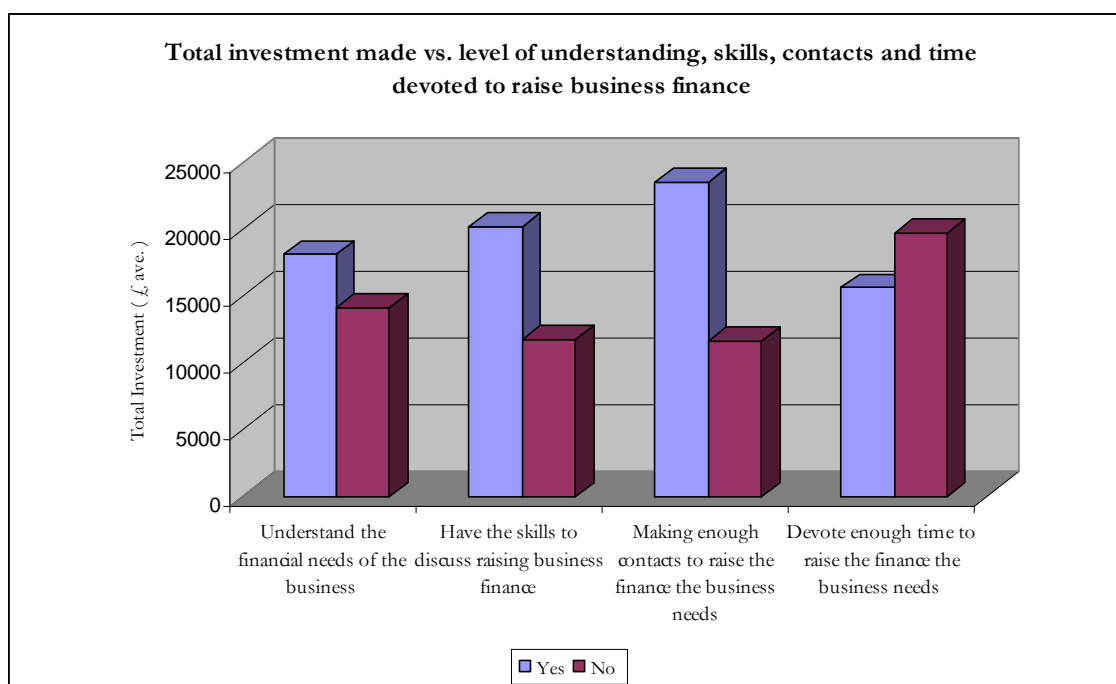
Of the 166 who responded, a little over two thirds (68.1 percent) disagreed that they have enough money to finance their business and a much lower proportion (5.4 percent) strongly agreed they are not undercapitalised at present. A quarter (26.7 percent) of the respondents strongly agreed the fact that it is difficult to raise finance for their businesses. Just over a third (35.8 percent) however, did not agree with the majority and reported that raising finance for their businesses was not a difficult task for them. A cross analysis, however, revealed that the respondents who did not report difficulties raising finance for their businesses have found it a relatively easy task as they, on average, had made higher personal investments than the rest of the sample. Another interesting finding was that those who reported facing difficulties raising money for their businesses have utilised more external funding, both bank and non bank commercial loan investments, in relation to the whole sample and in particular in relation to those who disagreed with the fact that raising finance for business was not a difficult task. This indicates that the majority of the respondents had supply side constraints when raising finance for their business and this is particularly the case when seeking finance from external sources.

Although a large majority (91.7 percent) agreed that they understand the financial needs of their business, over half of the respondents disagreed that they make enough contacts with banks and other sources (58.9 percent) or devote enough time (56.6 percent) to raise the finance they need. Interestingly, however, 71.1 percent of the respondents agreed or strongly agreed that they have the skills to discuss financial issues with the banks and other sources and that they have an above average total (£ 20,129) and debt (£5,990) investment. The mean values for the business investments indicate that it is not the skills and competence that entrepreneurs lack in raising the finance they need for their businesses but that they do not

make enough contacts (mean 2.31) or devote enough time (mean 2.37) to seek funding opportunities.

Figure 5.1 outlines the total investment made by the Scholars in relation to their level of understanding of the financial needs, their level of skills to discuss financial issues, whether or not they make enough contacts to raise the finance and the amount of time they devote to raise finance for their business. It is clear from the results that those who had the understanding, skills and had made enough contacts to raise business finance are in fact making a higher total investment (on average) than the others. However, spending more time to raise finance had not always helped to make higher investment for a majority of Scholars.

**Figure 5.1: Total investments made and difficulties to raise business finance**

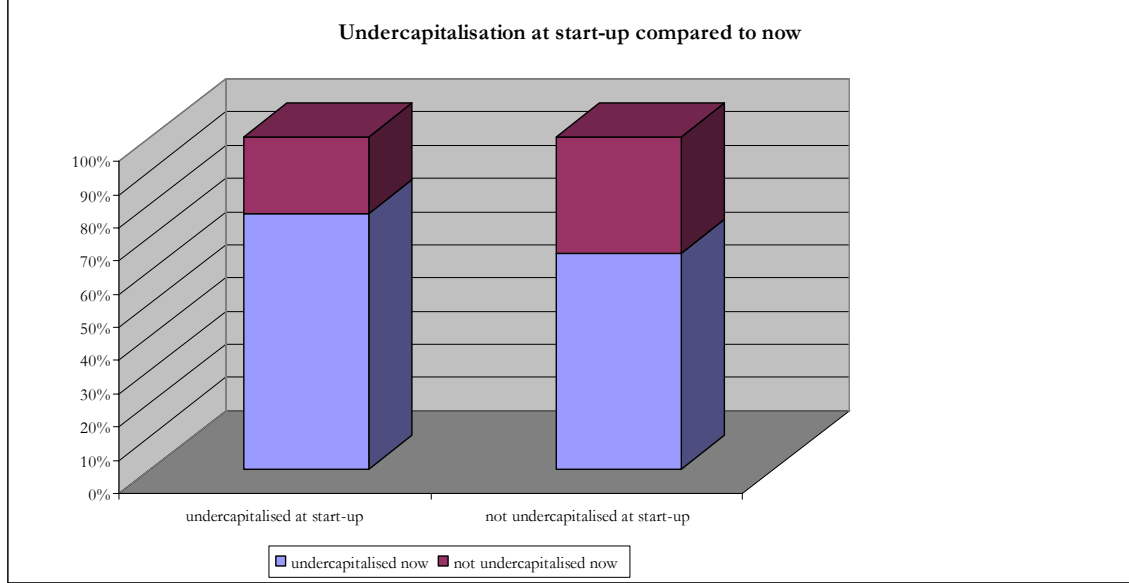


## 5.4 Undercapitalisation

The Big NES survey asked the Scholars if they thought they had (or have) enough money to start a viable business. The NES Follow-up survey also asked the respondents to indicate whether or not they agree with the fact they have enough money to run a viable business. Figure 5.2 and 5.3 presents the results of both surveys to compare the level of undercapitalisation at start-up and at present. As indicated in figure 5.2, over three quarters (77.0 percent) of the respondents who at wave 1 indicated that they did not have enough money to start a viable business and indicated the need for additional investment currently reported undercapitalisation. The remaining 23 percent reported having enough finance to run a viable business at present. Almost two thirds (65.0 percent) of the respondents who reported that they did have enough money to start their businesses at wave 1 disagree or strongly disagree that they have enough finance to run a viable business now. The data presented in figure 5.2 therefore highlights that although the Scholars perceived that they had enough money to *start* their business, the majority do not believe that they have enough money to *run* a viable business after gaining trading experience over time.

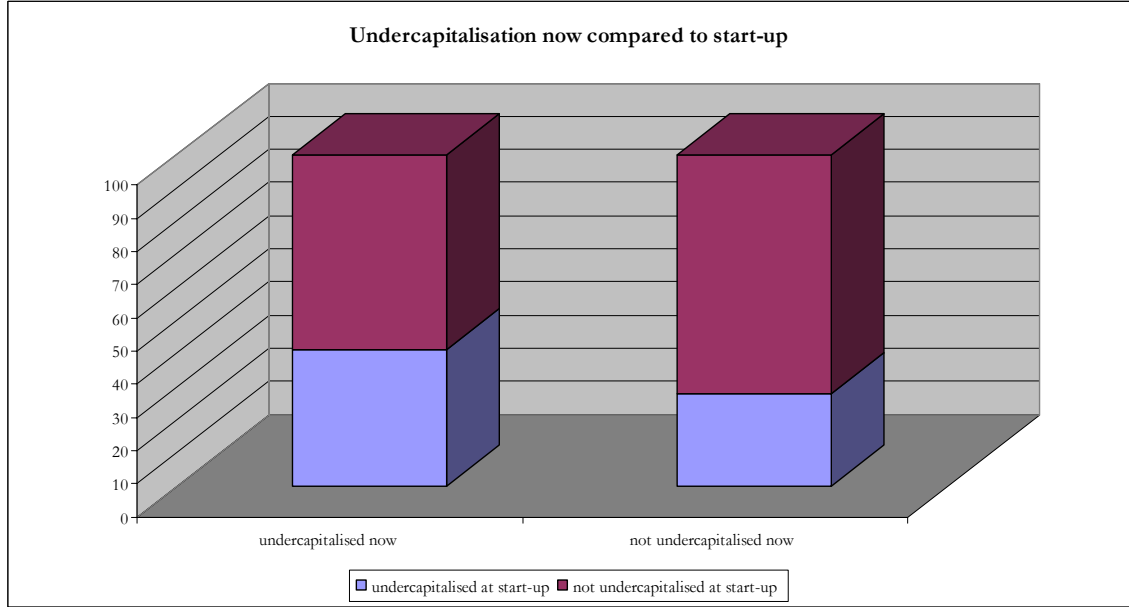


**Figure 5.2: Undercapitalisation at start-up compared to present level of business capital**



Analysis (see figure 5.3) also revealed that a majority (72 percent) of those who did not report being undercapitalised at present were in fact not undercapitalised at start-up. Only 28 percent of the respondents agreed that they now have enough finance although they were undercapitalised at start-up. Interestingly, 58.8 percent of those who reported having enough finance to *start* a viable business (at wave 1 research) now (at wave 2 research) reported that they do not have enough money to *run* a viable business and need additional investment.

**Figure 5.3: Present level of undercapitalisation compared to when business was started**



## 5.5 Living costs

Respondents were asked what source or sources of income they used to cover their personal living costs during the last year (for those who closed, the year before closure). They were able to indicate multiple sources, as applicable. Consequently, these categories are not exclusive and cannot be summed. Table 5.11 presents the breakdown of the sources of living costs and the amount the respondents used to cover their costs (in the last year of trading).

By far the most common source of living costs was business drawings, with almost three quarters (73 percent) of the respondents relied on their business to pay their personal costs in the last year of trading. A third (34.0 percent) made less than £5000 drawings for the business and another 17.7 percent made over £10,000, including a small minority making over £20,000 to support their living. A third (34.3 percent) of respondents also relied on wages from a job with over a third of these respondents (11.4 percent) making over £10,000 to cover their living costs.

Almost a quarter (23.8 percent) of the respondents also indicated a reliance on borrowed money or debt, although over a half of these creating less than £5,000 debts to cover living costs. All those who received financial support from family/friends (11.2 percent) to cover their living costs made less than £2500 from this source. A very small minority (5.6 percent) also use job seeker's allowance of up to £10,000. Benefits, both incapacity/disability benefits (7.7 percent) and housing benefits (12.6 percent) were also received by a minority although a majority of these respondents had to depend on small amounts up to £5000 to support their living costs. A significant minority of respondents relied on tax credit to cover their living costs. Almost a third of the respondents (30.8 percent) reported that they relied on tax credit. A further 10.6 percent indicated reliance on other sources of living costs, spousal income and pension being the most common source indicated.

**Table 5.11: Sources of living costs during the last year of trading**

	Drawings from the business		Wages from a job		Loans/ other debts		Family/ friends support		Jobseeker's allowance		Incapacity/ disability benefits		Housing benefits		Tax credits		Other sources of living costs	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
No Living cost	38	27	92	65.7	109	76.2	127	88.8	135	94.4	131	92.3	125	87.4	99	69.2	127	89.4
£1 – £2499	26	18.4	6	4.3	12	8.4	16	11.2	3	2.1	5	3.5	8	5.6	18	12.6	3	2.1
£2500 – £4999	22	15.6	13	9.3	9	6.3	0	0.0	4	2.8	3	2.1	9	6.3	8	5.6	4	2.8
£5000 – £9999	30	21.3	13	9.3	8	5.6	0	0.0	1	0.7	1	0.7	1	0.7	17	11.9	2	1.4
£10000 – £14999	14	9.9	10	7.1	2	1.4	0	0.0	0	0.0	2	1.4	0	0.0	1	0.7	5	3.5
£15000 – £19999	7	5.0	6	4.3	2	1.4	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	1	0.7
>£20000	4	2.8	0	0.0	1	0.7	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Missing	30		31		28		28		28		29		28		28		29	
<b>Total</b>	<b>171</b>		<b>171</b>		<b>171</b>		<b>171</b>		<b>171</b>		<b>171</b>		<b>171</b>		<b>171</b>		<b>171</b>	

The mean living costs in each stage of business development are presented in table 5.12. For those who are setting up the business, wages from a job is by far the most common source of living cost for a majority of respondents. During the time of the setting up process loans and other debts and job seekers allowances were also helpful for them to cover some of their living costs. A mean drawing of £ 625 was made by those setting up the business towards living costs, confirming the previous findings that the Scholars were doing informal trading while setting up the business.

Drawings from the business are by far the most commonly used source of living cost for those running a business. On average, they drew £5193 from their businesses to support their living. Some reported using wages from a job (mean value of £2518) and tax credits (mean value of £1201) to support living. For those who closed the business tax credit and wages from a job were the highest contributors to living costs with benefits making least contribution towards living.

**Table 5.12: Mean living costs by the stage of the business**

	Setting up the business		Running the business		Closed the business	
	Mean(£)	Max.	Mean	Max.	Mean	Max.
Drawings form the business	625	5000	5193	25000	1400	8000
Wages from a job	4225	16000	2517.70	18000	2404	9640
Loans/credit cards/other debts	1812.50	6000	1115.20	25000	1940	15000
Loan or gift from family/friends	12.50	100	101.12	2000	100	1000
Jobseeker's allowance/income support	1162.50	5500	92.00	4000	0	0
Incapacity benefit/and disability benefit	117.0	936	362.16	12000	150.20	1352
Housing benefits	562.50	4500	291.92	6000	500	4000
Any tax credit	260	2080	1201.49	9600	2450	11000
Other sources	0	0	703.23	15000	1400	14000
Missing	10		18		2	
Total	18		141		12	

Table 5.13 compares the sources of living costs used by the same respondents during the first year of trading and the last year they were on trading. As the Big NES survey only asked the respondents to indicate which sources they had used, but not the amount, a comparison of the amount is not possible.

There is a 25.8 percentage point increase in those who used drawings towards living costs from the business in the last year compared to the first year. The other sources that made a higher contribution towards Scholars' living costs were wages from a job (3.9 percent point), tax credits (8.1 percent point), loans/credit cards/other debts (10 percent points). The proportion of Scholars using job seeker's allowance and income support benefits to cover living costs had dropped from 22.9 percent during the first year of trading to the present figure of just 5.5 percent.

**Table 5.13: Sources of living costs during the first year of trading and at wave 2**

	Percentage used during the 1 <sup>st</sup> year of trading	Percentage used in the last year (2006)
Drawings from the business	47.8	73.6
Wages from a job	33.3	37.2
Jobseeker's allowance/income support	22.9	5.5
Tax credit	22.9	31.0
Housing benefits	18.5	12.4
Loans/credit cards/other debts	13.4	23.4
Supported by other family	11.9	11.0
Other benefits	7.9	0
Incapacity/disability benefit	-	7.6
Cash in hand earlier	5.5	-
Other sources of income	11.1	-
Supported by partner	22.3	-
Other sources	-	10.4

## 6.0 Outcomes: Current Status of Scholars

This chapter analyses the labour market situation for NES Scholars, their financial position and quality of life resulting from NES business start-up. Analysis of the labour market for NES Scholars includes the current work status and economic activity, transitions between work statuses and stability and change in work statuses since joining the NES and the last survey. Data concerning the hours that NES Scholars reported working in their business and how satisfied they are in terms of their present financial situation and quality of life when compared to before starting the NES supported business is also presented.

### 6.1 Current work status and change in work status

Respondents were asked to indicate their work status (es) at the time of completing the questionnaire. The Big NES survey carried out in 2004 also asked their work status (es) at that time (2004) and the work status (es) held when joining NES. Evidence from work histories provided by the Scholars was analysed to provide insight into the extent to which NES had enabled them to move to a different work status, in particular moving from economically inactive to economically active or vice versa.

Table 6.1 reports the data (current work status, work status in 2004 and work status when they joined NES) from the 184 responses to the NES Follow-up survey. As some respondents occupied more than one work status, each status is not exclusive and the figures cannot be summed.

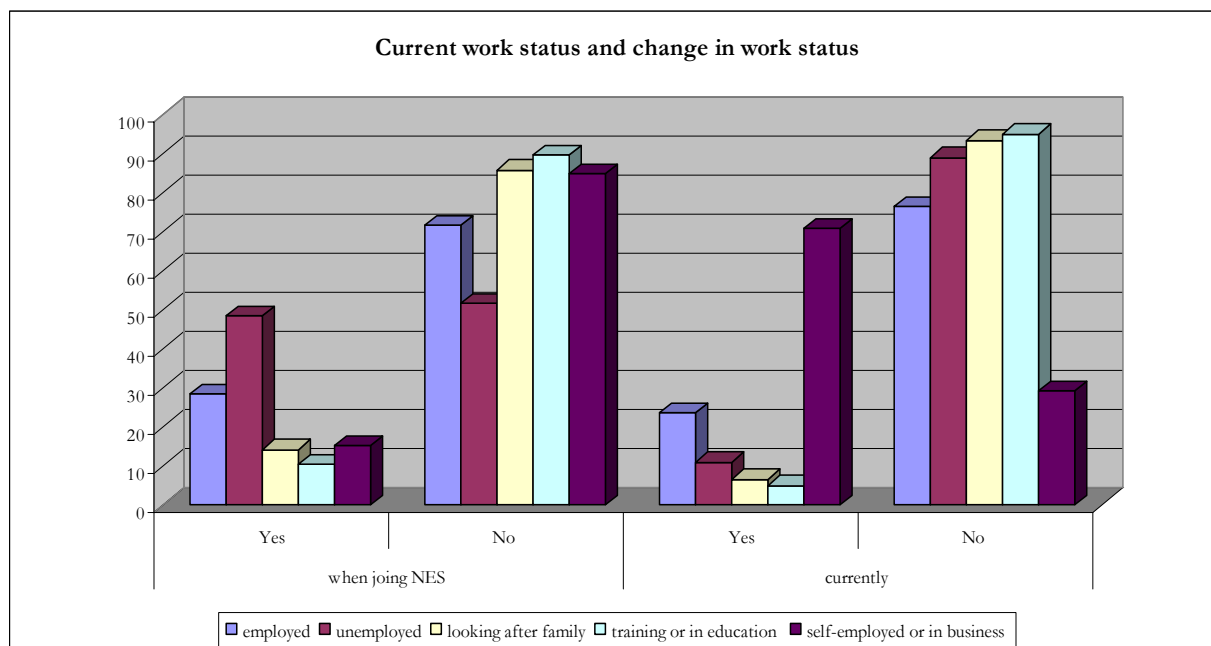
**Table 6.1: Change in work status(es) between joining NES, at wave 1 and currently (wave 2)**

Work status includes being:	When joining NES		In 2004 (wave 1)		Currently (in 2006)- wave 2		Change
	No	%	No	%	No	%	% points
Employed	52	28.3	27	14.7	43	23.4	<b>4.9 (-)</b>
Unemployed	89	48.4	36	19.6	21	11.4	<b>37.0 (-)</b>
Looking after family	26	14.1	19	10.3	12	6.5	<b>7.6 (-)</b>
In training or education	19	10.3	10	5.4	9	4.9	<b>5.4 (-)</b>
Self-employed or in business	28	15.2	128	69.6	130	70.7	<b>55.5 (+)</b>

The majority of respondents (70.7 percent) reported that they are now self-employed or in business, compared with just 15.2 percent when joining the NES programme, a 55.5 percent point increase. The increase in self-employment or in business status for the last 21 months (between wave 1 and wave 2) is very little (1.1 percent point increase) indicating that Scholars retained their self-employment status for at least 2 years. Almost a quarter (23.4 percent) is in employment, a 4.9 percent point decrease from joining NES. Only a small minority (11.4 percent) are unemployed compared with almost a half (48.4 percent) when joining the NES programme, a percentage point decrease of 37.0. When comparing the current work statuses in relation to the respondents work statuses in 2004, there is clear evidence of a transition from unemployment to employment in the last 21 months. Between the two waves of study, the unemployment rate has decreased from 19.6 percent in 2004 to 11.4 percent in 2006, a

percentage point decrease of 8.2, whereas for employment status, this is a percentage point increase of 8.7.

