THE MEANING OF SUCCESS AND FAILURE FOR THE
BUSINESS START UP PARTICIPANT

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by

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CHAPTER 1
INTRODUCTION

The 1980's could be seen as the decade of the small firm. When the Thatcher government came to power in 1979 one of their main policy aims was to develop the small firm sector. As will be discussed later in this chapter, initiatives directed to this end were instituted quickly and in great numbers. This governmental interest in small firms inevitably drew the attention of the academic world and a wide range of disciplines started investigating small firms, the people who started them and their impact on the economy. An overview of the literature is given in chapter 2.

It is one of these early initiatives, the Enterprise Allowance Scheme (EAS) (later the scheme was repackaged and renamed the Business Start Up (BSU) scheme) which is the focus of this study. Later in this chapter the scheme, its development and the nature of previous evaluations will be discussed in detail. EAS was one of the most pervasive and enduring of the small firms initiatives developed in the early 1980's although its aims changed during the 13 years in which it operated.

At its inception in 1982, the scheme was directed at reducing unemployment by attracting the unemployed to start in self-employment. By 1991, when the Training and Enterprise Councils (TEC) took over the administration of the scheme, the outcome and quality of businesses started was considered at least as important as its role as an unemployment palliative, although it was still directed at the unemployed. These changes and the eventual demise of the scheme as a national initiative, in 1995, will be discussed in more detail later in this chapter.
The scheme had always been controversial. Many considered the unemployed to be poorly positioned to start successful businesses. Meanwhile they are particularly vulnerable, financially, should failure be experienced. It was these concerns along with the changes in the scheme and its administration in 1991 that provoked this research.

1.1 THE ISSUES TO BE INVESTIGATED

There were three main issues that were to be considered by the research.

The first issue to be investigated was the experience of those individuals who started a business via the scheme. As mentioned earlier, although politically it is desirable to encourage the unemployed to start in business ie become productive rather than remain on the unemployment register, it is important to consider whether it is beneficial to the individual to do so. Consequently it is necessary to assess the experiences of those who start a business via the scheme; to understand their motives for start up, their ambitions for the business, the trials and difficulties of starting and running the business and then also how they perceive the success, or otherwise, of their endeavours.

Another issue to be investigated was the efficacy of the scheme from the perspective of the TECs and central government. In order to do this it is necessary to identify the objectives of these stakeholders and determine the extent to which these are achieved by individuals starting on the scheme.

The final issue was to investigate the support mechanisms offered on the scheme which are employed to assist the small firms during start up and early development. Their effectiveness needed to be assessed.
1.2 THE AIMS OF THE INVESTIGATION

It was decided that an inductive research methodology be employed to investigate the issues outlined above. The justification for this approach is discussed in more detail in chapter 3. The aim of the research was to develop a model to explain the meaning of success and failure in terms of the participant's own definitions and the degree to which success was achieved, as perceived by the scheme participant. The model was developed from the data gained from the study thus ensuring a close fit between the data and theory generated.

The data were generated using two main instruments. The first was a large scale postal questionnaire. This gave information on the characteristics of the population of scheme participants and their businesses in the research sites selected. This allowed a pre-understanding of the research area to be gained, identified areas for further investigation and also permitted further justification for the conclusions drawn from the study. The second instrument was an 18 month longitudinal interview study of potential scheme participants. This in-depth study allowed the research issues to be investigated in more depth and the model to be developed.

The study was conducted in two research sites, these were defined as TEC regions. This allowed different local economies and business environments to be compared and also gave access to larger numbers of scheme participants.

The model was to be used to address the research issues identified above. It was able to explain the factors influencing success and failure for businesses started on the BSU scheme. Success and failure were examined from the perspective of the individual
participant both in terms of their definitions and perceptions of achievement. Despite this forming the focus of the model it was also possible to use this to project whether businesses started would be potentially successful from the perspective of other stakeholders ie the government who funded the programme and the TECs who administered the scheme. 

Through the investigation of the scheme and its participants, recommendations are proposed for improvements to business start up assistance. The intention is that these should act as practical guidelines for achieving this. Firstly it helps to identify a number of potential target groups at which assistance could be aimed and the likelihood of their success in terms of government and TEC criteria. Recommendations for improving assistance to these groups are given, which again should help improve the success rates and ensure that assistance is given in the most effective manner, both in terms of government funding but also the needs of individuals starting in business.

1.3 BACKGROUND TO THE INCEPTION AND DEVELOPMENT OF THE ENTERPRISE ALLOWANCE SCHEME

In this section the development of the scheme, which is central to this study, will be discussed. It formed part of a larger set of initiatives developed in the 1980's and as such it is necessary to appreciate the change in government attitudes to small firms in order to understand the origins of the scheme. Meanwhile a review of previous scheme evaluations will be undertaken.
1.3.1 Government policy and attitudes to small firms

Beesley and Wilson (1982, 1984) identify three periods of government attitudes to small firms. The first period was between 1946 and 1960. Here no specific assistance was given to small firms. The second period, between 1960 and 1970, saw the introduction of some measures aimed at removing discrimination against small firms. This trend accelerated during the third period, after the publication of the Bolton Report (1971), and has taken the form of exempting small firms from various statutory obligations.

During the third period, since 1970, there has also been an increase in indirect assistance. This can be grouped into regional assistance; assistance with production efficiency, eg training, technological assistance; and assistance consistent with economic policy. Also during this period there has been direct preferential assistance. This started in 1976 although it increased significantly when the Conservative government came into power in 1979. This has included three broad types of assistance:

i to further the general aims of economic and social policy, eg rural development, regional assistance, export promotion;

ii non-financial aid, eg training and advisory services;

iii financial measures, eg Enterprise Allowance Scheme (EAS), Loan Guarantee Scheme (LGS).

From 1979 to 1982 the latter type of measure increased relative to other direct measures. Its focus was to overcome the financing problems faced by small firms, especially during
formation.

By 1982 the Conservative government had introduced over one hundred measures directed at assisting small firms. Since this point there have been no major initiatives but rather consolidation, modification and promotion of those measures that already exist. This has been supported by a movement to further reduce discrimination against small firms.

The Bolton Report (1971) can be seen as the catalyst for increasing interest shown in small firms by successive governments. Before this period, large scale corporatism was seen as the ideal and there had consequently been an increase in the concentration of industry.

Bannock (1981) traces this movement back to 1848 when J S Mill saw the change in industrial concentration as inevitable as increases occurred in economies of scale, division of labour and capital equipment. Both before and after World War One capital markets developed, this increased the availability of capital for production and as the numbers of limited liability companies increased, the size of organisations grew.

After the Second World War attitudes to larger firms remained positive until the end of the 1960's. The state played a part in these developments through the nationalisation of industries, policies to encourage the increase in the scale of production and by permitting mergers and acquisitions.

Bannock (1981) points out, however, that governments were not solely responsible for the increases in concentration, social values also played a part. Education had prepared
people to work for larger organisations and reduced the propensity of people to take the risks involved in going self-employed.

The Bolton Report seemed to accept the fate of the small firm and felt that although it was necessary to remove discrimination against small firms to reduce the decline of the small firm sector, it was unnecessary to positively discriminate in favour of them. This therefore formed the core philosophy for governments during the third period of government attitudes to small firms, identified by Beesley and Wilson (1982, 1984), which commenced with the removal of discrimination.

Following the Bolton Report's publication the British economy moved into recession. This accelerated the decline of the manufacturing sector and unemployment increased.

When the Conservative government came into power in 1979 they promoted the ideal of free enterprise and competition. They believed market forces should decide the fate of industry and that new enterprise should be encouraged in an attempt to improve efficiency via competition and also create employment. Despite their non-interventionist ideals, they only allowed market forces to apply to one side of the equation, i.e. allowing traditional industries to decline. As stated above they have been very active in providing an environment where small firms are encouraged to start up and grow through their indirect and direct assistance. To compliment this they have also tried to foster an enterprise culture in the country.

These actions have to be seen in a political, as well as an economic context. Unemployment had increased the 'push' factors which lead to self-employment and small firm ownership. In this context it could be seen that the Conservative party aimed to
gain votes from small firm owner managers and the self-employed who were increasing in number. Not surprisingly by 1983 small firm owner managers and the self-employed largely voted Conservative (Curran, 1986a) (although it should be noted that a significant proportion voted for other parties).

Of the 100 or so measures that have been introduced since 1979 most have attempted to increase the numbers of small firms by focusing on formation. Many of these measures were new but very little research has been conducted on all but a few of these and the results have been inconclusive.

"What can be concluded from ... research on government policies in relation to the small enterprise, is that while a stab has been made at collecting basic quantitative data on their impact, research on the more basic issues of their effect on the role of the small enterprise in an advanced industrial economy and on the small enterprise itself remain largely neglected." (Curran, 1986a p53)

Throughout the 1980's small firm formation and self-employment rates have increased (Meager, 1991), consequently the government's small firms policies could be said to have succeeded. However, as will be shown in the literature review other factors have influenced start up rates, not just small firms policies. Meanwhile despite increases in small firm formation, small firm failure rates remain high (McInerny, 1994). It has therefore been questioned whether small firm policies, which have been directed at increasing formations, have been effective (Storey and Johnson, 1986). Increasingly calls are being made to direct policies at assisting small firms grow and survive, particularly at those that are likely to achieve high growth, rather than start up (Westhead, Storey and Cowling, 1993), although inability to identify potentially fast growing firms (Hakim,
1989) makes such actions difficult.

1.3.2 The Enterprise Allowance Scheme

This scheme formed part of the direct financial assistance given by government to encourage small firm formation.

The objective of the scheme was to increase small firm formations and decrease unemployment, by unemployed people creating their own jobs and hopefully, in the longer term, creating jobs for others.

The pilot Enterprise Allowance Scheme (EAS) was launched by the Manpower Services Commission (MSC) in February 1982. Five areas were selected for the launch - Coventry, North Ayrshire, North East Lancashire, Medway and Wrexham/Shotton. These were selected on the basis that they all had high unemployment but also different local economic conditions.

Under this scheme participants received £40.00 per week for 52 weeks in order to help start their business. This was intended to act as compensation for benefits they would lose and also help them survive start up when earnings can be low and erratic. At this time it was thought that the benefit system was too generous and hence acted as a disincentive to finding work and the receipt of benefits stopped people engaging in any form of work. Also it was seen that the financial risks similarly acted as a disincentive to unemployed people forming new businesses when they were unable to find paid employment. However, Allen and Hunn (1985) found that 70% of EAS claimants were receiving other benefits prior to EAS of less than £40.00 and hence this must act as an
incentive to enter the scheme.

When the scheme first operated the entry restrictions were as follows. Participants must:

i be over 18 years old and younger than retirement age;

ii be receiving unemployment benefit or supplementary benefit at the time of application;

iii have been unemployed or under notice of redundancy for more than 13 weeks;

iv have £1,000 to invest in their business;

v undertake to work solely for their business for not less than 36 hours per week;

and that

vi the business they were entering into was not illegal, immoral, religious or political, otherwise there was no check on the suitability/viability of the business idea;

vii the company must not have started before acceptance on to the scheme;

viii the business must be independent financially from other companies.
Most of the above conditions and restrictions were aimed at reducing deadweight (people starting business and gaining the allowance when they would have started in business without the scheme) on the scheme.

Further conditions were also imposed. The MSC reserved the right to inspect the business's accounts and visit the business every three months during the year of the scheme. Participants also had to attend a two hour induction session run by either the Small Firm Service (SFS), Scottish Development Agency (SDA) or Welsh Development Agency (WDA). The induction session outlined the basics of running a business and informed participants of counselling and advisory services that were available, including three free counselling sessions from the SFS, SDA or WDA.

3,331 participants joined the pilot scheme. This was monitored by the MSC using a survey at entry on to the scheme and then three months, nine months, 18 months and three years from commencement. After a year of the pilot scheme it was considered to be a success and the scheme was launched nationally in August 1983.

Job Centres were given the responsibility of administering the scheme and they were assisted by SFS, SDA and WDA who gave the induction sessions and the three free counselling sessions.

Targets for the national launch of EAS were set at 600 new participants per month. However, quotas per region were set based on the proportion of long term unemployed in the region. It was intended that availability of the scheme would reflect regional need and thus differed from other direct financial assistance in this respect. Hence availability of places on the scheme differed between regions. The basis on which quotas were set
was later changed to also take account of demand for the scheme by region using waiting lists as a measure.

It was soon found that demand for the scheme was greater than anticipated and the budgeted numbers for 1983/4 were subsequently increased to 35,000. Budgets for the numbers participating then increased annually eg 84/5 - 50,000 participants, 85/6 - 75,000 participants, 86/7 - 86,000 participants, 87/8 - 100,000 participants.

The numbers increased, not simply because unemployment increased, but also because qualifying rules were relaxed, hence making more people eligible for the allowance. These included the relaxing of the £1,000 investment condition. Previously applicants had to prove they had £1,000 in the form of personal savings or a bank loan, this was altered so that a bank overdraft facility was acceptable. The qualifying period of unemployment was reduced from 13 weeks to eight weeks, hence increasing numbers eligible for the scheme. Also in 1986 franchises were considered suitable EAS businesses.

With the inception, in April 1991, of the TECs, the Employment Department (ED) contracted the provision of training and enterprise to the 82 TECs of England and Wales. This included responsibility for EAS which was subsequently renamed Business Start Up (BSU) Scheme. The TECs were also given flexibility in how they operated the BSU scheme. The payment given to participants could be varied between £20 - £90 per week and this sum could be received for a duration of between 26 and 66 weeks, although many TECs chose to continue payments of £40 per week for 52 weeks. Potential participants had to be unemployed for a minimum of 6 weeks but the TECs were given discretion as to whether the participant had to have been claiming benefits during this period. Meanwhile it was still required that applicants start a new business
"suitable for public support" and that they would be in day to day control of the business.

Alongside this transfer of responsibility, TECs were funded on the basis of the outcomes of the scheme. In 1991/2 the TECs received funds for new starts and survival of these starts to 12, 26 and 52 weeks. In 1992/3 the funds were related to new starts and then survival of these start ups at 26 and 52 weeks. In 1993/4 funds were received on the basis of number of starts and then survival at 52 and 78 weeks. As a consequence of this change in funding, the scheme, which had started as a policy aimed at reducing unemployment, was now seen by TECs as a means of developing their local economies (Joyce and Woods, 1993). It was in the interests of the TECs to screen out those applicants with little chance of survival, as participants who failed would cause the TECs to lose money.

TEC's were also given discretion on how they linked related training and screening to participants. They were now able to refuse people places on the scheme if they thought the business would be unsuccessful. Similarly they could insist that training be received before entering the scheme or whilst on the scheme in an attempt to improve the success of the business. A criticism of the scheme has been that no attempt was made to assess the viability of the EAS business nor the suitability of the applicant (Chaston, 1992). This resulted in disappointment for those who failed through inability to run a business or those pursuing a poor business idea, as well as wasted public resources. As Patton and Bradley (1994) comment:

"This level of failure has significant implications in terms of resource wastage; including a possible reduction in the future level of entrepreneurial activity, economic competitiveness and social cost." (Patton and Bradley, 1994 p2)
Consequently it was important that TEC's identify viable business propositions, that training, advice and counselling result in improved business performance and that the appropriate level of assistance was given to maximise business survival and yet remain within the TEC's budgetary constraints.

From April 1995 the BSU scheme will no longer exist as a national scheme. Instead local initiatives to help small firm start up will be developed and funding sought from the Single Regeneration Budget (SRB). In the majority of cases these initiatives will be administered by the regional TECs but will be undertaken in collaboration with other local private and public sector bodies. It is thought that the majority of these initiatives will not follow the structure of the old BSU scheme, although some will, particularly in respect of the allowance element of the scheme. Most initiatives will incorporate some of the elements of training, business plan development and follow up procedures which were developed for the scheme.

Initial estimates suggest that 18,000 business start ups will be assisted through the SRB in England in 1995/6. The detail of the type of assistance that will be offered is however unclear at the time of writing.

1.3.2.1 Previous Evaluations of the Enterprise Allowance Scheme

The pilot scheme was evaluated using the entry questionnaire of participants and then postal surveys conducted at three months, nine months, 18 months and three years from starting the scheme.

Likewise the national scheme has also been evaluated using entry questionnaires and
then a postal questionnaire survey at six months and 15 months from the start of the scheme.

These surveys analyse a number of aspects of the EAS participants and their businesses, e.g. personal characteristics of participants, industrial sector of business, job generation of business, investments made, income from the business, reasons for non survival and the take up of advice, counselling and training. The national scheme evaluations also make regional comparisons.

One of the problems with these surveys is non response. It would seem likely a large proportion of those not responding were claimants whose businesses had failed. As non response rates can be as high as 30% (Allen and Hunn, 1985), it could therefore be assumed non survivors are significantly under-represented in these surveys.

As well as regular surveys that have been conducted throughout the life of the scheme on behalf of the Employment Department, a number of researchers have conducted studies into the scheme. Allen and Hunn (1985) drew together the results from the surveys of the pilot scheme at three months, nine months and 18 months, and the national scheme at six months (October 1984) and 15 months (November 1985). Wood (1985) followed up those scheme participants who had started during the first 6 months of EAS's operation, three years later. Gray and Stanworth (1986) conducted a qualitative assessment of scheme participants who had completed a year on the scheme by early 1985.

Some of the main findings from these studies are given below in order to give an overview of the scheme.
Results of early scheme evaluations found that survival rates were favourable compared to survival rates among non scheme start ups (Gray and Stanworth, 1986). This trend appears to have persisted with survival rates being found to be approximately equal to those of all small firms in 1991/2 (Joyce and Woods, 1993). Tremlett (1993) found in his survey that 71% of participants survived to 18 months.

Joyce and Woods (1993) propose that, even though survival is approximately equal to all small firms survival rates, this does not reflect positively on the scheme. They suggest that survival rates should be higher as participants will have undergone training, produced business plans and also have been subsidised by the allowance.

Wood (1985) found that the drop out rate of businesses declined over time. Tremlett (1993) found that most left their businesses between 6 and 12 months after starting the scheme, though the majority were found to cease when the allowance money ended at 12 months. Again Joyce and Woods (1993) query the effectiveness of the scheme on this basis. They note that the majority of those that cease trading do so to return to unemployment. Meanwhile they propose that survival up to 52 weeks should be relatively easy as the participants will still be in receipt of the allowance.

The characteristics of survivors has been analysed. It has been found that survivors are more likely to be male, in the older age groups and be unemployed for shorter periods of time (Wood, 1985; Tremlett, 1993). Differences in survival rates have also been found to exist between industrial and occupational categories (Wood, 1985; Gray and Stanworth, 1986; Tremlett, 1993). Wood (1985) found that "less common" types of business also seemed more likely to survive. Similarly, having a partner (more normally a wife) with a job seems to improve survival rates (Tremlett, 1993).
Allen and Hunn (1985) found, from an analysis of non survivors, the main reasons for giving up were lack of demand 32%, too much competition 21%, lack of capital 13% and costs too high 11%. Only 3% said it was because they found alternative employment. When their businesses ceased only 17% managed to find employment.

However Wood (1985), in his study of the pilot scheme participants after three years from EAS commencement, used interviews to illicit reasons for non-survival. The majority said they just did not make any money. The turnover and profit figures supported this with 29% making a loss and 24% making less than £40.00 per week.

Tremlett (1993) found the single most popular reason for ceasing trading was that they did not make enough money. Only 11% said they left self-employment to take up employment.

Joyce and Woods (1993) suggest that some participants are pushed onto the scheme as they are unemployed rather than because they wish to enter self-employment. They found these participants either leave the scheme as they find paid employment or revert to unemployment. They project that these participants may be as many as 40% of those on the scheme.

Patton and Bradley (1994) propose:

"Durable businesses are unlikely to be started by the unemployed, however politically favourable such a policy may be." (Patton and Bradley, 1994 p20)

And that making unemployment a requirement for the scheme may:
"... deter those businesses with potential from claiming the help and allowance because they do not wish or cannot afford to be unemployed for six weeks before establishing the business." (Patton and Bradley, 1994 p8)

However Chaston (1992) is more hopeful that changes in the scheme, introduced by the TECs, will improve the quality of the start ups it generates. Through the requirements for training and production of a business plan, this should deter those who are not adequately motivated to become self-employed. It will also ensure that business ideas are developed and validated before being admitted onto the scheme.

For those businesses that do survive what is the outcome?

In terms of income there were a large proportion of low earners and very few extremely high earners. As Wood (1985) found in his evaluation of the scheme, most participants' income was modest compared to national average earnings.

Compared to unemployment, however, self-employment seems preferable in income terms. Allen and Hunn (1985) found that 30% of entrants on the national scheme had a decrease in income on joining the scheme, but 70% experienced an increase in income. However, this ratio may not still persist in the 1990's. It should be noted that the allowance had not increased since the scheme was piloted in 1982. Most participants still only received £40 per week for 52 weeks in 1994.

In terms of job generation, the 15 month national scheme survey showed that 68 new jobs were generated per 100 survivors (Allen and Hunn, 1985). Wood (1985) found that two years after EAS, two out of five surviving businesses had employees. This resulted
in 99 employees per 100 businesses, half part-time, half full-time. Tremlett (1993) found that at 18 months from start up, 17% of surviving businesses had employees. On average the number of both full-time and part-time employees was approximately 2. Further three quarters of these employees had been recruited within 6 months of starting. Of those businesses without employees, 8 in 9 said they did not expect to recruit anyone within the next six months.

In evaluating the scheme a number of things must be considered, not only the permanent removal of people from the unemployment register and the jobs generated by these businesses, but we must also take account of the net effect of the scheme.

Deadweight must be a consideration of any evaluation, ie those people who would have become self-employed or started their business even if the scheme did not exist. However, that is not to say the scheme should not be accredited with some of the positive effects generated by these businesses. For these businesses the scheme can be seen as bringing forward the decision to start, also it may help the firm survive or prosper in a way that it would not have without the allowance.

It is not easy to establish the proportion of deadweight business. Allen and Hunn (1985) put the figure at 50% of EAS businesses.

Wood (1985) found that deadweight firms were more likely to survive. Of those businesses which he identified as deadweight, 64% continued to operate two years after EAS finished, compared to non deadweight businesses, where survival was only 48%. Gray and Stanworth (1986) found in their evaluation that deadweight participants tend to be more successful in business and employment generation.
Another factor that must be considered is displacement of existing firms by businesses started on the scheme. It is again very difficult to prove when displacement has occurred. Gray and Stanworth (1986) asked their sample if they had established their business at the expense of rivals. 39% were sure that they had either completely or partially displaced other businesses. Unfortunately the responses were unlikely to be objective nor based on hard facts.

However, displacement will no doubt be high as a large proportion of scheme participants start in sectors which are already overcrowded, as barriers to entry and start up costs are low, and most are inspired by previous experience. The more successful participants' businesses were inspired by observing a local need for an existing idea, i.e., seeking market opportunity (Gray and Stanworth, 1986). This is further supported by more than one-third of respondents saying their success strategy was to undercut their competitors' price, 15% identified their success strategy as advertising, and 14% by giving a faster service. All of these strategies can be seen as taking customers away from competitors rather than creating a new market. Often the allowance is used to help undercut competitors' prices, hence increasing displacement. Also this results in difficulties for businesses employing this strategy when the allowance ends.

It was estimated, for the pilot EAS, that taking one person off the unemployment count resulted in a net cost, to the exchequer, of £2,690 for the first year (Department of Employment, 1984). However, increases in tax receipts and reduced benefits payment is said to make the net cost of the scheme zero over three years (Gray and Stanworth, 1986).

Despite a regional quota system operating for the scheme there have still been regional
variations in take up rates (Mason and Harrison, 1985). Gray and Stanworth (1986) suggest regional variation in interest is mainly shown by waiting lists for the scheme (especially when the scheme became national and demand exceeded the supply of places).

There was very little information regarding scheme participants in the two TEC areas under investigation in this study. At the outset of the study the TECs had only just assumed responsibility for the scheme and so no records had been established. This situation was not novel, Joyce and Woods (1993) also found difficulty gaining information from the TECs, nationally, about scheme participants.

1.4 SUMMARY AND CONCLUSIONS

In this chapter a brief outline of the research has been given. The background to the development of the BSU scheme and previous evaluations have been outlined. There was much research interest in the scheme during its early years of operation, in the early to mid 1980's. Since this point much of the research undertaken has been large scale and quantitative in nature, conducted primarily for the purpose of monitoring the scheme. With the recent developments and changes in start up assistance, during the 1990's, it was felt that there was a need for further research. The aim of this research was not only to make recommendations for improvements to the provision of start up assistance and its effectiveness, but also to discover and evaluate the experiences of the scheme participants. It was to this end that this research was undertaken.
2.1 INTRODUCTION

In this chapter a review of the literature on entrepreneurship and small firms will be undertaken. Interest in small firms has increased in the UK after the publication of the Bolton Report in 1971. The number of small firms had decreased up until its publication but the report kindled government interest in the small firm sector. This interest peaked when the Thatcher government came to power in 1979. One of their main policy thrusts was to encourage the small firm sector and foster an enterprise culture as a means of revitalising the economy and reducing unemployment. These policies continued to be applied throughout the 1980's. Alongside the political attention received by small firms, academic interest also boomed. Much of the literature that will be considered here is from this period.

The literature review will, firstly, consider the role of the small firm and the entrepreneur in the economy. Regional and international variations in small firm activity will be identified and potential explanations for this given. Next, a discussion will take place as to why someone is, or becomes, an entrepreneur. Here a distinction will be made between the entrepreneur, the small firm owner manager and the self-employed, and factors affecting small firm start up will be identified. Finally, factors affecting small firm success and failure will be considered, as well as the problems encountered by small firms, and the potential of training and advice to overcome these difficulties.

The review of the literature will draw upon a wide number of academic disciplines such
as economics, psychology, sociology, business and management. However, as Shapero and Sokol comment:

"...it becomes apparent that "entrepreneurship" is a label for a profound and pervasive human activity that is of interest to many disciplines but is not encompassed by any one of them." (Shapero and Sokol, 1982 p74).

2.2 THE ROLE OF THE SMALL FIRM IN THE ECONOMY

The Bolton Report (1971) considered the role of the small firm in the economy. It identified eight important functions which they performed.

i. Small firms provide a productive outlet for the energies of those people in society who cannot necessarily function in a large organisation. This is consistent with the work of Kets De Vries (1977), whose rebellious entrepreneur is hostile to authority and so starts their own company; or Stanworth and Curran's (1976) socially marginal entrepreneur who creates their own organisation in order that their perception of their personal attributes and role in society are consistent. In both cases they propose entrepreneurs are unable to work for large organisations and so, for them, the only viable alternative is to start their own firms.

ii. They are the optimum size for production or a sales outlet in certain industries and hence small firms will dominate these industries. This has particularly occurred as the economy has moved away from primary and secondary to service industries. Bannock (1981) says that small firms are the optimum size if individual commitment and creativity is required. Curran and Stanworth (1982a)
suggest that, whilst there are certain economies of scale to be achieved, e.g., creating a national image or large scale purchases of goods/materials, there may be diseconomies at the point of sale especially where customer service is personalised, as in service industries. They call this "divided economies of scale". Consequently, the 1980's saw the expansion of franchises such as Bennetton, Body Shop etc. However, Curran and Blackburn (1990) suggest that there is an increase in concentration in financial and business services, where traditionally small firms have dominated, and that this trend is likely to continue and spread to other service industries. Thus potentially reducing the opportunities for small firms during the 1990's.

iii. Small firms increase the variety of goods and services. When markets are specialised and limited, entry is not attractive to large organisations. Bannock (1981) suggests that factors such as increasing transport costs have favoured small firms as they have made markets localised for certain goods. Consequently these markets can be satisfied more cost effectively by small firms. Curran and Blackburn (1990) consider the effect of post modernism on cultural tastes. They see this making demand fragmented and pluralistic. Consequently, they envisage a movement from mass production consumption goods towards niche or positional goods, where again small firms satisfy demand.

iv. The small firm acts as a specialist supplier to large firms and often can produce at lower cost than large firms. Marks and Spencer have employed this strategy for many years, using small firm suppliers to produce goods to their specification. However, such relationships can be detrimental to the small firm as they are in weak bargaining positions relative to their powerful customers. Evidence that
small firms increasingly perform this function is given by the trend during the
1980's for large organisations to divest activities which do not form part of their
core businesses, eg British Rail (Unknown 1993). Similarly, other organisations
are using networking, eg Rank Xerox, ICI, Dunlop. Here they invite their
employees to start their own businesses and then guarantee them a certain level
of work for a certain period of time (Dale, 1986). Although it is arguable
whether networking is genuinely encouraging the formation of independent small
businesses as specialist suppliers of services, or just a cost cutting strategy.

v. They increase the level of competition in the economy and hence decrease the
level of inefficiency in industries dominated by large firms. Although this seems
plausible, it is debatable whether small firms could compete effectively with larger
organisations and they will probably find niche markets not served by large
organisations. Indeed Osborne (1993) sees the avoidance of markets dominated
by "Goliaths" (large firms), and operating in fragmented markets or in a market
niche, as one of the guidelines for small firm success. Perry (1986) supports this,
identifying that small firms are unable to grow unless they niche, as they are
unable to compete with large firms.

vi. Small firms are seen as a source of innovation and invention, despite relatively
low R&D expenditure,

and associated with this

vii. They are seen as a breeding ground for new industries. Rothwell and Zegveld
(1982) found that small and medium sized enterprises (SME's) were more
productive in terms of innovation per pound of money spent on R&D. Bannock (1981) argues that small firms are more innovative than large firms in order that they can survive and compete with large firms in the long term. But, he continues, small firms are probably more important in the processes of invention rather than innovation and the commercialisation of ideas, and that often small firms create the idea, but large firms make them operational. However, Hankinson (1984) found from his studies that small engineering firms preferred to stay with their traditional products and markets as they considered diversification into new products/markets as too risky. Supporting this are the findings of Brockhaus (1980). He found entrepreneurs have only moderate risk taking propensities and yet innovation and invention are inherently risky.

viii. Small firms are the seed bed for new large companies which challenge and stimulate established firms. All large firms will have been small at some stage. However, it is inevitable that only a very limited number of small firms will ever fulfil this function. The evidence suggests that most small firms do not grow (Armstrong, Baker and Johnson, 1987), and indeed many do not even hold this as an objective (Stanworth and Curran, 1976; Scase and Goffee, 1981; Stanworth and Gray, 1992). This issue will be considered in more detail elsewhere in this chapter.

The Bolton Report also suggests that small firms have a role in employment creation as they are less capital intensive than large firms. Birch (1979) found in the USA that small firms (those employing less than 20 employees) contributed 66% of net job generation. This study used the Dun and Bradstreet commercial database to assess employment generation and has been criticised methodologically (Storey and Johnson, 1986). Also
it is suggested that their findings have limited transferability to the UK experience and were only relevant for the economic conditions prevailing at that time. However a number of UK studies have given similar findings, although the relative importance of small firms in job generation has not been as significant as that proposed by Birch.

Fothergill and Gudgin (1979) looked at manufacturing firms in the East Midlands. They found small firms gave higher employment growth than large firms, although large firms do generate jobs as well. This is more striking when we compare net increase in employment to the proportion of total employment of firms in different size bands. Fothergill and Gudgin do point out that job losses and gains occur over the whole range of manufacturing firm sizes. Although they admit that their results may not be as favourable to small firms as, unlike Birch, they had not included the service sector, where small firms dominate.

Gallagher and Stewart (1986) used data from Dun and Bradstreet’s UK commercial database. They noted bias in their sample - only 75% of private sector companies were included and firms employing less than 19 people were under-represented. Despite this they found that small firms created 36% of all new jobs between 1971-81, although they only accounted for 12% of total employment in 1971. Meanwhile, the very largest firms who employed approximately one-third of the working population, created less than one-third of new jobs. More than 50% of all new jobs were created by small firms employing less than 100 employees. However, Gallagher and Stewart conclude,

"No one size of firm is responsible for the majority of job creation in the UK. Rather, all size groups make a significant contribution. Clearly there are similarities of pattern between the results of this study and that of the USA. But
the overwhelming USA result, that most jobs stem from small firms, is not so
clear in the UK, although they are very important contributors." (Gallagher and
Stewart, 1986 p898)

Another factor pointed out by Gallagher and Stewart was that although companies
employing 1-19 were high in job generation, they were low in stability and that it is long
term employment creation which contributes to a healthy, balanced economy.

Later work by Gallagher, Daly and Thomason (1990) using the same database, found
that the smallest firms had the highest net job creation and the largest firms had the
lowest. However, the picture was less clear for firms between these sizes.

Storey and Johnson (1987) argue that many of the jobs created by small firms are from
the secondary labour market, eg married women, working on a part-time basis, and that
the jobs created are likely to be less attractive than those created by large firms - with
lower wages, fewer benefits etc.

As Patton and Bradley (1994) comment,

"Jobs are being created in substantial numbers, but they are located in the low
paid, insecure sections of the market." (Patton and Bradley, 1994 p2).