**Figure 6.1: Current work status and change in work status**



There is also a decreasing trend in work statuses of those who are looking after family (7.6 percent point) and in training and education (5.4 percent point), although the differences in the number of responses in training and education during the last 21 months is quite low when compared to the change between when joining and wave 1 results.

Overall, there is a significant difference in work status between joining NES and now for self-employed or unemployment, with the former showing a significant increase whereas the latter showing a significant decrease, as explained in figure 6.1.

## 6.2 Current work status in relation to stage in business start-up

Table 6.2 summarises the current work status(es) of respondents in relation to their business start-up stage. As the total number of respondents in some categories of business start-up stage is relatively low, care should be exercised when interpreting the results.

**Table 6.2: Current work status by stage in business start-up at wave 1**

Current work status includes being:	Developing business plan		Setting up business		Running business		Decided not to start-up		Closed business		Total
	No	%	No	%	No	%	No	%	No	%	
Employed	0	0.0	2	12.5	35	24.8	3	23.1	3	25.0	<b>23.4</b>
Unemployed	1	50.0	9	56.3	1	0.7	5	38.5	4	33.3	<b>10.9</b>
Looking after family	0	0.0	2	12.5	5	3.5	3	23.1	2	16.7	<b>6.5</b>
In training or education	1	50.0	1	6.3	5	3.5	0	0.0	2	16.7	<b>4.9</b>
Self-employed or in business	0	0.0	3	18.8	122	86.5	3	23.1	2	16.7	<b>70.7</b>

Both respondents in the sample that are developing the business plan are economically inactive with one being unemployed (exclusively) at the time of the survey whilst the other respondent was developing the plan while being in training or in education full time.

Over half (56.3 percent) of those setting up the business reported being unemployed with a further one fifth (18.8 percent) reported their current work status as looking after family (12.5 percent) and/or in training or education (6.3 percent). Just 0.7 percent of those running a business and a third each from decided not to start (38.5 percent) and closed the business (33.3 percent) reported being unemployed.

Being employed has an equal representation from those who are running a business (24.8 percent) decided not to start-up (23.1 percent) and closed the business (25.0 percent). A lower proportion (12.5 percent), of the small number who was in the process of setting up their businesses, also reported being employed.

The incidence of looking after family is lowest among those running a business but highest among those who decided not to start-up. 16.7 percent also reported looking after family and closed the business, suggesting that looking after family have pushed them out of business. The incidence of being in training or education is highest among those who closed the business but none of the Scholars who decided not to start the business reported being in training and/or education.

The distribution of responses in self-employment or in business in relation to their stage in NES business start-up is quite interesting. While 86.5 percent of those running the business reported they are self-employed or in business, the remaining 13.5 percent reported their employment status as being either employed or having a combination of employment statuses (12.8 percent) or being economically inactive (0.7 percent). A quarter (23.1 percent) of those who decided not to start their NES business and just a 16.7 percent of the small number who closed their NES business are self-employed or in business at present. The wave 1 data, however, indicated that the most common route out of a NES business is into a new venture, as 78.6 percent of those who closed their businesses reported( at wave 1) that they were self-employed or in business. As the majority, a third, became unemployed and a further quarter became employed since they closed their businesses this indicates that the move into a new venture is not the common route out of a NES business any more.

### **6.3 Current economic activity compared to when NES was started and at wave 1**

In table 6.3, current rates of economic activity (in employment or self-employment/in business) and inactivity (not being in employment or self-employment) is compared between the following three times: when joining NES, wave 1 data (2004) and wave 2 data (2006).

84.1 percent of respondents are currently economically active compared to only 40.7 percent when joining the NES programme and three quarters (75.5 percent) in 2004. A percentage point increase of 43.4 in economic activity since business start-up indicates that more than twice of respondents have moved into economic activity since joining NES. A significant difference in the number of Scholars entering self-employment or business or combining business trading with other activity can be seen since Scholars started their NES programme. An almost ten times increase in percentage points (8.6 percent point) between the two waves of NES surveys also indicates the positive influence that NES programme can have in improving the labour market position of the prospective entrepreneurs.



Given the strong general migration towards self-employment or business activity, it is not surprising to see the declining incidences in economically inactive employment statuses, either exclusive or combined. Only a sixth (15.8 percent) of the respondents are economically inactive at present when compared to over half (55.9 percent) when joining NES programme. A significant minority has also made the transition from economically inactive to economically active during the last 21 months (between the two waves of research).

**Table 6.3: Economic activity when joining NES, at wave 1 and currently (wave 2)**

Economic activity	When joining NES		In 2004 (wave 1)		Currently (in 2006) – wave 2	
	No	%	No	%	No	%
<b>Economically active (in employment or self-employment)</b>						
Employed only	37	20.1	10	5.4	24	13.0
Self-employed or in business only	22	12.0	99	53.8	107	58.2
Employed and self-employed or in business	5	2.7	15	8.2	14	7.6
Looking after family and self-employed or in business	0	0.0	5	2.7	3	1.6
In education or training and self-employed or in business	1	0.5	3	1.6	3	1.6
Employed, looking after family and self-employed or in business	0	0.0	2	1.1	2	1.1
Looking after family, in education or training and self-employed or in business	0	0.0	2	1.1	0	0.0
Unemployed and self-employed or in business	1	0.5	2	1.1	0	0.0
Employed and looking after family	2	1.1	1	0.5	0	0.0
Employed, in education or training and self-employed or in business	0	0.0	0	0.0	1	0.5
Employed and in education or training	4	2.2	0	0.0	1	0.5
Employed, unemployed and looking after family	0	0.0	0	0.0	1	0.5
Employed and unemployed	2	1.1	0	0.0	0	0.0
Employed, looking after family and in education or training	1	0.5	0	0.0	0	0.0
Employed, looking after family, in education or training and self-employed or in business	0	0.0	0	0.0	0	0.0
<b>Total economically active</b>	<b>75</b>	<b>40.7</b>	<b>139</b>	<b>75.5</b>	<b>156</b>	<b>84.6</b>
<b>Economically inactive ( not in employment or self-employment)</b>						
Unemployed only	76	41.3	32	17.4	18	9.8
Looking after family only	17	9.2	6	3.3	6	3.3
In training or education only	6	3.3	3	1.6	3	1.6
Unemployed and in education or training	3	1.6	1	0.5	0	0.0
Unemployed and looking after family	1	0.5	0	0.0	1	0.5
Looking after family and in education or training	0	0.0	2	1.1	0	0.0
Unemployed, looking after family and in education or training	0	0.0	0	0.0	0	0.0
<b>Total economically inactive</b>	<b>103</b>	<b>55.9</b>	<b>44</b>	<b>23.9</b>	<b>28</b>	<b>15.4</b>

Table 6.4 summarises combined/exclusive work status and the respondent distribution in relation to economic activity (active or inactive). The data collected at three stages (when joining NES, at wave 1 and wave 2) were compared and the changes to work status between these times were discussed.

**Table 6.4: Change in combined/exclusive work statuses between joining NES, at wave 1 and currently (wave 2)**

	Work statuses	When joining NES		2004 (wave 1)		Currently (wave 2)		Change
		No	%	No	%	No	%	
Exclusive work status	Economically active	59	32.1	110	59.7	130	70.6	<b>38.5 (+)</b>
	Economically inactive	100	54.3	42	22.8	28	15.2	<b>39.1(-)</b>
Combined work status	Economically active	16	8.7	29	15.8	25	13.6	<b>4.9(+)</b>
	Economically inactive	9	4.9	3	1.6	1	0.5	<b>4.4(-)</b>

Occupying just one work status is common among NES scholars, both when joining NES and currently (86.4 percent when joining NES and 85.6 percent currently has an exclusive work status). Overall, however, respondents have experienced a significant change in their status in economic activity during this time. There is an *increase* of 38.5 percentage points in the proportion of Scholars who have exclusive but economically active work status since joining the NES programme. There is a similar percentage point *decrease* (39.1 percent point) in the numbers who are economically inactive but having exclusive work statuses between joining NES and present time. Although the number of respondents with combined work statuses remains very much the same between these stages, there is a 4.9 percentage point increase in those who are economically active and a 4.4 percentage decrease in those who are economically inactive. Since joining the NES programme, the percentage of respondents who are employed and self-employed or in business (combined economically active work status) has increased while those who are employed and in training or education has decreased. Economically inactive with a combined work status of being unemployed and in training or education has also decreased since joining NES, with no respondents reporting being in this work status currently.

## 6.4 Change in work statuses – stability and pathways to work statuses

In table 6.5, analysis of whether respondents are still practicing the same work status they occupied 21 months ago is presented. In wave 1 research, the same analysis was performed to see the changing patterns of work statuses since joining the NES programme. The results in the Big NES survey revealed that the most stable work status is being self-employed or in business with 86.7 percent of the 68 respondents who were self-employed or in business when joining NES having maintained their self-employment status at the time of the Big NES survey.

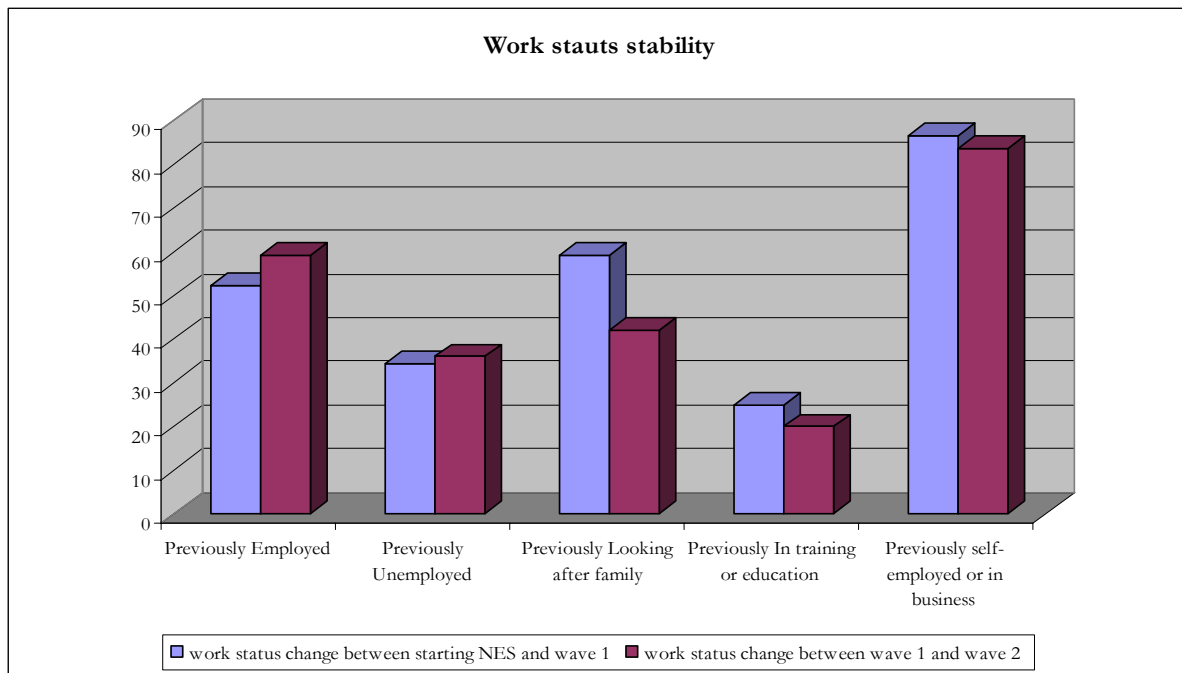
**Table 6.5: Stability and change in work statuses since wave 1**

Work status at wave 1 included being:	Currently practicing this work status		No longer practicing this work status	
	No.	%	No.	%
Employed	16	59.3	11	40.7
Unemployed	13	36.1	23	63.9
Looking after family	8	42.1	11	57.9
In training or education	2	20.0	8	80.0
Self-employed or in business	107	83.6	21	16.4

These results further support the previous finding that the most stable work status for these Scholars is self-employment or in business: 83.6 percent of the 128 respondents who were self-employed or in business 21 months ago are still self-employed or in business. Again, unemployment and in training and education are the least stable work statuses occupied by these Scholars. Of the 36 respondents who were unemployed at wave 1, just 36.1 percent are still unemployed and the remaining 63.9 percent moved out of unemployment over the 21 months period. Of the small number of 10 respondents who were in education and training when the Big NES survey was done in 2004, just 2 respondents (20 percent) are still in training and education. Out of the remaining 8 respondents, 4 have moved to self-employment/employment with the other 4 being unemployed at present. Employment is a moderately stable work status for the majority of respondents, 59.3 percent of the 27 respondents who were employed at wave 1 are still employed. 42.1 percent of those who were looking after their families also still have the same work status after 21 months.

These results thus revealed that although similar patterns in terms of the work status stability were observed between the 2 waves of research and between starting NES and wave 1 research (see figure 6.2), respondents have experienced significant change in their work statuses (figure 6.3).

**Figure 6.2: Work status stability**



**Figure 6.3: Change in work statuses (between wave 1 and 2)**

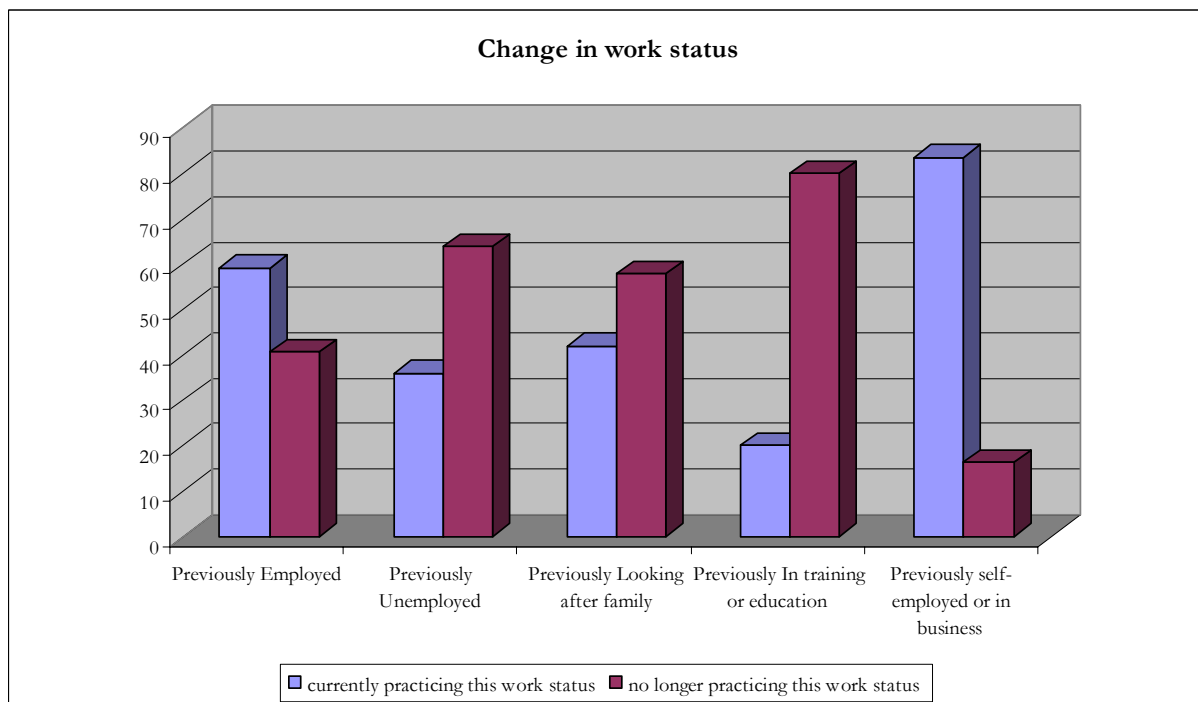


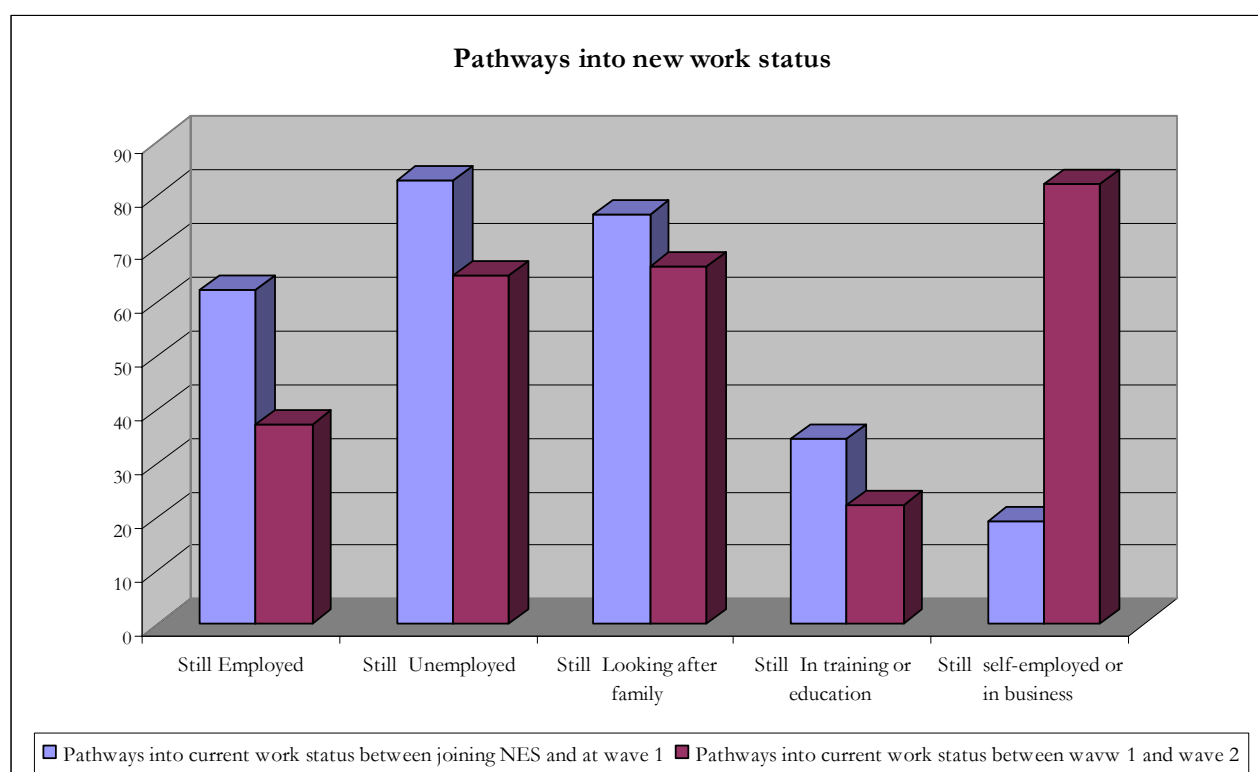
Table 6.6 analyses the pathways into current work status. There is a significant difference in both the patterns of pathways into new work status between the two waves of research (Figure 6.4 ) and the pathways into current work status since wave 1 (Figure 6.5). A majority, 82.3 percent of the 130 respondents who are currently self-employed or in business held this work status at wave 1. The Big NES survey results however indicated that less than a fifth of the respondents who were self-employed or in business at that time were in self-employment or in business when joining NES and therefore came to the conclusion that for the majority of scholars, as a result of NES interventions, the most common pathway is self-employment or in business. The present finding that moving to self-employment is not the most common pathway for a majority of respondents is not surprising as they were already in business/self-employment by wave 1. It is

however important to note that self-employment is a stable work status for a majority and that they held that work status for a longer period. A higher proportion of those currently unemployed (65 percent) and currently those looking after family (66.7 percent) also held the same work statuses at wave 1. This suggests that NES Scholars who were in non economically active work statuses are still in their status and did not have any opportunities to migrate into economically active statuses. A majority of those who were employed and in training or education however has migrated into other work status since the last survey. Only 2 out of the 9 respondents who are currently in training or education were within this work status at wave 1.

**Table 6.6: Pathways into current work statuses**

Current work status included being:	Practicing this work status at wave 1		Did not practice this work status at wave 1	
	No.	%	No.	%
Employed	16	37.2	27	62.8
Unemployed	13	65.0	7	35.0
Looking after family	8	66.7	4	33.3
In training or education	2	22.2	7	77.8
Self-employed or in business	107	82.3	23	17.7

**Figure 6.4: Pathways into new work statuses**



**Figure 6.5: Pathways into current work status**

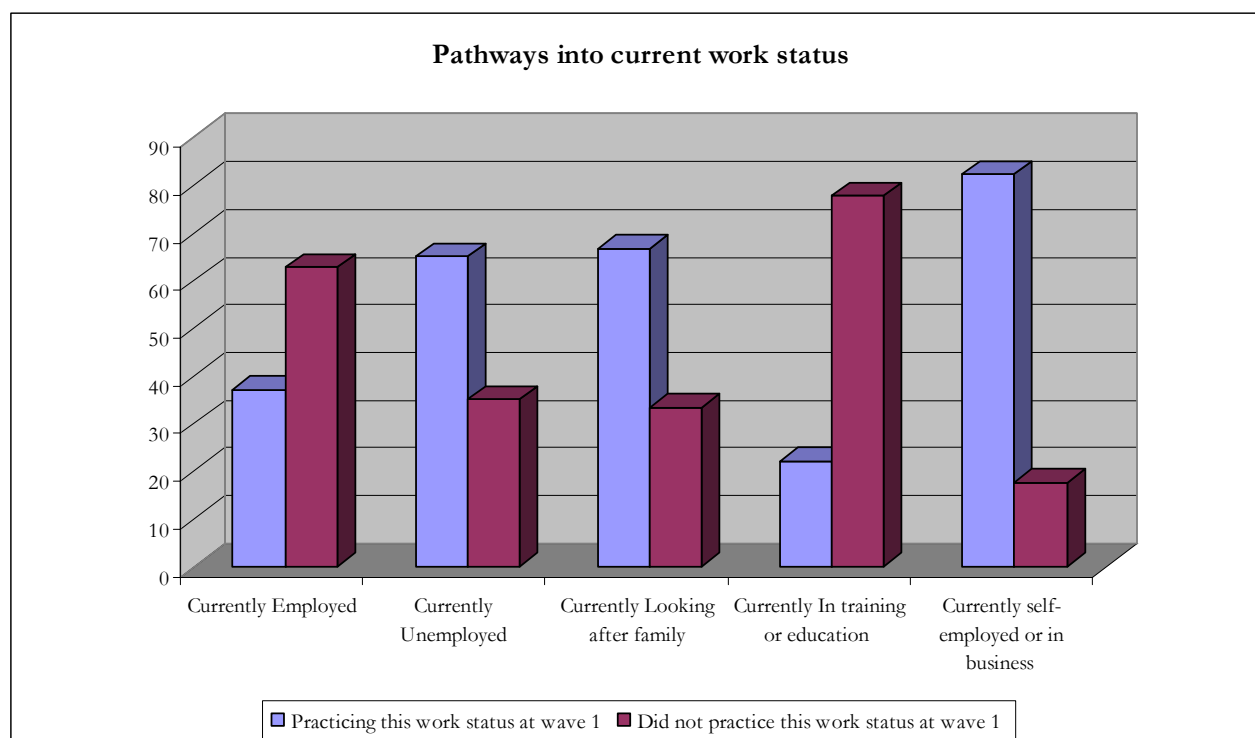


Table 6.7 presents the results of the current economic activity of the respondents compared to their status of economic activity or inactivity at wave 1. The results suggest that a significant majority of respondents (95.0 percent) who were economically active at wave 1 maintained their economic activity and over a half of the respondents (53.3 percent) who were economically inactive moved to economic activity. A similar pattern of change in status of economic activity or inactivity was found between starting NES and wave 1, although there is a slightly higher percentage of economically inactive (63.4) who have moved into economic activity since NES programme.

**Table 6.7: Stability and change in economic activity since wave 1**

Previous economic activity (at wave 1 – 2004))	New Economic activity – wave 2 – 2006 ( N = 184)		
	Economically inactive	Economically active	
Economically inactive	21 (46.7%)	24(53.3%)	<b>45</b>
Economically active	7(5.0%)	132(95.0%)	<b>139</b>
	<b>28</b>	<b>156</b>	<b>184</b>

Table 6.8 presents the results of the analysis of pathways into current economic activity or inactivity. Here we see a change in patterns from the previous research, where it was found that a significant proportion of Scholars migrate into economic activity and only a few scholars migrate into economic inactivity after joining the programme. In the current research we found that since the last survey, a significant number of Scholars (84.6 percent) remained economically active and a significant minority migrate into economic inactivity since the wave 1 survey. Of the small number of those currently economically inactive, three quarters were economically inactive at wave 1 indicating that only a few Scholars migrated from economic inactivity to economic activity since the wave 1 research. This is not surprising, as at wave 1 only 45 out of the 184 respondents to the survey were economically inactive and 53.3 percent of these have moved to economic activity since wave 1 research.

**Table 6.8: Pathways into current economic activity or inactivity**

Current economic activity	Previous economic activity (at wave 1 – 2004)( N = 184)		
		Economically inactive	Economically active
	Economically inactive	21 (75.0%)	7(25.0%)
	Economically active	24(15.4%)	132(84.6%)
		<b>45</b>	<b>139</b>
			<b>184</b>

\*p<.05 (two-tailed); \*\*p<.01(two-tailed); \*\*\*p<0.001(two-tailed); ^p<.10 (two-tailed)

## 6.5 Hours worked in the NES business

Respondents were asked to indicate the number of hours, in a typical week, they spend working in their business. Results are presented in table 6.9. Widely varying number of hours were reported by the respondents. Of those who are in business, almost a quarter (24.3 percent) worked 30 hours or less and almost a half (47.1 percent) working up to 40 hours. A further quarter (24.3 percent) worked for more than 50 hours a week. 8.6 percent of the respondents reported exceptionally long hours: 11.5 percent worked more than 60 hours a week. Compared to the full time employee positions (40 hours per week), over half (52.9 percent) of the respondents report working longer than is common in full-time employee positions. Of those who closed their business, half worked up to 30 hours a week, another 30 percent worked between 31 and 50 hours with the remaining fifth having worked between 51 and 60 hours per week. 40 percent of those who are setting up the business reported working over 40 hours per week, indicating that they are taking a full time position while setting up the business. Due to a low sample size, these results from the Scholars who are setting up the business are less reliable.

**Table 6.9: Hours worked in the NES business**

	Running the business			Closed the business			Setting up the business		
	No	%	Cum%	No	%	Cum %	No	%	Cum %
Up to 16	12	8.6	8.6	1	10.0	10.0	1	10.0	10.0
16 – 25	10	7.1	15.7	1	10.0	20.0	1	10.0	20.0
26 – 30	12	8.6	24.3	3	30.0	50.0	0	0.0	20.0
31 – 35	9	6.4	30.7	0	0.0	50.0	1	10.0	30.0
36 – 40	23	16.4	47.1	2	20.0	70.0	3	30.0	60.0
41 – 45	14	10.0	57.1	0	0.0	70.0	1	10.0	70.0
46 – 50	26	18.6	75.7	1	10.0	80.0	0	0.0	70.0
51 – 55	3	2.1	77.9	1	10.0	90.0	0	0.0	70.0
56 – 60	15	10.7	88.6	1	10.0	100.0	3	30.0	100.0
61 – 65	4	2.9	91.4	0	0.0		0	0.0	
> 66	12	8.6	100.0	0	0.0		0	0.0	
Missing	1			2			4		
<b>Total</b>	<b>141</b>			<b>12</b>			<b>16</b>		

Table 6.10 provides the descriptive statistics for the number of hours worked by the three groups: running a business, closed the business and setting up the business. The average number of hours worked is highest among those running a business and lowest among those who closed their business. However, of the 12 who closed their business none have spent less than 12 hours in their business. Respondents running a business and setting up a business worked over 40 hours a week in average indicating that they take full-time employee positions in their business.

**Table 6.10: Descriptive statistics for hours worked in the NES business**

Descriptive statistics				
	Mean	Median	Min.	Max.
Running the business	43.5	43.5	5	100
Setting up business	40.5	40	8	60
Closed the business	37.2	35	12	60

Table 6.11 indicates the change in the number of hours worked by those currently running a business. The data from the same respondents taken at the two waves were presented. Although there is only a slightly higher number of respondents running a business working less than 30 hours a week (28.3 percent compared to 25.6 at present) at wave 1, over a quarter also reported working for more than 50 hours a week in the Big NES survey, a 3.3 percentage point increase from wave 2 results. This indicates that the number of respondents working exceptionally long hours has reduced and more have moved into part time self-employment over the period between wave 1 and wave 2 research.

**Table 6.11: Change in the number of hours worked in the NES business between wave 1 and currently (wave 2)**

	2006 ( wave 2)		2004 (wave 1)	
	%	Cum %	%	Cum %
Up to 16	8.8	8.8	5.2	5.2
16 – 25	7.5	16.3	11.9	17.1
26 – 30	9.4	25.6	11.2	28.3
31 – 35	6.3	31.9	4.6	32.9
36 – 40	17.5	49.4	18.1	51.0
41 – 45	9.4	58.8	7.7	58.7
46 – 50	16.9	75.6	13.5	72.2
51 – 55	2.5	78.1	4.6	76.8
56 – 60	11.9	90.0	11.2	88.0
61 – 65	2.5	92.5	2.3	90.3
> 66	7.5	100.0	9.6	100.0

## 6.6 Current financial/quality of life situation

In order to explore further the outcomes for NES Scholars, respondents were presented with two questions inquiring into their current financial situation and quality of life when compared to their situation before. In a five point scale respondents were asked to rate whether their current financial situation/quality of life was better, worse or the same as they could have expected if they had not started their NES business. The following two tables present the data based on the stage of business development. However, comparisons between operating and closed businesses should be treated tentatively due to the relatively small number of responses relating to closed businesses and, so, restrictions apply to the generalisability of data relating to the stage of business.



While table 6.12 presents the results of the financial situation and quality of life of the Scholars who are trading at present, table 6.13 presents the results of the Scholars who closed their business

Just over a quarter (28.3 percent) of the respondents in business agreed that their financial situation would be worse if they had not started the NES business. A further quarter (23.4 percent) believes that their financial situation would remain the same even if they did not start their NES business. Surprisingly almost a half (48.3 percent) reported that not considering the option of becoming self-employed with the NES business, their financial situation would be a little (27.7percent) or a lot (20.6 percent) better.

A majority (67.4 percent) of those running a business also believed that their quality of life would be better without the NES business whilst only a significant minority (17.4 percent) see NES business as a means of improving the quality of their lives. 15.2 percent hold the proposition that being in NES business does not make any difference to their quality of life.

Data was also analysed to understand the hours of working and the respondent's claims about the change in their quality of life since NES business start-up. While the number of Scholars working very long hours in their businesses fell over the 21 months since the wave 1 research, the proportion of those working longer hours report that their quality of life has deteriorated as a result of NES business start-up.

**Table 6.12: Financial situation and quality of life of those running a business**

	Financial situation		Quality of life	
	No	%	No	%
A lot worse	15	10.6	4	2.9
A little worse	25	17.7	20	14.5
About the same	33	23.4	21	15.2
A little better	39	27.7	41	29.7
A lot better	29	20.6	52	37.7
Data missing	0		3	
<b>Total</b>	<b>141</b>		<b>141</b>	

Surprisingly, the majority of those who closed their business still believe that without starting the NES business their financial situation would be a lot (36.4 percent) or little (18.2 percent) worse than now. A further third agreed that starting a business did not make a difference to their financial situation. Of those who responded to this question (11 in total), only 1 respondent expected an improved financial situation if the NES business had not been started. Over a quarter (27.3 percent) also reported the likelihood of a better quality of life when compared to 45.5 percent who reported a likelihood of a poor quality of life if NES business has not been started. The remaining quarter (27.3 percent) considered that starting the NES business had not made any difference to their quality of life. Considering the fact that these businesses are not trading at present and the respondents had already faced the negative consequences of business failure, it is quite surprising to see these respondents still claiming higher level of satisfaction as regards both their financial situation and quality of life as a result of NES business start-up.

**Table 6.13: Financial situation and quality of life of those who closed the business**

	Financial situation		Quality of life	
	No	%	No	%
A lot worse	4	36.4	3	27.3
A little worse	2	18.2	2	18.2
About the same	4	36.4	3	27.3
A little better	0	0.0	1	9.1
A lot better	1	9.1	2	18.2
Missing	1		1	
<b>Total</b>	<b>12</b>		<b>12</b>	

Table 6.14 compares the financial situation and quality of life of the respondents who are in business and out of business. The mean values indicate that for those running a business, the respondent's perception of the likelihood of a better financial situation and a better quality of life if self-employment through NES business was not considered, is less when compared to those who closed the business. However as mentioned previously caution should be exercised when interpreting this data due to the small number of respondents in the closed business group.

**Table 6.14: Compare the financial situation and quality of life of those running a business and those closed the business**

	Running the business		Closed the business	
	Financial situation	Quality of life	Financial situation	Quality of life
Mean	2.56	3.11	2.27	2.73
Median	3.0	3.0	2.0	3.0

## 7.0 Outcomes: Current Status of NES Businesses

This chapter reports on the financial performance of NES businesses by presenting the analysis of last year turnover and the change in turnover since the Big NES survey (wave 1 research). Self-reported response to the change in sales in the last six months was also used as a performance indicator of the NES business success. The respondents' own assessments of whether they are satisfied with the current levels of business turnover, cash-flow, drawing and profits are also included.

### 7.1 Financial performance - Last year's turnover

Respondents were asked to report their last years turnover, and if the business has closed, the turnover before closure. A total of 154 respondents declared their turnover. The remaining respondents either had not started to trade, decided not to start the business or chose not to give these details. As not all respondents had been in trading for twelve months, the average turnover was calculated based on the turnover they reported for the duration of their trading.

Last year turnover for NES businesses are presented in table 7.1. Of those who did provide their last years turnover, 5 reported that they were setting up the business. Two of these 5 respondents reported a turnover of over £10,000, further indicating that some businesses emerge gradually during the start-up process. Nine responses were made by respondents who had closed their business. Two thirds (66.7 percent) of these respondents had turnover of less than £5,000, indicating that the businesses that were closed were not doing very well at the time of the closure. Just two respondents reported a good turnover of over £20,000. Because the total number of respondents is low in both setting up business and closed business category, caution should be exercised when interpreting the data.

**Table 7.1: Last year's turnover**

	Setting up the business		Running the business		Closed the business	
	No	Cum%	No	Cum%	No	Cum %
No turnover	1	20.0	2	1.4	1	11.1
Up to 4,999	1	40.0	23	17.9	5	66.7
5,000 – 9,999	1	60.0	20	32.1	0	66.7
10,000 – 14,999	1	80.0	15	42.9	1	77.8
15,000 – 19,999	0	80.0	13	52.1	0	77.8
20,000 – 29,999	1	100	22	67.9	1	88.9
30,000 – 39,999	0		8	73.6	0	88.9
40,000 – 49,999	0		6	77.9	1	100.0
50,000 – 99,999	0		21	92.9	0	
>100,000	0		10	100.0	0	
No answer	11		1		3	
<b>Total</b>	<b>16</b>		<b>141</b>		<b>12</b>	

Of those running their business, just 17.9 percent reported a last year turnover of less than £5,000 and a quarter of the respondents had a turnover between £5,000 and £15,000. Almost a half (47.9 percent) had over £20,000 turnover and this includes 22.1 percent of the Scholars in trading who reported turnover of over £50,000. A total of 7.1 percent had a turnover of over

£100,000 and three respondents in this group in particular were making very high turnovers of up to £350,000.

## 7.2 Change in business turnover

Table 7.2 compares the respondent's last year turnover and the turnover they reported 21 months ago (in wave 1 survey). Table 7.3 also presents descriptive statistics to compare the turnovers during this time. The data indicates a sharp increase in turnover for a majority of businesses between wave 1 and wave 2. In 2004, just over half (50.5 percent) of these respondents had less than £5,000 turnover and only a quarter (25.7 percent) made over £15,000 turnover. A significant minority (5.5 percent) had a turnover of over £50,000. The average turnover in 2004 for these NES businesses was £12,453, but the median value of just £2100 (the point at which there are an equal numbers of businesses with lower and higher investment) indicates that this average turnover of £12,453 is distorted by a small number of businesses with exceptionally high turnovers and that a significant majority are making relatively low turnovers.

In wave 2 data, it is very clear that the businesses are making higher turnovers than 21 months ago with an average of £34,066 per business and a median of £17,000 per business. Just a quarter (21.4 percent) reported a turnover of less than £5,000 and over half (53.9 percent) reported turnovers of over £15,000. The numbers making over £50,000 turnover in their last year of trading had increased from just 5.5 percent in 2004 to 20.1 percent (4 time increase) in 2006.

**Table 7.2: Business turnover at wave 1 and wave 2**

	2004 (wave 1)		2006 (wave 2)	
	Valid %	Cum %	Valid %	Cum %
No turnover	6.4	6.4	2.6	2.6
Up to 4,999	44.0	50.5	18.8	21.4
5,000 – 9,999	17.4	67.9	13.6	35.1
10,000 – 14,999	6.4	74.3	11.0	46.1
15,000 – 19,999	8.3	82.6	8.4	54.5
20,000 – 29,999	7.3	89.9	15.6	70.1
30,000 – 39,999	2.8	92.7	5.2	75.3
40,000 – 49,999	1.8	94.5	4.5	79.9
50,000 – 99,999	1.8	96.3	13.6	93.5
>100,000	3.7	100.0	6.5	100.0

**Table 7.3: Business turnover – Descriptive statistics**

Descriptive Statistics		
	2004(wave 1)	2006(wave 2)
Mean	12453.13	34066
Median	2100	17000
SD	32014	53937
Min.	0	0
Max.	250000	350000

Only those are running the business and closed the business are taken into consideration; N= 153

Table 7.4 outlines the turnover difference between the two waves of research. Only those who provided the turnovers in both waves of research were included in the analysis. As some of the businesses were not trading when wave 1 research was undertaken, there are a high number of cases with missing data.

Of those currently running a business, just 2.1 reported no change in the turnover in the last 21 months. A further 12.6 percent had to face a negative turnover change between these times with the remaining 85.3 percent of respondents running successful business, if the business success is measured in terms of their turnover. A third (31.6 percent) of those who had been trading at both wave 1 and wave 2 surveys, experienced an increase in their turnover of between £1 – £ 10,000 and a further a quarter (25.3 percent) an increase of between £10,000-£25,000. 14.8 percent of the respondents made very high turnovers in the last year of trading and had experienced over £50,000 turnover difference (per year) between the two waves of research.

The data for the closed businesses in terms of the turnover difference need to be interpreted with caution, due to the small numbers in this group. The respondents who closed their business before wave 2 research, but still responded to the follow-up survey, were treated as missing cases. Quite interestingly, none of the Scholars who closed the business did not close the business because of a negative change in turnovers before business closure. Two respondents out of the 7 providing data reported no turnover difference and another four Scholars had experienced a turnover difference between £1 and £10,000. One respondent who had a relatively high turnover increase (between £10,000 - £24,000) had decided to close the business irrespective of the higher income received from sales.

**Table 7.4: Turnover difference between wave 2 and wave 1**

Turnover difference (W 2- W 1)	Running the business		Closed the business	
	No	%	No	%
Negative change	12	12.6	0	0.0
No change	2	2.1	2	28.6
£1 – £9,999	30	31.6	4	57.1
£10,000 – £24,999	24	25.3	1	14.3
£25,000 – £49,999	13	13.7	0	0.0
£50,000 – £99,999	9	9.5	0	0.0
> £100,000	5	5.3	0	0.0
Missing	46		5	
Total	141		12	

### 7.3 Change in sales in the last six months

Respondents were also asked to indicate to what extent (a six point scale with ‘sales decreased’ to ‘sales increased by more than 100%’) their sales changed in the last six months, and, if closed, in last six months of trading. Results are shown in table 7.5. A significant majority (62.6 percent) of respondents reported that they had an increase in sales in the last six months and a further 28.5 percent had experienced no change in their sales in the last six months. A lower proportion (13.9 percent) of respondents also reported an increase in sales of over 50 percent in the last six months and 6.3 percent had even doubled their sales during this time.

**Table 7.5: Change in sales over the last six months**

Change in sales		
	No	%
Sales decreased	14	8.9
No change	45	28.5
Increased by < 25%	52	32.9
Increased between 26 – 50%	25	15.8
Increased between 51 – 100%	12	7.6
Increased over 100%	10	6.3
No answer	11	
Total	169	

N = Setting up the business, Running a business and Closed the business down

The distribution of data based on their stage of business development (table 7.6) indicates that while a majority of those setting up the business and closed the business have reported decreased or no change in sales those who are running the business experienced a sales growth.

**Table 7.6: Change in sales by stage in business start-up**

	Setting up business		Running the business		Closed the business	
	No	%	No	%	No	%
	1	12.5	10	7.2	2	20.0
Sales decreased	5	62.5	35	25.2	5	50.0
No change	1	12.5	49	35.3	2	20.0
Increased by < 25%	1	12.5	23	16.5	1	10.0
Increased between 26 – 50%	0	0.0	12	8.6	0	0.0
Increased between 51 – 100%	0	0.0	10	7.2	0	0.0
Increased over 100%	8		2		2	
<b>No answer</b>	16		141		12	

## 7.4 Satisfaction with current performance of the business

Respondents were also asked to rate how satisfied they are with the current performance of the business in terms of turnover, cash flow, drawings (wages from the business) and the profits they make. As indicated in table 7.7, a majority of Scholars said that they are unsatisfied with the present performance of the business in terms of their turnover (60.7 percent), cash flow (54.7 percent), drawings (68.1 percent) and profits (71.7 percent). Of those who have closed the business the level of satisfaction in any of these performance factors were very low and the mean values for all the four performance indicators were highly skewed towards the unsatisfied end of the spectrum (see table 7.8).