It would appear that small firms do have a function in the economy although, as shown
above, research is divided as to the extent to which the roles identified in the Bolton
Report (1971) are fulfilled.
2.3 THE ROLE OF THE ENTREPRENEUR IN THE ECONOMY

The term entrepreneur has been used to identify a separate type of economic agent. Economic theory on the role of the entrepreneur has changed and developed over time. Karl Mallalieu (1990) traces the introduction of the entrepreneurial economic agent to its introduction by Cantillon in 1755. However, the entrepreneur was not given prominence until Say in 1803. In English the term was translated as "merchant", "employer", "adventurer" and hence failed to identify the entrepreneur as a separate economic agent. John Stuart Mill in 1848 popularised the term in England, but by the end of the nineteenth century the term entrepreneur had nearly disappeared from economic literature, which corresponded with the popularisation of the neo-classical school of economics. For them the entrepreneur played no role as they assumed there was perfect knowledge and that perfect markets co-ordinated the factors of production.

Despite this, three traditions of economic theory developed on the role of the entrepreneur. These emerged originally from the work of Richard Cantillon. These will be dealt with in turn.

2.3.1 Cantillon

Cantillon proposed that the entrepreneur undertook the role of capital investor and risk taker, and that the entrepreneur becomes the bearer of uninsurable risk.

He saw the entrepreneur as one of three classes of economic agent who engages in market exchanges at his own risk in order to make profits.
Cantillon stressed uncertainty and lack of perfect foresight. The entrepreneur buys a certain quantity at a certain price and sells an uncertain quantity at an uncertain price. His foresight/judgement will, therefore, determine the profit/loss he achieves and the risk of loss cannot be insured against and hence must be borne by the entrepreneur.

2.3.2 The German Tradition

The main theorist associated with this tradition is Schumpeter (1934) who saw the entrepreneur as the main source of economic development through his function as an innovator carrying out "new combinations". He identifies five types of innovation including the introduction of a new or improved good, or a new method of production, developing new markets, sourcing new suppliers of materials or creating a new type of organisation.

His view is that the entrepreneur is not an inventor but someone who allocates resources in order to exploit an invention. He has a managerial/decision making role but is not the risk bearer, as capitalists' funds will be lent to the entrepreneur.

2.3.3 The Chicago Tradition

This tradition is based upon the writings of Frank Knight. He distinguishes between risk and uncertainty. Risk occurs when a phenomena is repetitive and hence objective probabilities can be given to future outcomes from observing past frequencies of outcomes' occurrence. Uncertainty is when we are unable to derive objective probabilities of future outcomes, as the situation is unique.
He argues that risk can be insured against, whereas the consequences of uncertainty cannot and in this case they must be borne by the decision maker. He proposes that entrepreneurship involves decision making under uncertainty and hence the entrepreneur receives the rewards or bears the losses of his decision, depending on his decision making ability under uncertainty.

2.3.4 The Austrian Tradition

Hayek, and later Kirzner, attach importance to entrepreneurship and the role of the entrepreneur in the workings of the economy. They partly take Schumpeter’s view that entrepreneurship requires a managerial or decision making role, and success depends on the entrepreneur’s ability to acquire and use information.

The entrepreneur gathers information and interprets this in such a way that he can identify profit opportunities which he then exploits through arbitrage opportunities. This they argue, makes the entrepreneur a key element in the market process.

Unlike Schumpeter, this perspective sees the entrepreneur responding to, rather than creating, change. Also this tradition does not insist that the role of the entrepreneur is that of an innovator, as innovation may not always be the correct decision in certain environments.

This tradition argues that markets are characterised by imperfect knowledge resulting in disequilibria. It is then the entrepreneur who will seize this as an opportunity to make profit and bring the market back into equilibrium.
These theories identify the role of the entrepreneur in the economy and hence explains the importance of the entrepreneur to the economy. However, it does not help us identify the entrepreneur him/herself. It could be argued that most managers will perform entrepreneurial functions/roles at some time but this does not make them an entrepreneur. As Harwood (1982) comments:

"In a liberal definition of entrepreneurship, even Lenin might qualify as an entrepreneur since he took considerable risk, showed a high degree of independence, and applied to Russian society innovative ideas that led to new organisational form in many sectors of Soviet life." (Harwood, 1982 p93).

As a consequence others have focused on entrepreneurial events rather than the entrepreneur.

Shapero and Sokol (1982) look at entrepreneurial events as this allows focus on entrepreneurial actions rather than on the entrepreneur as an individual. Similarly Vale and Binks (1990) focus on entrepreneurial events defining them as:

"An unrehearsed combination of economic resources instigated by the uncertain prospect of temporary monopoly profit." (Vale and Binks, 1990 p9).

From this they identify three categories of event.

- Catalytic events (necessary for economic development): these introduce the potential for development.
- Allocating events: these materialise the catalytic event.
Refining events: these capitalise on resource use inefficiency.

They argue these do not have to be carried out by an individual entrepreneur, but can be undertaken by corporations and that it is the mix of events that is important.

Although, as shown above, a number of definitions and distinctions have been generated over time, there is no clear uncontested view of the role fulfilled by the entrepreneur. In this respect it seems reasonable to focus on entrepreneurial events, as it is these that are of importance to the economy and it also avoids the necessity to label an individual an "entrepreneur". This title may only be relevant for a limited set of activities that an individual undertakes.

2.4 INTERNATIONAL AND REGIONAL VARIATIONS IN THE SMALL FIRM SECTOR

If small firms are considered important to the development and growth of an economy, it is useful to consider the size and strength of this sector. In this section consideration will be given to the size of the UK small firm sector, relative to other nations, and also regional variations that have been observed. Potential explanations for variations identified will also be explored.

The Bolton report (1971) found that no other advanced industrial country had a small firm sector with such a small share of manufacturing employment as the UK. All other counties, like the UK, had seen a decline in their small firm sector but not to the same extent. At this point in time, the late 1960's, the US and Canada had seen a reversal in this trend and this was beginning to emerge in Germany also. The reason offered for
the UK's small sector diminishing further than other countries was that we had a comparatively low birth rate of small firms, although UK firms seemed to "live" longer. Little could be said at that stage about death rates, and difficulties in international comparison, given the different methods of statistical compilation, was acknowledged.

Ganguly (1982a) also found that small firms' contribution to employment remained low compared to other advanced industrial countries, eg West Germany 32% in 1975 and Japan 68% in 1978, despite their share of employment increasing from 27% in 1937 to 30% in 1979. Again, Ganguly appreciated problems in statistical comparisons. Interestingly, Ganguly also pointed to international differences in self-employment. Here the UK also had the lowest level of self-employment. Ganguly suggested a link between traditions of self-employment and number of small firms - those countries with a tradition of self-employment have larger numbers of small businesses.

Ganguly (1982b, 1984) used VAT registrations and deregistrations as a means of measuring births and deaths of firms in the UK. This method has its weaknesses, but in the absence of an adequate database, this has been used as a reasonable approximation.

In 1984 Ganguly found that there was a net surplus of business starts based on VAT registrations, resulting from an increase in business starts and static business stops. Further, his research points to regional variations in births.

Storey (1982) suggests that regional differences in numbers of small firms can be considered in terms of a Regional Index of Entrepreneurship which is constructed from a number of factors:
i previous experience of employment in small firms;
ii managerial experience;
iii educational attainment;
iv access to capital;
v previous job experience in chosen market;
vi buoyancy of local markets.

The index combines personal and economic characteristics of regions, which he says makes some areas more conducive to small firm formation and growth (eg the South East and East Anglia), than others (eg the North and Wales).

The Department of Trade and Industry (1984) also identify factors which they consider influence the rate of new firm formation and growth of firms in manufacturing.

They see personal wealth as the usual source of start up capital. This is normally in the form of home ownership and hence house prices within a region will determine the availability of start up capital and consequently new firm formation. As house prices have been consistently higher in areas such as the South East compared to the North and Wales, so it should follow that small firm formation is higher.

Similarly, they found most organisation founders establish businesses in industries in which they were recently employed. Therefore areas characterised by industries with high capital requirements, economies of scale or in decline will find low start up levels as entry is difficult or unattractive. The North and Wales is characterised by such industries.
The Department of Trade and Industry also suggests the buoyancy of local markets will affect formation and growth of firms. They found a large proportion of the output of firms in their early years is sold in the area where they are located. If the area is depressed as in the North and Wales, then there will be limited prospects for new firms.

The above factors are economic but personal characteristics, they agree, are also likely to influence new firm formation and growth, eg managerial experience. They identify that the headquarters of firms are likely to contain top level decision making management. They found that 60% of manufacturing activity in Scotland and Wales was externally controlled ie headquarters were located elsewhere, in the early 1970's. Consequently these areas will have populations deficient in managerial skills and experience.

They agree with Storey that firm/plant size of previous employers is likely to affect the propensity of individuals to form new organisations. If they have worked in a small firm they are likely to have obtained a wider range of relevant experience. The factors identified above are likely to have favoured areas such as the South East in terms of small firm formation. Subsequently small firm formation will be perpetuated in these areas. Bannock and Stanworth (1990) propose that small firms breed other small firms, both through intergenerational inheritance of the enterprise culture, and as "incubators" of other small firms via employees ie they act as role models.

Despite a large degree of agreement between the Department of Trade and Industry's study and Storey's Index, the former is critical of Storey as the factors he includes are difficult to measure and are arbitrarily combined.
Whittington (1984) also criticised Storey's Index as the variables he selected were not weighted, some were collinear and also these variables were not tested; Storey did not offer a dependent variable as a measure of Entrepreneurship. Whittington constructed a multiple regression model based broadly on Storey's Index (this too can be criticised on the grounds of statistical robustness as only two years of data were given for the dependent variable). However, his findings did agree with those of Storey, that there is a regional bias in entrepreneurship which goes against the least prosperous regions.

Business formation, deaths and job generation were investigated by Gallagher and Stewart (1986). They found, like Ganguly (1984), that contraction and failure of firms was consistent between regions. However, they found that births and expansions were less in depressed regions.

Mason and Harrison (1986) looked at take up of government assistance to small firms and again found regional differences. However, these did not reflect a clear cut North/South divide as suggested by Storey's Index of Entrepreneurship, but they did suggest that generally depressed regions did have low take up of national schemes.

Areas within regions may also show differences. Fothergill and Gudgin (1979) studied one region only, the East Midlands. However, they did identify differences between areas. Some areas they considered fast growth and others slow growth.

2.5 WHY DOES SOMEONE BECOME AN ENTREPRENEUR?

Much research has been undertaken to try and identify the psychological and sociological factors that lead some individuals in a society to become entrepreneurs. A number of
different perspectives have been taken to investigate this issue. Some of the key literature in this area will be considered here.

2.5.1 Trait Methods

One perspective has been to identify one or a group, constellation, of personality traits which differentiate entrepreneurs from others. These have been called trait methods.

McClelland (1961) was a major contributor to this method. He found entrepreneurs had a high need for achievement (n Ach). He proposed that this is a desire to do well in competitive situations where the results of one's efforts can be objectively measured. He argues that it is this motivation which makes an individual become an entrepreneur. This characteristic will make him inquisitive about the progress of his company and results in him adopting the behavioural characteristics required for success.

In his more recent work his emphasis has shifted from achievement to power needs. However, Brockhaus (1982) criticises the validity of McClelland's findings as the Thematic Aperception Tests (TAT), used to measure n Ach, have been considered subjective and lacking consistency.

Collins and Moore (1964) considered power motivation, born out of a resentment for authority, as the relevant motive for entrepreneurship. Again, however, they used TAT to measure this trait.

Some of the theories of this type have attempted to find links between the function and role of entrepreneurs and their personality traits. For example Brockhaus (1980)
considered the risk taking propensities of entrepreneurs, a function which both Cantillon and the Chicago tradition saw as being central to the entrepreneur. However, Brockhaus found established entrepreneurs had only moderate risk taking propensities.

Similarly, Schrage (1965) focused on the R&D entrepreneur. He held that in order to be successful the entrepreneur must have "veridical perception". This corresponds with the Austrian tradition which see the entrepreneurs' ability to acquire and use information as central to his ability to identify profit opportunities in situations of imperfect knowledge. Schrage stressed the importance of this trait for the R&D entrepreneur who must make assumptions about the world before acting. If the assumptions made are correct, ie his perceptions of the environment are veridical, then he will be successful.

Schrage found that maximum success, in profit terms, was achieved when the R&D entrepreneur had high achievement motivation, low power motivation, high awareness of self, market and employees. However, he also found the least successful entrepreneurs only differed from this profile in terms of awareness.

Chell (1985) found low correlation between behaviour and traits, ie trait measurement is inadequate at predicting behaviour as it ignores situational factors.

As Brockhaus (1982) concludes:

"Although much progress has been made in the past 15 years, no clear link has yet been established between the personality characteristics of entrepreneurs and the success of their business ventures." (Brockhaus, 1982 p66).
2.5.2 **Psychodynamic Models**

An alternative perspective to the trait method was taken by Kets de Vries (1977). He explored the social, economic and psychodynamic forces influencing entrepreneurship. He hypothesised that family background creates an entrepreneur. He proposed that where one parent is dominant and controlling and the other is remote and rejecting, this would cause problems in identity formation and career orientations. Subsequently, in later life he will be seen by others as rebellious, non-conformist and resent authority and thus will be unable to fit into normal organisational structures. Consequently, the entrepreneur has to create their own organisation in order to have control and autonomy in an attempt to overcome feelings of inferiority and insecurity.

Stanworth, Blythe, Granger and Stanworth (1988) say this viewpoint is consistent with other theorists, eg Schumpeter (1934) who proposed that entrepreneurship is a creative option for those with few alternatives and for whom success would increase self esteem. However, like Kets De Vries, who sees the entrepreneur as being ultimately self-destructive, Schumpeter says that success is likely to be incomplete and hence the entrepreneur will remain a loner.

Although this model may typify some entrepreneurs it is improbable that all would fall into this stereotype. Similarly, the model assumes that all individuals with this background become entrepreneurs, yet it is likely many may demonstrate their non-conformist rebellion in other ways. Hence other factors must determine who becomes an entrepreneur.

Weber's 'Protestant Ethic Thesis' (1930) started a body of research which considered
demographic patterns in entrepreneurs. He concluded that often entrepreneurs belong to ethnic or religious minority groups.

Stanworth and Curran (1976) embrace and extend Weber's "outsider" theory into their social marginality thesis. They consider social background and orientation of entrepreneurs and highlight that research shows that entrepreneurs are not randomly drawn from the population. They propose that people who consider themselves misplaced in their role in society suffer high levels of social marginality, ie a perceived incongruity between their personal attributes - physical characteristics and intellectual make up - and their social behaviour patterns - the role s/he holds in society. In order to reduce the level of social marginality the individual creates their own organisation and hence is the entrepreneur.

Stanworth and Curran (1976) however acknowledge that not all entrepreneurs are socially marginal.

Chell (1985) suggests research points to the view that motivations for starting a business are diverse, hence this psychodynamic perspective is too limited.

2.5.3 **Social Development Models**

A further focus was taken by Gibb and Ritchie (1982). They conducted research into 54 would be entrepreneurs who entered a business competition (this has been criticised as being a biased and unrepresentative sample). They consider key antecedent influences on entrepreneurship, ie entrepreneurship is a social process and that:
"... no one single social or psychological quality can in itself hope to illustrate and account for variations of motives, skill and ambitions that individuals bring to the task of starting their own business. It is becoming clear that the whole nature and meaning of entry into entrepreneurship may alter across an individual's life course with the significance of particular influences varying considerably." (Gibb and Ritchie, 1982 p30).

From this they develop four typologies of potential entrepreneurs which reflect periods in the life cycle and key influences at these points - "improvisers" are those in the early stages of a career and life cycle; "revisionists" are those who are slightly older and near to the mid point in their careers; "superseders" are those in the second half of life with new careers; and "reverters" are those who are older and who are late or post career.

It seems plausible that social pressures and circumstances change throughout life and these influence behaviour. However, it does seem unreasonable to assume that all these factors over each individual entrepreneur's life time can be reduced to just four typologies. This model therefore emerges with similar problems to the psychodynamic models as it has reduced the entrepreneur to a stereotype (or more correctly four stereotypes).

Levinson (1980) looks at the possible influences on the adult life course and concludes that personality, society and precipitating events in combination cause people to act in the manner they do. Therefore, although each of the above approaches may inform us to some extent as to why individuals become entrepreneurs, they do not give a complete picture.
Chell (1985) attempted to link the individual and the environment in the creation of a small firm. The model she developed is dynamic and is able to cope with changes in the individual and their situation. It incorporates a set of 'appropriate person variables' which are created from an individual's total past history and which determine how situations are experienced.

Each situation encountered will have certain in-built rules which will imply certain behaviours are appropriate. If the entrepreneur is to succeed he will have to learn to behave appropriately for the situations he encounters.

Unfortunately this model would be methodologically very difficult to test (Curran, 1986b) and therefore its applicability is limited.

2.6 ARE ALL PEOPLE WHO RUN SMALL FIRMS ENTREPRENEURS?

Earlier in this chapter the role of the entrepreneur and his characteristics have been considered. However this does not mean that all individuals who run small firms are entrepreneurs. Brockhaus (1982) proposes that the term "entrepreneur" has been treated differently by writers on the subject and concludes:

"Thus it should be kept in mind that a well-defined entrepreneurial population does not exist and research findings are often difficult to compare and make generalization a dangerous practice." (Brockhaus, 1982 p40)

Therefore it is necessary to differentiate entrepreneurs from other small firm agents.
Curran (1986b) suggests that an entrepreneur and the small firm owner manager or self-employed person are not one in the same. He sees the entrepreneur as being a term which:

"... should be reserved for those who create a successful enterprise based on a novel product or service and/or a novel organisational means for producing these and/or marketing them." (Curran, 1986b p7).

Most small firms, on the other hand, are run by owner managers/self-employed people:

"... whose enterprises replicate existing, well proven ways of carrying on economic activities." (Curran, 1986b p7).

However, much of the literature fails to distinguish between the entrepreneur and the small firm owner manager or self-employed and the term entrepreneur is frequently used incorrectly or inappropriately. Despite this, many studies have in fact focused on small firm owner managers and the self-employed as a separate entity to the entrepreneur. These in turn, however, do not always distinguish between owner managers and the self-employed.

Curran and Burrows (1988) say a further distinction should be drawn. They see self-employment not as a stage of development before taking on employees, ie a small firm owner manager without employees. They found the age and gender profiles and education background of small firm owner managers and the self-employed were very different from their analysis of the General Household Survey.
Scase and Goffee (1982) suggest a four-fold classification of those who work for themselves:

i. self-employed - those who formally employ no one;

ii. small employers - those who employ others but work alongside them;

iii. owner employers - those who have sole managerial responsibility for their company but employ workers;

iv. owner directors - those who have ultimate control over their enterprises but delegate through a management structure.

In sociology the self-employed are characterised as owning their own means of production and having self direction and autonomy in the workplace but employ no one else.

Despite this classification, official statistics and social surveys use proxy measures to identify the self-employed such as national insurance contribution or self description yet this does not necessarily coincide with the definition of self-employment.

Angela Dale (1986) considered homeworkers, freelance and outworkers, who are officially considered self-employed, and found that many either did not have ownership of the means of their own production or autonomy in the workplace, or both. Scase and Goffee (1981) found, in a study of self-employed craftsmen, that autonomy was unlikely as a result of market constraints. In order to reduce uncertainty the self-employed craftsman would often have regular customers forming the core of their business. As a consequence their autonomy is reduced as they are dependent on these customers, eg price and process will be affected by the demands of these customers.
To complicate the distinction between the self-employed and small firm owner manager further, these two distinct groups are often drawn together from a sociological perspective and defined as the petite bourgeoisie (Scase and Goffee, 1981).

Stanworth and Curran (1973) see the differentiation between types of small firm owner manager in terms of motivation. From this they identify three identities; the artisan, the classical entrepreneur, and the manager. They see movement from one identity to another as being linked to the internal development of the firm, the relationship with the environment and the entrepreneur's perceptions of these.

To conclude. The issue of who is, or is not an entrepreneur, and the classification of individuals who start in business, is far from clear. Theorists have manipulated definitions and classified these individuals in different ways and there is no common agreement as to definition or title. This in itself is a weakness in the study of small firms. To reiterate Brockhaus (1982), lack of clarity in definition and populations make generalisations dangerous.

2.7 FACTORS AFFECTING THE START UP OF SMALL FIRMS

Despite lack of clarity in definition or consistency in use as to who is an entrepreneur or small firm owner manager, research has been conducted into factors affecting the start up of small firms. Some of this has been discussed earlier when considering factors affecting regional variation in small firm formation. These considered some of the economic and environmental factors influencing small firm formation. However this does not explain the motivation or behaviour of the individual creating a small firm. Other research has focused on this and will be reviewed in this section.
One of the strongest motivations for starting in business has been found to be the need or desire for independence. Boswell (1973) considered why individuals start small firms and found from a whole range of factors, including family background, previous work experience etc, that this appeared to be the single strongest force.

Curran and Burrows (1986) similarly concluded:

"...despite the dangers of reductionism, many members of the British petite bourgeoisie do show strong psychological inclinations towards notion of autonomy and independence..." (Curran and Burrows, 1986 p270)

The work of Gill (1985) suggested that the trigger for start up differed amongst his sample of small firms. These included feelings of alienation and powerlessness and also boredom with previous employment. Consequently, as a constructive way of dealing with these feelings, a decision was made to start a business.

Scase and Goffee (1982) also found that employees outside management have seen an increased routinisation and deskilling of their work and also a reduction in their decision making powers. They suggest that this increases demotivation, alienation and job dissatisfaction. They suggest (1981) that autonomy and individualism were not the main reasons for becoming self-employed but more a desire to avoid the forces of employer or management control.

Michael Cross (1982) studied people employed in manufacturing who expressed a desire to become self-employed. He, too, found their reasons were varied and individual. For example, for some it was an ambition, for others it was seen as a respectable way of
easing into retirement. He found business ideas were ill-defined or drawn from readily available examples of self-employment, eg shop keeper, milkman etc. Indeed the notion of becoming self-employed had become more important than the business itself.

Unemployment has been considered as a factor influencing the decision to start a small firm. Storey (1982) considers this a "push" (negative) factor in the decision to start. An article in The Economist (1992) comments that:

"...the growth in self-employment during the 1980's owed more to rising unemployment than to a sudden blossoming of the entrepreneurial spirit."
(Anonymous 1992 p59)

Goldthorpe and Payne (1986) and Scase and Goffee (1982) see unemployment as causing downward social mobility and therefore self-employment gives a mechanism for avoiding this.

Marlow and Storey (1992) tried to identify the role of unemployment in the start up decision. Unfortunately they found it difficult to draw out the influence of unemployment in this process.

Lee (1985) looked at redundant steelworkers who had become self-employed and found that some had previously aspired to become self-employed and redundancy had given them the opportunity to do so in terms of capital and time. However, those working on a commission only basis commented that they had felt constrained and hence had entered self-employment as a result of lack of other employment alternatives.
The socialisation process has also been proposed as an influence on the decision to start up.

Curran and Burrows (1988) used the General Household Survey to study the self-employed and small firm owner manager. They found one-third of those studied came from a family where the father had worked for himself. They therefore considered that intergenerational inheritance played a part in determining who was likely to become self-employed. Stanworth, Blythe, Granger and Stanworth (1988) found the self-employed were likely to have siblings in self-employment.

To conclude. It can be seen that a wide range of factors and motives can result in the decision to start in business. However, not only should we be concerned with small firm formation, but also the subsequent success and growth of the fledgling business. This will therefore form the focus of the next section.

2.8 SUCCESS AND GROWTH IN THE SMALL FIRM

Partly due to the increased political interest in, and support of, small firms there has been great interest in the factors that affect and influence the success and growth of small firms. In this section both of these issues will be considered in turn.

A study undertaken by Westhead, Storey and Cowling (1993) reviewed the literature on factors affecting the success and survival of small firms. From this they identified 69 potential variables which they grouped into eleven categories, including; personal background of the founder, previous work experience, characteristics of the business, customer base, competitive structure, networking, financial base, technology, management
functions and start up problems. Using science park firms they tested whether any of these had any significant effect on the success and survival of the business.

From the original 69 variables only 13 were found to be significant. These were:

- those founders with management experience in their last job were more likely to fail (opposite to expectations)

- if the founder had work experience and contacts outside manufacturing they were more likely to survive

- if the founder had experience of employment in a large organisation they were more likely to survive

- older firms were more likely to survive

- firms in government assisted areas had a greater propensity to survive

- business located in large sized premises had a greater likelihood of survival

- if the business had more than one shareholder it is more likely to survive

- firms with a large number of competitors are more likely to survive

- related to above, these competitors are likely to be small
- firms who had access to the resources of a higher education institution were more likely to survive

- businesses with diverse financial bases were more likely to survive

- firms with diverse management skills are more likely to survive

- management teams which include personnel specialists are more likely to survive

Gill (1985) concluded that factors accounting for success or failure were complex. From his research he found that there was a high degree of complexity but patterns of factors could be detected. He found commitment and motivation to becoming a small firm owner manager were influential on the future performance of the firm. The need to conduct market research was noted as was the positive effect of having previous experience of running a small firm. Also the role of the spouse was considered key. The commitment of the spouse, especially if actively involved in the business, aided survival. Finally, the creation and testing of a business plan was seen as crucial to survival.

This latter factor was also considered by Baker, Addams and Davis (1993). They found that the development of strategic planning, and particularly the creation of written business plans, are fundamental to fast growth in small firms.

On the other hand some studies have considered factors influencing failure in small firms. Smallbone (1990) found that those who had been unemployed prior to start up were more likely to fail than those who had left jobs in order to start in business. This in part was due to the lack of motivation and/or ability needed to run the business.
Consequently their business concepts were weak and inadequately defined and they also lacked the skills and commitment to develop the business.

Donleavy (1980) looked at bankrupts. He found that these tended to enter a field where they had previously been an employee, but they tended to have little marketing or basic finance knowledge. They also tended to be over optimistic about the business's potential and, if they bought a business, they were likely to pay more than its market worth.

The literature discussed above does not attempt to be all inclusive but indicative of the wide range of factors that have been proposed as an influence on the success and failure of small firms. However, such a review also raises a further issue, that of, how do we define success and failure? Jennings and Beaver (1993) comment that:

"The ways in which success and failure will be defined and measured are then dependent upon the stakeholder's orientation towards the enterprise and can be expected to change over time." (Jennings and Beaver, 1993 p4)

This is not to say that all measures of success and failure employed by the different stakeholders will be mutually exclusive but they propose that no small firm could achieve all possible measures simultaneously.

As a consequence, often survival versus non survival have been used as proxy measures of success versus failure. This does not necessarily help in the clarification of the issue. Watson and Everett (1993) attempted to define failure for small firms and identified four potential definitions. They concluded:
"Each definition has appealing attributes. Unfortunately, no one definition is clearly superior ... it is likely to be difficult to reach a consensus regarding which definition is the most appropriate." (Watson and Everett, 1993 p39).

Scott (1982) makes similar comments regarding the lack of definition of what constitutes success and failure.

As a consequence of this problem another focus taken has been to look at the growth of small firms. Earlier in this chapter it was suggested that small firms are the seed bed for future large companies. However, evidence seems to suggest that few small firm grow (Armstrong, Baker and Johnson, 1987). Perry (1986) suggests most firms grow in the early years until survival of the firm is no longer in jeopardy. After this though, most firms choose to stabilise and not grow any further.

Stanworth and Gray (1992) also point out that, not only the failure rate of small firms is high, but that only a few firms create new jobs and grow.

"It appears that the chances of a new firm employing 100 people within a decade of formation is less than 1 per cent. Thus, most small firms are in macro terms, practically an economic irrelevance. True they create work for their owners and provide some form of product or service for clients, but their overall economic impact is slight indeed." (Stanworth and Gray, 1992 p12).

Gill (1985) found that few small firms grow but also those that do tend to grow very slowly.
A number of explanations have been proposed for lack of growth.

Firstly, it can be seen in terms of the behaviour and ability of the small firm owner. Collins and Moore's (1964) view of the entrepreneur is that they resent power and hence are driven into creating their own organisations. They see this drive resulting in him distorting information about the company and hence, in the long term, engaging in self defeating behaviour which may restrict the size of the business or even threaten its survival.

Kets De Vries (1977) argues that the entrepreneur, in his search for independence, dominates the small firm as he is autocratic, directive and unable to delegate. However his personality means he will be impulsive and will not undertake analytical planning. This behaviour is beneficial in the early stages of business development as it will inspire subordinates. But as the organisation grows, this behaviour is inappropriate and the decision making mechanisms will be no longer able to cope with the complexities of the external environment. The degree of dynamism, heterogeneity and hostility of the environment will determine how far the organisation will be successful with this management style and hence the extent of growth.

Secondly, it can be seen in terms of motivation. Armstrong, Baker and Johnson (1987) found that success is:

"... more often expressed in terms of personal satisfaction and security than in growth and development." (Armstrong, Baker and Johnson, 1987 p59).

Stanworth and Curran (1976) use their social marginality thesis to explain why few small
firms become large. As they point out, there is a skew in the distribution of firm size towards small firms in manufacturing, for example most organisations employ less than 30 employees. They put this down to the fact most companies do not grow and that failure rates are high. They do not consider a small firm as being just the first stage a company goes through before becoming large. They argue that as the firm grows it will seem to the owner that he is losing control, as responsibility and authority must be delegated for growth to occur. This, in turn, will increase their feelings of social marginality which was the original impetus for creating the company. Consequently, the owner manager will limit growth in order to retain control. However, they do consider that some owner managers will be able to make the transition as not all owner managers will be socially marginal and therefore will aim for higher growth. This gives a rationale for only a few companies achieving growth.

Scase and Goffee (1981), in their study of self-employed craftsmen, looked at attitudes towards growth and found that stability was preferred to growth as this was considered less problematic.

Cressy (1993) sees the desire for retaining control and independence making small firm owner managers reluctant to borrow money. This, in turn, he argues, results in the small firm being unable to grow. Similarly Hankinson (1984) found that finance was a limiting factor on investment and hence growth. The Bolton Report (1971) saw small firm financing problems in terms of availability, whereas Hankinson found finance was a barrier due to the unwillingness of small firms to borrow finance, preferring instead to use internally generated funds. Further, he found investment in small firms was not visionary and active, but replacement type and passive, both of these factors are not conducive to growth.
Although many small firms do not grow, some indeed do. As a consequence of this interest has been shown in trying to identify fast growth small firms. One of the most notable studies was conducted by Hakim (1989). Although she found certain characteristics were more common in fast growth versus non fast growth firms, she was unable to predict with any certainty which firms were in fact fast growth. She comments:

"Other studies have also failed to identify any distinctive or distinguishing features of fast growth firms ..." (Hakim, 1989 p38).

Having conducted a brief review of factors affecting success and growth, the problems facing small firms and the role of training and advice in overcoming these, will now be considered.

2.9 PROBLEMS FACING SMALL FIRMS

Many small firms are managed by the owner manager who takes sole responsibility for decision making and the strategic development of the organisation. This requires a great breadth of knowledge, skills and managerial ability on the part of the owner manager if the company is to prosper. Once the firm is established, and of a size where specialist managers can be employed, then the skills required will change. The owner manager will have to be able to delegate and lead as well as recruit employees with suitable and complimentary skills. Given these very wide ranging skill requirements, it is not surprising that many small firms have a number of problems.

The Bolton Committee of Enquiry (1971) suggested there were a number of weaknesses in small firms. These are outlined below:
Small firms are unaware of the best ways of raising capital. Cromie (1991) found that small firms often lack the necessary funds to invest in equipment. Associated with this, Watkins (1983) suggests that the management capability of the firm as perceived by financial institutions will affect their willingness to make funds available to the firm.

Cost control was seen as problematic, as information was either lacking or inadequate. Johnson and Scholes (1989) identify this as an area where small, fast growing firms fail as they are unaware of how costs are affected by their operations, nor how to control their costs.

Small firms have poor organisation, especially systems and procedures, job specification and delegation. Also, as the owner manager becomes overloaded with operational matters, no one takes a long term planning role. Cromie (1991) sees these as personal, i.e., the inability to manage time and priorities; and personnel problems, i.e., the inability to recruit and retain employees with the "right attitude".

Many small firms are product orientated and fail to take a marketing perspective of the firm. Watkins (1983) reported that financial institutions were unanimous in their opinion that small and medium enterprises only had expertise in production. Consequently small firms will become product orientated as this is where their expertise lies.

The report proposed that small firms have poor information processing and retrieval. McGaffey and Christy (1975) found that information
processing capabilities were a limiting factor on growth. However, they suggest these capabilities can be enhanced by training.

vi Personnel management is also seen as a problem in terms of a small firm's ability to attract, recruit and retain quality personnel. Lowdon (1988) comments that entrepreneurs give insufficient thought to staff selection and development. Consequently, in emergencies, staff do not act in accordance with the entrepreneurs way of behaving. Therefore he proposes that staff relations soon turn sour.

vii Small firms are seen as having problems with keeping abreast of technological change. Again, this can be associated with the owner managers lack of opportunity to deal with issues beyond the day to day running of the firm.

viii Production scheduling and control are seen as poor in small firms.

The report did not suggest that all small firms suffer from all, or indeed, any of the above. However, they saw most small firms as having at least some of these weaknesses.

There are several explanations as to why these problems occur.

The Bolton Report suggests that small firms are not sufficiently large so as to be able to employ specialised personnel to deal with these issues. Hence their solution frequently depends solely on the ability and competence of the owner manager. Therefore, the owner manager does not only have to be expert in the production or
delivery of goods and services, but needs to manage all aspects of the firm both operationally and strategically.