**Table 7.7: Level of satisfaction with current business performance**

	Totally Unsatisfied		Unsatisfie		Satisfied		Totally Satisfied		Total	
	No	%	No	%	No	%	No	%		
Satisfaction with turnover	25	15.8	71	44.9	56	35.4	6	3.8	158	<b>2.27</b>
Satisfaction cash flow	25	15.7	62	39.0	65	40.9	7	4.4	159	<b>2.34</b>
Satisfaction drawings	38	24.2	69	43.9	46	29.3	4	2.5	157	<b>2.10</b>
Satisfaction profits	43	27.0	71	44.7	42	26.4	3	1.9	159	<b>2.03</b>

**Table 7.8: Comparison of the Scholar's level of satisfaction with current business performance**

	Running the business	Closed the business
	Mean	Mean
Satisfaction with turnover	2.35	1.5
Satisfaction cash flow	2.41	1.6
Satisfaction drawings	2.19	1.3
Satisfaction profits	2.11	1.4

Figure 7.1 suggests that a majority of those who made low turnovers were unsatisfied with their business performance and those who had made higher turnovers were satisfied with the current level of performance. A significant minority of those making high turnovers are also still unsatisfied with their turnovers. Respondents who expressed total satisfaction with the current business turnover were making at least £40,000 in the last year.

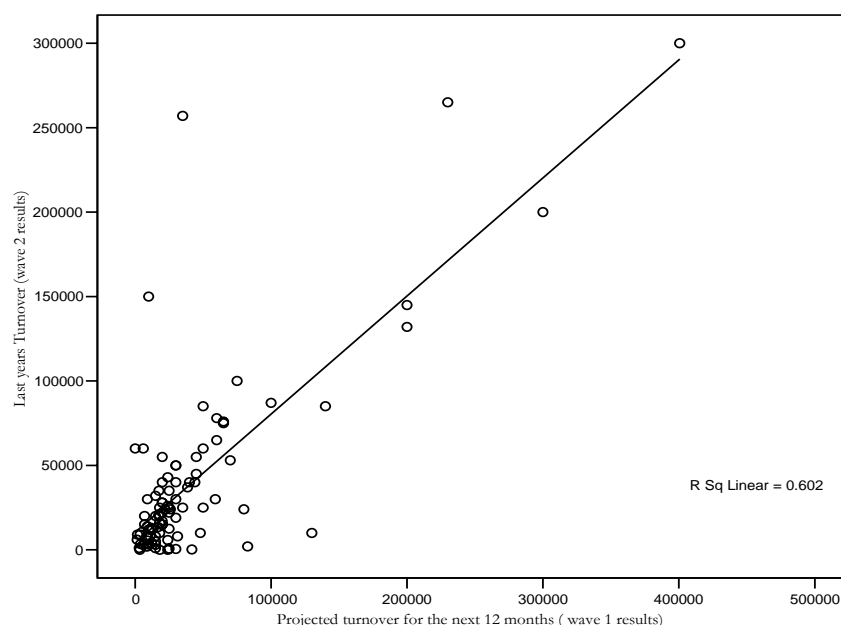
**Figure 7.1: last year turnover and level of satisfaction with current business performance**



## 7.5 Predicted turnover and the actual turnover made

The data presented in this section compares the actual turnover made by the Scholars in the last year and the predictions they made at wave 1 about their next year turnover. In the Big NES survey, most Scholars reported that they expected a significant turnover growth in the next year. Nearly half (45 percent) of operating businesses expected a turnover of £25,000 or more in the coming year, a growth rate of over 200 percent.

**Figure 7.2: Last year Turnover and the projected turnover for next year at wave 1**



Results shown in figure 7.2 indicate that there is a strong correlation between the last year turnover (from wave 2 results) and the annual turnover projected by the Scholars at wave 1, with those making higher projections making a high turnover in the last year of trading ( $r = .776$ ,  $p < 0.000$ ). Interestingly, however, over half (52.6 percent) of the 95 Scholars who provided both sets of data made higher projections than the actual turnovers they made in the last year. It is noteworthy to mention that 8.4 percent of the Scholars who made predictions, had predicted over £50,000 more than the actual turnover they made in the last year and this includes 3 Scholars whose predictions were over £100,000 more than the actual turnovers in the last year. On the other hand there were two Scholars, one making £220,000 and one making £140,000 over the predicted turnovers.

**Table 7.9: Comparison of actual turnover made last year and projected turnover**

Actual turnover vs. predicted turnover		Percentage ( N= 95)
Actual Turnover is higher than projected turnover	Up to £4,999	13.7
	£5,000-£9,999	9.5
	£10,000-£24,999	15.8
	£25,000-£49,999	4.2
	Over £50,000	4.2
Projected Turnover is higher than the actual Turnover	Up to £4,999	18.9
	£5,000-£9,999	6.3
	£10,000-£24,999	13.7
	£25,000-£49,999	5.3
	Over £50,000	8.4



## 8.0 NES Businesses in the Future

This Chapter analyses the main aim for the NES businesses in the future. The relationship between the current business situation and future business status is also discussed.

### 8.1 Where the business wants to be

The respondents were asked what their MAIN aim will be for the business over the next two years. Those who had closed their businesses were asked to indicate their main aim before closure. The results are presented in table 8.1

Of those running a business, a quarter (25.5 percent) said that their main aim is to grow the business rapidly. A further 59.6 percent of those in business also aimed to grow their business moderately, giving a total of 85.1 percent of the 141 responses in trading wanting to see an expansion in their business. To remain about the same size is a less favourite option for a majority and only 9.9 percent of those running a business wish to remain in the same position as they are now. A significant minority aimed to sell the business (1.4 percent), hand on the business (1.4 percent) or close the business down (2.1 percent) within the next two years. None consider reducing the size of the business as an option for the near future.

A significant majority (84.7 percent) of those setting up or developing the business plan also wanted to see their businesses grow in the next two years. Over a third of those who wanted to see business growth were very optimistic that their business will grow rapidly in the years to come. The remaining (15.4 percent) would not consider growth in the future as they are happy to remain about the same size in the next two years.

Of those who closed the business, a majority (81.8 percent) aimed to see a growth in their business before closure. Two out of the 12 respondents wanted to see business closure even before actually closing their businesses.

**Table 8.1: Main aim for the NES business in the future**

Main Aim	Running the business		Setting up business/developing the business plan		Closed the business	
	No	%	No	%	No	%
To grow rapidly	36	25.5	5	38.5	2	18.2
To grow moderately	84	59.6	6	46.2	7	63.6
To remain about the same size	14	9.9	2	15.4	0	0.0
To reduce the size of the business	0	0.0	0	0.0	0	0.0
To sell the business	2	1.4	0	0.0	0	0.0
To hand on the business	2	1.4	0	0.0	0	0.0
To close the business down	3	2.1	0	0.0	2	18.2
Missing	0		5		1	
<b>Total</b>	<b>141</b>		<b>18</b>		<b>12</b>	

## 8.2 Relationship between current business situation and future business aim

Figure 8.1 shows that those who aimed to grow their business had made higher turnovers in the last year whereas, those who wanted to consider handing on or closing down their business in the next two years were not making good turnovers. Surprisingly, those who want to remain about the same size were also making above average turnovers, at the time of the survey.

**Figure 8.1: Average turnover and main aim for the business in the future**

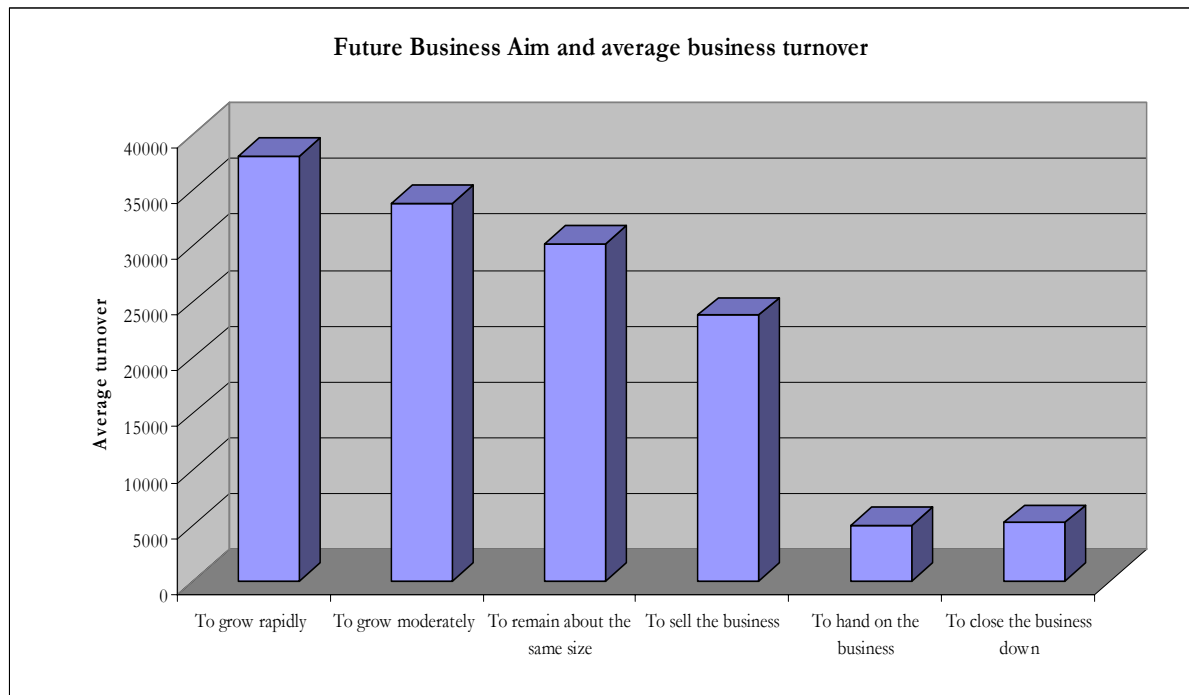
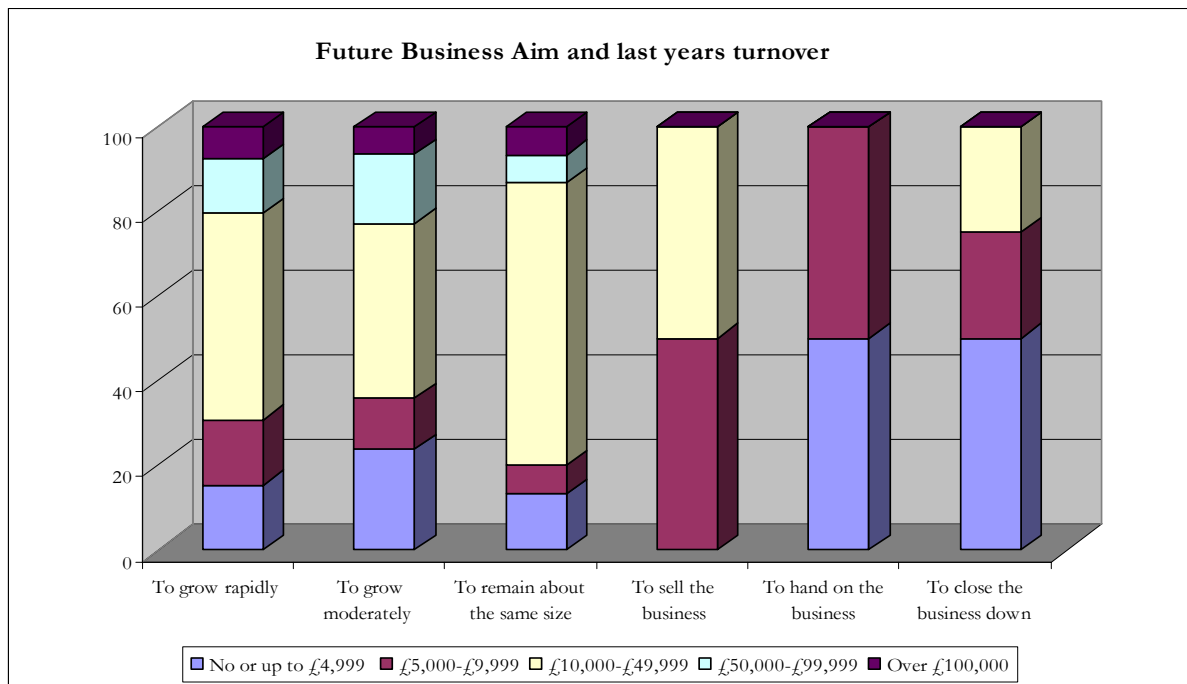


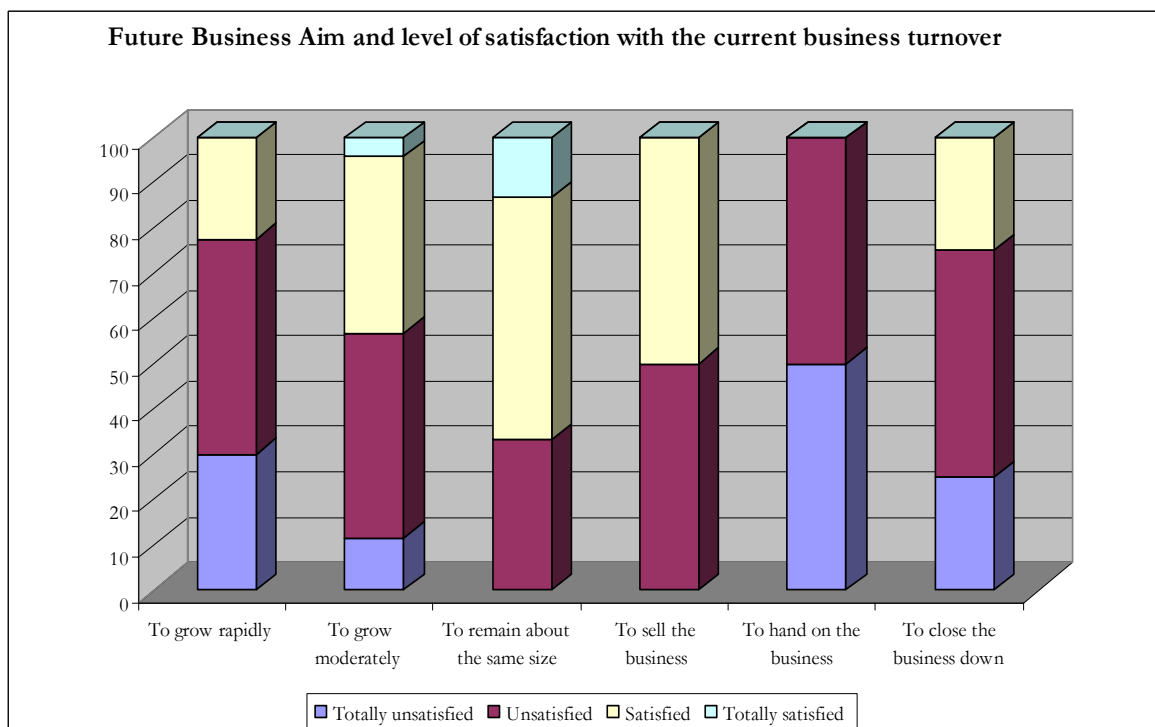
Figure 8.2 also outlines the relationship between current business performance (in terms of turnover) and the future business aim. None of those who were making turnovers over £100,000 aimed to sell, hand on or close their businesses. A greater proportion of the highest turnover group wanted to see their business grow rapidly with a similar proportion aiming to see a moderate growth or wanting to remain about the same size. It is interesting to see that a higher proportion of those currently making no, or up to £5,000, turnover also aimed to grow their business in the next two years. It is also clear from the data that a higher proportion of the respondents considering business closure in the near future are making fewer turnovers at present.

**Figure 8.2: Last year's turnover and main aim for the business in the future**



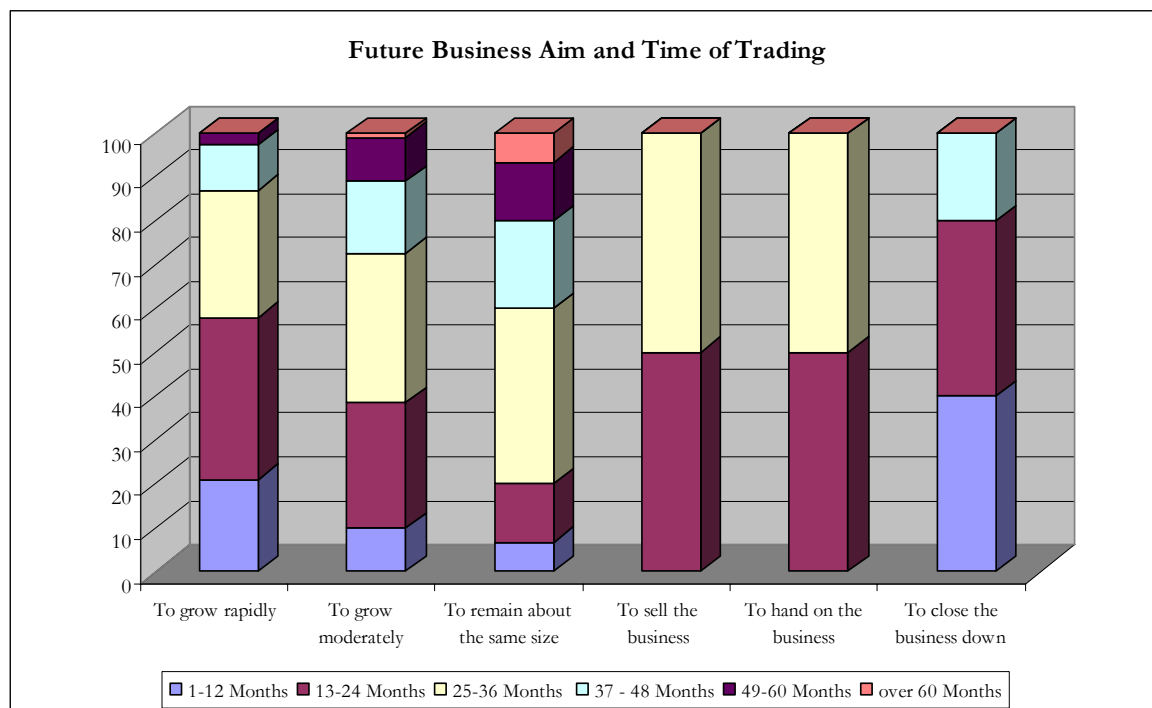
Analysis of the Scholars level of satisfaction with the current business performance and the main aim for the business in the future (see figure 8.3) also indicates that those who are unsatisfied with their current performance aimed to move out of NES business in the future. Surprisingly, none of the respondents totally satisfied with their current situation do not aim to grow their business rapidly but want to see their business grow moderately or to remain about the same size. Also interesting to see is that the majority of those who are totally unsatisfied with the current financial performance also consider growing their business in the future.

**Figure 8.3: Level of satisfaction with the current business turnover and the main aim for the business in the future**



Scholars in trading for a long time appears to have been somewhat less likely to sell/hand over or close their business and more likely to consider business growth or in particular to remain about the same size (see figure 8.4). Interestingly, none of the 13 Scholars who have been trading for more than 4 years consider selling, handing over or closing their NES business over the next two years.

**Figure 8.4: Future business aim and the time of trading**



## 9.0 Business Networks

This Chapter outlines the networking activities of the Scholars, in particular addressing the types of networks and frequency of interactions. It further reports the outcomes of networks and the correlation analysis of the relationship between types of networks and network outcomes.

### 9.1 Types of networks

Respondents were asked to what extent they have interacted with various types of people in their networks since business start-up. The results in table 9.1 indicate that most Scholars network with their family members and this is the most common arena for discussion in the majority of cases. Over three quarters (77.1 percent) reported that they ‘fairly’ or ‘very often’ contact their family to discuss matters. Although contacting neighbours to discuss matters is an infrequent option for a majority of Scholars (only a third reported that they often make contacts), two thirds (67.6 percent) of the respondents indicated that they interact with friends ‘fairly’ or ‘very often’. Just 4.2 percent of the respondents rarely or never contacted friends since they started their NES business.

It was also more common to have frequent discussions with current work colleagues, including partners and employees (58.7 fairly or very often contacting and only 24.6 percent never or rarely contacting current work colleagues) rather than previous work colleagues, including business owners. Just under a quarter (21.3 percent) of the respondents meet often with their previous work colleagues and almost a fifth (18.1 percent) did not make contacts with this group at all. Very few however interacted with NES entrepreneurs, and of those who made contacts this was a less frequent option (just 1.8 percent made contacts very often with fellow NES Scholars). While almost a third (30.9 percent) never had any interactions with this group, over half (59.4 percent) had only met other NES entrepreneurs occasionally.

Of all other groups, the respondents had interactions most often were with business customers (49.4 percent fairly or very often make contacts, just under a quarter, 22.5 percent, never or rarely make contacts with business customers). Conversely, only a significant minority (19.0 percent) often make contacts with business competitors when compared to over half (54.6 percent) who rarely or never contacted competitors. A similar proportion (25.9 percent) had more frequent interactions with business suppliers with 56.8 percent of the Scholars only making contacts with their business suppliers rarely or occasionally. The remaining 17.3 percent of the respondents held no discussion with this group at all.

Discussions with external advisors, including NES partners, professional advisors and other business advisors was common but often less frequent than with other social and business contacts. NES business advisors, mentors and staff were the least common group of people that NES Scholars met to discuss matters. Although over half (57.6 percent) of the respondents reported some contacts with NES advisors, the majority (49.1 percent) of these interacted with this group of advisors either rarely or occasionally. 42.4 percent of respondents reported no contacts at all with NES advisors, mentors or staff since start-up. Some respondents had interactions with professional advisors although this is a lower proportion than for many other groups and only 15.1 percent did so fairly or very often. Relatively few (14.1 percent) respondents reported discussions with other business advisors fairly or very often. Almost a third (31.9 percent) had never made any contacts with business advisors, other than NES advisors (NES staff, mentors etc) and professional advisors (solicitors, accountants etc).

Even though it is not possible to compare the current level of network involvement with the network involvements of the Scholars at wave 1 (due to incompatibility of the scales used in network questions), there was some evidence of increasing levels of networks with business customers and suppliers since the last survey. Conversely, networking with fellow NES Scholars and NES staff including advisors and mentors has reduced considerably.

**Table 9.1: Types of networks**

	Never		Rarely		Occasionally		Fairly often		Very often			
	No	%	No	%	No	%	No	%	No	%	Mean	Total
Family	5	3.0	9	5.4	24	14.5	53	31.9	75	45.2	4.11	166
Neighbours	19	11.5	34	20.6	57	34.5	35	21.2	20	12.1	3.02	165
Friends	2	1.2	5	3.0	46	28.0	55	33.5	56	34.1	3.96	164
Current work colleagues (e.g. partner, employees)	22	14.2	16	10.3	26	16.8	46	29.7	45	29.0	3.49	155
Previous work colleagues/ Business owners	29	18.1	42	26.3	55	34.4	28	17.5	6	3.8	2.63	160
NES entrepreneurs	51	30.9	52	31.5	46	27.9	13	7.9	3	1.8	2.18	165
Business competitors	33	20.2	56	34.4	43	26.4	24	14.7	7	4.3	2.48	163
Business suppliers	28	17.3	31	19.1	61	37.7	25	15.4	17	10.5	2.83	162
Business customers	7	4.4	29	18.1	45	28.1	37	23.1	42	26.3	3.49	160
NES business advisers/tutors/staff	70	42.4	48	29.1	33	20.0	8	4.8	6	3.6	1.98	165
Professional advisers (solicitors, accountants etc)	35	21.2	52	31.5	53	32.1	22	13.3	3	1.8	2.43	165
Other business advisers	52	31.9	51	31.3	37	22.7	16	9.8	7	4.3	2.23	163

Results in table 9.2 explain that NES Scholars running a business are making more frequent contacts with all the groups than those who had closed the business. Of those who still running their business, social networks with family, neighbours and friends is the most common and interactions with NES business advisors/mentors/staff is the least common. Of those who closed the business, making frequent contacts with work colleagues, when in trading, was the most common method of networking and meeting NES entrepreneurs was the least common method.

**Table 9.2: Network types between those who are running a business and those closed the business**

	Running the business	Closed the business
	Mean	Mean
Family / Neighbours/ Friends	3.81	3.5
Current work colleagues	3.62	3.6
Previous work colleagues/ Business owners	2.93	2.8
NES entrepreneurs	2.50	1.9
Business competitors/ suppliers/ customers	3.23	2.83
NES business advisers/tutors/staff	2.21	2.10
Professional advisers (solicitors, accountants etc)	2.78	2.00
Other business advisers	2.57	2.00

## 9.2 Outcomes of networks

Respondents were asked to what extent they benefited from the interactions they had with their network members. The possible outcomes of participating in networks is presented, first irrespective of their type of interactions (table 9.3) and then in relation to the type of interaction (table 9.4) in order to identify any patterns in outcomes associated with particular interactions.

As indicated in table 9.3, a majority of respondents (59.3 percent) benefited from the moral support gained as a result of the interactions with members in their networks. Just 11.8 percent of the respondents reported no or rare moral support from the people with whom they interact. A high proportion (39.5 percent) also agreed that interacting with network members helped them to gain useful industry information. Only a significant minority found that this is not the case at all. Although the majority of the respondents were not very happy (72.3 percent reported some occasional benefits) with the business strategy advice they received as a result of network interactions they had made, only as little as 6.8 percent claimed that they never had any business strategy advice benefits from networks. Over a third (35.2 percent) of the respondents also said that they fairly often or very often received business referrals as a result of network participation. Under a tenth (7.4 percent) had not benefited from business referrals as a result of network interactions at all. It is noteworthy that a sizeable minority (37.7 percent) of Scholars found networks not supportive at all in seeking finance for the business and only as little as 7.10 percent of the respondents had benefited from financial support quite often.

Correlation results in table 9.4 explain that networking with family, neighbours and friends are particularly useful for moral support, financial support and business strategy advice. Networking with current work colleagues was also found to have a strong impact in terms of



moral support, and in gaining industry information and business referrals. Of those who reported contacting previous work colleagues and business owners, a majority reported that they gain more industry information as a result of these contacts (statistically significant association) but less financial support (statistically insignificant).

Contacting NES entrepreneurs and other business advisors seemed to be useful for a number of Scholars particularly to gain moral support, industry information, business strategy advice and business referrals. These contacts however did not help Scholars towards supporting their business finance. Networking with business competitors, suppliers and customers is a very useful method to gain a number of benefits to Scholars including financial support. NES business advisors including mentors and NES staff had helped Scholars with the business strategy advice although frequent interactions with NES advisors had not improved their financial positions, and in fact these interactions had resulted negatively in seeking financial support for their businesses. Networking with professional advisors also helped the majority of Scholars to gain industry information and business strategy advice, although there is no statistically significant association between professional networks and financial support or business referrals.

**Table 9.3: Network outcomes**

	Never		Rarely		Occasionally		Fairly often		Very often		Mean
	No	%	No	%	No	%	No	%	No	%	
Moral support or a 'pat on the back'	4	2.5	15	9.3	47	29.0	68	42.0	28	17.3	<b>3.62</b>
Financial support	61	37.7	47	29.0	35	21.6	14	8.6	5	3.1	<b>2.10</b>
Industry information	15	9.3	20	12.3	63	38.9	50	30.9	14	8.6	<b>3.17</b>
Business strategy advice	11	6.8	33	20.4	73	45.1	34	2.0	11	6.8	<b>3.01</b>
Business referrals	12	7.4	25	15.4	68	42.0	32	19.8	25	15.4	<b>3.20</b>

**Table 9.4: Relationship between network outcomes and type of networks**

	Family / Neighbours / Friends	Current work colleagues	Previous work colleagues/ Business owners	NES entreprene urs	Business competitors/ suppliers/ customers	NES business advisers/ tutors/staff	Professional advisers	Other business advisers
Moral support or a 'pat on the back'	0.325**	0.299**	0.140	0.220**	0.229**	0.130	0.193*	0.184*
Financial support	0.188*	0.051	-0.028	0.032	0.176*	-0.059	0.087	0.098
Industry information	0.129	0.183*	0.220**	0.186*	0.094	0.138	0.166*	0.259**
Business strategy advice	0.156*	0.179*	0.134	0.284**	0.188*	0.193*	0.225**	0.385**
Business referrals	0.150	0.154	0.052	0.178*	0.257**	0.129	0.102	0.191*

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

## 10.0 Children and Childcare

Scholars were asked how many children they live with aged under 16, what their role in providing childcare was and what strategies they have for managing childcare while trading. They were also asked whether childcare would block them from working in their business. A further analysis into the change in childcare since wave 1 research is also presented.

### 10.1 Family

Of the 166 respondents who commented on their family status, 34.3 percent said they live with a child or children aged under 16 years old. In wave 1 research 35.9 percent of the respondents reported living with children under 16 years of age. If the adults living with a child under 16 is referred to as 'parents', the percentage of parents representing the samples has not changed between wave 1 and 2.

The parents are almost equally distributed by sex: 28 are men and 29 are women. 82 percent of the parents have just one or two children aged under 16 and just 2 out of the 57 parents have four or more children.

**Table 10.1: Number of children**

No. of children	No of responses	%
0	109	65.7
1	28	16.9
2	19	11.4
3	8	4.8
4 or ore	2	1.2
Missing	5	
Total	171*	

\*those who have decided not to start the business did not answer questions related to childcare

If we assume that those who did not report being married or living with a partner are single parents, just over a fifth (21.4 percent) of those living with children in the sample are single parents (see table 10.2).

**Table 10.2: Marital status of parents**

Parent's Marital status		
	No	%
Single	11	19.6
Married	32	57.1
Living with a partner	12	21.4
Separated/ divorced	1	1.8
Widowed	0	0.0
Missing	1	
Total	57	

Children's ages have been categorised in relation to whether we would expect them to be pre-school, in primary school or in secondary school (table 10.3). As some parents have children in more than one category, these categories are not exclusive and cannot be summed. Just over half (52.5 percent) of parents had a child or children of primary school age, a 2.5 percent point decrease in the number of children in this school age from wave 1 data. The number of parents who had a child or children of pre-school age had increased from 39.6 percent in 2004 to 44.1 percent now. A lower proportion (12.9 percent) reported having a child or children of secondary school age. In wave 1 research 37.7 percent of the same respondents reported child or children of secondary school age, a three fold decrease in the number of parents having children of secondary school age since the last survey

**Table 10.3: School age of children**

	2006 (wave 2)		2004 (wave 1)
	No	%	%
Has a child or children of			
Pre-school age (0 – 4 years)	26	44.1	39.6
Primary school age (5 – 11 years)	31	52.5	54.7
Secondary school age (12 – 15 years)	22	12.9	37.7
Total parents indicating children's age*	59	-	53

\* some parents have a child or children in more than one age group

Respondents were also asked whether they are currently expecting a child. Eight parents (5 men and 3 women) reported that they are expecting a child. These eight expectant parents represent 5.6 percent of those who answered the question. One of the expectant parents lived with a pre-school child, so the remaining seven are assumed to be new parents.

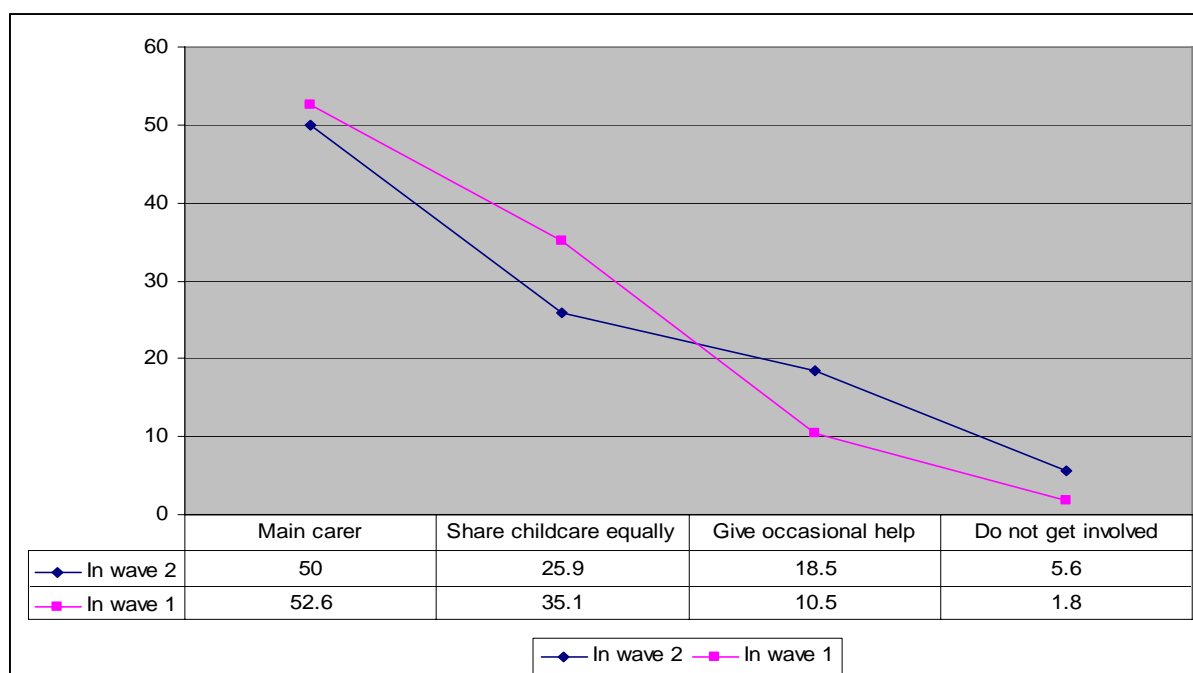
## 10.2 Childcare role

In wave 2 research, half (50 percent) of the parents who provided information on childcare reported they are the main carer of their children (table 10.4), a 2.6 percent point decrease since wave 1 research. A quarter (25.9 percent) are sharing childcare equally compared with almost third (35.1 percent) at wave 1. Those who give occasional help towards childcare have increased from 10.5 percent in wave 1 to 18.5 percent in wave 2. The percentages that do not get involved in childcare at all were also higher than when we contacted the same group in 2004. Figure 10.1, present this comparison graphically.

**Table 10.4: Childcare roles**

Respondents childcare role	2006 (wave 2)		2004 (wave 1)
	No	%	%
Main carer	27	50.0	52.6
Share childcare equally	14	25.9	35.1
Give occasional help	10	18.5	10.5
Do not get involved	3	5.6	1.8
Total	54	31.6	

**Figure 10.1: Childcare roles at wave 1 and wave 2**



Similar to findings from wave 1, parents with the highest childcare responsibility are women. Nearly three quarters (73.1 percent) of mothers are the main carers to their children compared with just 26.9 percent of fathers. Almost a quarter (23.1 percent) of male respondents and the remaining female respondents with children (26.9 percent) claim to share childcare equally with their partners. Over a third (38.5 percent) of fathers give occasional help with childcare and only 11.5 do not made any contribution towards their children's care. When compared to the childcare roles at wave 1, the number of female scholars taking the main carer role has not changed but male scholars had moved away from a main carer role and had started giving occasional help to their partners. The proportion of men sharing childcare equally with their partners had dropped from 48 percent in 2004 to 23.1 percent in 2006. Interestingly, in 2004, none of the male respondents in the survey sample reported that they had no role at all in childcare. In 2006, 11.5 percent of the male respondents reported no childcare involvement at all.

**Table 10.5: Change in childcare roles between wave 1 and wave 2 by gender**

Childcare role	Men			Women		
	No	2006 %	2004 %	No	2006 %	2004 %
Main carer	7	26.9	28.0	19	73.1	73.3
Share childcare equally	6	23.1	48.0	7	26.9	23.3
Give occasional help	10	38.5	24.0	0	0.0	0.0
Do not get involved	3	11.5	0.0	0	0.0	3.3
Total	26			26		

### 10.3 Childcare strategies

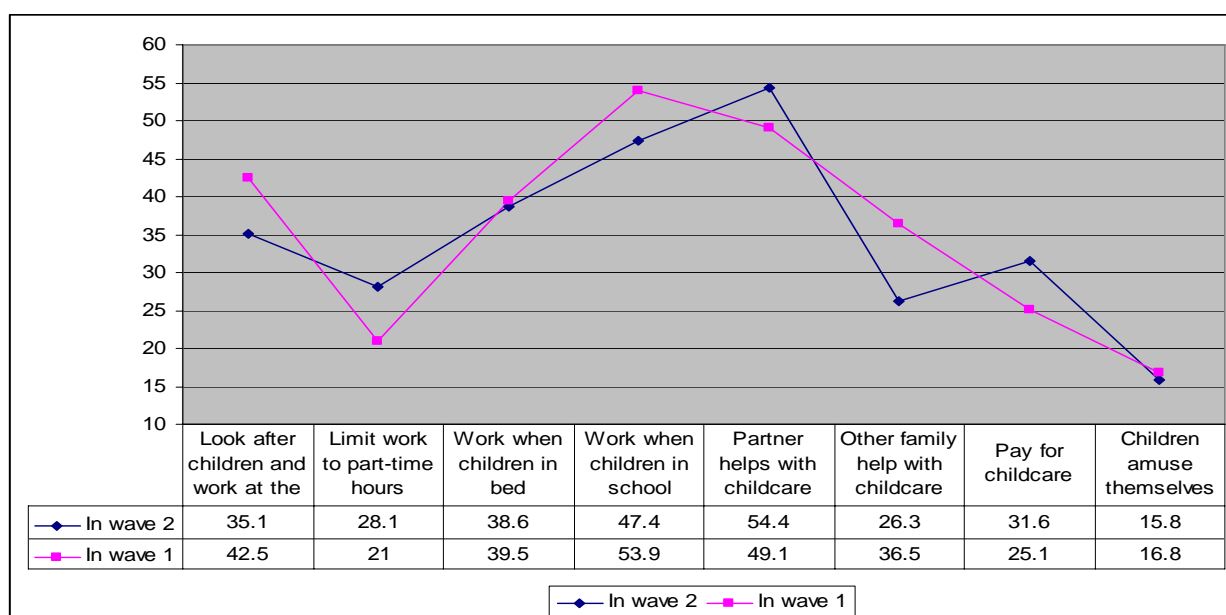
Respondents were asked to indicate which of a range of strategies they used to cope with childcare while running their business. The most common strategy adopted by over half of respondents (54.4 percent) was accessing help with childcare from a partner. Work when children are in school is also a common strategy to cope with childcare for almost a half (47.4 percent) of the respondents. Over a third of respondents look after children and work at the same time (35.1 percent) and work when children in bed (38.6 percent). The least common strategies are limiting work to part-time hours (28.1 percent) or relying on children to amuse themselves. Nearly a third (31.6 percent) of the respondents pay for childcare, but when compared to other informal strategies to cope with childcare, paying for childcare is a less frequent option for a majority of respondents.

**Table 10.6: Childcare strategies used during trading at wave 1 and wave 2**

	2006 (wave 2)		2004(wave 1)
	No	%	%
Look after children and work at the same time	20	35.1	42.5
Limit work to part-time hours	16	28.1	21.0
Work when children in bed	22	38.6	39.5
Work when children in school	27	47.4	53.9
Partner helps with childcare	31	54.4	49.1
Other family help with childcare	15	26.3	36.5
Pay for childcare	18	31.6	25.1
Children amuse themselves	9	15.8	16.8
Total	57		

When compared to childcare strategies reported in 2004 (table 10.6 and figure 10.2), there is an increase in the percentages reporting utilising strategies such as limiting work to part-time hours, accessing help with childcare from a partner and paying for childcare. Accessing help from other family members had dropped in popularity as a childcare strategy by over 10 percentage points.

**Figure 10.2: Childcare strategies used during wave 1 and wave 2 research**



## 10.4 Taking children out on business

Less than half of parents (43.9 percent) indicated that they did not (or did not intend to) take their children out on business or to their business premises, a 17 percent point decrease since the last survey, indicating that the number of parents taking their children out on business or to business premises has decreased in the past. Over a third, however, did so occasionally (35.1 percent) and a small minority reported taking their children out on business or to business premises for part of most weeks (1.8 percent) or all the time (3.5 percent)

**Table 10.7: Taking children out in business or to business premises**

Take children out on business or to business premises	2006 (wave 2)		2004 (wave 1)
	No	%	%
All the time	2	3.5	2.2
For part of most weeks	1	1.8	2.2
Occasionally	20	35.1	34.8
Never	25	43.9	60.9
Not applicable	9	15.8	-
Total	57		

## 10.5 Unable to work due to childcare

Half of parents (50.9 percent) reported that they would occasionally be unable to work in their businesses due to childcare difficulties, a 6.5 percent point decrease since wave 1 research. Almost a third (31.6) also reported that they would never be unable to work due to childcare difficulties. There is an increase in the number of respondents who said that they would be unable to work for part of most weeks (3.2 percent point increase) or all the time (6.9 percent point increase) due to childcare responsibilities. This indicates that more NES Scholars with children now have more of a 'childcare block' to trading than before.

**Table 10.8: Inability to work in the business due to childcare difficulties**

Ever unable to work in the business due to childcare difficulties	2006(wave 2)		2004(wave 1)
	No	%	%
All the time	5	8.8	1.9
For part of most weeks	5	8.8	5.6
Occasionally	29	50.9	57.4
Never	18	31.6	35.2
Total	57		

## 11.0 Motivation to stay in Self-employment

The data relating to the question asking about the motivation to remain in self-employment/business was analysed and is presented in this chapter. Motivation in relation to current stage in business start-up and business performance was also explored.

### 11.1 Motivation to stay in business

Reasons and motivations to business start-up and subsequent retention of self-employment have traditionally been regarded as an important element influencing not only the business start-up process but also its characteristics, survival and performance. To explore the strength of respondents' motivations to remain in self-employment/small business, the respondents were asked to rank the importance of a broad range of motivation factors using a likert scale ranged from 'not at all motivated' to 'very motivated'.

For a significant majority, the two strongest factors for remaining in self-employment were the desire to be independent of a boss (97.6 percent quite or very motivated) and the freedom to adapt their own approach to work (98.2 percent quite or very motivated). Strong motivation was also reported in relation to 'have independence at work'. A significant majority (95.8 percent) stated being 'very' motivated (78.8 percent) with a further 17.0 percent 'quite' motivated by this. This suggests that for almost all the NES Scholars in trading enjoy the independence they receive through self-employment and by being their own boss.