However as Watkins (1983) found in his research, few small firm owner managers had professional qualifications and where they did these were technically based and not managerial qualifications. He also found they generally lacked experience of other firms or if they did, this experience had been gained some time back. He concluded;

"... none of the factors in the owner managers' prior experience - not education, nor professional studies nor work experience - had been an appropriate or adequate preparation for the stewardship of one's own business." (Watkins, 1983 p39).

As a result of the above, the problems persist in small firms. Yet there are training, education, advisory and consultancy services available to help overcome these. In the next section of this chapter the take up and usefulness of these will be considered.

2.10 TRAINING AND ADVICE FOR THE SMALL FIRM

In spite of the problems identified above, the take up of small firms assistance tends to be low (Stanworth and Gray, 1992). A number of reasons have been put forward to explain this observation.

One reason for low take up, and also potentially an explanation for the existence of problems, is the lack of educational attainment of small firm owner managers and the self-employed. This characteristic was discussed earlier in this chapter. The Bolton
Report identified this as a problem and other research has confirmed this. Curran and Burrows (1988) see small firm ownership as an alternative to education, that this is a second chance at achieving for those who failed to achieve in the education system. Their analysis of the General Household Survey confirmed this. Small firm owner managers and the self-employed were less likely to have degrees than the general population, although often the business was based on a craft learnt during an apprenticeship.

Many self-employed/small firm owner managers see training and development as "returning to school" (Gill, 1988), yet this is often a system which either failed them or they rejected. Lack of educational attainment is not the only barrier to take up of training and advice, however.

Alternatively, Kirby (1982) found in his sample of small retail business owners that they failed to acknowledge that they lacked the requisite skills for running a business. Other studies (Bolton, 1971; Kirby, 1982; Gray and Stanworth, 1986; Wood, 1985) have suggested that there is a lack of awareness of what is available in terms of training, education and advice.

In part, the TECs were developed to help overcome these difficulties by acting as a local focus and propagator of information. Yet recent research (Richardson, Montanheiro, Nwankwo and Ashcroft, 1993) suggests few small firms have even heard of the TECs.

There are many other small firm support agencies, both public and private, but this in itself has been seen as one of the barriers to their use. Jones, Joyce and Woods (1993) suggest small firm owner managers do not have sufficient time to actively search for and
identify the service they require.

During the last few years Business Links (one stop advice shops) have been piloted in response to this problem. Dealkins and Ram (1994) note that these are still not networking effectively.

"Although Business Links attempt to co-ordinate different providers, in practice little has changed. Business Links have become mere brokers for enterprise support by referring on clients to different agencies. If they are to make an effective impact they need to enforce specialisation and there has to be full co-operation with providers of different sources of finance such as the commercial banks." (Dealkins and Ram, 1994 p135).

A further reason for low take up may be due to the quality of support offered, particularly in terms of the personnel employed by the support agencies. Often these are seconded from, or previously have worked for, large organisations.

"There is a need to recognise that 40 years as a middle manager in a large company or 5 years' experience in a local authority department does not necessarily a good small firm counsellor make. In the final analysis a support agency is only as good as its personnel." (Ritchie, Asch and Weir, 1984 p63).

Similarly Prowse and Pohl (1994) found small firm owner managers identified the need for quality advisors who have small firm experience. Also they noted the need for better publicity of the support available.
There is also a lack of conviction that training can help with their individual problems (McGivern and Overton, 1980), or, due to their needs for autonomy, they resent being told how to run their business (Bolton Report, 1971).

Townroe and Mallalieu (1990) looked at the more practical reasons for limited take up of, or demand for, advice, training or counselling. They identify that the costs of these can often be seen to outweigh their potential benefits. The costs are not just direct, these services can often be obtained free or subsidised by government agencies (although if this is not available it can be very expensive compared to the turnover/profits of a small firm). Most important, however, for the small owner manager is the indirect costs involved - time spent on courses or with advisors/councillors. As already mentioned, the small firm owner manager is often solely responsible for the running of their company, often with no one who can run the company in their absence. Consequently, time has a very high opportunity cost for these people. The situation is possibly worse for the self-employed individual. Their time spent away from work has a direct affect on the business as there is no one to do the work for them.

Given all the barriers to take up shown above, consideration must also be given to the effectiveness of training, advice received.

Curran (1986a) found that there has been limited research into the content and effectiveness of education and training of small firm owner managers, despite an increase in the provision of these since the 1970’s. Much of the education received is in the format of 'how to do it' literature which is non research based. These deal mainly with issues such as finance, accounting, marketing, to more esoteric areas such as corporate strategy and social responsibility. Curran suggests much of this literature is based on
large company good practice with the authors having little practical experience of small firms and making assumptions as to the transferability of good management practices between sizes of organisations. Despite this, this type of literature appeals to many small firm owner managers due to its availability and convenience, despite the content sometimes being unrealistic. Alternatively, research based literature tends to give only indirect information on management strategies.

Curran also looked at research into courses given to small firm owner managers and found from his review that courses tended to focus on one or two aspects, either the psychological preparation for starting one's own business, or concentrating on the basic skills required, eg raising finance, marketing etc. Due to the circumstances of participants, the courses given are generally short and hence will lack depth. Also courses tend to be general rather than specific, yet the businesses involved will be diverse. Gray (1994) also criticises training for being too general.

One study which considered a small business start up course was conducted by Gill (1985). Here participants were positive in the feedback of the course saying it was both helpful and enjoyable. However, on starting their businesses, they still felt ill prepared for the realities of running a small business and felt they needed continuing support after start up. Gill found that despite this feedback the course had very little effect on their managerial performance.

McGivern and Overton (1980) found perceptions to training and education in their sample was negative unless they had some personal experience of management training. Those that had, saw training as relevant and of value. Stanworth and Gray (1992) also found, if previous training had been received, more interest would be shown in later years.
Wood (1985) looked at advice received by Enterprise Allowance Scheme (EAS) participants. He found that of those continuing two years after the scheme, 77% had sought advice (of those continuing, the ones which made most money were more likely to have had advice from a bank or accountant), compared to those who had ceased to trade, where only 57% had sought advice.

Also Watldns (1983) looked at correlation between the occurrence of crises and training received. He found that catastrophes tended to be in areas such as marketing and finance, where no training had been received. Technical areas, where training was more actively pursued, had fewer crises.

If training and advice can result in some of the positive outcomes suggested above, it is also necessary to consider what areas of training and advice are the most effective in helping small firms. Boswell (1973) identified a number of such areas.

"...several areas where advice can be critical have been identified - notably finance (both controls, and sources and uses), self management (work-load, delegation, health), and at later stages, overall business strategy and a planned approach to retirement and succession problems." (Boswell, 1973 p195).

Both Gibb (1993) and Stanworth and Gray (1992) consider some skills as being unteachable, but others, such as marketing and finance, can be taught. In other words the basic managerial skills and techniques of book keeping, how to do market research etc can be learnt. However, there is a need to alter the manner and mechanisms in which this is given in a bid to improve the effectiveness of the training and advice, but also its take up.
One issue is the need to develop programmes and services which reflect the abilities of participants (Chaston, 1992), and their particular problems and issues (Cromie, 1991), rather than assuming all small firm owner managers’ needs are the same (Barkham, 1994).

Also it is necessary for advisors and trainers to speak the same language as the small firm owner manager (Jones, Joyce and Woods, 1993), they need to be able to relate to the owner manager in his terms. Gill (1988) takes this issue one step further and argues that advisors need to build up empathetic and trusting relationships with the small firm owner manager. Otherwise their advice will not be acted upon, even if that advice is sound and reasonable.

Gill also stresses the importance of timely advice in that it needs to be available on demand otherwise its use will be limited. Finally, he suggests that the adviser should help the small firm owner manager work through the diagnosis and solution to problems as this is a useful learning experience. It also ensures the advisor is fully appraised of the problem and avoids inappropriate advice being given.

A further issue is that of access to training and advice. Prowse and Pohl (1994) found that small firm owner managers wanted accessible local services, thus removing some of the barriers to take up. Jones, Joyce and Wood (1993) also suggest a "hot line service" for small firms to signpost relevant support agencies for identified problems, therefore reducing the costs of information gathering to the small firm.

Other recommendations for aligning the supply of support to the demand from small firms are made by Vyakarnam and Jacobs (1994). They discuss the need for support
services to be "bundled" in a manner that makes sense to target client groups. They regard this as essential to ensure that agencies specialise and therefore achieve excellence, rather than trying to be a "jack of all trades". They also discuss the need to be flexible in order to meet the requirements and constraints of the small firm owner manager.

2.11 SUMMARY

Within this chapter a wide range of small firm's issues have been discussed. This demonstrates some of the diversity of the subject area, but also some of the main thrusts of the research that has taken place. The literature reviewed was used to develop a pre-understanding of the research area and will also be used in subsequent chapters to illuminate the research and its findings. The literature will be drawn upon to help generate substantive theory from the data collected.
CHAPTER 3  
METHODOLOGY AND METHODS

3.1 INTRODUCTION

In this chapter the methodological approach and methods selected will be discussed. In addition some of the more practical issues surrounding the selection of research sites and data collection and recording will be detailed.

It was decided that a qualitative, phenomenological approach (Bryman, 1984) to the research should be adopted. Using the principles of grounded theory (Glaser and Strauss, 1967) the aim was to generate holistic theories which are grounded in the data from which they derive. Two data collection methods were selected. Firstly, a large scale cross sectional questionnaire was used to generate data on current and past scheme participants. This was conducted to gain general information on the population of scheme participants at the two research sites selected. This permitted a more detailed understanding of the research area prior to further research and also to identify the representativeness of the interview sample which was subsequently gained. The second stage of the research was a longitudinal study of a smaller sample of potential scheme participants. These subjects were interviewed using semi structured interviews after their business start up training and then at 9-12 months and 18 months from commencing the scheme.
3.2 DETERMINING THE METHODOLOGICAL STANCE

In order to determine the manner in which to research a given topic, it is necessary to understand the philosophical stance taken. Bryman (1984) distinguishes between methodology and method and points out that these are frequently confused. For him, methodology refers to the epistemological stance adopted by the researcher, whereas method is a technical issue which refers to ways of gathering data. It is necessary therefore to determine the epistemological stance to the research as this will have bearing upon the nature of the research. Subsequently this has implications for the methods selected to collect data and the type of data collected to research the area.

Methodological stances can be seen to exist along a continuum. Bryman (1984) sees this as a quantitative/qualitative distinction. Quantitative methodology emphasises fixed measurement, hypothesis testing of causal relationships, whereas qualitative methodology seeks to understand the social world through the eyes of the actor. This leads to two approaches to research, either positivist or phenomenological approach respectively. Bryman compares these two approaches in the following manner.

"The point about the phenomenological position is that it takes the actor's perspective as the empirical point of departure. Positivist approaches are taken to exhibit a tendency for the researcher to view events from the outside and from the point of view of a cluster of empirical concerns which are imposed upon social reality with little reference to the meaning of the observations to the subject of investigation." (Bryman, 1984 p78)

Burrell and Morgan (1979) employ a positivist/anti-positivist distinction. Here positivism
is characterised by epistemologies which aim to explain and predict what happens in the social world by finding regularities and causal relationships between elements in it based on traditional approaches which derive from the natural sciences. Anti-positivists believe the social world has to be understood from the viewpoint of the individual. Therefore we need verstehen (a term used to explain the actions of subjects by understanding the subjective dimensions of their behaviour), developed by getting inside the area under investigation and not "observing" from the outside. Anti-positivists would reject that science generates objective knowledge of any kind.

"Science is based on "taken for granted" assumptions, and thus, like any other social practice, must be understood within a specific context. Traced to their source, all activities which pose as science can be traced to fundamental assumptions relating to everyday life and can in no way be regarded as generating knowledge with an "objective", value-free status, as is sometimes claimed." (Burrell and Morgan, 1979 p255)

A further distinction can be made by considering the approach to the development of warrantable knowledge, i.e. deduction versus induction. In deduction a conceptual and theoretical structure is developed prior to its testing through empirical observation. Hypotheses regarding causal relationships are generated which are then tested with empirical data. Consequently the emphasis of this approach is on observable phenomena and behaviours, hence dismissing the analysis of subjective and intangible phenomena or behaviour. This approach is intrinsically linked with positivism and the social world is treated as the natural world. In opposition to this is induction. Here the observation of the empirical world is used in the construction of explanations and theories about what is observed, hence theory is the outcome of induction where as it is the starting
point for deduction (Gill and Johnson, 1991).

The epistemological debate has been running for many years and many arguments have been propounded for and against each of the stances. It is not intended to focus on this issue as much has already been written in this area and as yet no consensus has been reached. However, qualitative methodology will be discussed in more detail and reasons for taking this stance, with regard to the research area, identified.

3.2.1 Qualitative Methodology

There has been an increase in interest in qualitative inductive approaches to research in the social sciences generally for the last few decades. Das (1983) proposes that there has been an increasing disenchantment with methods traditionally associated with deductive research which attempt to apply the experiments of the natural sciences to those of social science in order to identify and verify cause effect relationships. Although pure experimental research design is rarely used in the research area under consideration, quasi experiments are. These have problems not only of internal validity but ecological validity (Gill and Johnson, 1991). As Tom Sharpe (1974) wryly comments:

"He blamed the sciences for re-establishing the mirage of truth, and still more the pseudomorph subjects like ... economics whose adepts substituted inapplicable statistics for the ineptness of their insights." (Sharpe, 1974 p201)

Also there has been an increasing preference for holistic views of organisational behaviour, ie understanding gestalt. This assumes that the whole is not equal to the sum of the parts of the situation and therefore we need to understand the context with all its
facets and not reduce complex phenomena to the study of a small number of variables (Das, 1983).

Qualitative methodology can also generate unexpected findings. Baldamus (1982) discusses the role of serendipity as important for developing new theory or extending existing theory. He suggests that such discovery is unlikely to come from formalised scientific procedures as proposed by a deductive approach to research. Glaser (1982) also believes that deductive methodology will neglect emergent theories.

Glaser and Strauss (1967) have frequently been attributed with the resurgence of interest in inductive techniques with the development of 'grounded theory' which is an approach to formulating theory. This approach is based on the development of theory from data. Turner (1981) proposes that the use of grounded theory helps promote the development of theoretical accounts which conform closely to the situation observed. Consequently the theories developed are likely to be understood and usable by those in the situation studied and also these theories will maintain a level of complexity which reflects the level of complexity in the situation under observation, unlike deductive theory which may be over simplistic.

Grounded theory is not without its critics, however. Brown (1973) suggests not all situations are suitable for study using this approach and that theory developed in this manner can be equivocal.

Research into small firms and entrepreneurship is relatively new. It is only since the 1970s that a large body of research has been conducted in this area. However, as Stockport and Kakabadse (1991) state:
"Although it is widely acknowledged that in the study of entrepreneurship there is a need for grounded data ... little research using this methodology has in fact been undertaken. This has meant that small firms research has remained positivist, repetitive, quick and risk averse. Consequently, our understanding of entrepreneurship has not advanced as far as it could or should have over the past decade."

(Stockport and Kaltabadse, 1991 p1)

This is born out by the literature review undertaken for this study. Most research has focused on the quantitative identification of regularities in the characteristics of small firm owner managers and their firms. As Gill and Johnson (1991) comment on the work of Bygrave:

"...Bygrave (1989) endeavours to account for what he regards as the unhelpful tendency for researchers to use the methods of the physical sciences in the context of research into entrepreneurship" (Gill and Johnson, 1991 p7)

Romano (1989) suggests:

"... empirical studies into small business have focused on broad issues such as the contribution of small business to the economy, demographic features of small business and particular problems facing small business such as access to financial markets and professionalism of management. It is clear that existing studies identifying macro influences can only be suggestive of possible causal factors",

(Romano, 1989 p35)

Therefore, we need to develop an understanding of why phenomena exist and not just
note their manifestations.

If we also take the view that the sum of the parts is not equal to the whole then an inductive approach becomes essential as we need to discover the interaction of factors within a social context in order to understand how they affect the success/failure of the business, and how success/failure is measured by the actor.

Therefore the researcher will not generate a priori hypotheses to test but generate theory from the data collected.

3.3 THE IMPLICATIONS FOR METHODS AND DATA

The second issue to address is the method to be used for data collection. This is a technical issue according to Bryman (1984). Here again methods can be seen to lie on a continuum between nomothetic and idiographic methods (Burrell and Morgan, 1979). Idiographic methods emphasise the need to 'get inside the situation' under investigation, hence getting first hand knowledge of the subject. Nomothetic methods focus on the methods used in natural science, with the testing of hypotheses with 'scientific rigour', and the use of quantitative data and techniques are seen as central.

Idiographic methods include 'ethnomethodological' techniques such as participant observation and interviewing, whereas nomothetic methods include experiments and surveys. These are not the only data collection techniques but they do indicate the division between the two extremes on the methods continuum and indicate the difference in the type of data collected, i.e. quantitative versus qualitative data. Therefore the type of method utilised has implications for the type of data collected.
Miles (1979) suggests that qualitative data is rich and can preserve the chronological flow of events, thus reducing retrospective distortions. He also proposes this type of data allows the development of new theories 'by accident' and facilitates powerful analyses when compared to quantitative data.

Similarly Browning (1978) argues qualitative data is useful in the discovery of variables and hypotheses which can be further explored and tested with quantitative data. This, he proposes, allows a more rounded and dense theory to be developed than would occur with a quantitative focus.

The general feeling to quantitative and qualitative methods can probably be best summarised by Bell (1991):

"In general, it can be said that quantitative methods provide a wide but shallow emphasis, whereas qualitative methods give a narrower but more detailed focus."
(Bell, 1991 p1)

Minzberg (1979) argues that the results are deeper with qualitative methods and that large scale studies tend to be superficial.

"Too many of the results have been significant only in the statistical sense of the word." (Minzberg, 1979 p583)

Gill and Johnson (1991) see the issue in terms of different forms of validity, quantitative methods being high in internal validity and reliability due to their highly structured nature, but low in ecological validity or naturalism. The reverse can be said of
qualitative methods. Naturalism is maintained as the subject is studied in its context, but internal validity is low as the context is not manipulated in order to test cause effect relationships. However, they continue to question this criticism of qualitative data by raising the issue of reflexivity, ie where the effect of the researcher on the subject is analysed, as key to achieving quality data and thus improving internal validity. Meanwhile, Minzberg (1979) comments on the problem of distance of a quantitative researcher from the data and its effect on understanding the nature of causal relations.

"I believe that the researcher who never goes near the water, who collects quantitative data from a distance without anecdote to support them, will always have difficulty explaining interesting relationships (although he may uncover them)." (Minzberg, 1979 p587)

He also advocates that the researcher be as descriptive as possible as this will fill gaps in knowledge.

"The orientation to as pure a form of description as possible has, I believe, enabled us to raise doubts about a good deal of accepted wisdom." (Minzberg, 1979 p583)

Both quantitative and qualitative approaches, therefore, have been seen to have inherent problems in terms of validity and the usefulness of the data collected.

However, it is felt that due to the nature of the study and the methodological stance adopted it is important to gain rich, deep data for the exploration of the research area. Therefore ideographic methods generating qualitative data will be employed.
3.4 CHOICE OF DATA COLLECTION METHOD

As stated earlier, a qualitative approach has been selected for this research problem. A number of data collection techniques could be employed which would be in accord with this stance eg observation, interviews etc.

Stockport and Kakabadse (1991) acknowledge the widespread call for the use of ethnography in the study of entrepreneurship. Ethnography's main data collection technique is participant observation. This is where the researcher observes the subject under study in its context. The origins for this technique can be traced back to social anthropology where the researcher works with the subjects in their own natural setting.

Malinouksi is seen as influential in bringing this technique to the fore through the development of anthropological approaches to field methods in his study of the Trobriand Islanders (1914-18). The techniques have been refined and applied more generally in the social science field since this time and have probably been most widely used in organisational sociology (Burgess, 1982a).

There are a number of issues to consider when undertaking such a study in terms of the degree of participation in the research area, whether observation is overt or covert, the problems of going 'native', the ethicality of the method, the effect of the researcher on the research setting and also the objectivity and generalisability of its findings.

Two recent studies into small firms, Stockport and Kakabadse (1991), in a study of communications between small firms in a science park, and Bell (1991), who considered the changing operational needs of growing small companies, document fully these issues.
and discuss at length the practical difficulties with the method and the onerous demands placed upon the researcher by such techniques. However, as Bell summarises:

"It produces volumes of "rich" data, and gives information about processes and temporal events as no other method can. Finally, I would argue that it is the only method which provides a detailed insight into the day to day activities and operations of the small firm and, in spite of my discussion of objectivity of ethnography, it is no less rigorous than statistical analysis in that preconceptions cannot last if they are inappropriate to the study setting." (Bell, 1991 p7)

Despite the claims of its exponents, this technique would be inappropriate to this study. The in depth study of a very limited number of scheme participants would jeopardise the generalisability of the findings and could become just a "travelogue" of one or two participants through the scheme. Also observation in this manner would create large volumes of data unrelated to the research area and would consequently be inefficient.

Another technique which could be employed is interviewing. This can take a number of forms from being seen as a 'conversation' or unstructured interview through to highly structured interviews. At one end of the spectrum the non directive or unstructured interview, allows the interviewee to take the interview in the direction they wish as the structure is not fixed by premeditated questions. Foote Whyte (1982) comments that this allows the introduction of material which could not be anticipated by the interviewer. Burgess (1982b) says this allows the interviewee to determine what is important and will provide accurate and vivid accounts. On the other hand, it limits the comparability of interviews and may result in large volumes of irrelevant material which cannot be compared.
At the other extreme, structured or 'closed' interview can simply require yes/no answers to predetermined questions and may simply act as a verbal questionnaire. This does not allow the generation of 'soft' data, as with the unstructured interview, and may miss important information as the assumption underlying the technique is that the researcher knows the limits of the response to particular questions. However, the findings from such interviews will be comparable.

Lying between these two extremes is the semi-structured interview. Foote Whyte (1982) proposes that a completely non directive interview may make the interviewee seize up, or alternatively he will miss things out which are important to the researcher. Therefore, the researcher needs to have an outline of the issues he wishes to discuss in the interview but is relatively non directive in the type of response he elicits, thus allowing the interviewee to expand on their responses and introduce issues as appropriate. This has the advantage over structured interviews as 'soft' data and unexpected information can be gained and through probing, more detail or clarification can be given. Also it has advantages over unstructured interviews as it improves the comparability of data and also ensures large volumes of irrelevant data are not generated.

Scase and Goffee (1982) used semi structured interviews in their study of entrepreneurs. They appreciated that this may limit the reliability of their data but felt it was more than justified by the improved validity achieved. They comment:

"To a large extent, the success of a particular methodology must be assessed in relation to the empirical evidence and theoretical hypotheses which it is able to generate in specific research investigations. Our decision to lay greater emphasis upon quality, rather than quantity, of the data collected must be judged
It was decided that semi-structured interviews form the core method for data collection in this research because it enables the researcher to elicit rich data in an efficient manner.

However more than one data collection method was used in this study. Gill and Johnson (1991) call this methodological pluralism. This is where different types of complementary data about a 'problem' are collected in the same empirical study to overcome the inherent bias of a single method.

"... the methodological pluralist position suggests that not only are different idiographic and nomothetic methodologies suitable for different kinds of problem (eg Trow, 1957), they also complement one another in a variety of ways that add to the credibility of a study by providing an internal cross-checking or monitoring device during the research process." (Gill and Johnson, 1991 p129)

As suggested here, the methods used do not have to have the same idiographic or nomothetic stance. In this research it was decided that a large scale postal questionnaire be used to gain data. Questionnaires are normally associated with a quantitative stance to research. However as Das (1983) comments, that although qualitative and quantitative data are often located as mutually exclusive, if these are combined successfully the validity of the research findings can be enhanced.

Miles (1979) used both quantitative and qualitative data in his study of social architecture in education. The qualitative data was used successfully to give explanations
to the quantitative data collected. Bryman (1984) proposes that this is a frequent use of qualitative data.

Stanworth and Curran (1973), when looking at management motivation in the small business, used a grounded theory approach to develop their framework. Their use of questionnaires and interviews allowed them to cross check their findings and therefore enhanced the reliability and validity of their findings.

Sieber (1982) similarly calls for the use of more than one data collection method in order to take advantage of the benefits of qualitative techniques, whilst allowing inferences to be validated through the analysis of quantitative data. He is particularly interested in the contribution of surveys to field work. He considers that a preliminary survey enables the researcher to make an assessment of the population from which a sample will be taken for qualitative study. Therefore the representativeness or unrepresentativeness of the sample can be ascertained.

"In sum, a survey can improve the design of fieldwork by identifying both representative and unrepresentative cases, the former serving the goal of generalisibility and the latter the function of theory refinement." (Sieber, 1982 p185)

Also he sees surveys, if conducted prior to field research, as improving the quality and efficiency of subsequent work.

"Replies to survey questions provide leads for later interviews and observations and eliminate the need to ask routine 'background' questions. They thereby
afford greater realism, enhance rapport and offer guidelines for probes." (Sieber, 1982 p186)

It is this particular attribute that makes the use of surveys attractive in this study. Gummesson (1988) says that when we research we need preunderstanding of the area under study or otherwise the researcher will find themselves faced with a large number of factors and relationships, but will be unable to comment on their relative importance. This was a potential difficulty in this study where a large number of variables potentially influence the scheme participant and their potential success or failure. The results from the survey were used to stimulate the process of identifying relationships and the relative importance of these factors in the outcomes of the business.

The survey approach utilised was descriptive in nature in order that the attributes of the population of scheme participants could be assessed. This is opposed to an analytical survey which attempts to test hypotheses. In this way the survey was consistent with the development of generating a depth of understanding about the population from which a sample was selected for further study.

3.4.1 Why Use a Longitudinal Study?

The interview sample was studied over a period of 18 months. Interviews took place at commencement of the scheme then at 9-12 months and 18 months from starting the scheme. The rationale behind this was to, firstly, get more detailed information than could be gained from just interviewing participants at one point in time. Previous small firm research has been criticised for not adopting this strategy.
"...weaknesses of small business research to date have been on its ... reliance on comparing single "snapshot" surveys ..." (Woods, Blackburn and Curran, 1993 p2).

Davies and Pickles (1985) challenge the validity of such cross-sectional studies.

"...relying upon cross-sectional data may produce seriously misleading results."
(Davies and Pickles, 1985 p1315).

Through interviewing a number of times a relationship was developed with the interview subjects. As subjects became used to being interviewed and trust was developed between subject and researcher they provided rich data for the study. As Romano (1989) suggests, this then:

"...provides opportunities to conduct exploratory research..." (Romano, 1989 p35).

Also the longitudinal approach allowed the development process to be analysed and through regular contact the problems of retrospective description, which may result in the distortion of information, were reduced. Wall and Williams (1970), in their review of longitudinal studies and the social sciences comment:

"Only the longitudinal method can show the nature of growth and trace patterns of change in an individual", (Wall and Williams, 1970 p7).

Westhead, Storey and Cowling (1993) also discuss the increasing need for longitudinal research when charting the survival and progress of small firms. Gill (1985), when looking at factors affecting small firm survival and growth, proposed that the longitudinal
approach enabled the research aims to be more effectively achieved.

Gill and Johnson (1991) concur with Bygrave (1989) that:

"...in an emergent field we were less concerned with sophisticated statistical analyses and theoretical models and more with empirical models based upon longitudinal field research." (Gill and Johnson, 1991 p68).

The longitudinal study allows the exploration of phenomena which develops over time.

3.5 SITE SELECTION

In order to evaluate the effect of the environment on scheme participants' success/failure it was necessary to study participants from at least two areas in tandem. Romano (1989) refers to the importance of multi sites or cases when considering the effect of the environment on small firms.

"The multisite case study analysis will allow the researcher to investigate in depth those variables which are important in the function of a small business. For instance, consideration can be given to the relationship between the entrepreneur and the environment... It would be difficult to seek this information by a restricted questionnaire." (Romano, 1989 p38).

For the purpose of the scheme, sites can be seen in terms of geographical areas which come under the jurisdiction of an individual TEC, as they have been given the responsibility of administering the scheme.
In selecting sites a number of factors were important. Firstly, the cost of the research must be a consideration. Hence the areas to be studied needed to be within a 60 mile radius of Sheffield. Secondly, the areas needed to be sufficiently different from each other in terms of their local economic environment. Thirdly, the TECs selected needed to allow the researcher access to scheme participants and also be prepared to fund the postal survey.

This final factor limited the number of TECs interested in participating in the study. A number of TECs were undertaking various evaluations into the scheme themselves and they were worried about "bothering" their clients further with questionnaires. The two TEC's selected, however, had done little evaluation of the schemes they ran and as such welcomed the researcher as a means to improve their knowledge of their client base.

The two TECs selected, Rotherham and North Nottinghamshire, are geographically separate and distinctive in their local economies. Rotherham is an ex-steel town with high unemployment and high population density. North Nottinghamshire is a rural coal field area, also with high unemployment but low population density.

One TEC did offer funding for the research to be conducted as part of a consultancy assignment. However, this was declined in order that the focus of the study would not be dictated by the TEC. Gummesson (1988) infers that the objectivity of research can be questioned if the researcher is also trying to satisfy a client.
3.6 THE QUESTIONNAIRE

3.6.1 Aims

The aim of the questionnaire survey was to gain an understanding of the personal characteristics of participants and their businesses as well as to assess the problems they have encountered and the successes they have achieved. Little was known about participants within the two TEC regions, as the TECs had only assumed responsibility for administering the scheme during the past two years and had yet to establish a data base on the scheme's participants. The results from the survey were used to inform a more detailed longitudinal study which followed the development of approximately 40 participants (approximately 20 from each TEC region) from pre start up training through to six months after completion of the scheme. It also permitted conclusions to be drawn about the representativeness of the interviewee sample.

3.6.2 The Design and Administration of the Questionnaire

It was decided that a postal survey would be conducted. This, in part, was due to the large number of potential respondents and also problems of gaining access to address and telephone numbers of participants because of the restrictions imposed on the TECs by the Data Protection Act. The questionnaire was sent to scheme participants with a covering letter sent by the TECs giving details of the aims of the study and assuring the anonymity of respondents.

It was decided that anonymous responses would encourage respondents to be more open
in their responses. However it did prohibit non respondents being followed up.

In a bid to improve response rates pre-paid addressed envelopes were enclosed.

The questionnaire used in the study was qualitative in nature (an example of the questionnaire can be found in Appendix 1). Some questions were tick box in nature thus allowing standard data to be collected on the basic details of respondents eg sex, marital status etc. However significant use was made of open ended questions. These allowed respondents to elaborate on their views and opinions and also permitted the introduction of issues not considered by the researcher. This permits the collection of rich data but can also result in poor response rates as it requires more effort on the behalf of the respondent than tick box type questions. However, the trade off between response and the quality of the data collected was considered justifiable.

The use of open ended questions required the questionnaires to be post coded before analysis could take place. SPSS was then used to assist with the analysis of the data collected.

### 3.6.3 The Sample and Response Rates

North Nottinghamshire (North Notts) TEC had been responsible for the operation of the BSU scheme for approximately 12 months prior to the questionnaire being sent out in June 1992. The database, therefore, only contained names of those who had started the scheme during this period. Of 286 questionnaires sent out, 96 usable responses were returned (a response rate of approximately 34%).
Like North Nottingham, Rotherham TEC had been responsible for the administration of BSU for approx 12 months prior to the questionnaire survey. However, their database of participants went back considerably longer and questionnaires were sent to people who had been claiming EAS monies between June 1990 and June 1992. 600 questionnaires were sent out and 108 usable responses were returned (a response rate of 18%). However the breakdown of responses between those still on and those who had completed the full year of the scheme is useful. The response rate for those still on the scheme was approximately 26%, whilst the response rate for those who had completed the scheme was approximately 11% (of these approx 41% had discontinued the operation of their business).

An overall response rate of 23% was achieved over the two regions. The overall response rate for those still in receipt of monies from the TEC's was 32%.

While the response rate appears poor, it can still be considered acceptable (Hodgkinson, 1990) and comparable to other such studies. Gray and Stanworth (1986), when they assessed the Enterprise Allowance Scheme, only achieved a response rate of 34% on an initial questionnaire. Small firms are notoriously difficult to survey. Given this Boaden and Swartz (1991) were satisfied with a response rate of 30%. In these terms the response seems reasonable.

It should be noted that problems of poor response rate is not restricted to this project. Some TEC's (eg Leeds) have had to resort to cash incentives to get participants on the scheme to respond to questionnaires, even though under the conditions of the scheme, completion of these is obligatory and failure to complete results in cessation of the allowance.
Other studies have used secondary data in their study of this sector of the economy, e.g., Ganguly (1982b) used VAT registrations in order to assess 'births' and 'deaths' of small firms; Gallagher and Stewart (1984; 1986) used the Dun and Bradstreet database in order to assess job generation; Curren and Burrows and Evandrou (1987) used data collected from the General Household Survey in order to identify the characteristics of the self-employed. This is a result of the problems associated with obtaining primary data from this population, i.e., small firm owner/managers and the self-employed. The Bolton Report (1971) commented on the problems of obtaining data about this heterogeneous group. One of the reasons proposed by this report was that small firms are already overburdened with paperwork as a result of running the business. This burden ultimately falls on the owner/manager and hence the opportunity cost of completing questionnaires/surveys is high; it distracts the owner/manager from his main function of developing/managing his business. Consequently, response rates to surveys of small firm owner/managers are always likely to be poor.

3.6.4 Representativeness of the Sample

The sample achieved was likely to be systematically biased across a number of dimensions. People who have withdrawn from the scheme or whose businesses have failed are likely to be underrepresented. This problem was identified during the evaluation of the Pilot Enterprise Allowance Scheme (Department of Employment, 1984). It was also anticipated that the response rate of those who had completed the scheme would be lower than those still participating for two reasons. Firstly, information on addresses was likely to be out of date. Secondly, business failure is more likely once scheme funds are withdrawn (Wood 1985) and thus, as stated above, response is less likely.
Unfortunately little is known about the two populations under consideration (North Notts and Rotherham areas) as the database of participants extends little further than their names and addresses.

Similarly comparison between respondents and the general small firm owner manager and self-employed population is difficult. Here, too, there is a lack of knowledge about this population due to problems of definition, heterogeneity and the dynamic nature of this economic group (Curran and Stanworth, 1982b).

Despite these problems, the gathering and analysis of data of scheme participants in these two areas gave an overview of the current situation for these groups, which was previously lacking.

3.7 THE INTERVIEWS

3.7.1 Aims

The aim of the interviews was to follow a group of scheme participants from commencement of the scheme through to 6 months after completion. This was to develop an understanding of the process of start up, the reasons for start up, as well as the factors influencing the outcomes of the business and the manner in which success and failure was defined by the participants of the scheme. The sample was gained by asking for volunteers from participants on scheme business start up courses. These courses had to be attended by anyone wanting to join the BSU scheme.

The interviews formed the main investigative tool for the research, although findings
3.7.2 The Design and Administration of the Interviews

All participants were interviewed using semi-structured interviews. These were tape recorded so that a faithful reproduction of the interview could be gained for later analysis. This overcame any difficulties of taking notes whilst conducting the interview and therefore disrupting the flow of conversation or alternatively introducing bias, through selective recall, by the interviewer making notes post interview. Fortunately all subjects agreed to the recording of interviews.

Interviews were arranged with the subjects at a time and place convenient to themselves. This was normally at the subjects home in the evenings or at the weekend. This ensured the subject was able to give their undivided attention to the interview and felt comfortable and relaxed. Also it enabled the subjects to reference records e.g. business plans or financial records to answer some of the more routine questions on turnover, dates etc.

All subjects were ensured anonymity and for this reason location of subjects are not given nor names. This was a prerequisite for many subjects joining the study. It also enabled the interviewer to gain more sensitive data than would have otherwise been possible.

The first interview conducted was relatively structured as biographical detail was sought, in the main. This had two advantages. Firstly it permitted some of the more mundane and less sensitive information to be collected whilst, meanwhile, a relationship developed

from the questionnaire survey were used to inform and direct the investigative process.
between interviewer and subject. It also allowed the subject to relax and become accustomed to being recorded.

After the first interview it was generally known whether participants intended to start their business or not, and whether they were to go onto the scheme's allowance or not.

Four outcomes were observed for the interview sample, these being:

i Attended the business start up course but then did not commence in business.

ii Attended the business start up course, started in business on the scheme but then ceased trading prior to the end of the study.

iii Attended the business start up course, started in business on the scheme and still continued in business at the end of the study.

iv Attended the business start up course, started in business but not on the scheme and still continued in business at the end of the study.

Those who did not start in business were then interviewed a second time, 9-12 months later. This gave data on why they had decided not to start and what they had done since.

Those who did start in business, whether they had started with the BSU scheme allowance or not, and whether they ceased trading or not, were interviewed two further times, 9-12 months later and then 18 months after starting in business.
For the interviews a number of areas of inquiry were identified and formed a checklist of issues to be covered. Data from previous interviews were summarised and taken into the following interview. This enabled the interviewer to crosscheck and validate facts, figures and opinions expressed with the subject. It also ensured the interviewer did not have to cover "old ground" during the course of the interview.

Second and third interviews became increasingly less structured. This in part resulted from the trust that had built up between subject and interviewer. Subjects became more confident that they could discuss things without it "going any further" and also they were willing to elaborate and develop the issues they raised. Also, in part, this resulted from the differences that emerged in the businesses and subjects. This made certain lines of inquiry more/less pertinent for some subjects than others, eg different lines of inquiry were required for: those who did start the scheme versus those who did not; those who continued in business versus those that ceased; those who employed people versus those who did not. The basic checklist was therefore amended and emphasis shifted in line with the subject. However certain common themes were covered in all interviews.

After the interview tapes were transcribed and a full interview set was obtained for the subjects, the data was analysed. As stated earlier the principles of grounded theory were to be applied in order to generate substantive theory from the data. For this the practical guidelines recommended by Turner (1981, 1983) were fully utilised. This included the use of a card system for identifying categories of data collected. These were then organised and manipulated for patterns to be identified. From this, hypothesised relationships were developed and then links between existing research and theory were drawn.
3.7.3 The Sample and Response Rate

The sample of interviewees was gained by visiting each of the training providers in the two TEC regions, under investigation, during August 1992. At most sites the researcher was permitted to give a presentation to trainees on the programme. Where this was not possible the researcher was given introductions by the training provider to those about to enter the BSU scheme. The aim of this was to gain a sample drawn from one point in time and to ensure complete geographical coverage of scheme participants from the two TEC regions.

There were 2 training providers in the Rotherham area and 4 trainers in the North Notts TEC region (by the end of the study only 3 of these still operated a BSU course). Success rates in gaining a study sample are given below.

REAL, Rotherham Region

REAL, had 11 trainees on their training programme when visited by the researcher. Nine trainees agreed to become part of the study. From the original 9 interviewees 7 are included in the final analysis of interviewees. Two of the original interviewees, although interviewed once, were then unable to be contacted, one was in hospital seriously ill and the other had had their telephone disconnected.

MANTEC, Rotherham Region

Here the researcher visited the trainer twice as there were two courses being run in parallel during August. At the first course all 7 trainees agreed to take part in the
research. One subsequently withdrew from the study as they had found a job and intended not to proceed into self-employment. On the second course there were 10 trainees and again all agreed to be interviewed. However, from these only 4 form part of the final analysis. One withdrew, as again the trainee had found a job and was not going to proceed into self-employment. Another did not have a telephone and therefore interviews could not be arranged. With three of the trainees, although interviewed twice, contact was lost before the end of the study, one had returned to India, another had moved to Guatemala and the third had moved to France. The last trainee not included in the analysis was interviewed. However, as stated earlier, the aim was to select interviewees from each region who were starting in business at the same point in time.

A cut off point for inclusion in the study was decided, this being the business would be started within 6 months of completing the BSU course. In this case the interviewee did not legitimately start their business, nor the BSU scheme until a few months prior to the end of the study and therefore was excluded from the analysis. In total 10 trainees were included in the analysis from this trainer from a potential 17 trainees.

**Mansfield, Kirkby and Sutton Enterprise Agency, Mansfield, North Notts Region**

There were 8 trainees on the programme here, and again all 8 agreed to take part in the research. Of these 2 were excluded as they did not have telephones and therefore interviews could not be organised. One was unobtainable despite numerous attempts at contact and so again was excluded. Two further trainees were interviewed for the full period of the study. However, one had been in business for a year prior to the study and the other did not start his business until a year after the end of the BSU course. Therefore both were excluded as they did not comply with the cut off point for inclusion.
ie starting their business within 6 months of completing the course. A further trainee was excluded as only 2 interviews were obtained during the study as he moved during the research and could not be contacted. Consequently only 2 interviewees were gained from this trainer.

**Worksop Enterprise Agency, Worksop, North Notts Region**

There were 6 trainees on the course at Worksop and again all agreed to take part in the study. However 2 dropped out from the study, one found a job and therefore did not wish to take part in the research. The other was interviewed twice but, due to her father being seriously ill, was unable to give a final interview and again was excluded from the study.

**Newark Enterprise Agency, Newark, North Notts Region**

This trainer did not operate a BSU course but had individual counselling sessions with people applying for the BSU scheme. The researcher spent a day at the Agency when people were coming for their counselling sessions and was introduced to them by the counsellor. Five introductions were made and all agreed to take part in the research. One of these was never interviewed as no convenient date for an interview could be agreed. A further respondent, although interviewed until the end of the study, again did not start his business immediately and therefore fell outside the cut off point for inclusion in the analysis. Three people from this trainer were therefore used in the final analysis.
This trainer was unusual in that it dealt primarily with trainees who had been unemployed for extended periods of time. Therefore, normally people attended this programme in order to investigate potential opportunities for self-employment rather than with a view of moving into self-employment at the end of the course. If they then decided that they wanted to go forward for the BSU scheme they were sent to another trainer, either in Worksop or Mansfield, and undertook a further course. Consequently the trainer provided introductions to trainees who had attended their programme but had since been put forward onto other training courses for the BSU Scheme. Six such introductions were made and all were interviewed. However only 4 cases were included in the analysis. One of the interviewees excluded was unobtainable for the last interview as their telephone had been disconnected. The second case was where the interviewee could not be contacted for the second interview despite numerous attempts at contact. It should also be noted that this training provider did not have their contract renewed by the TEC and therefore ceased to operate a training programme in the North Notts region.

A summary of the contacts made is given below. Information on the outcomes of the contacts is given, where known. For those contacts who formed part of the final analysis 3 possible outcomes were observed. They either started their business and were still operating at the end of the study, or they started in business but wound up the business prior to the end of the study, or they never started their business and either remained unemployed, gained employment or returned to education or training.
Summary Contact Outcomes

Trainer: REAL, Rotherham Region

No. of potential Interviewees: 11 (2 of whom would not agree to be interviewed)

No. of Interviewees included in final study: 7

Outcomes for those included in study:
- 4 started their businesses and still continued at the end of the study
- 3 did not start in business - one of these started a course then left this to start a job, 2 remained unemployed

Outcomes for those not included in study
- 1 didn't start in business - they got a full-time job but then became ill
- 1 started in business and was interviewed but further interviews could not be arranged as the subject's phone was disconnected - final outcome unknown

Trainer: MANTEC, Rotherham Region

No. of potential Interviewees: 17

No. of Interviewees included in final study: 10

Outcomes for those included in study:
- 3 started their businesses and still continued at the end of the study
- 4 started in business but were no longer operating by the end of the scheme - one stopped as she had a baby but may restart in the future, two got jobs, one had BSU allowance withdrawn and only operates the business on a part-time basis
- 3 didn't start their businesses but took jobs

Outcomes for those not included in study

3.31
- 3 started their businesses but after 2 interviews contact was lost as the subjects had moved abroad, one to India, one to Guatemala and one to France.
- 1 was not on the phone so was not interviewed - final outcome unknown
- 2 took jobs and withdrew from the study
- 1 started their business officially only a few months before the end of the study and therefore was outside the cut off point for inclusion in the analysis. However he was interviewed and was successfully operating his business.

Trainer: Mansfield, Kirkby and Sutton Enterprise Agency, Mansfield, North Notts Region

No. of potential Interviewees: 8
No. of Interviewees included in final study: 2

Outcomes for those included in study
- 2 started their businesses and still continued at the end of the study

Outcomes for those not included in study
- 3 were unobtainable and therefore never interviewed - final outcome unknown
- 1 started their business and was still in operation at the end of the study but was unobtainable for one of their interviews and therefore excluded from the analysis.
- 2 started their businesses but the start date was outside the time period for inclusion in the study, though both were interviewed. One was still in business at the end of the study, the other wound up his business and took a job
Trainer: Worksop Enterprise Agency, Worksop, North Notts Region

No. of potential Interviewees: 6

No. of Interviewees included in final study: 4

Outcomes for those included in study:
- 2 started their businesses and still continued at the end of the study though neither actually applied for the BSU allowance
- 2 never started up in business. One remained unemployed and the other started a course.

Outcomes for those not included in study:
- 1 started a job and withdrew from the study
- 1 started in business and still continued at the end of the study but was unable to give a final interview due to illness in the family.

Trainer: Newark Enterprise Agency, Newark, North Notts Region

No. of potential Interviewees: 5

No. of Interviewees included in final study: 3

Outcomes for those included in study
- 3 started their businesses and still continued at the end of the study though one never actually applied for the BSU allowance

Outcomes for those not included in study:
- 1 was never interviewed as a convenient time could not be arranged - outcome unknown
- 1 started their business and still continued at the end of the study but was outside the timescale for inclusion in the analysis although he was interviewed.
Trainer: David Hall Partnership, Mansfield, North Notts Region

No. of potential Interviewees: 6
No. of Interviewees included in final study: 4

Outcomes for those included in study:
- 2 started their businesses and still continued at the end of the study
- 2 never started their businesses and both have since started courses

Outcomes for those not included in study:
- 2 started their businesses but then wound the business up and returned to unemployment, of these one was unavailable for their second interview and one was unavailable for their final interview and therefore they were excluded from the analysis.

A total of 30 interviewees were used in the analysis for this study. Of these 10 never started in business, 16 were still in business at the end of the study and 4 wound up the businesses they had started.

From the 21 contacts which were not used in the final analysis the outcomes of 6 individuals is unknown. Where outcomes are known 6 were found to have started in business but ceased trading; one found a job, two returned to unemployment and three left the country. Four others never started in business as they found jobs and five were still operating their businesses at the end of the study.

3.7.4 Generalisation from a Limited Sample

It was beyond the scope of this research to achieve a statistically representative sample for the investigation. Although the comparison of survey and interview sample data,
given later, show a high degree of concurrence suggesting reasonable representativeness.

However this is not necessarily a problem. Minzberg (1979) when faced with similar circumstances commented:

"Was it better to have less valid data that were statistically significant?

Given then we have one hundred people each prepared to do a year of research, we should ask ourselves whether we are better off to have each study 100 organisations, giving us superficial data on ten thousand, or each study one, giving us in-depth data on one hundred." (Minzberg, 1979 pp583-584)

He concludes:

"The choice obviously depends on what is to be studied. But it should not preclude the small sample, which has often proved superior." (Minzberg, 1979 p584)

Bell (1991) also considers this problem in her research but concludes:

"Qualitative methods are designed to find out what happens in "real life". The use of a survey allows generalisation, as the sample is taken to be representative of a general population. With an interview group it is not reasonable to say that the sample is statistically representative, but being theoretically sampled, that is choosing cases with some homogenous characteristics it is possible to probe deeply into processes. The research emphasis and outcome are therefore
markedly different." (Bell,1991 p1)

Gummesson (1988) looks at the problem of lack of statistical representatives and its effect on our ability to generalise from a limited number of cases. Again he asserts generalisations are possible and draws upon the work of Glaser and Strauss (1967) to support his argument. He proposes that through the depth study of a limited number of cases, differences and similarities between the cases can be drawn out and generalisations can be made from these. However, little indication is given to how many cases are required in order to do this. Glaser and Strauss (1967) determine that the number of cases required to do this depends on saturation, i.e., where the addition of case studies fails to add anything further to the study.

Yin (1989) discusses the issue of generalisability and suggests that the real issue is not whether the research is statistically representative of a population but whether it is theoretically generalisable.

"...case studies, like experiments, are generalisable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a "sample", and the investigator's goal is to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization)." (Yin, 1989 p21).

Sieber (1982), when considering the use of surveys and the qualitative field materials collected in the same study, proposes:

"Surveys also afford the means of demonstrating the generality of a single
observation. When the observation plays an important role in the theoretical structure of fieldwork, survey data become essential for buttressing the argument." (Sieber, 1982 p187).

Hence it is proposed that, despite the potential lack of statistical representativeness of the study, there are arguments that the conclusions drawn can still be validly generalised given that the research was conducted in a systematic manner.

### 3.8 SUMMARY AND CONCLUSIONS

In this chapter the research strategy and its underpinning philosophy has been discussed. The findings from the research are given in the chapters that follow and used to generate a model of success and failure for the scheme participants. The response rate from the questionnaire was relatively low, although others have considered equivalent response rates acceptable (Boaden and Swartz, 1991; Hodgkinson, 1990). The interview sample is small and not necessarily statistically representative. However, this does not mean that the resultant findings are any less valid than those of larger quantitative studies. In fact the depth of the data that results from the research is such that its findings can be considered superior (Minzberg, 1979). The small sample of the research does permit analytic generalisation given the rigour of the application of the methods and the ability to cross-validate findings by the use of multiple methods.
CHAPTER 4
THE QUESTIONNAIRE FINDINGS

4.1 INTRODUCTION

In the chapter that follows the findings of the questionnaire survey will be given. Details of response rates, the administration and design of the questionnaire are given in the previous chapter and therefore will not be reiterated here.

The aim of the questionnaire was to acquire information about the population of the BSU scheme participants in the two TEC regions under investigation. This was undertaken to gain a better understanding of the participants, their businesses and experiences on the scheme. This was to serve two purposes. Firstly, it enabled a pre understanding of the research area to be gained thus allowing areas and issues to be identified that could be developed and probed further in the interview study. Secondly, it permitted a comparison between the questionnaire and interview samples in order to identify the representativeness of the smaller interview sample.

Due to the large volume of data generated by the questionnaire analysis this chapter has been organised into four main sections.

The first three sections focus on the participants that were still in business at the time of responding to the questionnaire. The first of these will consider the characteristics of participants and their businesses. The second will examine a number of measures of success and factors influencing their achievement. The third section will explore the advice and assistance received by scheme participants. The final section will consider
those respondents who had ceased trading at the time of responding.

At the end of each section a brief summary of the main issues arising from the data will be given and conclusions will be drawn for the survey at the end of the chapter.

Direct comparisons with other surveys of scheme participants are not possible due to the cross-sectional nature of the study. Other surveys have looked at participants' progress at one point from commencing the scheme, e.g., 12 months, 18 months, 3 years from commencement, whereas this study incorporates participants who have just started the scheme, through to those who started the scheme 31 months previously.

4.2 PERSONAL AND BUSINESS CHARACTERISTICS OF RESPONDENTS CONTINUING IN BUSINESSES

This section will identify the personal, educational and prior employment profiles of respondents who were still in business when responding to the questionnaire. Their motivations for starting the BSU scheme, the characteristics of the businesses created and their operation will also be considered.

4.2.1 The Personal Characteristics of Participants

4.2.1.1 Gender

It was found that 35% of respondents were female and 65% male. Within the Rotherham sample the split between males and females was not significant (57% male
and 43% female). In North Notts, however, the difference was more noticeable (73% male and only 27% female).

Tremlett (1993) found that a larger proportion of males than females started the BSU scheme (a ratio of approximately 2 to 1), although he did find some regional variation e.g. London, Wales and the Northern regions had larger proportions of females compared to other regions. Also Meager (1991) found similar gender ratios when looking at the self-employed generally.

### 4.2.1.2 Age and Marital Status

The age profiles for the total sample, and for the two areas considered, follow similar distributions with the largest proportion of respondents falling into the 25 to 34 age category and the smallest proportions falling into the youngest and oldest age categories (see table below). This distribution is similarly followed for both sexes.

A large proportion of the sample are married or cohabiting with a partner (80%). The greatest proportion of single respondents are in the youngest two age categories. A larger proportion of males are married/cohabiting than females (82% of male are married/cohabiting compared to 75% of female respondents). This probably reflects the fact that a larger proportion of females are in the younger two age groups, where the proportion of married subjects is less.
Table 4.1  Age Profile of Respondents

*(Column Percentages in brackets)*

<table>
<thead>
<tr>
<th>AGE</th>
<th>ALL</th>
<th>AREA</th>
<th>SEX</th>
<th>MARITAL STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No(%)</td>
<td>Roth. No(%)</td>
<td>N Notts No(%)</td>
<td>Male No(%)</td>
</tr>
<tr>
<td>&lt;25 Years</td>
<td>20(10)</td>
<td>11(12)</td>
<td>9(9)</td>
<td>10 (8)</td>
</tr>
<tr>
<td>25-34 Years</td>
<td>64(33)</td>
<td>33(34)</td>
<td>31(32)</td>
<td>39(31)</td>
</tr>
<tr>
<td>35-44 Years</td>
<td>47(25)</td>
<td>19(20)</td>
<td>28(29)</td>
<td>29(23)</td>
</tr>
<tr>
<td>45-54 Years</td>
<td>44(23)</td>
<td>26(27)</td>
<td>18(19)</td>
<td>33(26)</td>
</tr>
<tr>
<td>55+ years</td>
<td>17(9)</td>
<td>7 (7)</td>
<td>10(10)</td>
<td>14(11)</td>
</tr>
<tr>
<td>Total(% of all)</td>
<td>192(100)</td>
<td>96(50)</td>
<td>96(50)</td>
<td>125(65)</td>
</tr>
</tbody>
</table>

4.2.2 Education

4.2.2.1 School Education

The majority (74%) of all respondents had qualifications to at least 'O' level or equivalent, i.e. GCE, GCSE, CSE and a significant minority had been educated to 'A' level (26%). There was little evidence of differences in school education between the areas under investigation (75% of Rotherham and 73% of North Notts respondents had 'O' levels and 18% of Rotherham and 20% of North Notts respondents had 'A' levels). Most interesting are the differences between sexes and age groups.

Female respondents seem to be better educated at school level than males (88% of females have 'O' level compared to 66% of males and 27% have 'A' levels compared to
14% of male respondents).

Table 4.2 School Education Qualifications
*(Row percentages in brackets)

<table>
<thead>
<tr>
<th>GCE, CSE, GCSE</th>
<th>A LEVELS</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>No(%)</td>
<td>No(%)</td>
</tr>
<tr>
<td>ALL</td>
<td>142(74)</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>72(75)</td>
</tr>
<tr>
<td>North Notts</td>
<td>70(73)</td>
</tr>
<tr>
<td>SEX</td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>83(66)</td>
</tr>
<tr>
<td>Female</td>
<td>59(88)</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
</tr>
<tr>
<td>&lt;25 years</td>
<td>19(95)</td>
</tr>
<tr>
<td>25-34 years</td>
<td>61(95)</td>
</tr>
<tr>
<td>35-44 years</td>
<td>35(75)</td>
</tr>
<tr>
<td>45-54 years</td>
<td>23(52)</td>
</tr>
<tr>
<td>55+ years</td>
<td>4(24)</td>
</tr>
</tbody>
</table>

It would also appear that the likelihood of respondents having 'O' levels diminishes with age. This is probably a reflection of the changes in school leaving age and social attitudes to education, more than a reflection on the capabilities of older respondents. In the case of 'A' levels, the less than 25 years age group has the smallest proportion of respondents with 'A' levels. One explanation for this would be that many people who take 'A' levels do so with the intention of continuing into further and higher education.
Thus people of this age who have ‘A’ levels are probably studying rather than starting their own business.

4.2.2.2 Post School Education

Respondents had a wide range of post school education and training. These have been categorised into four broad groups which are as follows:

Undergraduate - including ONC, HNC, OND, HND and degrees;

Postgraduate - including post graduate certificates, diploma, Masters and PhD;

Vocational - including city and guilds, RSA, apprenticeships resulting in recognised qualifications etc;

Professional - including membership to, and qualifications from, various professional associations, eg IPM, Institute of Marketing etc.

From Table 4.3 it can be seen that most respondents have some form of post school qualifications with only small differences between area, gender and age group (approx 3/4 of respondents have some form of post school qualifications). The majority of these are vocational, very few have postgraduate qualifications (3%), or professional membership (15%). A significant minority (22%) have undergraduate qualifications but 62% of these qualifications are ONC/HNC/OND/HND rather than degrees.
Table 4.3  Post School Qualifications

*(Column Percents in brackets.)*

<table>
<thead>
<tr>
<th></th>
<th>ALL</th>
<th>AREA</th>
<th>North Notts</th>
<th>GENDER</th>
<th>AGE</th>
<th>Total(% of All)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No(%)</td>
<td>No(%)</td>
<td>No(%)</td>
<td>Male(%)</td>
<td>Female(%)</td>
<td>No(%)</td>
</tr>
<tr>
<td>Vocational Qualifications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>99(52)</td>
<td>47(49)</td>
<td>52(54)</td>
<td>60(48)</td>
<td>39(58)</td>
<td>60(48)</td>
</tr>
<tr>
<td>No</td>
<td>93(48)</td>
<td>49(51)</td>
<td>44(46)</td>
<td>65(52)</td>
<td>28(42)</td>
<td>8(40)</td>
</tr>
<tr>
<td>Undergraduate Qualifications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>42(22)</td>
<td>23(24)</td>
<td>19(20)</td>
<td>27(22)</td>
<td>15(22)</td>
<td>1(3)</td>
</tr>
<tr>
<td>No</td>
<td>150(78)</td>
<td>73(76)</td>
<td>77(80)</td>
<td>98(78)</td>
<td>52(78)</td>
<td>19(78)</td>
</tr>
<tr>
<td>Postgraduate Qualifications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>6(3)</td>
<td>4(4)</td>
<td>2(2)</td>
<td>3(2)</td>
<td>3(5)</td>
<td>0(0)</td>
</tr>
<tr>
<td>No</td>
<td>186(97)</td>
<td>92(96)</td>
<td>94(98)</td>
<td>122(64)</td>
<td>64(64)</td>
<td>20(10)</td>
</tr>
<tr>
<td>Professional Membership</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>29(15)</td>
<td>15(26)</td>
<td>14(15)</td>
<td>27(22)</td>
<td>2(3)</td>
<td>0(0)</td>
</tr>
<tr>
<td>No</td>
<td>163(85)</td>
<td>81(84)</td>
<td>82(85)</td>
<td>98(78)</td>
<td>65(77)</td>
<td>20(10)</td>
</tr>
<tr>
<td>Has Post School Qualifications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>140(73)</td>
<td>66(69)</td>
<td>74(77)</td>
<td>91(73)</td>
<td>49(73)</td>
<td>13(65)</td>
</tr>
<tr>
<td>No</td>
<td>52(27)</td>
<td>30(31)</td>
<td>22(23)</td>
<td>34(27)</td>
<td>18(27)</td>
<td>7(35)</td>
</tr>
<tr>
<td>Total(% of All)</td>
<td>192(100)</td>
<td>94(50)</td>
<td>98(50)</td>
<td>125(65)</td>
<td>67(35)</td>
<td>20(11)</td>
</tr>
</tbody>
</table>

The difference between areas in the type of post school qualifications achieved are reasonably small. In terms of sex it would appear that females are less likely to hold professional membership (only 7% of those with professional membership are female) although a larger proportion of females (58%) have vocational qualifications compared to males (48%).

When considering age a smaller proportion hold vocational qualifications in the oldest age group, 54 plus, than younger age groups. This is likely to be a result of government
policy which over the last 14 years has promoted the acquisition of vocational qualifications for school leavers. We also find the youngest age group are unlikely to have any undergraduate or postgraduate qualifications or professional membership. Again, this is probably due to the fact that people of this age group, who hold these types of qualification, are more likely to still be in education, rather than pursuing self-employment opportunities.

Much has been written about academic achievement of small firm owner managers and the self-employed. Many studies have commented on the lack of education in this sector of the population (Bolton, 1971; Bannock, 1981; Watkins, 1983). Indeed this has been considered a motive for people starting a business. As employers are able to select from an increasingly educated population, promotional/employment opportunities may be limited for those who are uneducated/unqualified. However Gibb and Ritchie (1982) were unable to find a direct link between lack of education and the propensity to start up in business. Curran and Burrows (1988) also say that the differences in educational background between small firm owner managers/self-employed and the general population should not be overestimated. This seems to be borne out by the data collected. There seems to be little evidence that the sample have under achieved in educational terms.

Curran and Blackburn (1990) predict that, although in the past people who started their own business may have been under achievers academically, the reverse relationship will emerge in the 1990's. This seems to be true of the sample when considering school level qualifications but the position is not so clear with post school education.

Curran and Stanworth (1982b) comment that in the US a new entrepreneur is emerging.
This entrepreneur is someone with extended education and whose specialised knowledge forms the basis of their enterprise. Within our sample the new entrepreneur does not seem apparent as evidenced by the limited number of respondents with postgraduate and professional qualifications.

In terms of the type of post school qualifications held, Watkins (1983) found SME (small and medium sized enterprises) owner managers were unlikely to hold professional qualifications and if they did then these qualifications tended to be technical rather than managerial. Gibb and Ritchie (1982) also found in their study that most further education tended to be technical or vocational. This trend is reflected in the data collected.

4.2.2.3 Relationship Between Post School Qualifications and Businesses Started

Only a small proportion of the sample have post school qualifications that directly relate to the business they create (32%), and only 8% have any form of management or business qualifications (see table 4.4). Some qualifications were considered to only indirectly relate to the business created, eg a qualified chartered surveyor who was starting a floor contracting business, but again this only accounts for a small proportion of the total sample (8%).

Therefore, although the participants on the scheme do not appear to be under achievers in terms of their qualifications, only a limited number of them seem to be capitalising on the skills and knowledge acquired through education/training in their businesses. Similarly, few have management/business education which could be utilised in whatever
business they ultimately enter. Watkins and Morton (1982) in a study of small firm owner managers found only 25% had any management training. Gibb and Ritchie (1982) comment that the further education of people who start their own business will tend to be vocational or technical. Consequently, they recommend that such courses should include modules on entrepreneurship. They highlight the success of this in Germany through the Handwerk System. It would appear that such changes to vocational courses would be useful to the respondents here.

### Table 4.4 Relationship Between Post School Qualifications and Business Created

(Row percentages in brackets)

<table>
<thead>
<tr>
<th>ARE POST SCHOOL QUALIFICATIONS RELATED TO BUSINESS STARTED</th>
<th>Directly Related No(%)</th>
<th>Indirectly Related No(%)</th>
<th>Management/ Business No(%)</th>
<th>Not Related No(%)</th>
<th>N/A (No Response No(%)</th>
<th>Total No(%) of all)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>62(32)</td>
<td>16(8)</td>
<td>15(8)</td>
<td>46(24)</td>
<td>55(29)</td>
<td>190(100)</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>22(23)</td>
<td>11(12)</td>
<td>8 (8)</td>
<td>24(25)</td>
<td>33(34)</td>
<td>96 (50)</td>
</tr>
<tr>
<td>North Notts</td>
<td>40(42)</td>
<td>5 (5)</td>
<td>7 (7)</td>
<td>22(23)</td>
<td>22(23)</td>
<td>96 (50)</td>
</tr>
<tr>
<td>GENDER</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>41(33)</td>
<td>13(10)</td>
<td>8 (8)</td>
<td>26(23)</td>
<td>36(29)</td>
<td>126 (65)</td>
</tr>
<tr>
<td>Female</td>
<td>21(31)</td>
<td>3 (5)</td>
<td>7 (10)</td>
<td>17(25)</td>
<td>19(28)</td>
<td>67 (35)</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 25 years</td>
<td>8(40)</td>
<td>3(15)</td>
<td>1 (5)</td>
<td>2(10)</td>
<td>6(30)</td>
<td>20 (10)</td>
</tr>
<tr>
<td>25-34 years</td>
<td>17(27)</td>
<td>4(6)</td>
<td>6 (9)</td>
<td>22(34)</td>
<td>16(25)</td>
<td>66 (33)</td>
</tr>
<tr>
<td>35-44 years</td>
<td>15(32)</td>
<td>3 (6)</td>
<td>5 (10)</td>
<td>9(19)</td>
<td>16(33)</td>
<td>48 (24)</td>
</tr>
<tr>
<td>45-54 years</td>
<td>16(36)</td>
<td>5(11)</td>
<td>3 (7)</td>
<td>9(21)</td>
<td>11(25)</td>
<td>44 (22)</td>
</tr>
<tr>
<td>55+ years</td>
<td>6(35)</td>
<td>1 (6)</td>
<td>0 (0)</td>
<td>4(24)</td>
<td>6(33)</td>
<td>17 (9)</td>
</tr>
</tbody>
</table>

* 2 respondents had both qualifications directly related to their business and management/business qualifications.
4.2.3 Previous Employment

It has been proposed that a number of factors from previous work experience affect the propensity of people within a region to start their own businesses. These include previous work experience in small firms, managerial experience and previous job experience within an industry (Storey, 1982; Department of Trade and Industry, 1984).

These factors were investigated for the sample. See table 4.5.

Despite the two TEC areas under investigation being dominated by large scale industry, 44% of the sample had worked for a small firm during their last four jobs. Little difference can be found between areas or sexes. However, the older age groups are far less likely to have worked for a small firm than the younger age groups. This can be explained by the dominance of industries such as coal and steel in these areas until the last couple of decades. Older people are more likely to have entered these industries on leaving school, and then remained there, than people entering the workforce over the last 20 years.