All the Scholars in the sample are also motivated by the power to make decisions with 70.9 percent 'very' motivated by this. A range of other factors, some relating to *achievement* objectives (including the desire to realise their dream of owning a business, taking advantages of the opportunities to continue learning, the desire to embark on meaningful work) and some relating to *convenience* objectives (have greater flexibility for personal/family life, control own time) were cited almost as often as the *independent* objectives. Over 90 percent of the respondents were either 'quite' or 'very' motivated by these motives and stated these as important reasons to remain in self-employment.

There was also evidence that the ability to work from home was, in effect, less powerful, but nonetheless positive motivation for some respondents. Almost half (47.9 percent) were very motivated by the fact that they could work from home with as little as 12.3 percent of the Scholars not motivated at all by this motive. The economic motive of making higher earnings was also a particularly strong motivation, with over half (54.9 percent) very motivated and a further 29.3 percent quite motivated by the money they earn and wanting to remain in self-employment.

Less powerful, but widespread motivation was also stated in relation to both family welfare and welfare of the community of the Scholars. Over half of the Scholars said that they were quite or very motivated by the prospects of giving themselves and their family security (75.5 percent) or the opportunity to contribute to the welfare of the community they live in (57.7 percent) as a result of self-employment.

Some Scholars reported being motivated by the prospects of achieving a higher position for themselves in society (31.1 percent very motivated and 24.8 quite motivated) and were keen to see other people proud of them (33.1 percent very motivated and 26.4 quite motivated) for running a successful business. Almost a quarter (22.4 percent), however, did not seem to be motivated at all by the status they gain in society by being in self-employment.



Although some respondents wished to follow an example they admire (41.8 percent quite or very motivated) or continue a family tradition (just 20.3 percent quite or very motivated) through self-employment, the number of highly motivated responses for these categories of motives was lower than the other type of motivations. Following role models is not a popular objective for NES Scholars.

Having access to indirect benefits such as tax exemptions were not rated as a reason to remain in self-employment by a majority of Scholars. Almost a third (32.9 percent) of the Scholars stated that they were not at all motivated by such indirect economic benefits and a further 29.7 percent said that they were just a 'bit motivated' by such opportunities.

Overall, NES Scholars are more highly motivated by the achievement and independence motives than welfare and role motives.

**Table 11.1: Reason to stay in self employment or in business**

	Not at all motivated	A bit motivated	Quite motivated	Very motivated			
	%	%	%	%	Mean	Rank	No. responded
Have independence at work	0.6	3.6	17.0	78.8	3.74	<b>2</b>	165
Be your own boss	0	2.4	17.0	80.6	3.78	<b>1</b>	165
Have freedom to adapt your own approach to work	0	1.8	18.2	80.0	3.78	<b>1</b>	165
Have the power to make decisions	0	4.8	24.2	70.9	3.66	<b>3</b>	165
Realise your dreams	2.4	4.2	20.5	72.9	3.64	<b>4</b>	166
Be channelled by the challenges of running a business	3.7	17.2	25.8	53.4	3.29	<b>8</b>	163
Have responsibility	3.7	15.9	34.1	46.3	3.23	<b>9</b>	164
Continue learning	0	7.9	27.3	64.8	3.57	<b>5</b>	165
Have meaningful work	1.2	4.9	22.6	71.3	3.64	<b>4</b>	164
Be able to work from home	12.3	15.3	24.5	47.9	3.08	<b>11</b>	163
Have greater flexibility for your personal/ family life	1.8	8.0	24.5	65.6	3.54	<b>6</b>	163
Control your own time	1.2	4.9	29.9	64.0	3.57	<b>5</b>	164
Follow an example you admire	21.6	30.2	19.1	29.0	2.56	<b>14</b>	162
Make other people proud of you	13.5	27.0	26.4	33.1	2.79	<b>13</b>	163
Achieve higher position for yourself in society	22.4	21.7	24.8	31.1	2.65	<b>14</b>	161
Have higher earnings	4.3	11.6	29.3	54.9	3.35	<b>7</b>	164
Give yourself/ your family security	8.0	16.6	30.7	44.8	3.12	<b>10</b>	163
Have access to indirect benefits such as tax exemptions	32.9	29.7	16.5	20.9	2.25	<b>15</b>	158
Contribute to the welfare of the community you live in	11.0	30.7	20.9	36.8	2.85	<b>12</b>	163
Continue a family tradition	69.9	9.8	7.2	13.1	1.63	<b>16</b>	153

## 11.2 Motivation and stage in business start-up

Table 11.2 compares the motivations to remain in self-employment of those who are running a business and those who had closed the business. In general, those who are running a business have stated stronger levels of motivation for more factors than those who closed the business. In particular, respondents running a business are more motivated by the opportunities of independence, achievement and convenience to remain in self-employment than following role models (external or within their immediate family) or economic benefits. Although a majority of Scholars who closed their business also had independence motives to remain in business, economic motives were also strongly cited by a majority of respondents. High status and role models were least motivational for this group of Scholars. Scholars who closed their business were more motivated by the financial benefits and welfare package (including welfare of their family and society), than those Scholars who are running a business at present.

**Table 11.2: Motivation to remain in business/ self-employment and stage in business start-up**

Motivation	Running the business	Closed the business
	Mean	Mean
Independence	3.77	3.59
Achievement	3.5	3.26
Convenience	3.4	3.3
Roles	2.09	1.72
Status	2.7	2.68
Economic	2.67	3.32
Welfare / Society	2.96	3.1

## 11.3 Motivation to remain in business and current business operations

Table 11.3 presents the correlation results between the type of motives to remain in business/self-employment and last year business turnover, Scholar satisfaction with last year turnover and the number of hours Scholars working in business in a typical week.

**Table 11.3: Motivation to remain in business and current business operations**

	Last year business turnover	Satisfaction with last year turnover	In a typical week number of hours spend working in business
Independence motives	.081	.095	.178(*)
Achievement motives	.109	.033	.262(**)
Convenience motives	-.126	.036	-.169(*)
Role model motives	-.135	.000	-.049
Status motives	.003	.044	.103
Economic motives	.195(*)	-.213(*)	.140
Welfare motives	.051	.043	.122
Tax benefit motives	.117	.112	.075

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

The results suggest that those with economic motives are running a successful business (if business success is measured in terms of turnover of the business) at present. The relationship is positive and statistically significant at  $p < 0.05$ . Although not statistically significant, those with convenience motives and role model motives are making fewer turnovers. Results also show a significant, but negative association between level of satisfaction with business turnover and having economic motives to remain in business. This indicates that despite a majority of successful businesses being owned by Scholars who stated stronger levels of economic motivations, their level of satisfaction in terms of turnover is low; they are keen to see more success in their business. The results further suggest that people with independence motives and achievement motives are working longer hours but those with convenience motives are working less hours in their business. The results are statistically significant at  $p < 0.05$  level for independence and convenience motives and  $p < 0.01$  level for achievement motive. Scholars with role model motives are also spending less hours in their business, although there is no statistical significance in this relationship.

## **12.0 Developing an Enterprise Culture**

To assess whether Scholars felt part of an 'enterprise culture' and whether this meant having a critical understanding of business opportunities, respondents were given a series of questions. The fifteen questions in this section were particularly intended to solicit owners' beliefs about the openness of business opportunities, their perception of business risks, consequences of business failure and their personal commitment to small enterprise. Respondents rated the level of agreement or disagreement in a 4 point likert scale from 1 being 'strongly disagree' to 4 being 'strongly agree'. The same questions were asked in wave 1 research and this data was used to assess the current level of understanding and beliefs about enterprise in comparison to when the business was started.

### **12.1 Inclusion and exclusion from business opportunities.**

As can be seen in Table 12.1, Scholars have different opinions about the factors affecting a person's chance of succeeding in business. The majority of respondents (68.1 percent) disagreed with the statement that all people have the same chance of succeeding in business and agreed to different extents that money, qualifications, experience and contacts are important in succeeding in business. Almost two thirds (62.5 percent) of respondents agreed that money is an important factor in starting a successful business and that people with money are more likely to succeed in business than others (59.6 percent agreed). A similar proportion also agreed (60 percent) that working experience in a related job is important in starting a successful business. However, most respondents did not agree that business success is more likely if you have qualifications. Two thirds (64.1 percent) of the respondents either strongly disagree or disagree that qualifications affect a person's chance of succeeding in business.

Interestingly, a large majority (83.7 percent) agreed that good contacts help to succeed in business and that people can get business contacts if they network (92.2 agreed). When consider the factors that affect a person's chance of succeeding in business, it is therefore clear that respondents perceive contacts, specially made through networks is more important than money, qualifications or business experience. The respondents see qualifications as the least important factor for business success.

### **12.2 The Risks of being in business**

In table 12.2, responses to questions about the risk of starting and running a business are summarised. In general, respondents indicate some awareness of the relatively high risk of business closure during the first few years of trading. A significant majority (84.9 percent) disagreed with the fact that most businesses survive for at least five years. Despite the wider agreement of the risk involved in starting a business in relation to the consequences of business failure, only a minority (41.1 percent) agreed that it is too risky to borrow money to start or run a business. A majority of the respondents (58 percent) also agreed that people over-estimate the risk of borrowing for business, indicating that although the perception of business risk is high among the Scholars, they do not perceive borrowing money as a particular risk when starting a business.

**Table 12.1: Factors affecting a person's chance of succeeding in business**

	<b>Strongly disagree</b>		<b>Disagree</b>		<b>Agree</b>		<b>Strongly agree</b>			
	No	%	No	%	No	%	No	%	Mean	Total
You don't need much money to start a successful business	45	24.5	70	38.0	50	27.2	19	10.3	2.23	184
All people have the same chance of succeeding in business	39	21.4	85	46.7	37	20.3	21	11.5	2.22	182
People with money are more likely to succeed in business	15	8.2	59	32.4	75	41.2	33	18.1	2.69	182
You need experience in a related job to succeed in business	11	6.1	61	33.9	72	40.0	36	20.0	2.74	180
Business success is more likely if you have qualifications	24	13.3	92	50.8	47	26.0	18	9.9	2.33	181
You need good contact to succeed in business	3	1.7	23	12.9	90	48.9	62	34.8	3.19	178
You can get the business contact you needs if you network	2	1.1	12	6.7	125	69.4	41	22.8	3.14	180

**Table 12.2: Factors affecting the risks of being in business**

	<b>Strongly disagree</b>		<b>Disagree</b>		<b>Agree</b>		<b>Strongly agree</b>			
	No	%	No	%	No	%	No	%	Mean	Total
Most business survive for at least five years	44	24.6	108	60.3	25	14.0	2	1.1	1.92	179
It is too risky to borrow money to start or run a business	13	7.2	93	51.7	56	31.1	18	10.0	2.44	180
People over-estimate the risk of borrowing for business	8	4.6	65	37.4	84	48.3	17	9.8	2.63	174

**Table 12.3: Factors affecting the consequences of business failure**

	<b>Strongly disagree</b>		<b>Disagree</b>		<b>Agree</b>		<b>Strongly agree</b>			
	No	%	No	%	No	%	No	%	Mean	Total
Business failure can have bad consequences	3	1.7	32	18.1	111	62.7	31	17.5	2.96	177
Business failure often leads to starting a new & successful business	7	4.0	60	34.7	88	50.9	18	10.4	2.68	173
Business experience improves job prospects, even if the business fails	2	1.1	37	21.1	106	60.6	30	17.1	2.94	175

**Table 12.4: Factors affecting personal commitment to being self-employed or in business**

	<b>Strongly disagree</b>		<b>Disagree</b>		<b>Agree</b>		<b>Strongly agree</b>			
	No	%	No	%	No	%	No	%	Mean	Total
You are more likely to get on in life through business than a job	8	4.4	88	48.6	56	30.9	29	16.0	2.59	181
You will always work for yourself now and never do another job	15	9.0	63	37.7	50	29.9	39	23.4	2.68	167

### 12.3 The consequences of business failure

In table 12.3, the responses to questions about the consequences of business failure are summarised. Although a large majority (80.2 percent) of respondents agreed that business failure can have bad consequences, they also agreed that business failure can lead to positive outcomes. A majority agreed (77.7 percent) that business experience improves job prospects, even if the business fails, and almost two thirds (61.3 percent) agreed that business failure often leads to starting a new and successful business.

### 12.4 Commitment to small enterprise

The results presented in table 12.4 indicate a generally strong commitment to being in business in the future although a majority do not see business as an easier way to get on in life than a job. Just under half (46.9 percent) of respondents agreed that people are more likely to get on in life through business than a job. Only as little as 4.4 percent of the respondents strongly disagreed and 48.6 percent disagreed with this statement indicating that more respondents see performing a job as a convenient option than running a business. However, a majority (53.3 percent) stated a strong personal commitment to being self-employed or in business and agreed that they will always work for themselves and never do another job. A quarter (23.4 percent) of the respondents *strongly agreed* with this statement when compared to just 9.0 percent that *strongly disagreed* with it.

### 12.5 Understanding of business opportunities according to the stage of business development

Table 12.5 summarise responses to the above discussed business opportunities according to the stage in business development.

Compared to others, the Scholars who had decided not to start a business, had the highest agreement that all people have the same chance of succeeding in business. Almost three quarters (72.2 percent) of those setting up the business and another three quarter of those who had closed the business did not agree with this. A majority of those running a business did not agree that money is an important factor in starting a successful business when compared to those who decided not to start a business. Over a third (39.7 percent) of those running a business compared to just 25.0 percent of those who decided not to start a business agreed that people don't need much money to start a successful business and just 55.0 percent of those running a business compared to 83.3 percent of those who decided not to run a business agreed that people with money are more likely to succeed in business.



**Table 12.5: Understanding of business opportunities by stage in business start-up**

	Setting up business	Running business	Closed business	Decided not to start
All people have the same chance of succeeding in business	27.8	34.1	25.0	41.7
You don't need much money to start a successful business	27.8	39.7	38.5	25.0
People with money are more likely to succeed in business	72.3	55.0	66.7	83.3
You need experience in a related job to succeed in business	70.6	58.2	58.3	66.7
Business success is more likely if you have qualifications	38.9	33.1	58.4	41.7
You need good contact to succeed in business	88.9	83.1	91.6	100.0
You can get the business contact you needs if you network	94.5	92.1	83.3	100.0
Most business survive for at least five years	23.5	14.4	8.3	16.7
It is too risky to borrow money to start or run a business	50.1	38.6	41.6	58.4
People over-estimate the risk of borrowing for business	58.1	75.0	60.0	36.4
Business failure can have bad consequences	70.6	80.2	100.0	75.0
Business failure often leads to starting a new & successful business	62.6	60.2	58.3	75.0
Business experience improves job prospects, even if the business fails	75.0	77.7	75.0	83.3
You are more likely to get on in life through business than a job	61.1	33.4	45.3	58.3
You will always work for yourself now and never do another job	33.3	60.1	33.4	25.0

Percentage of respondents agreed with the statements

The two groups of respondents who mostly agree that people need experience in a related job to succeed in business are the ones who had the least trading experience; who are still setting up the business and those who had decided not to start the business. Although over half of the those that are setting up the business (61.1 percent), running a business (66.9 percent) and decided not to start a business (58.3 percent) *disagreed* that a person's qualifications influences business success, over half (58.4 percent) of those who had closed the business *agreed* that people with qualifications have added advantages in running a successful business. All four groups showed similar understanding of the importance of business contacts and the opportunities that networks can provide in gaining business contacts. A significant majority of respondents at every level of business development (100 percent of those decided not to start a business) agreed that people need good contacts to succeed in business and that networking is useful to make good contacts.

Only a few respondents believe that business start-up has a long term future and therefore did not agree with the statement that 'most businesses survive for at least 5 years'. Compared to

others, more respondents still setting up their business (23.5 percent) and less respondents that had closed the business (just 8.3 percent) had the naïve understanding that in general businesses has a high survival rate after start-up. The data shows that those who are still setting up a business and those who have decided not to start a business are the groups that are more risk averse. A higher proportion of those who had decided not to start-up the business (58.4 percent) and a slim majority of those are still setting up the business (50.1 percent) agreed that it is too risky to borrow money to start or run a business when compared to the minority of those who are running a business (38.6 percent) and those who had closed the business (41.6 percent). Three quarters of those who are running a business and 60.0 percent of those who had closed the business agreed that people over-estimate the risk of borrowing for business. Conversely, almost two thirds (63.6 percent) of those who decided not to start a business did not agree with the statement.

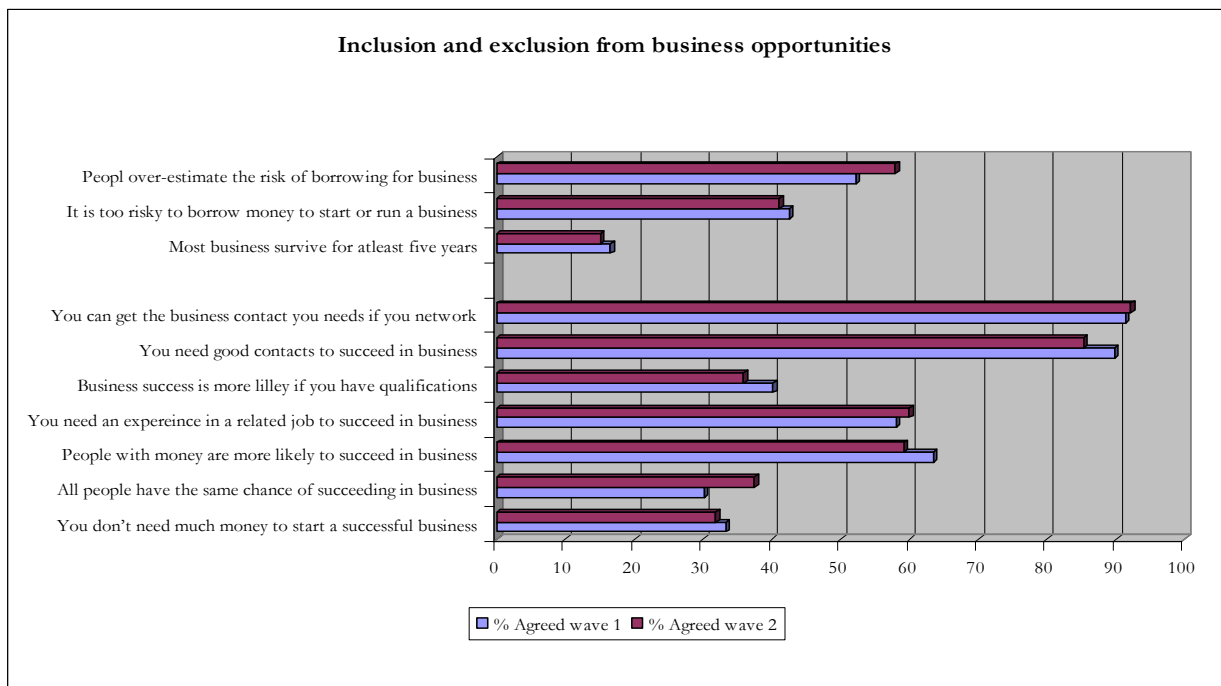
A majority of respondents in each group agreed that business failure can have bad consequences. It is noteworthy to mention that those who had some trading experience are more aware of the bad consequences of business failure than those who are still not trading or decided not to trade at all. All respondents who had business closure experience strongly agreed that business closure has bad consequences. However, a majority of respondents in each group also agreed that business failure can lead to positive outcomes. Surprisingly, those who have decided not to start the business represents the group that mostly agree with both the statements that business failure often leads to starting a new and successful business (75.0 percent) and business experience improves job prospects, even if the business fails (83.3 percent) when compared to those who had closed the business and those who are running a business.

A majority of those who had trading experience with the NES business did not agree that people are more likely to get on in life through business than a job. Just one third (33.4 percent) of those running a business and 45.3 percent of those who have closed the business agreed that business is an easy route to get on life when compared to 61.1 percent of those setting up a business and 58.3 percent of those who decided not to start a business. However, those who are running a business showed a strong personal commitment to being in business; 60.1 percent of those running a business agreed with the statement that they will always work for themselves now and never do another job. Just a quarter (25.0 percent) of those who decided not to start the NES business showed this strong personal commitment to being in business in the future. Only a third, 33.3 percent of those who are setting up the business and 33.4 percent of those who had closed the business, also agreed that they will always work for themselves and never consider an employment option in the future.