In terms of previous management or professional positions, 34% had held managerial positions (this includes junior management positions), and 18% professional positions (only 4% had held managerial and professional positions). The most important differences here are again between the sexes and age groups. A greater proportion of the male sample have held managerial positions, whereas a greater proportion of women have held professional positions. Also older age groups are likely to have held managerial or professional positions.
Table 4.5  Characteristics of Previous Employment
*(Column percentages in Brackets)

<table>
<thead>
<tr>
<th></th>
<th>HAS WORKED FOR A SMALL FIRM</th>
<th>HAS HELD A MANAGERIAL POSITION</th>
<th>HAS HELD A PROFESSIONAL POSITION</th>
<th>HAS HAD A JOB WHICH IS RELATED TO BUSINESS STARTED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male No(%)</td>
<td>Female No(%)</td>
<td></td>
<td>Male No(%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL</td>
<td>192(100)</td>
<td>96(50)</td>
<td>96(50)</td>
<td>125(65)</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Nottingham</td>
<td>84(44)</td>
<td>41(21)</td>
<td>43(45)</td>
<td>58(46)</td>
</tr>
<tr>
<td>South Nottingham</td>
<td>108(56)</td>
<td>55(57)</td>
<td>53(55)</td>
<td>67(34)</td>
</tr>
<tr>
<td>SEX</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>95(49)</td>
<td>46(24)</td>
<td>49(47)</td>
<td>64(55)</td>
</tr>
<tr>
<td>Female</td>
<td>97(51)</td>
<td>50(76)</td>
<td>47(53)</td>
<td>61(43)</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25</td>
<td>65(34)</td>
<td>29(30)</td>
<td>36(38)</td>
<td>47(38)</td>
</tr>
<tr>
<td>25-34</td>
<td>127(66)</td>
<td>67(70)</td>
<td>60(63)</td>
<td>78(62)</td>
</tr>
<tr>
<td>34-44</td>
<td>158(82)</td>
<td>78(81)</td>
<td>80(83)</td>
<td>100(67)</td>
</tr>
<tr>
<td>45-54</td>
<td>192(100)</td>
<td>96(50)</td>
<td>96(50)</td>
<td>125(65)</td>
</tr>
<tr>
<td>55+</td>
<td>125(65)</td>
<td>67(35)</td>
<td>20(10)</td>
<td>64(33)</td>
</tr>
</tbody>
</table>

NOTES
Respondents were asked to give details of their last four jobs. Unfortunately this section was poorly answered and it was impossible to tell with many respondents whether they had not responded or whether they had not in fact had more than one job.
Where respondents had been employed by the same company for a period of time and had been promoted within an organisation their last position held was the one recorded.
Small, medium and large firms were classified as follows
Small firms - less than 25 employees
Medium firms - 25 to 100 employees
Large firms - 100 plus employees
44% of the sample had previous work experience during their last four jobs which directly related to the businesses they created (there were no striking differences in terms of area, sex or age group and the propensity to start a business directly related to their previous work experience).

4.23.1 Last Job Held

43% of respondents had worked in a large organisation during their last job, prior to starting their business. This is not surprising given the large scale redundancies during the last few years from the traditional industries (coal and steel) which dominate the two areas under investigation. 25% however were employed by small firms.

The type of position held in their last job is given below.

Position held in last job:

- Middle Management: 21%
- Skilled: 17%
- Professional: 13%
- Senior Management: 8%
- Semi Skilled: 8%
- Unskilled: 7%
- Technical: 5%
- Clerical/Administrative: 5%
- Self-employed: 5%
- Foreman/supervisor: 4%
- Trainee/Apprentice: 2%
- Sales Representative: 2%
- Other: 3%
- Total: 100%

4.13
From this it appears that skilled and management positions dominate. It must be remembered, however, that position held was self reported and as a consequence the skill and responsibility level is likely to be overestimated.

A surprising number of respondents had been self-employed before. 7% of the sample had been self-employed at some stage during their last four jobs (85% of these were from North Notts). 5% of the sample had in fact been self-employed in their last job prior to starting the scheme.

It was reported earlier that 44% of respondents had held jobs which directly related to the business created. It would appear that this is predominately related to the last position held. Here we find that for 38% of the sample their last job was directly related to the business they created.

Smeaton (1992) found that entry into self-employment generally, and not just via the BSU scheme, tended to be into industries or sectors where previous work experience had been gained.

4.2.3.2 Salary of Last Job

The sample were asked to give the net weekly income of their last job. There was a 6% non response rate to this question and also some problems of respondents entering annual gross salary which had to be adjusted accordingly.

The range of salaries was quite considerable, with some respondents having not worked before through to one respondent who had a weekly income of £1,250 (this was not
considered to be an error due to the position he had previously held).

Due to the extremes of income, the 5% trimmed mean is used (5% of the lowest and 5% of the highest responses are ignored for the purposes of calculating the mean). This is consequently likely to give a better indication of central tendency than the mean itself.

The table below summarises the responses obtained.

### Table 4.6 Net Weekly Income of Last Job

<table>
<thead>
<tr>
<th>Respondents by Group</th>
<th>5% Trimmed Mean</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>£181</td>
<td>£191</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>£168</td>
<td>£184</td>
</tr>
<tr>
<td>North Notts</td>
<td>£193</td>
<td>£198</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>£209</td>
<td>£222</td>
</tr>
<tr>
<td>Females</td>
<td>£117</td>
<td>£125</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25 years</td>
<td>£86</td>
<td>£87</td>
</tr>
<tr>
<td>25-34 years</td>
<td>£157</td>
<td>£162</td>
</tr>
<tr>
<td>35-44 years</td>
<td>£212</td>
<td>£234</td>
</tr>
<tr>
<td>45-54 years</td>
<td>£214</td>
<td>£218</td>
</tr>
<tr>
<td>55 years plus</td>
<td>£208</td>
<td>£221</td>
</tr>
</tbody>
</table>

From this we can see that the average salary of respondents from Rotherham was less than those from North Notts. The most striking comparison is between males and
females and the two youngest age groups and the older age groups. This is likely to result from females undertaking part-time work whilst raising a young family and the youngest age group being employed as trainees/apprentices.

28% of respondents also received other benefits whilst working. These included state benefits, pensions, company cars, company discounts, free fuel, accommodation assistance etc. The most frequently recorded benefit were company cars, with 7% of all respondents having these.

4.2.3.3 Length of Unemployment Benefit Before Starting Up in Business

Again there was a wide range of responses. Lengths of unemployment ranged from no time through to 20 years. As a result of this the 5% trimmed mean will be used and the response range given. The table below summarises responses.

It can be seen that the length of unemployment for women, prior to starting their own business, is considerably longer than for men. Part of the reason for this will be that a number of women will have taken time out of employment to raise their children. It is not necessarily due to their inability to find paid work. As the proportion of women is greater in the Rotherham sample, this will have the consequence of raising the average duration of unemployment for this area. Looking at differences between age groups it can be seen that the oldest and youngest age groups seem to endure the longest periods of unemployment. This is consistent with problems experienced in youth and pre retirement employment.
Table 3.7 Duration of Unemployment Before Starting Up in Business
(Duration of unemployment measured in months)

<table>
<thead>
<tr>
<th>Respondents by Group</th>
<th>5% Trimmed Mean</th>
<th>Mean Duration</th>
<th>Maximum Duration</th>
<th>Minimum Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>9</td>
<td>13</td>
<td>240</td>
<td>0</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>11</td>
<td>14</td>
<td>120</td>
<td>0</td>
</tr>
<tr>
<td>North Notts</td>
<td>7</td>
<td>12</td>
<td>240</td>
<td>0</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>6</td>
<td>8</td>
<td>120</td>
<td>0</td>
</tr>
<tr>
<td>Females</td>
<td>16</td>
<td>22</td>
<td>240</td>
<td>0</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25 years</td>
<td>11</td>
<td>14</td>
<td>72</td>
<td>1</td>
</tr>
<tr>
<td>25-34 years</td>
<td>9</td>
<td>13</td>
<td>120</td>
<td>0</td>
</tr>
<tr>
<td>35-44 years</td>
<td>9</td>
<td>14</td>
<td>156</td>
<td>0</td>
</tr>
<tr>
<td>45-54 years</td>
<td>7</td>
<td>12</td>
<td>240</td>
<td>0</td>
</tr>
<tr>
<td>55 years plus</td>
<td>12</td>
<td>13</td>
<td>56</td>
<td>1</td>
</tr>
</tbody>
</table>

NOTE: The distribution of duration in all cases is positively skewed.

4.2.4 Why Do People Start the Scheme?

The responses to this question were diverse and wide ranging. The responses have been grouped into categories and the most popular responses are summarised below (number of responses are given in brackets - note that many respondents gave more than one reason for starting).
Reasons for Joining BSU scheme

i  It gave an opportunity to start their own business (17)

ii  It was an opportunity to start my own business which I wouldn't have done otherwise (15)

iii  It was an opportunity to start a business earlier than I had originally planned (18)

iv  It was an opportunity to start a business with financial assistance - it would have been started anyway (11)

v  It was a means of avoiding unemployment (34)

vi  Due to age/health it was the only way of becoming employed (5)

vii  It provided the financial support necessary whilst becoming established (36)

viii  The scheme money helped with initial cash flow (8)

ix  It reduced the worries of starting up - there was at least a minimum amount of money coming in (8)

x  It provided the necessary advice/training/information to start a business (46)

xi  It gives ongoing support whilst starting up (8)
These responses can be further grouped into four main types:

(a) creating a small business has been a long held ambition which may or may not have been realised without the scheme (responses i, ii, iii and iv).

(b) it was a means of avoiding unemployment either in the long or short term (responses v and vi).

(c) the financial instability of starting a business was reduced by the scheme (responses vii, viii and ix).

(d) the training/support/advice provided by the scheme enabled them to start their own business (responses x, xi and xii).

32% of respondents, therefore, were able to realise their ambition of self-employment through the scheme. The same proportion said that they went on the scheme in order to receive the necessary training and advice in order to start up, and 27% said it was for the financial benefits of the scheme. Surprisingly, only 20% claimed that their motive was to avoid unemployment and yet all scheme participants have to be unemployed or under notice of redundancy in order to be eligible for the scheme.
4.2.5 Characteristics of the Business Created

4.2.5.1 Types of Businesses Created

The types of businesses created by the sample were very varied. The table below gives an indication of the main types of businesses started. It was decided not to use Standard Industrial Classifications as this does not reflect the variety nor nature of businesses formed. Businesses are grouped into types and examples of businesses within a group are given (see table below).

The types of businesses created varied little between the two areas except for the businesses grouped under the heading "caring". Here, all eight of the childminding businesses were in the Rotherham area, and the carer for the elderly was in North Notts. The types of businesses created had very definite male/female divisions. Women dominated in areas such as caring; catering; personal services; clothing design/manufacture; and males in areas such as plant, tool and part hire/sales; haulage, travel and distribution; car related businesses; publishing and printing; construction related services; and domestic services. The numbers of males and females starting businesses in antiques, arts and crafts; business services; consultancy; teaching and training; and retail, wholesale and agencies were very similar. The gender split in businesses started is consistent with social stereotypes. Tremlett (1993) found that there tended to be gender differences in the types of businesses started on the scheme.

In terms of age there were only two striking features. Firstly, consultants and advisors were predominantly from the older two age groups, and childminders were from the 25-34 age group in the main.
### Table 4.8 Types of Business Created

<table>
<thead>
<tr>
<th>BUSINESS</th>
<th>PERCENTAGE OF BUSINESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOMESTIC SERVICES</td>
<td>22</td>
</tr>
<tr>
<td>incl. window cleaning, gardening, repairs, house repairs (electrical, plumbing), house alterations/renovation, security alarm fitting, joinery, double glazing etc.</td>
<td></td>
</tr>
<tr>
<td>RETAIL/WHOLESALE/AGENT</td>
<td>12</td>
</tr>
<tr>
<td>incl importing, shops, mail order, market stalls, wholesale</td>
<td></td>
</tr>
<tr>
<td>ANTIQUES/ARTS/CRAFTS</td>
<td>10</td>
</tr>
<tr>
<td>incl antique dealing, art transportation, writing, ceramics, painting, photography, video etc.</td>
<td></td>
</tr>
<tr>
<td>CONSULTANTS/ADVISORS</td>
<td>9</td>
</tr>
<tr>
<td>incl design, quality, engineering, management, behavioral, financial advisor</td>
<td></td>
</tr>
<tr>
<td>PERSONAL SERVICES</td>
<td>7</td>
</tr>
<tr>
<td>incl. hairdressing, beauty therapy</td>
<td></td>
</tr>
<tr>
<td>CARING</td>
<td>5</td>
</tr>
<tr>
<td>incl. childminding and caring for the elderly</td>
<td></td>
</tr>
<tr>
<td>PUBLISHING/PRINTING</td>
<td>4</td>
</tr>
<tr>
<td>incl printers, print plate making</td>
<td></td>
</tr>
<tr>
<td>BUSINESS SERVICES</td>
<td>3</td>
</tr>
<tr>
<td>incl accountancy, book keeping, secretarial support, insurance</td>
<td></td>
</tr>
<tr>
<td>CAR RELATED BUSINESSES</td>
<td>3</td>
</tr>
<tr>
<td>incl petrol station, car sales, car valeting, car repairs</td>
<td></td>
</tr>
<tr>
<td>CATERING/HOTELS</td>
<td>3</td>
</tr>
<tr>
<td>incl. mobile sandwich service, boarding house, outside catering</td>
<td></td>
</tr>
<tr>
<td>CONSTRUCTION RELATED SERVICES</td>
<td>3</td>
</tr>
<tr>
<td>incl. surveying, architects civil engineers</td>
<td></td>
</tr>
<tr>
<td>HAULAGE/TRAVEL/DISTRIBUTION</td>
<td>3</td>
</tr>
<tr>
<td>incl. light haulage, courier, distribution, coach travel</td>
<td></td>
</tr>
<tr>
<td>PLANT TOOL AND PARTS HIRE/SALES</td>
<td>3</td>
</tr>
<tr>
<td>incl. plant and tool hire, motor parts supply welding equipment supply</td>
<td></td>
</tr>
<tr>
<td>CLOTHING MANUFACTURE/DESIGN</td>
<td>2</td>
</tr>
<tr>
<td>incl. knitwear design, knitwear manufacture, keep fit clothing make and design</td>
<td></td>
</tr>
<tr>
<td>HEALTH</td>
<td>2</td>
</tr>
<tr>
<td>incl. pharmacists locum, chiropody, alternative medicine advisor</td>
<td></td>
</tr>
<tr>
<td>TRAINING/TEACHING</td>
<td>2</td>
</tr>
<tr>
<td>incl languages, business</td>
<td></td>
</tr>
<tr>
<td>OTHER</td>
<td>7</td>
</tr>
<tr>
<td>incl. stabling, fibre optic manufacture, computer supply/installation, horticulture, leisure advisor/sales, consultancy and manufacture of environmental monitoring equipment</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>
4.2.5.2 Where the Business Idea Came From

Two main sources of inspiration for the business idea dominated the majority (72%) of responses. 47% of the sample said their previous employment had given them their business idea (this didn't necessarily mean the business was directly related to their work experience), 19% said hobbies or interests were the source of the idea, a further 6% said that the idea was from a combination of these.

Other sources of ideas were: they knew people already doing something similar (5%), a friend or acquaintance had suggested it (6%), they had seen other successful businesses doing it (2%), it was something they could do from home (1%).

There were limited responses that gave the source of the idea as resulting from active searches to find new market/products or fill market gaps (0.5% had new product ideas, 2.5% quoted idea came from an active search for a business opportunity, 2.6% said they saw a gap in the market).

In summary, the businesses created tend to rely on previously attained skills (either through training, work experience, or hobbies) and replicate businesses already in existence.

4.2.5.3 Where the Business Operates From

In 78% of cases the business was operated from home and a significant minority (19%) operated from rented premises. Very similar results were found by Tremlett (1993). 71% of scheme businesses in his survey were operated from home and 5% were mobile
(in this study mobile businesses have been classified as operating from home). Only three respondents (2%) had in fact purchased or taken out a leasehold on premises for their business. There was no evidence that area, sex or business type caused deviations from this pattern except in the case of carers (here all businesses were operated from home) and retail wholesale and agents (here 52% of these businesses were operated in premises other than the home).

As the majority of businesses are operated from home, this will inevitably limit the size of the businesses created and also the number of jobs they can create, unless the business is predominantly conducted on the customers premises (eg domestic services). However, for many of the businesses it makes good sense to operate from home and avoid expensive office overheads.

4.2.5.4 Start Up Capital Requirements

As with previous questions there was a wide range of responses. Fourteen respondents (7%) invested no money whatsoever, whereas one individual invested £114,000. In the table below a summary of amounts invested is given (there was a 2% non response rate).

As we can see 75% of respondents invested less than £5000. This is inevitable to some extent, as the respondents were previously unemployed and would have limited personal funds to draw upon. Also they may be reluctant to risk too much of their savings in their businesses given the large number of small firms failures that are reported in the present economic climate.
Table 4.9  Start Up Capital Invested (grouped)

<table>
<thead>
<tr>
<th>AMOUNT INVESTED</th>
<th>PERCENTAGE</th>
<th>CUMULATIVE PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; £1000</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>£1000 - £1999</td>
<td>21</td>
<td>46</td>
</tr>
<tr>
<td>£2000 - £2999</td>
<td>15</td>
<td>61</td>
</tr>
<tr>
<td>£3000 - £4999</td>
<td>14</td>
<td>75</td>
</tr>
<tr>
<td>£5000 - £9999</td>
<td>8</td>
<td>83</td>
</tr>
<tr>
<td>£10000 - £19999</td>
<td>11</td>
<td>94</td>
</tr>
<tr>
<td>£20000 plus</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

The average amount invested was considered for the different groups of participants within the study. As there were large variances in the amount invested, the 5% trimmed mean was again used to reduce bias by extreme values. Table 4.10 below summarises the results.

We can see from this that there is very little overall difference between the amount invested between respondents from North Notts and Rotherham. However, the differences between males and females are more striking, with males investing nearly double that of women. If we consider the female dominated business types such as caring and personal services, we can see that the investment levels for these types of businesses are very small compared to other business types. Another interesting feature of this table is the difference in investment patterns between age groups. The younger age groups invest less in their businesses than older age groups. The reasons for this could be two fold. The youngest age group will have limited savings (when we
considered previous salaries before unemployment their salaries/wages were substantially less than other age groups). Also they are unlikely to have assets against which they could borrow money, ie it is unlikely they will own their own home. The 25-34 years age group are also likely to have less money to invest in their businesses. As a large proportion of this age group are married, then much of their money is likely to be tied up in setting up home and their living expenses will be more than the older age groups, as they are more likely to have young children to support. As a consequence, their ability to invest in their business will again be limited.
### Table 4.10 Start Up Capital Invested

<table>
<thead>
<tr>
<th>GROUP</th>
<th>5% Trimmed Mean</th>
<th>Mean</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>3532</td>
<td>5548</td>
<td>0</td>
<td>114000</td>
<td>189</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>3711</td>
<td>6435</td>
<td>0</td>
<td>114000</td>
<td>95</td>
</tr>
<tr>
<td>North Notts</td>
<td>3366</td>
<td>4653</td>
<td>0</td>
<td>40000</td>
<td>94</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>4238</td>
<td>6710</td>
<td>0</td>
<td>114000</td>
<td>124</td>
</tr>
<tr>
<td>Females</td>
<td>2286</td>
<td>3334</td>
<td>0</td>
<td>40000</td>
<td>65</td>
</tr>
<tr>
<td>AGE GROUP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25 years</td>
<td>1625</td>
<td>1713</td>
<td>0</td>
<td>5000</td>
<td>20</td>
</tr>
<tr>
<td>25-34 years</td>
<td>2976</td>
<td>5200</td>
<td>0</td>
<td>114000</td>
<td>64</td>
</tr>
<tr>
<td>35-44 years</td>
<td>3306</td>
<td>6215</td>
<td>0</td>
<td>100000</td>
<td>46</td>
</tr>
<tr>
<td>45-54 years</td>
<td>5585</td>
<td>6992</td>
<td>0</td>
<td>40000</td>
<td>42</td>
</tr>
<tr>
<td>55 years plus</td>
<td>5534</td>
<td>6005</td>
<td>500</td>
<td>19500</td>
<td>17</td>
</tr>
<tr>
<td>BUSINESS TYPE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>5520</td>
<td>8750</td>
<td>0</td>
<td>114000</td>
<td>42</td>
</tr>
<tr>
<td>Retail/wholesale/agent</td>
<td>4658</td>
<td>5158</td>
<td>300</td>
<td>20000</td>
<td>23</td>
</tr>
<tr>
<td>Antiques/arts/crafts</td>
<td>2001</td>
<td>2221</td>
<td>400</td>
<td>8000</td>
<td>19</td>
</tr>
<tr>
<td>Consultants/advisors</td>
<td>4314</td>
<td>5868</td>
<td>100</td>
<td>40000</td>
<td>17</td>
</tr>
<tr>
<td>Personal services</td>
<td>1424</td>
<td>1632</td>
<td>0</td>
<td>7000</td>
<td>14</td>
</tr>
<tr>
<td>Caring</td>
<td>127</td>
<td>164</td>
<td>0</td>
<td>1000</td>
<td>9</td>
</tr>
<tr>
<td>Publishing/printing</td>
<td>3357</td>
<td>3321</td>
<td>0</td>
<td>6000</td>
<td>7</td>
</tr>
<tr>
<td>Business services</td>
<td>1287</td>
<td>1283</td>
<td>0</td>
<td>2500</td>
<td>6</td>
</tr>
<tr>
<td>Car related businesses</td>
<td>4022</td>
<td>4060</td>
<td>800</td>
<td>8000</td>
<td>5</td>
</tr>
<tr>
<td>Catering/hotels</td>
<td>5227</td>
<td>5720</td>
<td>300</td>
<td>20000</td>
<td>5</td>
</tr>
<tr>
<td>Construct rel. services</td>
<td>7026</td>
<td>7283</td>
<td>1200</td>
<td>18000</td>
<td>6</td>
</tr>
<tr>
<td>Haul/travel/distribute</td>
<td>7427</td>
<td>7980</td>
<td>900</td>
<td>25000</td>
<td>5</td>
</tr>
<tr>
<td>Plant + parts hire/sales</td>
<td>6778</td>
<td>7200</td>
<td>3000</td>
<td>20000</td>
<td>5</td>
</tr>
<tr>
<td>Clothing manuf/design</td>
<td>25417</td>
<td>27875</td>
<td>0</td>
<td>100000</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>4000</td>
<td>4175</td>
<td>500</td>
<td>11000</td>
<td>4</td>
</tr>
<tr>
<td>Training/teaching</td>
<td>2500</td>
<td>2750</td>
<td>0</td>
<td>10000</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3782</td>
<td>4154</td>
<td>0</td>
<td>15000</td>
<td>14</td>
</tr>
</tbody>
</table>
4.2.5.5 Sources of Start Up Capital

The most frequently quoted source of start up capital was personal savings (63% gave this as a source and 38% of the total sample quoted this as their sole source of funds). The next most popular source was redundancy payments (23% gave this as a source and 11% of the total sample gave this as their sole source of funds). A significant minority used money borrowed from family or bank loans/overdrafts, or the Princes Business Youth Trust, as sources of finance. Other sources included British Coal Enterprise Board, Bassetlaw Enterprise Board, local council, supplier credit, remortgaging the house, loans secured against life insurance, pension funds and the selling of personal assets. A summary of the findings can be found in the table below (note 25% of respondents gained capital from more than one source).

Table 4.11 Sources of Start Up Capital

<table>
<thead>
<tr>
<th>Source of Capital</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings</td>
<td>63</td>
</tr>
<tr>
<td>Redundancy Payment</td>
<td>23</td>
</tr>
<tr>
<td>Bank Loan/Overdraft</td>
<td>13</td>
</tr>
<tr>
<td>Borrowed from Family</td>
<td>11</td>
</tr>
<tr>
<td>Princes Youth Business Trust</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
</tr>
<tr>
<td>Not Applicable (funds not required)</td>
<td>7</td>
</tr>
<tr>
<td>No Response</td>
<td>2</td>
</tr>
</tbody>
</table>
From the above we can see that the start up capital tends to be limited to savings or personal reserves. This may result from a number of reasons. Firstly, during a recession people may be unwilling to risk borrowing money as business failure could result in the individual being worse off than if they had remained unemployed. Or secondly, it may reflect the lending bodies, eg bank’s, unwillingness to lend money to individuals with no track record in business.

The reliance on personal savings has implications, however, for the level of investment that is made and is reflected in the fact that 75% have invested less than £5000 in their business.

4.2.5.6 The Customer Base

From the table below we can see that the majority of the businesses are operating on a local or regional basis (69%). Given the nature of the business types created this is not a surprising finding.

Johnson and Cathcart (1980), in their research, found that small firms tended to sell to local markets. Similarly, a Department of Trade and Industry report (1984) comments on the tendency of small firms to rely heavily on local markets during their formative years, this is confirmed by the findings in this survey. The report goes on to say that, if the area is in recession, then demand for goods/services will be depressed resulting in lower growth and survival prospects for the fledgling business. At the same time, the push factors (unemployment) will increase the number of small firm formations which will increase competition and make the market more competitive still. This scenario does not bode well for the respondents of the questionnaire, as both local economies
under consideration are depressed at present.

**Table 4.12 Location of Customer Base**

<table>
<thead>
<tr>
<th>CUSTOMERS ARE....</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>28</td>
</tr>
<tr>
<td>Regional</td>
<td>41</td>
</tr>
<tr>
<td>National</td>
<td>21</td>
</tr>
<tr>
<td>International</td>
<td>8</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
</tr>
</tbody>
</table>

**4.2.5.7 The Level of Competition**

Only 22% of the respondents felt they faced numerous competitors, 28% felt they had quite a few competitors, 47% thought they had very few competitors and 4% believed they had no competition at all (3% did not respond to this question).

Respondents from Rotherham were generally more optimistic about the level of competition they faced, with 56% believing they had few or no competitors compared to 46% of respondents from North Notts. The only business types that were reasonably pessimistic about the level of competition they faced were plant tool and parts hire and supply (only 20% thought they had few or no competitors), personal services (only 21% thought they had few or no competitors), haulage travel and distribution (no respondents thought they had few or no competitors). In all other business types 40% or more of respondents believed they had few or no competitors.
This is not what was anticipated given the types of businesses that have been created. The majority businesses in this sample are not new or unique. For example, the domestic services business category contain trades such as decorating, joinery, electricians etc. A cursory scan of the business section of the telephone directory indicates that a plethora of such businesses already exist, yet still 40% of these respondents believe they have few or no competitors. The majority of respondents have had to carry out market research as part of their business plan and still they continue to believe this to be the case. It was decided to consider the age of the businesses to see if experience in operating within a market would reduce the proportion of respondents who believed they were operating in a non competitive environment. The results of this are summarised in the table below.

Table 4.13 Level Of Competition
*(row percentages in brackets)

<table>
<thead>
<tr>
<th>LENGTH OF TIME</th>
<th>MANY COMPETITORS</th>
<th>QUITE A LOT OF COMPETITORS</th>
<th>FEW COMPETITORS</th>
<th>NO COMPETITORS</th>
<th>NUMBER OF RESPONDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUSINESS HAS BEEN OPERATING</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Less than 6 months</td>
<td>22 (24)</td>
<td>28 (29)</td>
<td>40 (44)</td>
<td>3 (3)</td>
<td>91 (49)</td>
</tr>
<tr>
<td>6 months to 1 year</td>
<td>10 (14)</td>
<td>22 (32)</td>
<td>34 (49)</td>
<td>3 (4)</td>
<td>69 (37)</td>
</tr>
<tr>
<td>More than 1 year</td>
<td>8 (31)</td>
<td>4 (15)</td>
<td>13 (50)</td>
<td>1 (4)</td>
<td>26 (14)</td>
</tr>
<tr>
<td>ALL</td>
<td>40 (22)</td>
<td>52 (28)</td>
<td>87 (47)</td>
<td>7 (4)</td>
<td>186 (100)</td>
</tr>
</tbody>
</table>

From this there appears to be no evidence to suggest that the more experience respondents have in the market, the more harsh they perceive the competitive environment.

As a consequence of this, it was decided to investigate the competitive strategies employed. Were the businesses created differentiating themselves sufficiently so as to
consider themselves as having few/no competitors?

4.2.5.8 Competitive Strategies Employed by Respondents

A variety of competitive strategies were employed by respondents. The majority of these could be aggregated into five categories. The categories of response identified were pricing, quality, responsiveness, uniqueness/customisation, advertising; these are summarised below.

Pricing strategies included comments such as low prices, competitive pricing, value for money. Quality strategies included comments such as personalised service, reliability, after sales service, quality goods/services. Responsiveness strategies included comments such as fast delivery/service, local, available outside normal working hours. Uniqueness/customisation strategies included comments such as tailored service, unique product/service/product design, customised good/service, creative design, flexibility. Advertising strategies included comments such as cold calls made, mail shots, advertising in yellow pages/local papers/journals. Respondents tended to use combinations of these categories of competitive strategy. The comments on other strategies, which fell outside these categories, included use of personal contacts/recommendation, free advice and demonstrations, guarantees, knowledge/skill/experience/qualifications and large stocks held. Less than 3% of respondents used these other strategies, however.

The responses obtained are summarised below (as said earlier most respondents used a combination of these competitive strategies).
Table 4.14 Competitive Strategies Employed

<table>
<thead>
<tr>
<th>COMPETITIVE STRATEGY CATEGORY</th>
<th>PERCENTAGE EMPLOYING STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>77%</td>
</tr>
<tr>
<td>Pricing</td>
<td>55%</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>21%</td>
</tr>
<tr>
<td>Uniqueness/customisation</td>
<td>7%</td>
</tr>
<tr>
<td>Advertising</td>
<td>6%</td>
</tr>
</tbody>
</table>

It is clear from these figures that respondents do not seem to be using particularly innovative methods for achieving competitive advantage. Therefore it seems unlikely they are truly differentiating themselves from their competitors.

The prominence of pricing strategies needs further comment. Gray and Stanworth (1986) found that often low prices are charged by EAS participants in order to gain custom. This tended to be subsidised by scheme money. As a consequence, this would result in displacement as other small firms not in receipt of the allowance would be unable to reduce price sufficiently to compete. This has further implications for when the participants leave the scheme. They, too, will be unable to sustain such low prices and future scheme participants are likely to be entering into similar business employing low price strategies. This may be good news for the local consumer but will not help the development of sustainable businesses.

4.2.5.9 Length of Time the Business has been in Operation

The questionnaire was only sent to participants in North Notts who had started the
scheme during the previous 12 months and in Rotherham, if they had been in receipt of
scheme money during the previous 24 months. As a result, the oldest business in the
case of North Notts was 12 months old and 31 months in the case of Rotherham. The
length of time businesses had been in operation are summarised below.

Table 4.15 Length of Time the Business has been in Operation

<table>
<thead>
<tr>
<th>Length of time Business has existed</th>
<th>Count</th>
<th>%</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 3 Months</td>
<td>49</td>
<td>26</td>
<td>26</td>
</tr>
<tr>
<td>3 to 6 Months</td>
<td>47</td>
<td>24</td>
<td>50</td>
</tr>
<tr>
<td>6 to 9 Months</td>
<td>42</td>
<td>22</td>
<td>72</td>
</tr>
<tr>
<td>9 to 12 months</td>
<td>28</td>
<td>15</td>
<td>87</td>
</tr>
<tr>
<td>12 - 24 months</td>
<td>18</td>
<td>9</td>
<td>96</td>
</tr>
<tr>
<td>over 24 months</td>
<td>8</td>
<td>4</td>
<td>100</td>
</tr>
</tbody>
</table>

As can be seen the response rate has deteriorated as the age of the firm increases.
There could be a number of reasons for this. Firstly, the proportion of business failures
may increase the longer the participant has left the scheme and consequently the number
still in business is limited. Secondly, people who have completed the scheme may feel
less obligation than those still participating and receiving money, to respond. Thirdly,
information on addresses of ex-participants may be inaccurate.

4.2.6 SUMMARY

The main features from the analysis are given below.
4.26.1 Personal Characteristics

It was found that approximately one in three respondents were female and two in three were male. Greater numbers of participants were in the 25-34 and 35-44 age groups than other age groups and that the majority of respondents (80%) were married or cohabiting. Although direct comparison with other studies is not possible, these trends in terms of gender, age and marital status are in line with the finding of others eg Tremlett (1993), Gray and Stanworth (1986), Allen and Hunn (1985).

4.26.2 Education

The educational backgrounds of respondents show that the largest proportion of respondents held either vocational or undergraduate (generally BTEC rather than degree) qualifications. The most striking feature here is the low level, rather than lack, of qualifications. Also very few respondents had management or business qualifications. Watkins (1983) found that the lack of management education in small firm owner/managers created a management gap. This was reflected in financial institutions' perceptions of owner managers, where there was unanimous agreement that the only expertise within small firms lay in the area of production - marketing and financial expertise were lacking. There may be arguments to incorporate management modules within vocational courses, as the skills developed will be transferable to whatever environment the individual finds themselves. This would be particularly valuable to the respondents of the questionnaire, as only 32% had post school qualifications that directly related to the businesses they created. Hence, the education/training that respondents have received previously has been of limited use in terms of starting their own business.
4.2.6.3 **Previous Employment**

Significant numbers of respondents had either held managerial positions, worked for small firms previously or had held a job which was directly related to the business they had started. It has been proposed that these factors affect the propensity of people to create their own firms (Storey, 1982) and results in regional differences in small firm creation.

4.2.6.4 **Reasons for Starting the Scheme**

Motivations for starting the scheme were mixed but could be grouped into four main types. Respondents had either always wanted to start their own business, created a business to avoid unemployment, joined the scheme for the financial assistance given, or for the support/advice they received. There was no one dominant explanation given for joining the scheme.

4.2.6.5 **The Businesses Created**

Data collected on the businesses created gave a pessimistic picture as to their potential to create a small firm sector that in the long term will be stable, profitable and generate employment.

The majority of businesses were based on ideas from either previous employment or hobbies (72%), rather than identifying market gaps or through product/service innovation. Gibb and Ritchie (1982) found that in a group of would be small firm owner/managers most business ideas were linked to past employment. Many of the
businesses created here were drawn from readily available examples of self-employment such as childminding, joinery, window cleaning, mobile hairdressing etc. Cross (1982) found a similar phenomena when he looked at people leaving manufacturing companies in order to start self-employment. He claimed these people tended to suffer from the "post office syndrome". This is where the notion of becoming self-employed takes over from the more important issues of how the business is going to be run and developed. Curran (1986a) commented that businesses created by people entering self-employment tended to replicate existing enterprise.

If businesses created simply replicate those already in existence, then displacement is going to be high. Early evaluations of Enterprise Allowance Scheme businesses (Department of Employment, 1984; Allen and Hunn, 1985) predicted that displacement of existing businesses would be high, from the findings of their surveys, as many of the firms created on the scheme were entering markets where there was no shortage of existing firms.

The level of start up capital invested in the new businesses was found to be low, 75% of respondents invested less than £5000 in their businesses. Yet Wood (1985) found, when studying Enterprise Allowance Scheme businesses two years from completion of the scheme that people who had planned for substantial investment at the start of running their own business were more likely to succeed. Tremlett (1993) found surviving scheme businesses tended to invest more than non survivors.

Lack of initial investment could be due to a number of factors. Firstly, the nature of the businesses created required low/limited investment. Secondly, the majority of the businesses started were operated from home (78%), so capital was not required for
premises. Thirdly, low levels of investment may be due to respondents inability to raise capital - they have no track record of running a business, they have limited assets to offer as security etc (only 13% raised start up capital via the banks). Fourthly, this group of small firm owner/managers come from the unemployed population. Hence their personal wealth will be limited and they may be unwilling to risk large investments when currently small firm failures are at such high levels.

A further problem facing these newly formed firms is that the majority (69%) rely on a local/regional customer base. The local economies of the two areas considered are currently in recession, with large scale redundancies occurring in both areas due to the decline of traditional industries. Hence the customer base in these areas are impoverished and demand can be expected to be reduced.

This feature of the customer base creates further complications. When an area has high levels of unemployment the push factors for self-employment and small firm formation will increase the number of start ups. This will result in more businesses competing for a limited market.

Many of the businesses compete using standard competitive strategies (price, quality etc) and so may not have differentiated themselves sufficiently to insulate themselves from increased levels of competition. Gray and Stanworth (1986), in their evaluation of Enterprise Allowance, found that frequently the allowance was used to undercut the prices of the competition, thus increasing the occurrence of displacement and also resulting in reduced survival prospects once participants were no longer in receipt of the allowance. The prominence of pricing strategies, particularly low pricing strategies, in this sample would lead to similar conclusions being drawn.
An unexpected observation made from the data, given all the above, is the large number of respondents who believe that they operate in a non-competitive environment. These perceptions are not even affected by the length of time the business has been in operation. These misconceptions are important. If owner/managers are unaware of the competitive nature of their environment, then they will not produce the correct repertoire of responses to cope with the environment in which they compete. In turn, this will cast doubts on the potential survival of these firms.

Given the sobering scenario outlined above, the relative success, or otherwise, of the businesses created will now be investigated.

4.3 MEASURES OF SUCCESS

The success of the businesses started can be assessed on a number of criteria. For this analysis four measures have been selected. These included anticipated turnover during the coming year, average current weekly income participants paid themselves from the business, employment generation (present and anticipated) and finally, self-reported achievements made by participants.

The first two of these measures consider the financial success of the business. Turnover was selected in preference to profit as it is less open to distortion and manipulation. Also using turnover avoided potential misinterpretations as to whether gross, net before or net after tax profit figures were required. However, it was appreciated that turnover does not give a complete picture of financial success and is dependent, to some extent, on the nature of the business. Therefore, a second financial measure was used, personal
income from the business. This measure also permitted a comparison with previous income from employment and unemployment benefits. Thus the effect of operating a business on the personal wealth of respondents could be assessed.

The third measure, employment generation, was selected due to it's importance to the government. The final measure is less clearly defined than the previous indicators of success. Respondents were asked to report whether they considered the business to be successful and to define in their own terms what this meant. Consequently a mix of economic and personal indicators were identified.

The outcomes of the businesses in terms of these measures will be considered.

4.3.1 Turnover

Participants were asked to estimate their current year's turnover. 11% did not respond to this question, a large number of these indicated that it was too early to say at this stage (these were the businesses that had only been in existence a couple of months). The range of responses was considerable going from £300 through to £2,000,000. The average turnover for the sample was found to be £32,012. However, this was strongly biased due to a small number of very large turnover estimates, so again the 5% trimmed mean has been used and found to be £15,183 for the sample. Average turnover has been analysed, controlling for a number of variables, eg age, sex, etc (see below for a summary).
### Table 4.16 Anticipated Annual Turnover

<table>
<thead>
<tr>
<th>GROUP</th>
<th>5% Trimmed Mean</th>
<th>Mean</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>15183</td>
<td>32013</td>
<td>300</td>
<td>2000000</td>
<td>171</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>13900</td>
<td>16180</td>
<td>1650</td>
<td>102000</td>
<td>84</td>
</tr>
<tr>
<td>North Notts</td>
<td>17752</td>
<td>47299</td>
<td>300</td>
<td>2000000</td>
<td>87</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>18083</td>
<td>41812</td>
<td>2400</td>
<td>2000000</td>
<td>112</td>
</tr>
<tr>
<td>Females</td>
<td>10889</td>
<td>13410</td>
<td>300</td>
<td>100000</td>
<td>59</td>
</tr>
<tr>
<td>AGE GROUP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 25 years</td>
<td>9758</td>
<td>10047</td>
<td>300</td>
<td>25000</td>
<td>17</td>
</tr>
<tr>
<td>25-34 years</td>
<td>16313</td>
<td>55163</td>
<td>1650</td>
<td>2000000</td>
<td>58</td>
</tr>
<tr>
<td>35-44 years</td>
<td>14453</td>
<td>21446</td>
<td>2400</td>
<td>250000</td>
<td>43</td>
</tr>
<tr>
<td>45-54 years</td>
<td>13044</td>
<td>17895</td>
<td>4000</td>
<td>180000</td>
<td>36</td>
</tr>
<tr>
<td>55 years plus</td>
<td>20409</td>
<td>31617</td>
<td>3000</td>
<td>100000</td>
<td>17</td>
</tr>
<tr>
<td>BUSINESS TYPE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic services</td>
<td>18611</td>
<td>29448</td>
<td>3000</td>
<td>250000</td>
<td>39</td>
</tr>
<tr>
<td>Retail/wholesale/agent</td>
<td>28471</td>
<td>30881</td>
<td>5000</td>
<td>100000</td>
<td>21</td>
</tr>
<tr>
<td>Antiques/arts/crafts</td>
<td>13052</td>
<td>13997</td>
<td>3000</td>
<td>42000</td>
<td>17</td>
</tr>
<tr>
<td>Consultants/advisers</td>
<td>13574</td>
<td>13667</td>
<td>4000</td>
<td>25000</td>
<td>15</td>
</tr>
<tr>
<td>Personal services</td>
<td>7863</td>
<td>7942</td>
<td>300</td>
<td>17000</td>
<td>12</td>
</tr>
<tr>
<td>Caring</td>
<td>3737</td>
<td>3796</td>
<td>1650</td>
<td>7000</td>
<td>9</td>
</tr>
<tr>
<td>Publishing/printing</td>
<td>15417</td>
<td>15375</td>
<td>5000</td>
<td>25000</td>
<td>4</td>
</tr>
<tr>
<td>Business services</td>
<td>10000</td>
<td>10000</td>
<td>5000</td>
<td>15000</td>
<td>6</td>
</tr>
<tr>
<td>Car related businesses</td>
<td>14222</td>
<td>14700</td>
<td>8000</td>
<td>30000</td>
<td>5</td>
</tr>
<tr>
<td>Catering/hotels</td>
<td>7783</td>
<td>7835</td>
<td>4500</td>
<td>12500</td>
<td>5</td>
</tr>
<tr>
<td>Construct rel. services</td>
<td>37019</td>
<td>42667</td>
<td>7000</td>
<td>180000</td>
<td>6</td>
</tr>
<tr>
<td>Haul/travel/distribution</td>
<td>9694</td>
<td>9900</td>
<td>3500</td>
<td>20000</td>
<td>5</td>
</tr>
<tr>
<td>Plant + parts hire/sales</td>
<td>34167</td>
<td>35000</td>
<td>10000</td>
<td>75000</td>
<td>5</td>
</tr>
<tr>
<td>Clothing manuf/design</td>
<td>30000</td>
<td>30125</td>
<td>2500</td>
<td>60000</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>*</td>
<td>8297</td>
<td>3792</td>
<td>14000</td>
<td>3</td>
</tr>
<tr>
<td>Training/teaching</td>
<td>*</td>
<td>10767</td>
<td>5800</td>
<td>14000</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>92514</td>
<td>184283</td>
<td>2400</td>
<td>2000000</td>
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</tbody>
</table>

4.40
<table>
<thead>
<tr>
<th>GROUP</th>
<th>5% Trimmed Mean</th>
<th>Mean</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>No. of Respondents</th>
</tr>
</thead>
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<tr>
<td>LENGTH OF TIME BUSINESS HAS BEEN IN OPERATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 6 Months</td>
<td>17845</td>
<td>25823</td>
<td>2500</td>
<td>250000</td>
<td>83</td>
</tr>
<tr>
<td>6 - 12 Months</td>
<td>14278</td>
<td>46193</td>
<td>300</td>
<td>2000000</td>
<td>65</td>
</tr>
<tr>
<td>Over 1 year</td>
<td>10717</td>
<td>14272</td>
<td>1650</td>
<td>100000</td>
<td>23</td>
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<tr>
<td>NATURE OF PREVIOUS EMPLOYMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has been self employed before</td>
<td>97935</td>
<td>188417</td>
<td>5500</td>
<td>2000000</td>
<td>12</td>
</tr>
<tr>
<td>Has not been self employed before</td>
<td>14516</td>
<td>20209</td>
<td>300</td>
<td>250000</td>
<td>159</td>
</tr>
<tr>
<td>Has previously held a management position</td>
<td>24337</td>
<td>32186</td>
<td>3000</td>
<td>250000</td>
<td>59</td>
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<tr>
<td>Has not held a management position previously</td>
<td>11397</td>
<td>31921</td>
<td>300</td>
<td>2000000</td>
<td>112</td>
</tr>
<tr>
<td>Has worked for a small firm previously</td>
<td>15082</td>
<td>20057</td>
<td>300</td>
<td>250000</td>
<td>75</td>
</tr>
<tr>
<td>Has not worked for a small firm previously</td>
<td>15595</td>
<td>41353</td>
<td>1650</td>
<td>2000000</td>
<td>96</td>
</tr>
<tr>
<td>START UP CAPITAL INVESTED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; £1000</td>
<td>7577</td>
<td>8025</td>
<td>300</td>
<td>30000</td>
<td>42</td>
</tr>
<tr>
<td>£1000 - £4999</td>
<td>13172</td>
<td>37420</td>
<td>2400</td>
<td>2000000</td>
<td>86</td>
</tr>
<tr>
<td>£5000 - £9999</td>
<td>14324</td>
<td>13292</td>
<td>6000</td>
<td>42000</td>
<td>12</td>
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<tr>
<td>£10000 - £19999</td>
<td>36035</td>
<td>41631</td>
<td>4000</td>
<td>180000</td>
<td>19</td>
</tr>
<tr>
<td>£20000 plus</td>
<td>73009</td>
<td>78708</td>
<td>10000</td>
<td>250000</td>
<td>12</td>
</tr>
</tbody>
</table>

* 5% trimmed mean cannot be calculated due to the sample size.
On average, the turnover of firms in Rotherham is lower than those in North Notts, it also appears that the turnover of female respondents is significantly less than that of male respondents (the trimmed mean of turnover for female respondents is approx £11,000 compared to approx £18,000 for males. If the types of business created are considered, it appears the lowest turnover is achieved in personal services, caring and catering/hotels categories and as said earlier these types of businesses are predominately started by female respondents. There are also interesting comparisons between the age groups, with the youngest age group’s businesses having approx 1/3 the turnover of the oldest age group. In all cases the range of responses is considerable.

Capital invested by respondents seems to be a good indicator of turnover with higher levels of investment resulting in higher levels of turnover.

Effects of previous work experience on the turnover of the business started are more mixed. If the respondent had been self-employed before then the average turnover is very much greater. However, due to the small number of respondents in this category it is difficult to draw conclusions. Having worked for a small firm previously appears to have a detrimental effect on the turnover of the business created by the respondent. However, the average turnover of the businesses, whose owners have held a management position previously, is greater than those who have not.

There are problems with this data, however, as they are not actual turnover figures but projections of what the respondent believes will happen in the coming year. Therefore, we must also consider the effect that experience of running a business has on these projections. When we look at the average turnover controlled for the length of time the business has been in operation, we can see that those who are in the early stages of
running their business have higher turnover projections than those who have been operating their business longer. This suggests that experience may temper the optimism that respondents have about the potential of their business.

It is also important to note the very small turnover expected by a large number of participants. 75% of respondents anticipated their turnover would be less than £20,000 for the year and 37% believed that it would be less than £10,000. It is not surprising that we later find respondents are only able to pay themselves very small incomes from their businesses.

4.3.2 How Much Will the Respondents Pay Themselves?

10% of respondents said that they would not pay themselves anything during the first year of operation and that instead this money would be reinvested into the business. These respondents either had a spouse who would support them or had a pension or investments/savings which they would live off. 28% said that they would pay themselves £40.00 or less per week (this is the average weekly amount received by scheme participants). Only 37% said that they would pay themselves over £100 per week and 10% said they would pay themselves £200 or more. The highest amount an individual said they would pay themselves was £400 per week. There was an 8% non response rate to this question.

From table 4.17 it can be seen that the 5% trimmed mean amount respondents paid themselves was £79.00 per week (arithmetic mean was found to be £86.00 per week). Respondents in North Notts were paying themselves approx £24.00 per week more than Rotherham respondents (5% trimmed mean for North Notts was £92.00 and Rotherham
£68.00) and males were paying themselves approx £40.00 per week more than females (5% trimmed mean for males was £94.00 and females £54.00). This is possibly due to the large proportion of respondents who are married. In our society it is likely that income of married females is a secondary income for the family. Female respondents may be able to operate their business and receive a lower income than their males counterparts as a consequence. The 5% trimmed mean payment was £66.00 for the youngest age group, £91.00 for the 25-34 age group and between £70.00 and £82.00 for the other age groups. The 25-34 age group are more likely to have young families to support and therefore require higher income from their business than other age groups. The youngest respondents probably require the smallest income of all the age groups as they are least likely to have dependents and financial commitments such as mortgages.

Due to the small sample sizes of some of the business types it is difficult to draw conclusions about average weekly incomes.

Considering the average weekly income against the age of the business it can be seen that the expected weekly income declines with the age of the business. Again the question asked was, what did respondents expect to pay themselves on a weekly basis? It may be that the respondents were over optimistic about the incomes they can expect to draw from their businesses. It is also interesting to note that one of the businesses that had been operating for over one year was still not generating any income for its founder, one wonders how long this business will continue?

The level of start up capital seems to correspond to the amount of weekly income the founder expects to receive (higher initial investment results in higher average weekly income), although the difference between these groups is not substantial. The income
received by one individual who has invested over £20,000 in their business is zero. This appears to be a poor return on investment and presumably will not be tolerated indefinitely.

Those who have worked for small firms, had management experience or have been self-employed previously appear to anticipate larger weekly incomes than those who have not.
<table>
<thead>
<tr>
<th>GROUP</th>
<th>5% Trimmed Mean</th>
<th>Mean</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>79</td>
<td>86</td>
<td>0</td>
<td>400</td>
<td>176</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>68</td>
<td>74</td>
<td>0</td>
<td>400</td>
<td>86</td>
</tr>
<tr>
<td>North Notts</td>
<td>92</td>
<td>98</td>
<td>0</td>
<td>392</td>
<td>90</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>94</td>
<td>100</td>
<td>0</td>
<td>400</td>
<td>116</td>
</tr>
<tr>
<td>Females</td>
<td>54</td>
<td>58</td>
<td>0</td>
<td>250</td>
<td>60</td>
</tr>
<tr>
<td>AGE GROUP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25 years</td>
<td>66</td>
<td>72</td>
<td>25</td>
<td>220</td>
<td>18</td>
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<tr>
<td>25-34 years</td>
<td>91</td>
<td>98</td>
<td>0</td>
<td>400</td>
<td>60</td>
</tr>
<tr>
<td>35-44 years</td>
<td>82</td>
<td>91</td>
<td>0</td>
<td>392</td>
<td>42</td>
</tr>
<tr>
<td>45-54 years</td>
<td>70</td>
<td>74</td>
<td>0</td>
<td>250</td>
<td>39</td>
</tr>
<tr>
<td>55 years plus</td>
<td>71</td>
<td>74</td>
<td>0</td>
<td>200</td>
<td>17</td>
</tr>
<tr>
<td>BUSINESS TYPE</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Domestic services</td>
<td>102</td>
<td>107</td>
<td>0</td>
<td>300</td>
<td>40</td>
</tr>
<tr>
<td>Retail/wholesale/agent</td>
<td>77</td>
<td>81</td>
<td>0</td>
<td>250</td>
<td>23</td>
</tr>
<tr>
<td>Antiques/arts/crafts</td>
<td>72</td>
<td>75</td>
<td>0</td>
<td>200</td>
<td>17</td>
</tr>
<tr>
<td>Consultants/advisor</td>
<td>89</td>
<td>92</td>
<td>0</td>
<td>250</td>
<td>12</td>
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<tr>
<td>Personal services</td>
<td>72</td>
<td>70</td>
<td>0</td>
<td>120</td>
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<tr>
<td>Caring</td>
<td>43</td>
<td>45</td>
<td>20</td>
<td>100</td>
<td>9</td>
</tr>
<tr>
<td>Publishing/printing</td>
<td>75</td>
<td>77</td>
<td>40</td>
<td>150</td>
<td>7</td>
</tr>
<tr>
<td>Business services</td>
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<td>70</td>
<td>0</td>
<td>200</td>
<td>6</td>
</tr>
<tr>
<td>Car related businesses</td>
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<td>94</td>
<td>30</td>
<td>165</td>
<td>5</td>
</tr>
<tr>
<td>Catering/hotels</td>
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<td>36</td>
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<td>60</td>
<td>5</td>
</tr>
<tr>
<td>Construct rel. services</td>
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<td>267</td>
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<td>400</td>
<td>4</td>
</tr>
<tr>
<td>Haul/travel/distribution</td>
<td>76</td>
<td>78</td>
<td>40</td>
<td>150</td>
<td>5</td>
</tr>
<tr>
<td>Plant + parts hire/sales</td>
<td>50</td>
<td>50</td>
<td>0</td>
<td>100</td>
<td>5</td>
</tr>
<tr>
<td>Clothing manuf/design</td>
<td>93</td>
<td>94</td>
<td>0</td>
<td>200</td>
<td>4</td>
</tr>
<tr>
<td>Health</td>
<td>38</td>
<td>38</td>
<td>10</td>
<td>60</td>
<td>4</td>
</tr>
<tr>
<td>Training/teaching</td>
<td>*</td>
<td>98</td>
<td>85</td>
<td>110</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>73</td>
<td>78</td>
<td>0</td>
<td>230</td>
<td>12</td>
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</table>

4.46
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<tr>
<th>GROUP</th>
<th>5% Trimmed Mean</th>
<th>Mean</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>No. of Respondents</th>
</tr>
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<td>LENGTH OF TIME BUSINESS HAS BEEN IN OPERATION</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>&lt; 6 Months</td>
<td>87</td>
<td>92</td>
<td>0</td>
<td>300</td>
<td>88</td>
</tr>
<tr>
<td>6 - 12 Months</td>
<td>79</td>
<td>85</td>
<td>0</td>
<td>392</td>
<td>64</td>
</tr>
<tr>
<td>Over 1 Year</td>
<td>54</td>
<td>67</td>
<td>0</td>
<td>400</td>
<td>24</td>
</tr>
<tr>
<td>NATURE OF PREVIOUS EMPLOYMENT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has been self employed before</td>
<td>93</td>
<td>95</td>
<td>0</td>
<td>230</td>
<td>12</td>
</tr>
<tr>
<td>Has not been self employed before</td>
<td>78</td>
<td>85</td>
<td>0</td>
<td>400</td>
<td>164</td>
</tr>
<tr>
<td>Has previously held a management position</td>
<td>90</td>
<td>105</td>
<td>0</td>
<td>392</td>
<td>60</td>
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<tr>
<td>Has not held a management position previously</td>
<td>70</td>
<td>76</td>
<td>0</td>
<td>400</td>
<td>116</td>
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<tr>
<td>Has worked for a small firm previously</td>
<td>85</td>
<td>92</td>
<td>0</td>
<td>400</td>
<td>80</td>
</tr>
<tr>
<td>Has not worked for a small firm previously</td>
<td>76</td>
<td>81</td>
<td>0</td>
<td>392</td>
<td>96</td>
</tr>
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<td>START UP CAPITAL INVESTED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; £1000</td>
<td>63</td>
<td>66</td>
<td>0</td>
<td>180</td>
<td>42</td>
</tr>
<tr>
<td>£1000 - £4999</td>
<td>77</td>
<td>84</td>
<td>0</td>
<td>400</td>
<td>89</td>
</tr>
<tr>
<td>£5000 - £9999</td>
<td>107</td>
<td>109</td>
<td>0</td>
<td>250</td>
<td>14</td>
</tr>
<tr>
<td>£10000 - £19999</td>
<td>87</td>
<td>98</td>
<td>0</td>
<td>392</td>
<td>19</td>
</tr>
<tr>
<td>£20000 plus</td>
<td>122</td>
<td>125</td>
<td>0</td>
<td>300</td>
<td>12</td>
</tr>
</tbody>
</table>

* 5% trimmed mean cannot be calculated due to the sample size.
4.3.2.1 Change in Income from Previous Employment

One potential measure of success would be an improvement in personal income for scheme participants as a result of starting their own business when compared to income received in their previous job.

However, when this is considered for the respondents, we find that only 14% have seen an improvement in their weekly income and 2% of respondents have had no change in their weekly income. 20% have seen their weekly income drop by up to £50.00 per week, 21% have seen their weekly income drop by between £50.00 and £99.00 per week, 25% have seen their weekly income drop by between £100 and £199 per week and 18% have seen their weekly income drop by over £200 per week (non response was 13%).

On average the weekly income of respondents was £93.00 (5% trimmed mean) less than their previous wage when employed. There was little difference in this figure between Rotherham and North Notts areas (5% trimmed mean change in weekly income was £92.00 and £96.00 respectively). However, the differences between males and females was somewhat larger. Average reduction in weekly income for males was £108 and for females only £62.00 (5% trimmed mean). This can be in part explained by the fact the female respondents were in general employed in lower paid jobs prior to becoming unemployed. Large differences in changes to income can also be observed when looking at the different age categories. The under 25 year old age group has £13.00, 25-34 year old age group has £64.00, the 35-44 year old age group has a £119, the 45-54 year old age group has a £132 and the 55 year old plus age group has £139 5% trimmed mean reduction in weekly income. Again this is consistent with the level of previous salary (ie those with higher salaries previously see a far greater reduction in their income as a
result of starting their own business than those who had lower incomes).

From this we can conclude that starting one's own business isn't a means to higher income. In fact, the evidence seems to point to the reverse.

### 4.3.2.2 Change in Income From Unemployment Benefits

Although respondents may be worse off in self-employment compared to the salary of their previous job, it would appear that generally self-employment is financially more rewarding than remaining unemployed. 67% of respondents were better off financially being self-employed than remaining unemployed (40% of respondents were £50.00 or more better off each week for being self-employed than remaining unemployed).

However, from the results we have already seen, most respondents could still be considered to be on low incomes (63% will pay themselves less than £100 per week). It is surprising therefore that only 15% of respondents were in receipt of monies other than the income received from their business. Further, only half of this group received state benefits as a result of low incomes. These benefits took the form of family credit, housing benefits, community charge assistance (the others received income from sources such as investments, pensions, maintenance, disability allowances which would have been received irrespective of the income generated by the business). One response to the question of "Do you receive any other benefits?" was "I didn't know I was eligible for anything other than Business Start Up money". The Government announced (April 1993) that many people who are self-employed are eligible for benefits but are unaware of their eligibility. Consequently, in a bid to reduce small business failures they are embarking on an awareness campaign in order that these people are informed of the...
assistance they can receive. Judging from the responses of the sample this news will undoubtedly be welcome.

4.3.3 **Job Creation**

Respondents were asked how many people were employed in their businesses other than themselves and on what basis these people were employed. Only 27% of the businesses created employed anybody other than the respondent. 42% of these responses were where the respondent had one or more partners employed in the business - hence jobs had not been created for anyone other than the owners of the business and so cannot be said to have truly generated employment. Further, 15% of these responses indicated that the work they created was in the form of subcontracting work or through employing casual labour on an ad hoc basis. When these factors are taken into consideration, only 22 of the respondents (11%) had created permanent employment for anyone other than the owners of the business.

Of those businesses creating employment, 64% employed people on a part-time basis, the rest being full-time. The table below shows the employment creation of the firms.

**Table 4.18 Current Job Creation**

<table>
<thead>
<tr>
<th>Basis of employment</th>
<th>No employed</th>
<th>No of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part-time</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Part-time</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Part-time</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Full-time</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Full-time</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Full-time</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Full-time</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

4.50
As can be seen 25.5 full-time equivalent jobs (part-time jobs have been calculated as 0.5 full time equivalent) have been created from the 192 business start ups in the sample (the jobs created were split evenly between the two areas considered).

Initially this appears disappointing. However it must be borne in mind that 86% of these businesses in the sample have been in operation less than 12 months and 50% less than six months. Consequently, we need to consider their future job creation potential.

Respondents were asked whether they intended to employ anyone in the future. The results are summarised below.

Table 4.19 Basis for Potential Future Job Creation

<table>
<thead>
<tr>
<th>Will you employ anyone?</th>
<th>No of respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>98 (51)</td>
</tr>
<tr>
<td>Part-time</td>
<td>56 (29)</td>
</tr>
<tr>
<td>Full-time</td>
<td>33 (17)</td>
</tr>
<tr>
<td>Subcontractors</td>
<td>3 (2)</td>
</tr>
<tr>
<td>YT Placement</td>
<td>2 (1)</td>
</tr>
<tr>
<td>Casual Labour</td>
<td>1 (1)</td>
</tr>
<tr>
<td>Commission basis</td>
<td>1 (1)</td>
</tr>
<tr>
<td>No response</td>
<td>3 (2)</td>
</tr>
</tbody>
</table>

Note: 5 respondents said they would employ people on a combination of bases.

Note: For the purposes of further analysis non response has been treated as an intention not to employ others in the future.
Table 4.20 Timescale for Future Job Creation

<table>
<thead>
<tr>
<th>Timescale</th>
<th>No. of respondents(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 3 months</td>
<td>8 (8)</td>
</tr>
<tr>
<td>Between 3 and 6 months</td>
<td>21 (22)</td>
</tr>
<tr>
<td>Between 6 and 9 months</td>
<td>8 (8)</td>
</tr>
<tr>
<td>Between 9 and 1 year</td>
<td>37 (39)</td>
</tr>
<tr>
<td>In over 1 year</td>
<td>18 (19)</td>
</tr>
<tr>
<td>Timescale not known</td>
<td>4 (4)</td>
</tr>
</tbody>
</table>

Table 4.21 Number of Permanent Full-time Equivalents which will potentially be Employed

<table>
<thead>
<tr>
<th>Number of permanent full-time equivalents to be employed</th>
<th>No. of respondents(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>40 (48)</td>
</tr>
<tr>
<td>1</td>
<td>31 (37)</td>
</tr>
<tr>
<td>1.5</td>
<td>3 (4)</td>
</tr>
<tr>
<td>2</td>
<td>6 (7)</td>
</tr>
<tr>
<td>3</td>
<td>2 (2)</td>
</tr>
<tr>
<td>5</td>
<td>1 (1)</td>
</tr>
<tr>
<td>7.5</td>
<td>1 (1)</td>
</tr>
</tbody>
</table>

Note: Commission only, YT placements, subcontractors and casual labour were not considered as permanent full-time equivalents.

Note: Part-time employees are calculated as 0.5 full-time equivalents.
When asked if they intended to employ anyone in the future, 51% of respondents replied no. The majority of yes responses to this question intended to employ people on a part-time basis (58% of yes responses intended to employ people on a part-time basis). However, if we consider the timescale for employing people in the future, 55% of responses indicated that they intended to do this in nine months or more. This is quite a long time scale and brings into question whether or not these plans will come to fruition. Also Tremlett (1993) found the majority of scheme businesses which had employees tended to recruit these within 6 months of start up. This adds further weight to the concern that these jobs may never be created.

If part-time and full-time jobs are translated into full-time equivalents, we can see that in 48% of cases this would translate into only 0.5 full-time equivalents and in 37% of cases one full-time equivalent. Therefore the job generating capacity of the businesses started has to be considered limited.

The number of jobs that have been generated and those that have been forecast were combined in order to get a map of the potential employment generation of the businesses in the sample.
Table 4.22  Current and Future Job Creation
*(row percentages in brackets)*

<table>
<thead>
<tr>
<th>GROUP</th>
<th>Number of businesses that don't/will not employ anyone</th>
<th>Number of businesses that do/will employ people</th>
<th>Average number of full-time equivalent jobs created</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td></td>
</tr>
<tr>
<td>ALL</td>
<td>96 (50)</td>
<td>96 (50)</td>
<td>0.60</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>53 (55)</td>
<td>43 (45)</td>
<td>0.53</td>
</tr>
<tr>
<td>North Notts</td>
<td>43 (45)</td>
<td>53 (55)</td>
<td>0.67</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Males</td>
<td>62 (50)</td>
<td>63 (50)</td>
<td>0.67</td>
</tr>
<tr>
<td>Females</td>
<td>34 (51)</td>
<td>33 (49)</td>
<td>0.45</td>
</tr>
<tr>
<td>AGE GROUP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;25 years</td>
<td>12 (60)</td>
<td>8 (40)</td>
<td>0.28</td>
</tr>
<tr>
<td>25-34 years</td>
<td>31 (48)</td>
<td>33 (52)</td>
<td>0.49</td>
</tr>
<tr>
<td>35-44 years</td>
<td>20 (43)</td>
<td>27 (57)</td>
<td>0.88</td>
</tr>
<tr>
<td>45-54 years</td>
<td>22 (50)</td>
<td>22 (50)</td>
<td>0.53</td>
</tr>
<tr>
<td>55 years plus</td>
<td>11 (65)</td>
<td>6 (35)</td>
<td>0.73</td>
</tr>
<tr>
<td>LENGTH OF UNEMPLOYMENT BEFORE STARTING BUSINESS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 6 Months</td>
<td>42 (50)</td>
<td>42 (50)</td>
<td>0.66</td>
</tr>
<tr>
<td>6 - 12 Months</td>
<td>28 (48)</td>
<td>31 (53)</td>
<td>0.67</td>
</tr>
<tr>
<td>1 - 2 YEARS</td>
<td>10 (42)</td>
<td>14 (58)</td>
<td>0.43</td>
</tr>
<tr>
<td>2 YEARS PLUS</td>
<td>15 (63)</td>
<td>9 (38)</td>
<td>0.35</td>
</tr>
</tbody>
</table>
Table 4.22 Continued

<table>
<thead>
<tr>
<th>GROUP</th>
<th>Number of businesses that don't/will not employ anyone</th>
<th>Number of businesses that do/will employ people</th>
<th>Average number of full-time equivalent jobs created</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td></td>
</tr>
<tr>
<td>NATURE OF PREVIOUS EMPLOYMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has been self employed before</td>
<td>5 (39)</td>
<td>8 (62)</td>
<td>0.69</td>
</tr>
<tr>
<td>Has not been self employed before</td>
<td>91 (51)</td>
<td>88 (49)</td>
<td>0.59</td>
</tr>
<tr>
<td>Has previously held a management position</td>
<td>25 (39)</td>
<td>40 (62)</td>
<td>0.97</td>
</tr>
<tr>
<td>Has not held a management position previously</td>
<td>71 (56)</td>
<td>56 (44)</td>
<td>0.41</td>
</tr>
<tr>
<td>Has worked for a small firm previously</td>
<td>40 (47)</td>
<td>45 (53)</td>
<td>0.59</td>
</tr>
<tr>
<td>Has not worked for a small firm previously</td>
<td>56 (52)</td>
<td>51 (48)</td>
<td>0.60</td>
</tr>
<tr>
<td>START UP CAPITAL INVESTED</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; £1000</td>
<td>32 (70)</td>
<td>14 (30)</td>
<td>0.25</td>
</tr>
<tr>
<td>£1000 - £4999</td>
<td>47 (49)</td>
<td>48 (51)</td>
<td>0.46</td>
</tr>
<tr>
<td>£5000 - £9999</td>
<td>7 (47)</td>
<td>8 (53)</td>
<td>0.4</td>
</tr>
<tr>
<td>£10000 - £19999</td>
<td>5 (24)</td>
<td>16 (76)</td>
<td>1.26</td>
</tr>
<tr>
<td>£20000 plus</td>
<td>2 (17)</td>
<td>10 (83)</td>
<td>2.21</td>
</tr>
</tbody>
</table>

From the table above the proportion of businesses employing or intending to employ others can be controlled for a number of variables (eg area, sex etc). Also given are the average number of full-time equivalents that are or will be employed by businesses within each group. As can be seen from the table there are only small deviations between groups. From the evidence above the groups which are likely to employ more
people on average are respondents from North Notts, males, belonging to the middle age group (35 - 44 years), who were unemployed less than one year before starting their business, who had been previously self-employed, who had held a managerial position in their previous employment and if they had invested over £10,000.