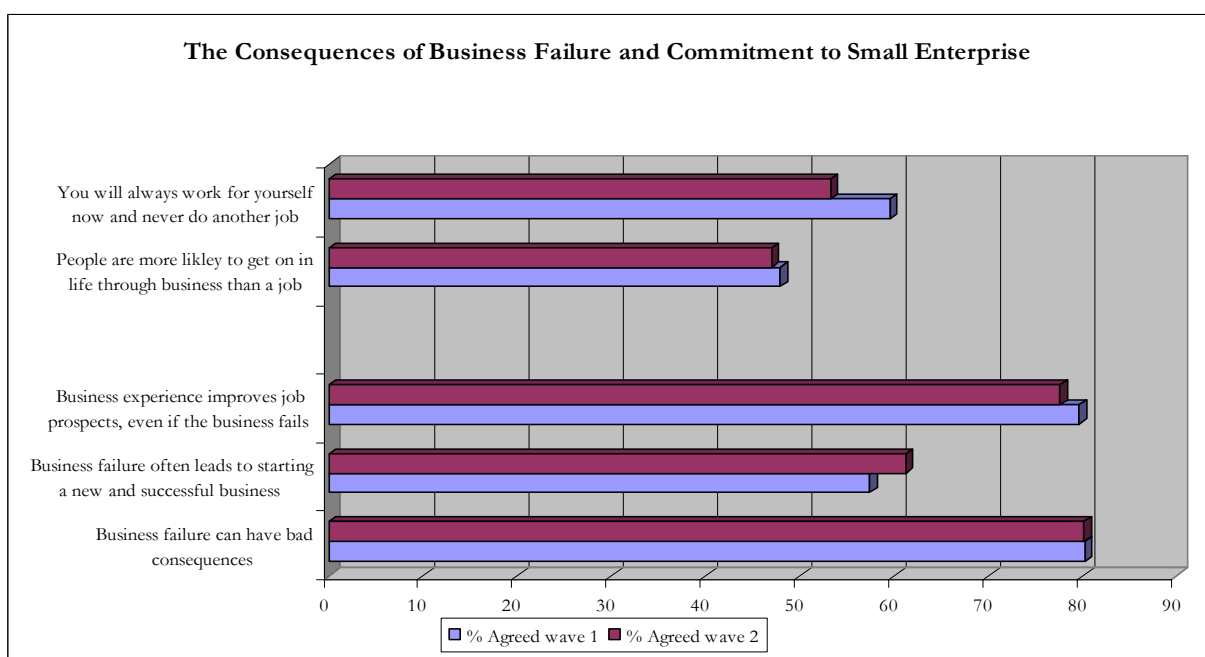
## 12.6 Change in understanding of business opportunities

In figure 12.1, and 12.2 analysis of whether respondents still have the same level of understanding of business opportunities is presented. Overall, there is little change in the level of understanding about the openness of business opportunities, business risks and the personal commitment to small enterprise between the two waves of research

**Figure 12.1: Change in Scholar understanding of the inclusion and exclusion from business opportunities**



**Figure 12.2: Change in Scholar understanding of the consequences of business failure and the commitment to small enterprise**



In table 12.6, 12.7, 12.8, 12.9, an analysis of whether respondents have the same level of understanding of factors affecting chances of business success; risk taking propensity; awareness of the consequences of business failure; commitment as they had when responding to wave 1 research is presented. After 21 months of trading all the respondents were presented with the same statements they agreed/disagreed previously in wave 1. This analysis differs from earlier analysis (explained in figure 12.1 and 12.2) because, rather than analysing patterns taking the whole sample into consideration, this analysis considers individuals and compare the change in Scholar's level of understanding in relation to their level of business understanding at start-up. Here we assume that with trading experience, the Scholar's level of business understanding and beliefs could change over time.

**Table 12.6: The change in Scholar understanding of the factors affecting the chances of business success**

Had a naïve understanding at wave 1 research	Currently has a naïve understanding (percentage)	Currently has a critical understanding (percentage)
All people have the same chance of succeeding in business	38.5	64.2
You don't need much money to start a successful business	41.7	58.3
People with money are more likely to succeed in business	66.2	33.8
You need experience in a related job to succeed in business	41.3	58.7
Business success is more likely if you have qualifications	72.0	28.0
You need good contact to succeed in business	16.5	83.5
You can get the business contact you needs if you network	5.6	94.4

Overall, respondents' understanding on a number of factors affecting a person's chance of succeeding a business had changed since wave 1 research. Of those who had a naïve understanding of the chances of succeeding in business, just 38.5 still have a naïve understanding and the other 64.2 percent had gained a critical understanding. Of the 60 out of the 180 respondents who earlier believed that people do not need much money to start a successful business, a majority (58.3 percent) now holds the idea that people need a lot of money to start a successful business. However a majority of those who did not agree with the statement that people with money are more likely to succeed in business still hold the same idea while just a third (33.8) now agree that people with money are better off than those who do not have enough money. The Scholars' understanding of the importance of business experience and qualifications to succeed in business have also changed since the last survey, although a significant proportion of Scholars still believe that experience and a high level of education is not a factor in business success. While over a half (58.7 percent) of those who had a naïve understanding of the importance of experience in a related area now have a critical understanding of the importance of it, just over a quarter (28.0 percent) had gained an understanding of the importance of qualifications in running a successful business between the two waves of research.

Of the significant minority who at wave 1 disagreed that people need good contacts to succeed in business, 83.5 percent now agree that having contacts is important for business success. A significant majority (94.4 percent) of those who had a naïve understanding of the usefulness of networks for such contacts also now understand the benefits of networks.

**Table 12.7: The change in Scholar's risk taking propensity**

<b>Risk averse at wave 1 research</b>	<b>Currently risk averse (percentage)</b>	<b>Currently risk taking (percentage)</b>
Most business survive for at least five years	80.0	20.0
It is too risky to borrow money to start or run a business	55.2	44.8
People over-estimate the risk of borrowing for business	43.3	56.7

In general, the risk taking propensity of the majority of respondents remained the same between the two waves of research. 80 percent of those who held the idea that most businesses do not survive for at least five years still believe that there is a risk in business start-up as business start-up does not guarantee its survival. Over half (56.7 percent) of those who did not agree that people over-estimate the risk of borrowing for business and 44.8 percent of those who agreed that it is too risky to borrow money to start or run a business are currently risk takers.

**Table 12.8: The change in Scholar's awareness of the consequences of business failure**

<b>Considered business failure can have negative outcomes at wave 1 research</b>	<b>Currently see business failure as a negative outcome success (percentage)</b>	<b>Currently see business failure as a positive outcome (percentage)</b>
Business failure can have bad consequences	23.1	76.9
Business failure often leads to starting a new & successful business	31.4	68.6
Business experience improves job prospects, even if the business fails	30.9	69.1

A majority of respondents currently considered business failure as a positive outcome. Over three quarters (76.9 percent) of those who, at wave 1, agreed that business failure can have bad consequences, 68.6 percent of those who disagreed that business failure often leads to starting a new and successful business and 69.1 percent of those who disagreed that business experience improves job prospects (even if the business fails) currently believe that business failure can have positive outcomes, such as improved job prospects or starting a new and successful business in the future.

**Table 12.9: The change in Scholar's commitment to small enterprise**

<b>Low commitment to business at wave 1 research</b>	<b>Currently has a low commitment to business (percentage)</b>	<b>Currently has a high commitment to business (percentage)</b>
You are more likely to get on in life through business than a job	55.6	44.4
You will always work for yourself now and never do another job	72.3	27.7

A majority of the respondents who showed a low commitment to business at wave 1 research showed no change in their commitment to business in over the past. Over half (55.6 percent) of those who disagreed with the statement that people are more likely to get on in life through business than a job and almost three quarters (72.3 percent) who disagreed with the statement that they will always work for themselves now and never do another job, currently showed a low commitment to choose business over employment. However interestingly, 78.8 percent of those who expressed strong personal commitment to being in business and claimed that they would never do another job and a slim minority (49.6 percent) of those who accepted the fact that people are more likely to get on in life through business than a job still showed the same level of commitment and determination to be in business in the future.

## 13.0 Summary and Discussion

In this chapter, the objectives of the survey outlined in Chapter 1 will be reviewed and the key issues will be summarised and discussed, in the light of those objectives. In each section, where applicable, some recommendations for programme development and suggestions for future research are also presented.

The chapter starts with a review of research objectives, indicating which chapter addresses the issues related to that particular research question. This will be followed by a brief summary of the research methodology and the sample profile. The rest of this chapter outlines the key findings and some programme recommendations with respect to each of the research questions posted in the research objectives.

### 13.1 A Review of Research Objectives

As explained in Chapter 01 (Section 1.4) seven key questions were addressed in the survey. These include:

1. What is the current status and characteristics of the NES supported businesses? (Chapter 3 and 4)
2. How do NES Scholars finance their businesses and cover their living costs? (Chapter 5)
3. What barriers do NES participants face in sustaining their businesses? (Chapter 9 and 10)
4. What are the outcomes for NES participants to date in terms of: (Chapter 6 and 7)
  - Business survival and performance.
  - Making a living wage.
  - Change in work status.
  - Financial/quality of life situation.
5. Why are NES participants motivated to remain in business/self-employment? (Chapter 11)
6. How has the level of business understanding changed since business start-up? (Chapter 12)
7. What are the aims of the NES businesses in the future? (Chapter 8)

### 13.2 Research Methodology and the Sample profile

Data collection methods associated with this report consisted of a postal survey supplemented with a web survey of NES Scholars having completed their NES programme up until August 2004. The evaluation strategy included following up respondents to the Big NES survey in 2004 (Wave 1) who agreed to take part in future NES research. The survey questionnaire followed a similar design to the Big NES survey, but included more questions on the present status of the NES supported business and the business outcomes. The questionnaire was designed and piloted in the period from April 2006 to August 2006.

To achieve comparability with information collected in the Big NES survey, it was decided that the same Scholars that had responded to the earlier survey would be contacted in the NES

Follow-up survey. The key advantages of this are that it gave the operational advantages of following-up an existing cohort and the opportunity to trace the transitions of individual respondents across the two waves of the survey. The key disadvantage of this evaluation strategy was that the non-respondents to the Big NES survey were excluded, including any under-represented groups and new cohorts. This also meant that the impact of the new changes to the programme delivery and finance could not be assessed to advise the policy.

For the follow-up survey, we achieved a final response rate of 39.4 compared to the 22.9 percent response rate for the Big NES survey. However, it is noteworthy to say that 29 questionnaires (6.2 percent) were returned because of the out-of-date postal addresses.

The low response rate to the survey, particularly to the Big NES survey, reflects the fact that a significant proportion of the addresses used to contact the Scholars were out of date. This is particularly the case with Scholars from earlier cohorts. Also the decision to include only those who responded to the previous survey to enable comparative assessment has set limits to the conclusions we can draw about the longer-term development of NES businesses and outcomes for NES Scholars. These raise the important question about how representative our sample of the NES supported businesses is. To gain some insight into the extent to which sample selection has biased the achieved sample, we compared certain characteristics of the current sample with information collected from the Big NES survey respondents. Similar non-response bias analysis was performed with the Big NES survey data by comparing similar characters of the sample with information collected from the NES database and previous NES research and no evidence of response bias was found. The analysis presented in section 2.7 provided some assurance that there is no or minimal response bias in this survey sample.

The sample represents similar proportions of male and female led businesses. NES Scholars are drawn from all ages in the working population although a large majority were between 30 and 50 years, with the average age of a NES Scholar being 39.5 years. Over three quarters of the respondents were white and the remaining are from a variety of ethnicities. Scholars are also from a wide range of educational backgrounds with a total of 52.5 percent qualified to at least NVQ level 4. Only a small minority reported being disabled.

Respondents were unequally distributed in the nine regions in England, with the North West representing the highest population and the East Midlands making the lowest survey representation. Just over 60 percent of respondents to the Follow-up survey were from the cohorts between Sept. 2003 and Sept. 2004.

### **13.3 Current status of the NES supported businesses and the NES business characteristics**

Currently almost all survey respondents were actively involved in either starting a business (9.8 percent), were running their business (76.6 percent) or had opened a business that subsequently closed (6.5 percent). Only 7.1 percent had decided not to start a business. Overall, there is an increase in the number reported as running a business since the Big NES survey. During this time, 91 percent of those who were running a business (at wave 1) had maintained their trading status, while 65.5 percent of those who were setting up a business also had made the transition to formal trading. Quite interestingly 4 out of the 6 that reported 'closed the business' at wave 1 had resumed trading since the last survey, indicating that business closure does not necessarily terminate the self-employment careers of the Scholars.

A majority of the Scholars (60.3 percent) who reported being in business had been trading for over 2 years and just over a quarter (25.5 percent) had been trading for at least 3 years. Only 9.2 percent had been trading for over 4 years. Of the twelve closed businesses on which data is



available, 83.3 percent had traded for up to 2 years. On average NES businesses have been in trading for 29 months. Those who closed the business were only in trading for 17 months on average.

Most of the NES supported businesses are still small operations. A majority of the businesses do not have partners, premises or sub-contractors at present: 58.2 percent of the 141 respondents who were running the business, 70.0 percent of the 12 respondents who closed the business and 67.7 percent of the 16 respondents who were setting up the business did not have premises, partners or sub-contractors. Although staff numbers in NES businesses have increased since business start-up, almost a quarter of the businesses still do not have any full-time staff, including the owner who is either working part-time or casual hours in their business at present. The number of casual staff had the highest percentage increase since start-up. The number of businesses solely run and managed by the owner had decreased since start-up.

The businesses started by the NES Scholars are largely operating in the service sector. Over two thirds of businesses were clustered in three service sectors: business services, community, social and personal services and wholesale and retail. Just under 20 percent of the businesses were in manufacturing although many of these businesses including a strong service element. In terms of the legal form of these businesses, a substantial majority were organised as sole traders.

Most businesses used 'service efficiency strategy' by concentrating on offering better services and providing quality products and services to their customers. Some businesses also reported the benefits of following 'product distinctiveness strategy', where they managed to beat competitors through offering distinctive goods and services and giving the customers more choices. Winning customers through technological sophistication was a less popular strategy among the NES businesses. Cost effective strategy is the least popular business strategy among the Scholars. There are some significant differences between the patterns of business strategy adopted by those who are running a business and those who closed the business. The probability of a business making higher turnovers also seemed to vary with the type of business strategy they adopted.

NES businesses had to compete with the large companies as large companies dominate the current market of most of the NES businesses. However there seems to be a large market potential for the type of businesses that NES Scholars often pursue with a majority agreeing that there is a lot of difference in the market they serve in terms of product quality, customer service and marketing techniques used and that there is a substantial untapped market that they can tap into.

Overall, the NES programme is highly effective in moving people into business and self-employment and subsequent retention of their trading status. Most businesses are very small in size and are often run by a single individual. On average NES businesses have been trading for over 2 years but a minority of exceptional businesses have been trading for over 4 years. Only a few have taken on partners or sub-contractors and have the privilege of using separate premises to run the business. Most businesses started are in the service sector and are organised as sole traders. Service efficiency strategy and product distinctiveness strategy are the most popular business strategies among the Scholars whereas beating competitors through following technological sophistication strategy or cost effective strategy is not very common among NES businesses. Although NES businesses had to compete with the large companies in the market and are in a relatively disadvantaged position because of their small size, they see a lot of market potential with a high proportion of untapped market that they can tap into.

## 13.4 Financing NES businesses

Total financial investment in NES businesses ranged from £200 to £255,000. The average investment was £17,779 and the median investment was £8,000. Comparing business investment at start-up with the present investment figures, it is clear that NES Scholars have made additional investments since starting their NES business. Currently 75.8 percent of the respondents made over £5,000 investments compared to 64.6 percent who made over £5,000 investment at start-up. By far the most common source of business investment was NES/other grant funding with 83.4 percent of the respondents reporting using NES or other grant funding. Investing personal savings is also a common means of business funding for a majority of respondents and the proportion of Scholars using this investment type and the amount of personal investments made by the Scholars as a fraction of the total investment had largely increased since business start-up. The amount of debt investments had decreased since start-up and only 8.9 percent of the respondents now receive bank/private loans over £5,000.

Although many Scholars have not invested enough in their business and reported difficulties gaining access to external finances, not many respondents used bootstrapping techniques as an alternative to external finance. Over half of the respondents reported not using effective methods in buying goods and services, managing customer payment processes, saving money on staff, using alternative means to raise new finance or in managing taxes. The most common bootstrapping techniques are running businesses strictly from home, buying goods in bulk from suppliers, negotiating lower price with suppliers and buying used equipment rather than new equipment. Although not many Scholars used these techniques, of those who have used them the majority found the practices helpful.

Overall, there is an increase in the amount of investments made by the Scholars towards their businesses since business start-up. By far the most common source of investment was the NES and other grants funding. There is an increase in the amount and number of Scholars making personal investment over the years but the investments from banks/private loans had shown a decreasing trend. Bootstrapping is not very popular among Scholars but those who used bootstrapping techniques to manage and save money had found these techniques very useful.

## 13.5 Outcomes of NES businesses: Business survival and performance

Of those running their business, just 17.9 percent reported a last year turnover of less than £5,000. Almost a half had over £20,000 turnover and this includes 22.1 percent of the Scholars in trading who reported turnover of over £50,000. A total of 7.1 percent had a turnover of over £100,000 with three respondents in this group making very high turnovers of up to £350,000.

The data indicates a sharp increase in turnover for a majority of businesses between wave 1 and wave 2. The average turnover in 2004 for the NES businesses was £12,453 when compared to the £34,066 turnover per business in 2006. The median turnover of just £2100 in 2004 has increased to £17,000 in 2006. The numbers making over £50,000 turnover in their last year of trading had increased from just 5.5 percent in 2004 to 20.1 percent (4 times increase) in 2006.

Whilst 62.6 percent reported that they had an increase in sales in the last six months, just 8.9 percent reported experiencing decreases in their sales in the last six months. A lower proportion (13.9 percent) of respondents also reported an increase in sales of over 50 percent in the last six months and 6.3 percent had even doubled their sales during this time. However, there is a considerable difference in the patterns of Scholars level of satisfaction with the

turnover, cash flow and profits and the actual business performance reported in terms of last years turnover. Of those who have closed the business the level of satisfaction in any of these performance factors were very low when compared to those trading at present.

There is a strong correlation between the last year turnover (from wave 2 results) and the annual turnover projected by the Scholars at wave 1, with those making higher projections making a high turnover in the last year of trading. Interestingly, however, the majority of those who made projections were over-optimistic and had made higher projections than the actual turnovers they made in the last year.

Overall, a majority of Scholars are running successful businesses, if business success is measured in terms of their turnover and sales. Although there is a sharp increase in turnovers between the two waves of research, the NES Scholars are still not satisfied with their business achievements so far and expect more from their businesses. Also when considering the facts that the majority of NES businesses are currently small operations, are making relatively high turnovers and that the majority is very optimistic about the business success in the future, it is possible to predict a better future for NES businesses. NES businesses are trading for over 2 years on average (29 months) with a sharp increase in turnovers for a majority of businesses in the sample which indicates that NES is successful in supporting businesses that have a long term viability.

## **13.6 Outcomes for NES participants**

Both surveys asked a number of questions related to both labour market situations and quality of life of the Scholars since business start-up. This section analyses the results of these questions.

### ***13.6.1 Scholar's Labour market situation***

NES Scholars have experienced significant changes in their labour market situations, primarily due to strong migration to being self-employed or in business. Over two thirds reported that they are now self-employed or in business, compared with just 15.2 percent when joining the NES programme. The percentage reporting unemployment as a work status has decreased from 48.4 percent when starting NES to current level of 11.4 percent. The proportion reporting other non-economic active work statuses (looking after family or being in training and education) has also decreased. Also, when comparing the current work statuses in relation to the respondents work statuses in 2004, there is clear evidence of a transition from unemployment to employment in the last 21 months.

Movement into self-employment and business is particularly visible for those running a business. While 86.5 percent of those running the business reported they are self-employed or in business, the remaining 13.5 percent reported their employment status as being either of employed or combined employment statuses. The incidence of looking after family is lowest among those running a business but highest among those who decided not to start-up.

Occupying just one work status is common among NES scholars, both when joining NES and currently. Results also indicate that the most stable work status for these Scholars is to be in self-employment or in business. Unemployment and in training and education are the least stable work statuses occupied by these Scholars.

It is noteworthy that many Scholars have moved out of unemployment after joining the programme and since the last NES survey. Just 16.9 percent of those who were originally

unemployed are still unemployed. There is very little evidence of movement into unemployment after joining NES (5.3 percent). It is important to note that self-employment is a stable work status for a majority and that they maintained that work status for a longer period.

It was found that a significant proportion of Scholars migrate into economic activity and only a few scholars migrate into economic inactivity after joining the programme. Among Scholars who are running their businesses, the economic activity rate is 98.6 percent. Of those economically inactive when they joined NES, 63.4 percent are now economically active. The results also suggest that a significant majority of respondents (95.0 percent) who were economically active at wave 1 maintained their economic activity and over a half of the respondents (53.3 percent) who were economically inactive moved to economic activity during the 21 months between the two waves of research. A similar pattern of change in status of economic activity or inactivity was found between starting NES and wave 1.

There is some evidence that participating in the NES programme is a route *into* employment. Of those currently employed, 53.5 percent moved into employment since starting the programme and 62.8 percent since the Big NES survey (wave 1 research). However, NES is also a route out of employment. 61.5 of those employed when they started the programme and 40.7 percent of those employed at Wave 1 no longer occupy this work status. However, there is also evidence that some Scholars who are employed when they joined (38.5 percent) and a higher proportion of Scholars who are employed at wave 1 (59.3 percent) are cautious in giving up their employment.