Differences in job generation between business types was investigated. However due to the small sample size of business types conclusions could not be drawn.

4.3.4 What Have Respondents Achieved Running Their Own Business

Again a wide variety of responses were gained to this question. The more popular ones have been grouped and summarised below (number of responses are given in brackets - note that many respondents gave more than one response).

**What achievements have respondents made?**

It is too early to say (27)
Self-employment means they now have a full-time job (15)
The business has not taken off as expected (14)
Recession has made things slower than anticipated (9)
Business is doing OK despite the recession (6)
The business is on target (18)
The business has been more successful than anticipated (27)
The business has been very successful (6)
They are slowly getting to the position they wanted (7)
Being self-employed has given them confidence/self respect (6)
Being self-employed has given them job satisfaction and autonomy (14)
Being self-employed is the realisation of a long held ambition (5)

Being self-employed is an enjoyable experience (5)

The responses tended to be of two types. Achievement or lack of it was either seen in terms of the satisfaction gained by the individual as a result of being self-employed or in terms of the position of the company created. Many respondents made more than one comment about their achievements. The responses gained, although interesting in themselves, do not allow an overview to be gained of how participants feel they are progressing. Therefore all responses were re-categorised into four groups. These were that achievements recorded, of whatever kind, were either positive, negative, mixed (ie positive and negative) or neutral (ie neither positive nor negative). For example 'the business has not taken off as anticipated' would be categorised as negative, whereas "being self-employed has given me job satisfaction and autonomy" would be categorised as positive.

The table below summarises the results.
Table 4.23 Achievements Gained By Running a Business

*(row percentage are given in brackets)*

<table>
<thead>
<tr>
<th>Group</th>
<th>Positive No (%)</th>
<th>Negative No (%)</th>
<th>Neutral No (%)</th>
<th>Mixed No (%)</th>
<th>TOTAL No (% of all)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>101 (53)</td>
<td>30 (16)</td>
<td>49 (26)</td>
<td>12 (6)</td>
<td>192 (100)</td>
</tr>
<tr>
<td>AREA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rotherham</td>
<td>48 (50)</td>
<td>18 (19)</td>
<td>24 (25)</td>
<td>6 (6)</td>
<td>96 (50)</td>
</tr>
<tr>
<td>North Notts</td>
<td>53 (55)</td>
<td>12 (13)</td>
<td>25 (26)</td>
<td>6 (6)</td>
<td>96 (50)</td>
</tr>
<tr>
<td>SEX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>63 (50)</td>
<td>20 (16)</td>
<td>34 (27)</td>
<td>8 (6)</td>
<td>125 (65)</td>
</tr>
<tr>
<td>Female</td>
<td>38 (37)</td>
<td>10 (15)</td>
<td>15 (22)</td>
<td>4 (6)</td>
<td>67 (35)</td>
</tr>
<tr>
<td>AGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 25 Years</td>
<td>11 (55)</td>
<td>2 (10)</td>
<td>6 (30)</td>
<td>1 (5)</td>
<td>20 (10)</td>
</tr>
<tr>
<td>25-34 Years</td>
<td>37 (58)</td>
<td>7 (11)</td>
<td>15 (23)</td>
<td>5 (8)</td>
<td>64 (33)</td>
</tr>
<tr>
<td>35-44 Years</td>
<td>26 (55)</td>
<td>7 (15)</td>
<td>12 (26)</td>
<td>2 (4)</td>
<td>47 (24)</td>
</tr>
<tr>
<td>45-54 Years</td>
<td>19 (43)</td>
<td>10 (22)</td>
<td>13 (30)</td>
<td>2 (5)</td>
<td>44 (23)</td>
</tr>
<tr>
<td>55 Years Plus</td>
<td>8 (47)</td>
<td>4 (24)</td>
<td>3 (18)</td>
<td>2 (12)</td>
<td>17 (9)</td>
</tr>
<tr>
<td>LENGTH OF TIME BUSINESS HAS BEEN IN OPERATION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 6 Months</td>
<td>46 (48)</td>
<td>10 (10)</td>
<td>33 (34)</td>
<td>7 (7)</td>
<td>96 (50)</td>
</tr>
<tr>
<td>6 to 12 Months</td>
<td>44 (62)</td>
<td>14 (20)</td>
<td>9 (13)</td>
<td>3 (4)</td>
<td>70 (36)</td>
</tr>
<tr>
<td>Over 1 year</td>
<td>11 (42)</td>
<td>6 (23)</td>
<td>7 (27)</td>
<td>2 (8)</td>
<td>26 (14)</td>
</tr>
</tbody>
</table>

4.58
Table 4.23 Continued

<table>
<thead>
<tr>
<th>Group</th>
<th>Achievements have been:</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Positive</td>
<td>Negative</td>
</tr>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td></td>
<td>(%) of all</td>
<td></td>
</tr>
<tr>
<td>NATURE OF PREVIOUS EMPLOYMENT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Has been self employed before</td>
<td>8 (62)</td>
<td>0 (0)</td>
</tr>
<tr>
<td>Has not been self employed before</td>
<td>93 (52)</td>
<td>30 (17)</td>
</tr>
<tr>
<td>Has previously held a management position</td>
<td>36 (55)</td>
<td>9 (14)</td>
</tr>
<tr>
<td>Has not held a management position previously</td>
<td>65 (51)</td>
<td>21 (17)</td>
</tr>
<tr>
<td>Has worked for a small firm previously</td>
<td>47 (55)</td>
<td>9 (11)</td>
</tr>
<tr>
<td>Has not worked for a small firm previously</td>
<td>54 (51)</td>
<td>21 (20)</td>
</tr>
<tr>
<td>TURNOVER OF BUSINESS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;£10000</td>
<td>26 (41)</td>
<td>14 (22)</td>
</tr>
<tr>
<td>£10000-£20000</td>
<td>36 (55)</td>
<td>11 (17)</td>
</tr>
<tr>
<td>£20000 Plus</td>
<td>30 (71)</td>
<td>1 (2)</td>
</tr>
<tr>
<td>DO YOU OR DO YOU INTEND TO EMPLOY ANYBODY</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>55 (57)</td>
<td>12 (13)</td>
</tr>
<tr>
<td>No</td>
<td>46 (48)</td>
<td>18 (19)</td>
</tr>
</tbody>
</table>

From the table we can see that only 16% of respondents felt that their achievements to date had been negative, 53% felt their achievements had been positive. Respondents from the Rotherham area were more pessimistic about their achievements than respondents from North Notts (a smaller proportion felt their achievements had been
positive and a larger proportion felt their achievements had been negative). In terms of
sex a larger proportion of females than males felt their achievements were positive.

When age is considered there appears to be very little difference between the three
youngest age groups. However, in the older two age groups a smaller proportion feel
their achievements have been positive and a larger proportion feel they have been
negative.

The length of time the business had been in operation was considered as a factor which
may influence perceptions of performance. The interesting finding here is that those
businesses that have been in operation longer view their achievements less favourably
than those who are currently on the scheme (ie businesses that have been in operation
less than 12 months). This went against expectations as, it was anticipated those
businesses that had managed to operate without Scheme monies would view their
achievements more positively than those that were existing with the subsidy. However,
it may be that these respondents are finding survival difficult now that they are no longer
in receipt of the allowance.

The nature of previous employment appeared to have little affect on how respondents
viewed their achievements, except in the cases where participants had been self-employed
before. Those respondents who had been self-employed previously viewed their
achievements more positively than other respondents. However, as the number of
respondents in this group is small, it is difficult to draw conclusions.

The last two groups of figures in the table relate to turnover and the actual or intended
employment of others. These two factors were considered to be economic measures of
success, ie the ability to achieve a high turnover and the ability to employ others. The perception of achievement, however, is not a measure of economic success alone but may include the respondents attitude to being their own boss, job satisfaction and autonomy etc. It was interesting to find that as the respondents did better on the economic success indicators (ie achieved high turnover or generated/will generate jobs), they were also more optimistic about their achievements. A potential explanation is that if the business is doing well in economic terms, then the owner may justifiably feel satisfied with what he/she has achieved and therefore perceive achievements positively (the economic indicators inform the individual's perceptions).

4.3.5 Summary

Turnover varied greatly between respondents, but the turnover for a large proportion of the sample was very low indeed (75% turning over less than £20,000). Though overheads may be low for these firms due to the low establishment costs, potential for generating profits of any size on this level of turnover is limited.

The level of reward respondents give themselves from their businesses is also low with 63% paying themselves £100 per week or less (28% put this at £40 or less). When compared to previous salary this shows that weekly net income declines on average by £93. However, compared to unemployment benefits, 67% are better off running their own firms than remaining unemployed. This finding is similar to previous evaluations of the scheme (Department of Employment, 1984; Allen and Hunn, 1985) where decreases in income between self-employment and unemployment were found to occur in 28% and 30% of cases respectively.
At present only 25.5 full-time equivalent jobs have been created by the businesses responding to the questionnaire (192 businesses in total). However, a significant number of businesses (50%) have been in operation less than six months and so are unlikely to have created jobs yet. If the expected job creation is also considered the number of full-time equivalent jobs generated increases to 83. But 55% of these are not expected to be created for at least another nine months and so it could be questioned whether they are likely to occur at all.

Turnover, personal income and employment generation can all be considered measures of success for the businesses surveyed. However, this interpretation seems narrow and ignores the personal satisfaction that can be gained from self-employment. A further measure of success was taken to be the self reported achievements that respondents described. These included both economic measures but also 'softer' measures of success which have been achieved through running their own business. In these terms, 53% of responses indicated that running their business had resulted in positive outcomes and only 16% reported negative outcomes.

All four measures of success (turnover, income, employment generation and perceptions of achievements made) were investigated to find whether any variables in the individual, their business or their past employment influenced their value. The findings are summarised below.

Area: Respondents from the North Notts area performed better on all four indicators.

Gender: Males performed significantly better on all indicators except self reported
achievement.

Age: The youngest age group performed worst on all indicators except self reported achievement.

Business Type: Female dominated business types performed worst in terms of turnover and how much participants will pay themselves (due to small sample sizes no further relationships could be identified).

Age of Business: Businesses which had been running for the longest time performed worst on all indicators.

Previous Employment History: Those respondents who had management experience, or had previously worked for a small firm, or had previously been self-employed performed better in terms of turnover and the amount they paid themselves. Those who had worked for a small firm or had been self-employed also performed best in potential employment generation.

Start up Capital Invested: The higher the level of initial investment in the business, the higher the performance in terms of all indicators.

Although differences between groups of respondents occurred as outlined above, the most significant differences in performance were found to be between males and females, the youngest age group and all other age groups and finally between different levels of start up investment. Smeaton (1992) had very similar findings when researching self-
employment, ie low performance of females and the young. He suggested that women may be balancing family commitments whilst self-employed. Also he suggests that the youngest age groups may be disadvantaged as they have limited access to capital and have not been able to develop a network of contacts.

It would be socially unacceptable to differentiate between males and females for acceptance onto the scheme, and undesirable to discriminate against the youngest age group as unemployment is high in this section of the population. However, it may be worthwhile taking a serious look at the amount of start up capital potential participants are proposing to invest in their businesses as a means of reducing low performing small firm start ups. However, further investigation is required before firm conclusions can be drawn. Also it should be noted that the poorest performing groups (females and the young) are the ones that invest least in their businesses.

4.4 TRAINING/COUNSELLING AND ADVICE

The majority of scheme participants had no previous experience of running a business, therefore it was decided that the training, counselling and advice they received should be investigated. Three main sources of assistance were considered.

The assistance provided by the TECs and their agents (a mix of voluntary and private sector enterprise agencies) were reviewed. This included pre start up training/counselling plus that received during and post scheme. Also the advice received from banks and accountants was considered.

Each of these forms of assistance will be considered in turn.
4.4.1 Pre BSU Training/Counselling

Responses to this part of the questionnaire were poor with 42% either saying they had received no pre-start up assistance or not responding. However, all respondents who were still in receipt of the scheme's allowance (89% of respondents) would have received pre-start up training/counselling. As a consequence of this it is hard to draw generalisations from the limited responses gained.

76 (40%) of the sample claimed that the pre start up training they had received was either useful or very useful. Only three (2%) respondents claimed that the training was of no use to them at all. However, further information was offered by respondents as to problems/benefits in the existing provision, improvements which could be made and what were the most useful elements of the courses. These are summarised below (number of respondents making comments given in brackets):

**Problems/benefits of existing provision**

- Training too general (3)
- Training pitched at too low a level (1)
- Training too short/rushed/superficial (4)
- Parts of training were good, others were poor (4)
Improvements that could be made to existing provision

More time should be dedicated to finance/tax/book keeping (15)
More legal advice required (5)
Training should be more specific/individual (12)
Training needs to be longer (4)

The most useful aspects of existing provision

Book keeping/tax/financial advice (15)
Marketing (3)

A few respondents mentioned other assistance they had received whilst on the scheme. Twelve respondents had been on courses dealing with book keeping and tax, seven had been on marketing courses and in every case they commented on the usefulness of these. Some respondents commented that although they wished to go on further courses they had received no information (four respondents), or that courses they had booked onto had been cancelled (four respondents). Sixteen respondents had been back to their trainers for advice on book keeping or tax and had found the assistance they had received useful.

When asked what assistance should be available on finishing the scheme, the responses were wide ranging and the response rate better (83% response). Fifteen respondents felt further help should not be offered businesses on finishing the scheme as they should be able to function without further assistance. Sixteen respondents commented that their training provider had already offered further assistance if it was required, hence nothing more was needed. The largest number of responses indicated that they would like the assistance offered to them whilst on the scheme to continue, ie their trainers or
counsellors to be available if, or when, they required further advice (67 respondents).

Other suggestions are summarised below (number of respondents mentioning each option are given in brackets).

**Support which should be made available at the end of the scheme**

- Financial advice to be available at the end of the first year (27)
- Details of courses/advice on offer should be made available (12)
- Follow up interviews should continue (10)
- Financial help should continue beyond the first year (7)
- Accountants available at end of first year to help with end of year accounts (6)
- Advice on business growth/development/employment (5)
- Review/analysis of business standing on completing the scheme (4)
- Ex scheme participants group meetings (4)
- Telephone help line (1)

The high level of demand for continuing support and advice can be interpreted in two ways. Either the benefits of such training/advice have been found to be beneficial and hence respondents would like the level of support to continue, or the respondents are not sufficiently confident about running a business in order to be self sufficient by the end of the scheme. It is difficult to ascertain which is the true position. However, when asked if they felt they had been sufficiently prepared to run their own business, 83% of respondents said they were. Of the 18% who felt insufficiently prepared, 69% felt that they required further training and/or advice in one or more areas of running a business.

From this it may be concluded that participants have, in fact, found the support given on the scheme beneficial and this is the reason they would like to see the advisory support continued.
It is also interesting to note the high level of demand for financial advice, especially at the end of the first year of trading when the first set of accounts need to be completed. As this activity is probably outside the previous experience of most respondents it is inevitable that this should form the focus of further support.

4.4.2 Support on Completing the Scheme

Most (89%) of the respondents were still on the scheme at the time the questionnaire was answered, and consequently were unable to comment about the assistance available on completion. Of those who had completed the scheme, only two respondents said that further assistance had been offered and that this had been taken up. Six respondents said that further assistance was not required. Seven respondents said they were interested in receiving further assistance, but five of these had received no information on what was available and two said the information they had received was too late to join courses advertised. A further seven respondents who had completed the scheme made no comment on this section of the questionnaire. All responses to this part of the questionnaire came from Rotherham area (no North Notts respondents had completed the scheme at the time of response).

It would appear that the support of participants leaving the scheme within Rotherham area was at best ad hoc. As participants in general appear to want/need continuing support post BSU scheme, it would seem that much more work is required in this area.

4.4.3 Banks and Accountants

93% of respondents held business bank accounts and 57% had, or were currently,
employing the services of an accountant. Wood (1985), in his study of EAS participants, found that a larger proportion of those who continued in business after two years from completion of the scheme, as opposed to those who ceased trading, had sought advice from accountants and banks. From the sample who had business bank accounts, 52% of respondents said that no advice had been received from the bank, a further 14% made no comment about the services/advice they had received (failure to comment may be as a result of no advice being given). The remaining responses about advice received tended to indicate that the bank was giving information about their services/products and their costs, eg information on different types of accounts, overdraft/loan costs, pensions and life insurance etc. Few of the respondents indicated that the bank had taken any particular interest in the businesses that were being created or that they had advised their clients about running/starting a new business.

Of those respondents who had received advice from their bank, 72% had found it useful. Other comments however pointed to dissatisfaction with the services received. Four respondents had changed banks as a result of the poor service they had received, 10 respondents commented that the staff were condescending and five respondents said that the banks they had used were incompetent.

Taking an overview of the responses gained, it appears that despite the marketing campaigns of the past 10 years, banks have not improved their service to small firms. Their primary concern is still the promotion of their products rather than assisting with the development of their customers' business.

With regard to accountants, it would seem their primary role in the sample businesses is the completion/checking of clients accounts/tax returns. In all but 23 cases these were 4.69
the sole functions performed by the accountant. Fourteen respondents said that their accountant had given general advice on starting/running a small business, four respondents said the accountant had advised or liaised with their bank, three respondents said that the accountant had assisted in organising their company's registration and two respondents said their accountant had liaised with the Inland Revenue on their behalf.

This information ties in with comments made by a large number of respondents on their desire for more training in book keeping/finance and that they would like help from an accountant at the end of their first year in business. As most of the accounts for these businesses will be relatively simple, most of the sample should be in a position to complete their own books/tax returns. Refresher courses at the end of the first year may be a solution, as participants will have real data with which they are familiar to work upon. Whereas during the pre start up training the work they do may be too abstract for them to grasp the principles of this process. As accountants are invariably expensive this would result in a real cash benefit to scheme participants.

Within the two regions considered assistance with fees for accountants services have been developed. Within the Rotherham area the training providers have accountants who work with the participants of the scheme at lower than normal rates. In North Notts a voucher scheme is in operation where successful applicants can receive vouchers up to the sum of £180, which can then be used for the purchase of services from either accountants or solicitors. However, in both areas not all participants have the opportunity to take advantage of these schemes. Maybe a more equitable and cost effective method of coping with this would be to bring participants together at strategic points during their time on the scheme in order to review their book keeping procedures and to assist with the production of end of year accounts.
4.4.4 Summary

Response rates achieved in the area of support and assistance received by respondents were generally poor, making conclusions difficult. However, from the responses gained, the general impression formed was that pre start up training was usually well received, although some problems with the training were identified. Support available during and post scheme tended to be ad hoc, though again poor response rates make firm conclusions difficult. A significant number of respondents did identify a need for continuing support post scheme.

The majority of respondents had business bank accounts and employed the services of accountants. However, the reported advice received from these sources was limited.

4.5 Respondents Not Continuing in Business

In this section the responses gained from those who ceased trading will be reviewed and, where appropriate, comparisons will be made with the respondents who continued in business.

Only 12 responses were gained from scheme participants who were no longer operating their business. This is a very small response rate and it is thought to be unrepresentative of the true size of this group. As stated earlier, it is likely that this group in particular failed to respond to the questionnaire. This is either due to data on addresses being out of date or because individuals who are no longer in receipt of the allowance feel less obligated to respond. All of the 12 responses received from this group were from the Rotherham area.
4.5.1 Characteristics of the Sample

4.5.1.1 Gender

Of the respondents who no longer operated their businesses 33% (four) were female and 66% (eight) were male. This compares with Rotherham area respondents who are still operating their business, 43% of whom were female and 57% male.

4.5.1.2 Age

The age profiles of those that continue in business and those who have ceased trading in the Rotherham area are compared in the table below.

Table 4.24 Age Profile of Respondents
*(column percentages in brackets)*

<table>
<thead>
<tr>
<th>AGE</th>
<th>Those who continue in business</th>
<th>Those who no longer continue in business</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25 Years</td>
<td>11 (12)</td>
<td>4 (33)</td>
</tr>
<tr>
<td>25-34 Years</td>
<td>33 (34)</td>
<td>4 (33)</td>
</tr>
<tr>
<td>35-44 Years</td>
<td>19 (20)</td>
<td>0 (0)</td>
</tr>
<tr>
<td>45-55 Years</td>
<td>26 (27)</td>
<td>3 (25)</td>
</tr>
<tr>
<td>55 Years Plus</td>
<td>7 (7)</td>
<td>1 (8)</td>
</tr>
<tr>
<td>Total</td>
<td>96(100)</td>
<td>12(100)</td>
</tr>
</tbody>
</table>

Due to the small sample size of those no longer trading it is difficult to draw conclusions.
4.5.1.3 Marital Status

83% of those no longer trading were married or cohabiting with a partner. This is a very similar proportion to those still operating their businesses (here 80% were married or cohabiting).

4.5.2 Education

4.5.2.1 School Qualifications

66% of those respondents no longer trading had either GCE's, CSE's or GCSE's, only two respondents (17%) had 'A' levels. These are not dissimilar proportions to those who were still operating their businesses in the Rotherham area (the percentages here were 75% and 18% respectively).

4.5.2.2 Post School Qualifications

58% (seven respondents) in this group had some form of post school qualification - 42% (five respondents) had vocational qualifications and 17% (two respondents) had undergraduate qualifications as defined earlier. These proportions are slightly lower than for the sample who continue in business in the Rotherham area (here 69% of respondents had some form of post school qualification). However, again the sample size does not allow conclusions to be drawn.

When it was considered whether these qualifications were related to the business created by this group, 33% (four) were found to be directly related, 17% (two) were not related
at all and 8\% (one) were business and management qualifications. These findings are very similar to those in the Rotherham area who are continuing to trade (percentages here were 23\%, 25\% and 8\% respectively with a further 12\% of respondents having qualifications which were considered indirectly related to the business created).

4.5.3 Previous Employment

When the previous work experience of participants was considered some interesting results were found. In terms of the proportion of respondents who had previously worked for small firms, there was no difference between those who had ceased trading and those who continued to trade in the Rotherham area (42\% of respondents in both groups had worked for small firms). However, none of the respondents who had ceased trading had held a managerial or professional position and yet of those who continued to trade it was found that respondents with this experience performed better in terms of turnover and in terms of current and potential job generation. Another interesting finding was that 33\% (four respondents) had been self-employed previously.

4.5.3.1 Salary of Last Job

The average salary of those respondents who had ceased trading was £123 per week which is substantially less than those who continue in business in the Rotherham area (5\% trimmed mean salary was £168 and the mean salary was found to be £184).

4.5.3.2 Length of Unemployment Before Starting Up in Business

The duration of unemployment before starting the scheme ranged from two months to
two years with an average length of unemployment of 11 months. Again these findings are very close to those who continue to trade in Rotherham (5% trimmed mean duration of unemployment for those still trading was 11 months and the mean, 14 months).

4.5.4 Characteristics of the Businesses Created

4.5.4.1 Types of Businesses Created

From this group of respondents three were joiners, one was a plumber, two were in light haulage, one was a beauty therapist, one was a dress maker, one offered typing and business services, one was a freelance illustrator, one hired out PA equipment and another bought and sold new and old plastic containers.

4.5.4.2 Length of Time Businesses Operated

It was found that only five (42%) of the businesses in this group operated for the entire duration of the Scheme. These then ceased to trade at the end of the 12 month of the scheme. The other seven (58%) businesses ceased trading whilst in receipt of the schemes allowance. The reasons for ceasing to trade were varied and didn't seem to follow a pattern. The responses elicited are summarised below.

<table>
<thead>
<tr>
<th>Length of time business traded</th>
<th>Reason for ceasing trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Month</td>
<td>Ceased due to illness</td>
</tr>
<tr>
<td>1 month</td>
<td>Partner ill and found employment</td>
</tr>
<tr>
<td>2 Months</td>
<td>Found employment</td>
</tr>
<tr>
<td>Time</td>
<td>Event</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>3.5 Months</td>
<td>Found employment</td>
</tr>
<tr>
<td>5 Months</td>
<td>Business only breaking even so had to find employment</td>
</tr>
<tr>
<td>5 Months</td>
<td>Business losing money - too few customers and realistic prices</td>
</tr>
<tr>
<td></td>
<td>couldn't be charged</td>
</tr>
<tr>
<td>9 Months</td>
<td>Had a baby</td>
</tr>
<tr>
<td>12 Months</td>
<td>Business only breaking even and not enough customers</td>
</tr>
<tr>
<td>12 Months</td>
<td>Found alternative employment</td>
</tr>
<tr>
<td>12 Months</td>
<td>Business started to lose money</td>
</tr>
<tr>
<td>12 Months</td>
<td>Didn't like the isolation of working from home</td>
</tr>
<tr>
<td>12 Months</td>
<td>The recession reduced the number of customers and increased the level of competition</td>
</tr>
</tbody>
</table>

The businesses that ceased trading either due to finding employment, having children, illness etc, rather than failed, were the PA equipment hire, the beauty therapist, one of the light haulage firms, one of the joiners and the typing/business services provider.

Failure was due to either competition being too great, hence either there were not enough customers or price cutting made business unviable, or the business took too long to get going.

If we consider the types of business started, then the reasons for failure are not surprising as the majority of the businesses need low initial investment and limited skills. Hence competition is likely to be high making survival difficult.
4.5.5 Training/Counselling and Advice

A third of respondents said they had received no training, counselling or advice either before or during their time on the scheme. Of the other respondents, two claimed that the BEP programmes they attended were of limited use as they were targeted at larger businesses than the ones they intended to create. Five respondents attended courses and seminars over and above the BEP programme, two of these commented that they were unable to apply what they were taught to their business. A further respondent said they had not received information as to what other courses/seminars advice etc was available.

4.5.5.1 Banks and Accountants

A quarter of the respondents had employed the services of an accountant. In each instance, however, the accountants sole function was to check the books. In two cases the accountant had been recommended by their trainer and cost £356 per annum which they claimed was too expensive.

All respondents had business bank accounts. Three-quarters of the responses indicated that the banks had given no advice whatsoever. Two respondents said the bank had advised on how their finances could be rearranged in order to minimise the costs of banking, and another respondent claimed that the bank had been most unhelpful "to put it mildly" (in his words).

4.5.6 Opinions on the Experience of Running a Business

Three of the respondents reported that the time spent running a business was not
worthwhile and it had left them financially worse off, they had debts and overdrafts that still needed to be paid.

Three further respondents said that they had always wanted to try self-employment and the experience had been worthwhile.

Two respondents felt that their period of self-employment would stand them in better stead for gaining employment elsewhere, and two other respondents felt that the outcome would have been very different if there had not been a recession during the period of their self-employment.

4.5.7 Could the Problems Encountered Have Been Overcome?

The responses to this question are summarised below (number of responses given in brackets):

**Could the problems encountered have been overcome?**

The market was too small - more detailed research would have identified this (3)

More help/advice was needed on pricing and costing of goods/services (2)

More help/advice was needed on credit control (2)

More capital was required to invest in a vehicle (1)

No, problems couldn't have been overcome, failure was due to the recession (1)

No, nothing could have been done (3)

An interesting comment was made by one respondent about the business plan she had prepared. She felt her final business plan was too optimistic but she had been advised
to do this by her trainer in order to get accepted onto the scheme.

4.5.8 What the Respondents are Doing Now

Since ceasing trading, five of the respondents have found employment, six are still unemployed and one is in receipt of sickness benefit.

4.5.9 Summary

The number of respondents who had ceased trading was very small and limits our ability to draw conclusions.

The basic characteristics of these businesses and their owners, compared to those that continued, were not strikingly different. Also, although these businesses no longer traded they were not necessarily failures eg one ceased trading to have a baby, another became ill etc. Beyond this little more can be said however.

4.6 SUMMARY AND CONCLUSIONS

In this chapter the analysis of the questionnaire data has been given. From this a number of conclusions can be drawn.

The first observation is that the participants of the scheme are very diverse in terms of age, educational and employment histories, as are the businesses they created. However, most businesses were based either on previous employment or a hobby and operated on a local or regional basis. A significant proportion of respondents felt that they operated
in non competitive environments and they employed very basic competitive strategies (eg low price) in order to gain and maintain a customer base. These findings have a number of implications. Firstly, businesses are created in sectors where movement into self employment is easy due to low entry barriers and where many examples of small businesses already exist, thus making competition great. The existence of competition is generally underestimated and non unique methods for dealing with this are adopted. Meanwhile, the local economies in both regions are depressed making demand much reduced. We can conclude, therefore, that in the main these are likely to be businesses with limited growth potential and where survival is insecure.

When measures of success were considered these fears were borne out. Turnover and personal income paid from the business tended to be very small. Similarly job creation was limited. Particularly interesting was the fact that women, the young and also those who invested least in their businesses, appeared to perform worst on these indicators. Meanwhile, if self reported achievements were considered, performance was generally perceived favourably, despite poor economic and financial performance. Although economic factors were frequently cited as important, more often performance here was expressed in terms of job satisfaction and autonomy. Of particular note was the finding that women and the young performed better than would be expected on this indicator, given their poor financial performance. This was therefore highlighted for further investigation in the research ie how are the different outcomes of the businesses weighted by the different groups of scheme participants?

There was a poor response rate to questions about support and advice. This made conclusions difficult and again identified the need for further investigation. Generally, start up training was well received, but there was limited assistance or advice offered
after this. However, a large proportion of participants felt that there was a need for further assistance both during and post scheme.

The last section in this chapter looked at those respondents who had ceased trading. The very small number of responses here, again made conclusions difficult. Nevertheless, from the analysis, very little difference could be discerned between those who continued to trade and those that did not. Also it was noted that ceasing trading did not necessarily mean the business had failed. Ill health, pregnancy or finding suitable employment cannot be considered a business failure. Again, the issue of failure versus cessation of trading was identified as an area which required further investigation.

Finally, the analysis of the questionnaires was also undertaken in order that the representativeness of the interview sample could be deduced by comparisons with the questionnaire sample. This analysis will be undertaken in the chapter that follows.
CHAPTER 5

COMPARISON OF QUESTIONNAIRE AND INTERVIEW SAMPLES

5.1 INTRODUCTION

In this chapter the characteristics of the interview and questionnaire samples will be compared.

It was necessary, prior to any further analysis of the interview data, to determine whether the interview sample was representative of the wider population of scheme participants in the two TEC regions under investigation. If it is, then conclusions drawn from the analysis of the interviews can be considered to carry greater significance and generalisability than just for the sample from which they are gained. Details of how the interview sample was obtained can be found in chapter three.

Although a detailed, qualitative analysis of the interviewee sample data will follow later, here an overview of their personal characteristics and those of their businesses is given. Comparisons will be made between the interviewee sample and the questionnaire sample from the previous chapter. Where appropriate the interviewee sample will be considered as a whole but more frequently a subset of the interviewee sample will be used. The subset is comprised of those interviewees who continued in business at the end of the study. This is because the comparator group from the questionnaire sample is comprised of those still continuing in business at the time of responding to the questionnaire. Hence we are able to compare like with like. It should be noted that conclusions will
be at best tentative due to the small size of the interviewee sample. Further, more
detailed breakdown of the interviewee sample to identify differences between subgroups
e.g. males versus females, different age groups etc. will not generally be undertaken as
subgroup sizes become too small and therefore figures become meaningless.

5.2 PERSONAL CHARACTERISTICS

5.2.1 TEC Region

Of the 30 interviewees, 17 (57%) came from the Rotherham TEC region and 13 (43%)
from the North Notts TEC region. In the Rotherham area, 9 (53%) were still in business
at the end of the study, 6 (35%) never started in business and 4 (24%) ceased trading.
In North Notts the pattern was somewhat different, 9 (69%) were still in business and
4 (31%) never started in business and none ceased trading.