Overall, the results clearly indicate the positive influence that the NES programme can have in improving the labour market position of the prospective entrepreneurs. For many Scholars, moving into self-employment or business means a change from being economically inactive to economically active. In particular, the programme is very successful in moving participants out of unemployment into self-employment or business. However, Scholars seem to be more cautious in giving up their employment and this cautiousness had increased since the last NES survey. The finding that 95 percent of the respondents who were economically active at wave 1 maintained their economic activity and over a half of the respondents of the economically inactive moved to economic activity during the 21 months between the two waves of research gives some hope to the long term sustainability of the NES Scholars economic activity status. More longitudinal research, however, is required to establish whether NES, in the long-term, can ensure similar changes to the labour market positions of present and prospective NES Scholars.

### ***13.6.2 Quality of work opportunities***

Quality of work opportunities generated through running a NES business are mixed. Of those running a business, almost a half worked hours similar to employee positions (up to 40 hours). The other half worked very long hours, including almost a quarter who worked for more than 50 hours a week and over a tenth reported working exceptionally long hours of over 60 a week. The average number of hours worked is highest among those running a business and lowest among those who closed their business. Respondents setting up a business worked over 40 hours a week on average indicating that they take full-time employee positions in their business. Results however indicate that the number of respondents working exceptionally long hours has reduced and more have moved into part time self-employment over the period between wave 1 and wave 2 research.

The analysis of the Scholars financial situation and the quality of life situation as a result of starting the NES supported business provides more insights into the quality of work

opportunities provided by the NES programme. Surprisingly almost a half reported that by not considering the option of becoming self-employed with the NES business, their financial situation would be a little or a lot better. Over two thirds of those running a business also believe that their quality of life would be better without the NES business, with only a significant minority (17.4 percent) believing the NES business to be a means of improving their quality of life. In contrary to this, the majority of those who closed their business still believe that without starting the NES business their financial situation would be a lot or little worse than now. Nearly a half also reported a likelihood of a poor quality of life if the NES business had not been an option for them.

Overall, although the number of Scholars working very long hours in their businesses fell over the 21 months since the wave 1 research, the proportion of those working longer hours report that their quality of life has deteriorated as a result of NES business start-up. The opinions about the quality of life and the financial situation, as a result of NES interventions, from those who are trading in their business and those ceased trading are mixed. While the former disagree that both their financial situation and their quality of life has improved as a result of starting the NES business, the latter group expressed less concerns about the poor quality of life as a result of choosing the self-employment route through NES business. However, it would be interesting to study those differences further using a larger sample of those who closed their NES business.

### **13.7 Motivation to remain in business/self-employment**

For a significant majority, the two strongest factors in remaining in self-employment were the desire to be independent of a boss and the freedom they enjoy through adapting their own approach to work. A range of other factors, some relating to *achievement* objectives and some relating to *convenience* objectives were cited almost as often as the *independent* objectives. There was also evidence that ability to work from home was, in effect, less powerful, but nonetheless positive, motivation for some respondents. The economic motive of having higher earnings was also a particularly strong motivation among Scholars. Less powerful, but widespread motivation was also stated in relation to both family welfare and welfare of the community of the Scholars.

Further motivations were the desire to achieve higher position for themselves in society and the keenness to see other people proud of themselves. These motivations were less frequent but, where applicable, were often strongly held. Although some respondents wished to follow an example they admire or continue a family tradition through self-employment, the number of 'highly motivated' responses for these categories of motives was lower than the other type of motivations. The chances of gaining indirect benefits such as tax exemptions were not considered as a reason for being in self-employment.

In general, those who are running a business have stated stronger levels of motivation for more factors than those who closed the business. In particular, respondents running a business are more motivated by the opportunities of independence, achievement and convenience than following role models (external or within their immediate family) or economic benefits. Although a majority of Scholars who closed their business also had independence motives to remain in business, economic motives were also strongly cited by a majority of respondents.

The results suggest that those with economic motives are running a successful business (if business success is measured in terms of turnover of the business) whereas those with convenience motives and role model motives are making less turnovers at present. Results also show a significant, but negative association between the level of satisfaction with business turnover and having economic motives to remain in business. This indicates that despite a

majority of successful businesses being owned by Scholars who stated stronger levels of economic motivations, their level of satisfaction in terms of turnover is low; they are keen to see more success in their business. The results further suggests that people with independence motives and achievement motives are working longer hours but those with convenience motives are working less hours in their business. Scholars with role model motives are also spending fewer hours in their business, although there is no statistical significance in this relationship.

Overall, NES Scholars are more highly motivated by the achievement and independence motives than welfare and role motives. Scholars who closed their business were more motivated by the financial benefits and welfare package including welfare of their family and society, than those Scholars who are running a business at present. There is an association between the type of motivations to remain in self-employment and the business outcomes in terms of business turnover achieved and the level of satisfaction with the current business performance. Also clear was the fact that those who consider business as an easy route to self-employment are spending less hours in their businesses than the rest of the group.

### **13.8 Level of business understanding**

Scholars have different opinions about the factors affecting a person's chance of succeeding in business. However they did not display an uncritical view that all people have the same chance of succeeding in business. Most stated that having money, good contacts and related work experience increases the chance of business success and believed that contacts could be acquired through networking. However, there was less agreement that having qualifications increases the chance of succeeding in business. In general, respondents indicate some awareness of the relatively high risk of business closure during the first few years of trading. Despite the wider agreement of the risk involved in starting a business in relation to the consequences of business failure, only a minority agreed that it is too risky to borrow money to start or run a business.

Although most agreed that business failure can have bad consequences, they also agreed that business failure can have positive outcomes, particularly in terms of boosting employability. Most were in the opinion that business failure often leads to starting a new and successful business. Generally there is a strong commitment to being in business in the future although a majority do not see self-employment as a better route towards social mobility than employment. Those who showed a strong personal commitment to being self-employed or in business agreed that they will always work for themselves and never do another job.

There is a significant difference in the level of business understanding by the Scholars at different stages of business development. Whereas those trading at present mostly disagree that money is a key for business success, of those who closed the business see the importance of qualifications as the key determinant for running a successful business. The two groups of respondents who mostly agree that people need experience in a related job to succeed in business are the ones who had not started trading and those who had the least experience in business start-up. All four groups showed a similar understanding of the importance of business contacts and the opportunities that networks can provide in gaining business contacts.

The data shows that those who are still setting up a business and those who have decided not to start a business are the groups that are more risk averse. It is noteworthy to mention that a majority of those who had some trading experience and all respondents who had business closure experience are more aware of the bad consequences of business failure than those who are still not trading or decided not to trade at all. However, a majority of respondents in each group also agreed that business failure can lead to positive outcomes. A few of those running a

business and those that had closed the business agreed that business is an easy route to get on in life when compared to the higher percentage of those setting up a business or those who had decided not to start a business.

Although the respondents' understanding on a number of factors affecting a person's chance of succeeding a business had changed since wave 1 research, overall, there is little change in the level of understanding about the openness of business opportunities, business risks and the personal commitment to small enterprise between the two waves of research.

Overall, it seems that a majority of Scholars expressed a nuanced and critical understanding of business opportunities and were personally committed to pursuing enterprise opportunities. Scholars also appreciate that there are risks involved in running a business but believe that it is valuable to generate business experience, even if the business does not work. In particular, they believe that business experience adds to their employability. The level of business understanding of the Scholars in relation to the stage of business development is diverse. While a majority of those who are setting up the business or had decided not to start the business disinclined risks, a majority of those running a business and those that had closed the business disagreed that business is an easier route to get on in life than employment.

## **13.9 Barriers to Business Trading**

The NES Follow-up survey raised a number of questions related to barriers to trading. These barriers could be summarised under three themes: barriers to business finance, barriers to cover the Scholars' living costs while in business and children and childcare. These issues are analysed in this section.

### ***13.9.1 Barriers to Business Finance***

A majority strongly agreed that raising finance for their business is difficult and that they did not have enough money to run a viable business. Those who had made higher personal investment, however, did not consider raising finance as a key challenge or a barrier to run a successful business. There is a higher agreement with the difficulties in raising finance by those who claimed higher external investments, both in terms of bank and non bank commercial loan investments. Although a large majority agreed that they understand the financial needs of their business, over half of the respondents disagree that they make enough contacts with banks and other sources or devote enough time to raise the finance they need. Interestingly, however, 71.1 percent of the respondents agreed or strongly agreed that they have the skills to discuss financial issues with the banks and other sources.

The results further confirmed that those who had the understanding, skills and were making enough contacts to raise business finance were in fact making higher total investment (in average) than the others. However, spending more time to raise finance had not always helped in acquiring higher investment for a majority of Scholars. When comparing the proportion of Scholars reporting having enough finance to start a business (wave 1 research) and those reporting having enough money to run a viable business, 58.8 percent of those who reported having enough finance to *start* a viable business now at wave 2 research reported that they do not have enough money to *run* a viable business and need additional investment.

Overall, the results indicate that the majority of respondents had supply side constraints when raising finance for their business and this is particularly the case when seeking finance from external sources. The results also indicate that it is not the skills and competence that entrepreneurs lack in raising the finance they need for their businesses but that they do not

make enough contacts or devote enough time in seeking funding opportunities. It was also found that although the Scholars perceived that they had enough money to *start* their business, the majority do not believe that they have enough money to *run* a viable business after gaining trading experience over time.

### ***13.9.2 Living Costs***

The results suggest that a significant proportion of NES Scholars are working long hours for little pay, hardly enough to cover their living. By far the most common source of living costs was business drawings but most Scholars also relied on alternative sources of living costs with the most common sources including wages from a job, loans and other debts and tax credits. Almost three quarters of the respondents in trading did rely on their business to pay their personal costs in the last year of trading. A third took less than £5000 drawings from the business and another 17.7 percent drew over £10,000, including a small minority taking over £20,000 to support their living.

Sources of living costs for Scholars based on their stage of business development are diverse. Whereas the wages from their job is by far the most common source of living cost for those setting up the business, drawings from the business are by far the most commonly used source of living cost for those running a business. For those who closed the business tax credit and wages from a job are the highest contributors to living costs, with benefits making least contribution towards living.

There is a 25.8 percent point increase in those who used drawings from the business in the last year and at start-up towards their living cost. The probability of a Scholar making higher drawings from the business is positively linked to, among other things, the business turnover, thus explaining that with business success the quality of life of Scholars improved. The other sources that made a higher contribution towards Scholar living now than at start-up are wages from a job, tax credits, loans/credit cards/other debts. The proportion of Scholars using job seeker's allowance and income support benefits to cover living costs had dropped from 22.9 percent during the first year of trading to the present figure of just 5.5 percent.

Overall, there is an increase in the number of Scholars making a decent living out of self-employment since the start of the NES business although Scholars are still relying on alternative sources to cover their living. The owners of the businesses making higher turnovers were reported to have drawn more money from their business than those making fewer turnovers. These alternative sources can be viewed as additional forms of business investment because they reduce the need to make business drawings.

### ***13.9.3 Childcare***

A third of Scholars live with children aged under 16. Just over half of parents had a child or children of primary school age, with a further 44.1 percent having a child or children of pre-school age. Of the parents, over a fifth are single parents. Almost all parents had some childcare role and nearly half were the main carers for their children. Mothers were more likely to be the main carers but most fathers also had significant childcare roles. Although there is a decrease in the number of Scholars taking more than half of the childcare role since the last survey, Scholars used, or expected to use, a number of both formal and informal strategies to manage their childcare role while trading. Most common informal childcare strategies include, accessing help from a partner, working when children are in school, working when children are in bed, trading and caring for children simultaneously, and accessing help from other family members. Nearly a third paid for childcare and a 28.1 percent had to limit work to part-time



hours to cope with childcare needs. The percentage of parents using these costly means of childcare had increased since last survey. The number of Scholars taking their children out on business or to business premises had decreased sharply since the last survey, although a third still take children to business premises occasionally.

Overall, most parents in the sample had children of either pre-school or primary school age and over two thirds of parents reported that childcare would act as a barrier to trading for at least some of the time, therefore, the family's childcare burden can be assumed to be high. Data from wave 1 research indicated that the childcare barriers to trading were not highly significant, largely due to the range of informal childcare strategies Scholars expected to employ. However, the increase in the number of Scholars actually paying for childcare and limiting work to part-time because of childcare difficulties from the number expected to use these strategies at start-up indicates that the planned strategies to manage the childcare barrier using informal methods were not really successful.

### **13.10 Aims of the NES businesses in the future**

Most of those running a business at present said that their main aim is to see business growth in the future. To remain about the same size, selling the business, handing on the business or business closure are a less favourite option for a majority. A significant majority of those setting up or developing the business plan also wanted to see their businesses grow in the next two years and are very optimistic that their business will grow rapidly in the years to come. Those who closed the business also aimed to see a business growth before closure.

The results show that those who aimed to grow their business had made higher turnovers in the last year whereas those who wanted to consider handing on or closing down their business in the next two years were not making good turnovers. Surprisingly, those who want to remain about the same size were also making above average turnovers at present. None of those who were making turnovers over £100,000 aimed to sell, hand on or close their businesses. A higher proportion of the highest turnover group wanted to see their business grow rapidly with a similar proportion aiming to see a moderate growth or wanting to remain about the same size. It is also clear from the data that a higher proportion of the respondents who are considering a business closure in the near future are making less turnovers at present.

Results also indicate that those who are unsatisfied with their current performance aimed to move out of NES business in the future. Surprisingly, none of the respondents totally satisfied with their current business performances aim to grow their business rapidly but want to see their business grow moderately or to remain about the same size. Also interesting to see is that the majority of those who are totally unsatisfied with the current financial performance also consider growing their business indicating that Scholars are optimistic about being more generously remunerated for their work once their business has grown and is more established. Scholars in trading for a long time appear to have been somewhat less likely to sell/hand over or close their business and more likely to consider business growth or in particular to remain about the same size.

## 14.0 Recommendations and Future Research

Overall, to a certain extent this survey was successful in providing some evidence of the long-term outcomes of the programme for both Scholars and their businesses. Our main conclusion is that the NES programme is highly effective in moving Scholars, including the unemployed, into self-employment or business and that the NES businesses are making higher turnovers than before. Due to the strong migration to self-employment and business, the proportion of NES Scholars who are economically active in some way has increased considerably. Scholars are highly motivated and demonstrated strong commitment to remain in self-employment, although their quality of life has decreased since business start-up. Most Scholars wanted to see their business grow in the future, although most of the businesses are still trading on a small scale and are largely run solely by the owner. Although the businesses are generating higher turnovers and had experienced sales growth over the years, they face difficulties in generating enough profits to provide Scholars with drawings equivalent to a living wage. Under-investment (lack of resources) and childcare are the key barriers for Scholars to run a viable business.

### 14.1 Recommendations

In light of this conclusion, and the wider findings, we recommend some areas of the programme development.

- The financial support available to Scholars is still very limited and a significant proportion reported that they do not have enough money to run a *viable* business. This could mean that decrease in NES grants over the years could put the disadvantaged Scholars in a position where they could not start a business after completing their NES programme in the future. In addition to increasing NES grant funding for business start-up it would be useful to introduce a NES loan fund for those established businesses to expand their businesses.
- A very limited number of Scholars sought external funding even though they claimed to have enough skills and competence to raise such money. Developing the means to help Scholars to access such funding, in particular raising the awareness of possible funding streams and helping Scholars access alternative means of private finance would be particularly useful for a majority of Scholars.
- Scholars receive high social support from their families and friends and receive very limited support from external networks, including professionals and in particular the NES staff, mentors and advisors. It would be useful to consider providing increased access to professional advice and support, in particular with the NES staff and advisors.
- The majority of Scholars face difficulties in generating enough profit to provide them with a decent quality of life. The finding that those making higher turnovers claimed a high quality of life and drew more money from their business towards living expenses indicates that developing mentoring support specifically focused on boosting sales could help to overcome the problem of low standards of life for Scholars. The problem of low drawings could also be addressed by encouraging Scholars to maintain or enter employment until businesses are more profitable, although this may slow business development. Advice to access benefits and tax credits may help Scholars to maximise alternative means of covering their living costs.

- Limitations in accessing external finance could restrain the development and growth of small firms. Financial bootstrapping has been recommended for small business managers for meeting the need for resources and in facing the major problems in securing long-term external finance. Financial bootstrapping, however, is not very popular among NES Scholars and this is an area that the NES programme can concentrate more into encourage Scholars to overcome the problem of undercapitalisation, specifically at business start-up stage.
- Childcare was proved to be a barrier to trading for Scholars with children. The Scholars were not very successful in receiving informal means of childcare as they expected at the time of business start-up. As a result, the numbers of parents moved into part time self-employment and considered paid childcare had increased over the past. It would therefore be useful to develop an additional funding stream of childcare grants to enable Scholars to work full-time in their business and to access formal services.

## 14.2 Future Research

There is some potential future research based on the findings of this research. These include conducting further analysis of the data collected in the NES Follow-up survey, longitudinal assessment of the data from both the Big NES survey and the NES Follow-up survey, conducting in-depth research on particular issues with respondents to this survey and the Big NES survey, and commissioning a further full evaluation in 2008.

### Further analysis of the NES Follow-up survey

Further analysis of the data in the NES Follow-up survey could produce results that can contribute to both entrepreneurial theory and practice. The results could also inform the policy makers, in particular, those managing the NES programme. Some of the possible analysis includes:

- More complex statistical tests to identify the enablers of business success.
- Assessment of the strength of relationships between Scholars' backgrounds and business characteristics, in particular business size, business strategies and industry sector.
- Further analysis of the motives to remain in self-employment, in particular to perform a cluster analysis to identify the Scholars' profile based on their motives.
- Further analysis of the Scholar's beliefs about the openness of business opportunities, their perception of business risks and their personal commitment to small enterprise. The analysis should particularly look into whether Scholars felt part of an 'enterprise culture' and what factors (money, qualifications, experience, contacts, risk taking, commitment etc) increase the chance of business success.
- A study on the impact of different types of networks and the relationship between business outcomes and network outcomes.
- Data suggests that more Scholars have moved into part-time self-employment since business start-up. A number of reasons for this were explained above, including childcare, poor quality of life, limited business drawings towards living, caution to remain in employment while in business. Further analysis into the relationships between each of the reasons for part-time self-employment will be useful.

### Longitudinal analysis of the Big NES survey and the NES Follow-up survey data

Some of the potential future research using the longitudinal data includes:

- Identification of the factors influencing to business growth.
- Whether planned strategies to manage the childcare barrier at start-up were successful when actually in trading.
- How the business investments over time had an impact on the business operations and outcomes.

### Follow-up of the survey respondents

Most of the respondents at both waves have indicated that they are prepared to take part in future research. Sub-samples from this cohort could be selected to provide in-depth findings on particular topics by employing small-scale qualitative research. While the NES Follow-up survey highlighted some areas for in-depth study, the Big NES survey also raised a number of possible research questions for qualitative research. In particular, the following questions could be addressed.

- Do the Scholars who report that they do not have enough investment to start a viable business face a real problem of under-capitalisation? If so, what are the consequences for business development and how can the programme be amended to address this issue?
- How do Scholars cope with the low drawings they typically make from their businesses and what impact does this have on business development? How do the alternative sources of living costs, including benefits and tax credits help support NES Scholars with their living costs?
- What are the barriers to business growth for NES Scholars and how could the programme help Scholars to overcome such barriers?
- For the minority of those who used financial bootstrapping, how have these techniques helped to overcome the financial barriers? Can these strategies be beneficial in the long-term?
- Why are some Scholars unsatisfied with their current business performance, even though they are making above average turnovers?
- Why have the Scholars who closed the NES business reported a higher level of satisfaction (both financial situation and quality of life) than those who are in trading at present?

### NEW Research

Areas for new research are also suggested, to address some questions not posed directly in the survey. These include

- In the context of deprived areas, it would be interesting to study the barriers to developing bridging networks, and how this might be supported by new interventions. In particular, the barriers faced by NES Scholars to bridging into market relations (particularly suppliers and customers) and resources (particularly external finance and business advice services) would be useful. Using qualitative research it is therefore suggested to investigate how the Scholars' stock of financial, human and social capital relates to their ability to build bridging

networks and to analyse how interventions might support this process for Scholars with different levels of financial, human and social capital.

- Much previous research indicates that structural and relational social capital is of vital importance for many entrepreneurs. Using some of the cognitive social capital variables used in the NES Follow-up survey questionnaire it would be possible to enhance our understanding about the communicative language, codes and narratives socially deprived entrepreneurs use to create shared understanding during their social interactions.

#### A follow-up Evaluation

We recommend a third evaluation of the NES programme is conducted in two years time, particularly to track outcomes for NES Scholars and businesses in the longer-term. It is recommended that apart from following up of those responded to the Big NES survey and the NES Follow-up survey, the Scholars completed their programme since 2004 (The Big NES survey was done in 2004 and have contacted all Scholars completed their programme up to September 2004) need to be contacted in this survey. For this purpose, it is however important to improve the monitoring system, to make viable the long-term evaluation of programme outcomes.