5.2.2 Gender

In the questionnaire sample 35% of respondents were found to be female and 65% male,
also the proportion of females in this sample was found to be greater in Rotherham than
North Notts. With the interview sample the proportion of males to females was 60% to
40% when the total sample was considered, and 69% to 31% when considering only
those who continued in business. These findings are very similar. The tentative
conclusion may therefore be drawn that fewer females than males consider self-
employment. These findings are similar to Tremlett (1993). In the interview sample
there was very little difference in the ratio of male to females in the Rotherham and
North Notts areas.
5.2.3 **Age Profile**

Table 5.1 Age Profile of Interviewees

*(column percentages in brackets)*

<table>
<thead>
<tr>
<th>AGE</th>
<th>ALL INTERVIEWEES</th>
<th>INTERVIEWEES WHO REMAINED IN BUSINESS</th>
<th>QUESTIONNAIRE RESPONDENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;25 Years</td>
<td>5 (17)</td>
<td>2 (13)</td>
<td>20 (10)</td>
</tr>
<tr>
<td>25-34 Years</td>
<td>12 (40)</td>
<td>8 (50)</td>
<td>64 (33)</td>
</tr>
<tr>
<td>35-44 Years</td>
<td>9 (30)</td>
<td>4 (25)</td>
<td>47 (25)</td>
</tr>
<tr>
<td>45-54 Years</td>
<td>2 (7)</td>
<td>1 (6)</td>
<td>44 (23)</td>
</tr>
<tr>
<td>55+ Years</td>
<td>2 (7)</td>
<td>1 (6)</td>
<td>17 (9)</td>
</tr>
<tr>
<td>Total</td>
<td>30(100)</td>
<td>16(100)</td>
<td>192(100)</td>
</tr>
</tbody>
</table>

As with the questionnaire sample the largest proportion of the interviewee sample fell into the 25-34 age group, followed by the 35-44 age group (this was true for the total sample as well as the subset who were still in business). It is suggested that these age groups have the largest financial commitments, such as mortgages and young families. Consequently, people in these age groups are more likely to enter self-employment. For example, for women of this age, self-employment may be considered an opportunity to work whilst looking after children. Alternatively, for men, self-employment may be the only mechanism to earn sufficient money to support themselves and their families, if they are unable to find employment. Finally, it may be that people of these age groups are more likely to view starting a business as a career move. They are likely to have the necessary life and work experience to feel capable of taking this step, have some capital
available to invest and may start to become frustrated if their career progression is insufficient.

Further breakdown of age by sex, marital status and area become meaningless as sample sizes are too small.

5.3 EDUCATION

5.3.1 School Education

The interviewee sample had the following features in common with the questionnaire sample. Firstly, interviewees were more likely to possess GSE, CSE or GCSE than not (53% had these qualifications and 47% did not). A greater proportion of women and the young age groups held school qualifications than men or the older age groups (75% of women left school with qualifications compared to 39% of men and all the youngest age group left school with qualifications whereas none of the sample aged over 45 did). Also only a small proportion of the sample held A levels (10%). Although these findings are broadly in line with the findings from the questionnaire, the proportion leaving school with qualifications is far less in the interview sample (in the questionnaire sample 74% possessed O levels and 19% A levels). Differences between the total interview sample and the subgroup that remained in business at the end of the study were minimal (54% and 6% were recorded respectively as having O levels and A levels for the subset, compared with 53% and 10% in the total interviewee sample).
5.3.2 Post School Education

Again, there are broad similarities between the questionnaire sample and interviewee sample in this area see table below.

Table 5.2 Post School Education
*(percentages of total sample in brackets)*

<table>
<thead>
<tr>
<th>QUALIFICATIONS HELD</th>
<th>ALL INTERVIEWEES</th>
<th>INTERVIEWEES WHO REMAINED RESPONDENTS</th>
<th>QUESTIONNAIRE IN BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Vocational</td>
<td>16 (53)</td>
<td>9 (56)</td>
<td>99 (52)</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>4 (13)</td>
<td>2 (13)</td>
<td>42 (22)</td>
</tr>
<tr>
<td>Postgraduate</td>
<td>1 (3)</td>
<td>0 (0)</td>
<td>6 (3)</td>
</tr>
<tr>
<td>Professional</td>
<td>1 (3)</td>
<td>1 (6)</td>
<td>29 (15)</td>
</tr>
<tr>
<td>Total number in sample</td>
<td>30(100)</td>
<td>16(100)</td>
<td>192(100)</td>
</tr>
</tbody>
</table>

A few in each sample had undergraduate qualifications but very few respondents had postgraduate or professional qualifications. It should be noted, though, that the proportions found to hold these qualifications were slightly higher in the questionnaire sample than the interview sample, showing a higher level of educational achievement as was found with school qualifications. However, a slightly larger proportion of the interviewee sample (both the total sample and the subset of those still in business) had vocational qualifications than not, which again was in line with findings from the questionnaire respondents.
It would seem reasonable to conclude that there is no evidence that the educational achievements of the interview sample are low.

Table 5.3  
**Relationship Between Post School Qualifications and Businesses Started**

(column percentages in brackets)

<table>
<thead>
<tr>
<th>RELATIONSHIP BETWEEN POST SCHOOL QUALIFICATIONS AND BUSINESS STARTED</th>
<th>ALL INTERVIEWEES</th>
<th>INTERVIEWEES WHO REMAINED RESPONDENTS IN BUSINESS</th>
<th>QUESTIONNAIRE WHO REMAINED RESPONDENTS IN BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No (%)</td>
<td>No (%)</td>
<td>No (%)</td>
</tr>
<tr>
<td>Directly Related</td>
<td>11 (37)</td>
<td>7 (43)</td>
<td>62 (32)</td>
</tr>
<tr>
<td>Indirectly Related</td>
<td>3 (10)</td>
<td>2 (13)</td>
<td>16 (8)</td>
</tr>
<tr>
<td>Management/ Business</td>
<td>1 (3)</td>
<td>0 (0)</td>
<td>15 (8)</td>
</tr>
<tr>
<td>Not Related</td>
<td>5 (17)</td>
<td>2 (13)</td>
<td>46 (24)</td>
</tr>
<tr>
<td>Not Applicable</td>
<td>10 (33)</td>
<td>5 (31)</td>
<td>55 (29)</td>
</tr>
<tr>
<td>Total</td>
<td>30(100)</td>
<td>16(100)</td>
<td>194(100)*</td>
</tr>
</tbody>
</table>

* 2 respondents had both qualifications directly related to their business and also business and management qualifications.

Again, there is significant correlation between responses gained from the questionnaire sample and those from the interview sample, both the total sample and those who continued in business. In each instance the largest proportion of respondents have started a business which is directly related to their post school qualifications, very few
have management or business qualifications, and few start businesses in fields unrelated to their post school qualifications, if they possess any.

5.4 PREVIOUS EMPLOYMENT

Table 5.4 Characteristics of previous jobs held

*(Percentages of total in brackets)*

<table>
<thead>
<tr>
<th>Has worked for a small firm</th>
<th>Has held a managerial position</th>
<th>Has had a job related to the business started/proposed</th>
<th>Total number in sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>20 (66)</td>
<td>7 (23)</td>
<td>16 (53)</td>
<td>30 (100)</td>
</tr>
<tr>
<td>9 (56)</td>
<td>4 (25)</td>
<td>10 (63)</td>
<td>16 (100)</td>
</tr>
<tr>
<td>85 (44)</td>
<td>65 (34)</td>
<td>84 (44)</td>
<td>192 (100)</td>
</tr>
</tbody>
</table>

Comparison here is difficult due to differences in the data collected. Whilst it was possible to gain full details of previous employment histories from interviewees, the questionnaire sample limited the details given to the last 4 jobs held. In some cases this would equate with their full employment history, with others it may not. As a consequence, the proportion of the questionnaire sample who had either worked in a small firm or been in a job related to the business started may be understated. These experiences may have been gained prior to their four last jobs. It is unlikely, on the
other hand, that the proportion of the questionnaire sample having had managerial experience is understated. As people tend to move up the career ladder into these positions by mid career/middle age and then possibly drift into less responsible positions in their later careers, it is likely by taking the last 4 jobs held that the attainment of a managerial position will have been recorded.

Bearing this in mind it would seem that the proportions of all the samples are not significantly different when we consider a) the relationship between previous job and business started/proposed and b) having experience of working in a small firm. However the questionnaire sample seem to have been slightly higher achievers, when we consider the attainment of managerial positions. This may be linked with the previous finding, that the questionnaire sample also seem to be slightly higher achievers in educational terms. Alternatively the seniority of the position held in their last four jobs may have been overstated as these were self reported in the questionnaire, and probing for further detail was not feasible. With the interviewee sample this was possible. Hence a position that may be self reported as being managerial may be recorded as non managerial after probing. This may have reduced the number of instances of managerial positions being held. This having been said, the differences are not very large and given the small sample size definitive conclusions are difficult.

5.5 UNEMPLOYMENT

It can be seen in the table below, that the 5% trimmed mean duration of unemployment prior to the business start up course is the same for both questionnaire respondents and the interviewees who were still in business at the end of the study. The 5% trimmed mean is a better measure for comparison as it eradicates some of the bias caused by one
or two very large observations. It can also be seen that the total interviewee sample has a far larger trimmed mean than the subset who continued in business until the end of the study. This is because those who did not start their businesses experienced far longer periods of unemployment, prior to considering self-employment, than those who actually started in business (for this group the 5% trimmed mean was 17 months). This would indicate that those who have experienced longer periods of unemployment are less likely to start up in business.

Table 5.5  Duration of Unemployment Prior to the Business Start Up Course

(Duration of unemployment in months)

<table>
<thead>
<tr>
<th></th>
<th>5% Trimmed Mean</th>
<th>Mean Duration</th>
<th>Maximum Duration</th>
<th>Minimum Duration</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire Respondents</td>
<td>9</td>
<td>13</td>
<td>240</td>
<td>0</td>
<td>192</td>
</tr>
<tr>
<td>All Interviewees</td>
<td>14</td>
<td>18</td>
<td>156</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td>Interviewees who Remained in Business</td>
<td>9</td>
<td>16</td>
<td>156</td>
<td>0</td>
<td>16</td>
</tr>
</tbody>
</table>

Another point to note is that the very long periods of unemployment (eg the 156 months of unemployment experienced by one interviewee) are for women who have left work in order to raise a family. This is not to say that male interviewees did not have long periods of unemployment, but here 4 years was a maximum rather than 13 years as experienced by one woman. It should also be noted that periods of long unemployment for women who left work to raise a family did not reduce their propensity to start in
business. Long periods of unemployment for other individuals, however, did (this point shall be investigated further in the next chapter).

5.6 INITIAL INVESTMENT

5.6.1 Level of Start Up Capital Invested

Table 5.6 Start Up Capital Requirements

<table>
<thead>
<tr>
<th>Amount Invested</th>
<th>Questionnaire Respondents</th>
<th>Interviewees (those who remain in business)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>Cumulative %</td>
</tr>
<tr>
<td>&lt;£1000</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>£1000 - £1999</td>
<td>21</td>
<td>46</td>
</tr>
<tr>
<td>£2000 - £2999</td>
<td>15</td>
<td>61</td>
</tr>
<tr>
<td>£3000 - £4999</td>
<td>14</td>
<td>75</td>
</tr>
<tr>
<td>£5000 - £9999</td>
<td>8</td>
<td>83</td>
</tr>
<tr>
<td>£10000 - £19999</td>
<td>11</td>
<td>94</td>
</tr>
<tr>
<td>£20000 plus</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

From this we can see that in both samples a large proportion invested very little in their businesses and only a limited proportion invested any significant amount at start up. There appears to be little disparity between the two samples. This is born out by a comparison of average investment which is given below, only a few hundred pounds separate the 5% trimmed mean value of start up investment. Both samples were asked to state the level of investment at the start of their businesses, and not the value of
investment at either the end of the study or at the time of answering the questionnaire.

Table 5.7  Mean and Range of Initial Investment

<table>
<thead>
<tr>
<th></th>
<th>5% Trimmed Mean</th>
<th>Mean Value</th>
<th>Maximum Value</th>
<th>Minimum Value</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire</td>
<td>3532</td>
<td>5548</td>
<td>114000</td>
<td>0</td>
<td>189</td>
</tr>
<tr>
<td>Interviewees</td>
<td>3875</td>
<td>4338</td>
<td>17000</td>
<td>0</td>
<td>16</td>
</tr>
</tbody>
</table>

5.6.2 Sources of Start Up Capital

Table 5.8  Sources of Start Up Capital

<table>
<thead>
<tr>
<th>Source of Capital</th>
<th>Questionnaire Respondents (%)</th>
<th>Interviewees (those who remain in business)(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Savings</td>
<td>63</td>
<td>56</td>
</tr>
<tr>
<td>Redundancy Payment</td>
<td>23</td>
<td>6</td>
</tr>
<tr>
<td>Bank Loan Overdraft</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Borrowed from Family</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Princes Youth Business Trust</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Not Applicable (funds not required)</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>No Response</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

*Note a number of respondents/interviewees used multiple sources of funding
The table above shows, again, that there is a high degree of correlation between the two samples. The majority of respondents and interviewees relied solely on personal savings to finance the initial investment in their business. The number prepared to borrow from banks at start up was limited, accounting for only 13% each of questionnaire respondents and interviewees.

The heavy reliance on personal sources of finance by both samples is not surprising when taken in tandem with the low level of initial investment made by the majority of businesses.

5.7 PREMISES

Again the two samples are in accord. The majority of respondents and interviewees operate their business from home, with a significant minority operating from rented premises.

Table 5.9 Premises from which the Businesses Operate

<table>
<thead>
<tr>
<th>Types of Premises Business Operated From:</th>
<th>Questionnaire Respondents (%)</th>
<th>Interviewees (those who remain in business) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home</td>
<td>78</td>
<td>69</td>
</tr>
<tr>
<td>Rented Premises</td>
<td>19</td>
<td>31</td>
</tr>
<tr>
<td>Purchased Premises</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
This is likely to relate back to the low start up investment noted above. If businesses are run from home they are unlikely to be capital intensive and therefore only require only limited initial investment. Also start up capital would not be required for the purchase or refurbishment of premises, again resulting in low investment requirements.

5.8 TURNOVER

In the questionnaire, respondents were asked to estimate what their turnover would be in their current year of operation. 87% of respondents were in the first year of operation and therefore in the majority of cases it would be the first year turnover that would be estimated (though it must be noted that these would be estimates and not actual values). For the interviewees it was possible to get actual turnover figures for the first year. Hence we are not comparing like with like in the next table, and this needs to be borne in mind when drawing conclusions. Also there were a small number of the interviewee sample who had achieved a reasonably large turnover. This has had a significant effect on the mean values of the interviewee's responses.

<table>
<thead>
<tr>
<th></th>
<th>5% Trimmed Mean</th>
<th>Mean Value</th>
<th>Minimum Value</th>
<th>Maximum Value</th>
<th>No. of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaire Respondents</td>
<td>15183</td>
<td>32013</td>
<td>300</td>
<td>2000000</td>
<td>171</td>
</tr>
<tr>
<td>Interviewees (those who remain in business)</td>
<td>32576</td>
<td>36969</td>
<td>3000</td>
<td>150000</td>
<td>16</td>
</tr>
</tbody>
</table>
Although the means are very similar for the two samples, the 5% trimmed mean is significantly different. One reason for this is that there are 5 interviewees with reasonably large turnovers, in excess of £50,000, and this has a significant effect on a small sample, even when using the 5% trimmed mean value.

If we consider the frequency distribution below, it can be seen that the proportion of large turnovers is greater for the interviewee sample than for the questionnaire respondents and this has an effect of pulling the mean upwards. Therefore, the means do not reflect the fact that 57% of this sample in fact turned over less than £20,000. It must be remembered that conclusions from these figures are difficult. Although the turnover of the interviewee sample appears higher than the questionnaire group, it must be remembered, whereas in the first instance actual values are given, the other is based on estimates only. Also the difference may be overstated due to the effect of a few reasonably large turnover figures in the interviewee sample.

Table 5.11 Turnover (grouped data)

<table>
<thead>
<tr>
<th>Turnover</th>
<th>Questionnaire Respondents</th>
<th>Interviewees (those who remain in business)</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>Cumulative %</td>
<td>%</td>
</tr>
<tr>
<td>&lt;£10000</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>£10000-£19999</td>
<td>38</td>
<td>75</td>
</tr>
<tr>
<td>£20000 plus</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>
5.9 SUMMARY AND CONCLUSIONS

The comparisons conducted above, between the interviewee sample and the questionnaire respondents, have shown a high degree of match. This is particularly important when we consider the group of interviewees who continued in business until the end of the study as this subset is parallel to the respondents of the questionnaire (note all figures used for questionnaire respondents were from those who were in business at the time of responding).

The main features of these two samples (those who were in business either at the end of the interview study, or when responding to the questionnaire) are summarised below.

Gender: The number of males entering self-employment was far greater than females in both samples.

School Education: In both samples a greater proportion of subjects had left school with O level, or equivalent, qualifications than not. Only a small proportion left school with A levels in both instances.

Post School Qualifications: Over 50% of both samples had vocational qualifications. Few subjects in either sample held undergraduate, postgraduate or professional qualifications although the proportion holding these was greater in the questionnaire sample than the interview sample. In both samples, when post school qualifications were held, a
significant proportion of these qualifications were directly related to the business created.

Previous Employment: Comparison between the two samples was difficult in this area due to differences in the data collected. Despite this a large proportion of both samples had a) worked for a small firm (56% of the interviewee sample who continued in business and 44% of questionnaire respondents - though this last figure is likely to be an understated) and b) the businesses they started were likely to be directly related to their previous employment (63% of the interviewee sample who continued in business and 44% of questionnaire respondents - though again this last figure is likely to be an understated).

One third of the questionnaire respondents had held managerial positions compared to approximately a quarter of interviewees. It is proposed this difference may, in part, be related to the higher educational achievement of the questionnaire respondents. Alternatively, the questionnaire respondents may have exaggerated the responsibility of previous posts held as no mechanism existed to check whether the seniority of the post reported was overstated.

Unemployment: In both samples the range of time spent in unemployment prior to approaching the BSU was very varied. The longest unemployment durations tended to be experienced by women who had taken time
out from employment in order to raise their families. The 5% trimmed mean for the questionnaire sample and the interviewees who continued in business were the same, 9 months. Interviewees who did not start in business had a 5% trimmed mean period of unemployment of 17 months. This suggests that longer periods of unemployment will decrease the likelihood for starting up in business.

Start Up Capital: In both samples the amount invested tended to be very small for a large proportion of the samples (46% of questionnaire respondents and 44% of interviewees, who remained in business, invested less than £2000 initially). Although, occasionally, reasonably large amounts were invested (17% of questionnaire respondents and 13% of interviewees, who remained in business, invested more than £10000 initially).

Part of the reason for the low level of start up investment may be that personal savings were relied upon as the source of finance by over 50% of subjects in both samples. Very few borrowed money from the bank for this purpose (13% in both samples).

Premises: The majority of subjects operated their business from home (78% of questionnaire respondents and 69% of interviewees). These business are therefore unlikely to be capital intensive. This again may be a reason for the low level of start up capital required by
Turnover: Again comparison between the two samples was difficult due to differences in the data collected. However, a significant minority in both samples (37% of questionnaire respondents and 38% of interviewees) had very small turnovers, less than £10,000. Although some individual businesses were achieving some reasonably high turnovers, in excess of £100,000.

It can be concluded that there are some significant similarities between the two samples. This verifies that the interviewee sample is reasonably representative of businesses started through the BSU Scheme in the two study sites under investigation. As a consequence, our ability to generalise from the detailed analysis of the interviews in the following chapters appears to be warranted as our confidence that this sample is representative of the larger population, from which it is drawn, is reinforced. Hence the integrity of the sample is demonstrated.
CHAPTER 6

TYPOLOGIES OF SCHEME PARTICIPANTS

6.1 INTRODUCTION

This chapter, and the chapter that follows, will give the findings from the qualitative analysis of the interview data.

Through the analysis of the interview data five typologies of BSU participants were identified. Individuals in each typology had commonalities in terms of personal characteristics and the types of businesses created, which differentiated them from other typologies. It was found that they shared common objectives for their businesses and motivations for start up, as well as similar abilities to invest in their businesses given their circumstances prior to this move. As a consequence, success and failure had shared meanings for subjects within each typology, these being derived from their characteristics and prior experiences.

The meaning of success and failure was not necessarily based upon financial or economic indicators. This has implications for the development of the businesses and the extent to which success or failure will be experienced in terms of other stakeholders’ criteria eg the criteria of the TECs and government. This will also be explored within the chapter.

Meanwhile, a further group of interviewees was identified. These individuals had considered self-employment but then failed to start in business. For this group a number of common barriers to start up were identified.
It is these findings that will form the focus of this chapter. The chapter will be approached in the following manner (case studies for each of the interview subjects are contained in appendices 2-7).

The five typologies identified in the analysis will be dealt with in turn. The typologies are as follows:

Youngsters in business - these were the youngest group of interviewees who started in self-employment as a means of gaining employment in their chosen vocation.

Mothers returning into employment - these were women who had taken time out of employment to raise a family and had decided to start a business in order to return to employment whilst caring for their families.

Tradesmen and professionals - these were men who had started in self-employment in the trade or profession from which they had been made unemployed.

Elderly businessmen - these were men who were over 50 years old who started self-employment as a means of being employed until retirement.

Small firm owner/managers - these were individuals who had actively pursued starting a businesses as their preferred career path.

For each typology a number of factors will be discussed. These are as follows:

Characteristics - including personal characteristics, reasons for start up, and the
characteristics of the businesses created;

Business outcomes, aspirations, objectives, rewards and the meaning of success - as typified by the typology;

Factors affecting continuation of the business - the reasons for ceasing trading or continuing in business.

After dealing with the five typologies, findings, relating to those who decided not to start in business, will be given. Here common barriers to start up will be identified.

At the end of the chapter a summary of findings will be given and conclusions drawn.

6.2 YOUNGSTERS IN BUSINESS

6.2.1 Characteristics

There were 3 cases which formed this subgroup, their case studies can be found in Appendix 2.

The title of the subgroup reflects the fact that all three subjects were under the age of 22 and therefore the youngest subjects of the sample. Also, all the subjects were female. However this was considered insignificant. Evidence from other subjects who were interviewed, but not included in the analysis (either because their business did not start until after the cut off point for inclusion in the study or because a full set of interviews were not obtained), would have fitted equally well into this subgroup. These subjects
were in fact male. The characteristics of this subgroup would therefore apply equally to both sexes.

Each of the subjects within this group had undertaken vocational training within their chosen field (hairstyling and riding instruction). They only endured a short period of unemployment, in each case less than 6 months prior to starting the BSU scheme course. During this period they were unable to find suitable work in their chosen vocational area and were not prepared to look for employment outside the field for which they were trained. As a result, self-employment was considered as the one way they could work in their chosen field. Case Y2 commented in her first interview that she did consider looking for work in other areas:

"... because I had the qualifications I could always go back to it (hairstyling) later, but then I thought that is pointless really as I've had to work so hard for it (the qualification). ... I wanted to get a job in a shop because I thought that would be better ..., but I knew there were no jobs. I was not keen on doing it (becoming self-employed) at first." [Case Y2]

During the period of unemployment each had begun to operate the business in a small way before approaching the BSU scheme. The two hairdressers in particular had been hairstyling for family and friends even when undertaking their vocational training.

Two of the three subjects (Case Y1 and Y3) had aimed to become self-employed in the longer term, but the move into business was precipitated by the inability to gain employment.
"... the idea has always been that I'd come back home eventually and start up on my own." [Case Y3]

The BSU scheme was seen either as the determinant of starting in self-employment, as with case Y2:

"I don't think I'd have done it (become self-employed) without this Business Enterprise. ... If you came off income support you'd have no money behind you whatsoever. I would have had to stay on the dole and would still be trying to get a job in a shop." [Case Y2];

or the incentive to take the step to self-employment earlier than anticipated. Indeed case Y1 and Y3 said that they were starting in self-employment earlier than envisaged, in part due to not being able to find work, as mentioned earlier, and in part due to them being able to claim the BSU allowance.

"The reason why I wanted to go on it is because this business (riding lessons) is very unpredictable. ... it is nice to know there is at least something there to pay my rent. I couldn't really cope without knowing that something was definitely coming in." [Case Y3]

"I would have remained unemployed and started the business if it had not been for the allowance. Then when it was big enough I would have signed off..." [Case Y2]

The businesses themselves required little initial investment, if vehicles are excluded.
One of the subjects (case Y1) invested £150 and the other two nothing at all. This is understandable given these individuals had been unemployed and are only young, and therefore are unlikely to have savings from which they could draw. One of the sample (case Y2) had bought a car, however, but this had been financed by a PYBT grant. Later, when a new car was required, the subject's father had lent the subject the money necessary.

The turnover generated by the businesses was £3,000 - £4,000 (excluding scheme monies) during the first year. One of the subjects (case Y1) found that business had tailed off during the year and therefore had to terminate her business as her income had fallen to below that of unemployment benefit.

"It was not earning me enough to live off. If it had not been for the Enterprise money I would have had to have stopped earlier. ... If I was on the dole or income support it (her income) would be about the same (as when she ran her business and received the BSU allowance)." [Case Y1]

The two that continued (case Y2 and Y3), however, managed to increase their turnover sufficiently in order to compensate for the loss of the allowance during their second year in business, although their turnover did not increase any further than this.

Due to the low level of turnover achieved by these businesses, it is no surprise that the subjects were only able to pay themselves very small amounts from the business (averaging £30-40 per week). These payments tended to be ad hoc, occur when the individual had something specific to buy, plus a regular amount to pay their parents board and lodgings. All the subjects still lived with their parents. Undoubtedly, if they
had not been living at home they would have found it very hard, if not impossible, for their business to support themselves.

Parents were an important feature in each of the cases. In each case the parents actively encouraged the subjects, eg in one case the mother helped with the preparation of the business plan and asked her brother to do the accounts for her daughter (case Y1). In another case the father lent his daughter £2,000 in order to buy a car and also paid for her to go on training courses (case Y2). In the third case the mother let the subject use her stables and field to run the business from, and also allowed the daughter to take over some of her business until her daughter's business got off the ground (case Y3).

All the subjects in this group felt they had gained from running their own business. In particular they agreed that it had raised their self confidence considerably and that they actually enjoyed the work that they did. Even case Y1 who had to wind up her business said:

"I loved every minute of it. ... it has given me so much more confidence and experience. I was really worried about getting a job when I left college, but now I feel I could walk into anywhere." [Case Y1]

Another area of agreement was that they enjoyed the autonomy of being self-employed, having control over how they worked and when they worked.

"I like the independence. Not having to be responsible to anyone else. You can work when you want to work. ... It is great not having a boss nagging you all the time or having to slog your guts out for his profit." [Case Y2]
The intrinsic rewards from running their businesses seemed more important than the financial rewards they gained. For example case Y3 made very little money, above paying for her board and lodging, yet remarked:

"You have a lot of freedom. When you've taught somebody ... that's the reward."
[Case Y3]

In the longer term the two subjects who continued in business (cases Y2 and Y3) were uncertain that they would continue in their current businesses. However, they felt they would operate their businesses in the same way for the short to medium term, ie the next 5 years. Beyond this they felt they would be doing something different.

In summary, there seems to be a high degree of consistency between the case studies of these three subjects. Firstly, there is a desire to stay within the field in which they have trained and almost a passion for the vocation they have chosen. The choice of self-employment in each case was due to the lack of employment opportunities within their field. In these areas of employment the wages paid to youngsters such as themselves is notoriously low and the work normally hard. Therefore, self-employment, which also involves long hours and few financial rewards, is seen as being no worse in these terms and yet meanwhile has significant advantages in terms of autonomy and independence.

As all these young people are living at home the need to earn a reasonable or stable amount of money is reduced. They seem to work in order to pay their board and lodgings and be able to pay themselves little more than pocket money. Whilst they are young at least this may be sufficient, as they grow older this may no longer be enough. As a consequence, the businesses they have started may continue in the short term but
if they are unable to provide higher financial returns in the long term they may be terminated, and employment or alternative self-employment opportunities sought. This is consistent with the time horizons foreseen by the subjects. They (cases Y2 and Y3) intended to operate, as at present, for the next 5 years but beyond this they were uncertain that they would continue.

6.2.2 Business Outcomes, Aspirations, Objectives, Rewards and the Meaning of Success

All of the businesses generated very small incomes as discussed above. Also there were no plans for any of these businesses to expand. The intention, at least within the short to medium term, was to continue at the same scale conducting business in the same manner.

"I'm happy with the number of clients I've got now. ... I could advertise in the paper again. But I'm happy with the work I've got now because sometimes I get a bad week and I'll have a rest. The next week you will work flat out 9am to 10 at night. It just works out right." [Case Y2]

"I can't see it changing (ie the business growing) ... (to expand the business she would need to teach every day of the week) its just too much teaching everyday of the week. All your evenings are taken up and you can't go to the pub at weekends like everyone else." [Case Y3]

Given the incomes these subjects received were small, it could be envisaged that the
subjects would view the businesses as unsuccessful. However, this was certainly not the case.

"I'd say it is more successful than I expected. I didn't know whether I would like it or if there would be enough customers to keep me going but it all seems to have worked out." [Case Y2]

"Its definitely more successful than I expected." [Case Y3]

This assessment of success is not against some financial measure, but against the objectives and aspirations of the subjects. The aims of these subjects were very modest. They all basically wanted to be employed in the field in which they had trained and earn sufficient income to pay for their board and lodgings, plus some surplus for spending money. Therefore success was not hard to achieve given expectations were so low. However, beyond this there were also aspirations of autonomy and independence.

"I just wanted to work for myself. I have my own views on how things should be done, I didn't want to be pushed around." [Case Y3]

They found that self-employment enabled them to satisfy these aspirations as well. As a result the two subjects who continued in business (Case Y2 and Y3) considered themselves to be successful.

6.2.3 Factors Affecting Continuation of the Business

Although one of the subjects in this group wound up her business (case Y1), there were
few differences between herself and the ones that continued in self-employment. One major difference, however, was that she did not possess all the tools necessary for her to conduct her business, i.e., a car. The others were fortunate that they were not in this position. Case Y2 firstly gained a PYBT grant and then subsequently was lent money by her father in order to purchase a car. Case Y3 was fortunate that her mother had stabling and fields which she could use for her business, without these no doubt the businesses would not have got off the ground. It is very difficult to be a truly mobile hairdresser when you have to rely on buses. This could have indeed caused the failure of her business, especially as she lived in a small town/village whose population were predominantly employed in the mines until mid 1993 (the point at which her business tailed off). It is possible that if she could have travelled to other areas she may have been able to continue.

The second feature that distinguished this case (case Y1) from the others in this subgroup, was the support given by her parents. Although in each case the parents were said to be very supportive of the subject, this support was less tangible in case Y1 than the two cases where the subjects continued in business. In case Y2 the father lent the subject money, in case Y3 the mother let the subject use her stables and fields and even passed over some of her business to the subject. In case Y1, however, the extent of the parents' support seemed to extend only to encouragement and advice.

6.3 MOTHERS RETURNING INTO EMPLOYMENT

6.3.1 Characteristics

There were 4 individuals who formed this subgroup of the sample, their case studies can be found in Appendix 3. All these individuals were female and all were wanting to
return to the workforce, through self-employment, after leaving full-time employment to have children.

All the subjects here were between the ages of 30 and 37 years old, were married with children. Also, in each case, they were home owners. The ages of their children varied between new born through to teenagers. All had given up full-time employment after the birth of their first child and either remained at home during this period (in case M2 the subject had been unemployed for 13 years; case M3, 8 years; and case M4, 3 years) or had taken part-time employment (in case M1 the subject had worked part-time for the last 2 years after being unemployed for 10 years after the birth of her first child). In each case the business was started in order to give the subject some interest outside the family or independence from the family.

"I started the business to prove I could do it. After having children ... I just wanted to prove that I could do something else." [Case M1]

"After I got divorced I had to bring my daughter up on my own. I had no chance to do anything else. My husband (second husband, she is now remarried) knows its something I've always wanted to do. My daughter is older now so I don't have to look after her. This is something I can give 100% to." [Case M2]

"When the kids were all at school I was bored, I hate cooking and cleaning so I knew I had to do something." [Case M3]

"I don't expect to make a mint but if I can just make a reasonable amount of..."
money and look after my daughter at the same time that will be enough. It's probably not the best reason to go self-employed but it is for me." [Case M4]

However, taken in tandem with this was the desire, that all expressed, that their business should not operate at the expense of their children or husbands. The intention when starting the business, therefore, was not to avoid any of their duties as a housewife but to add to their responsibilities, as illustrated by the last quote from the subject in case M4 above. With the two subjects who continued to operate their businesses full-time at the end of the study (cases M1 and M2), both reported feeling guilty due to the fact they could not fulfil their duties as a housewife to the same standards as previously.

"If the kids need me they've always got my number. That gives me peace of mind. I still feel guilty thinking I should be at home. ... (of her husband she comments) I think when I walked in at 9.45pm he felt neglected because he works from 5.30 in the morning and he doesn't get in himself until 8 o'clock at night.... I've not had time to prepare him a meal and the kids have been shunted from one place to another. I must admit sometimes its really stressful trying to fit it all in. But its only when he's tired that he'll have a bit of a moan. ... One night I was out and he came back early. He cooked the dinner and it was all there waiting for me when I came back in. Now there's not many men that would work all those hours and then come home and cook a dinner, and he weren't angry at all." [Case M1]

In each case the husband was supportive of the wife becoming self-employed. The extent of this support varied between the members of this subgroup, this point is expanded
The business ideas themselves were born out of duties performed as a housewife (case M3), or hobbies (cases M1), or a combination of both (cases M2 and M4).

Three of this subgroup attended courses in advance of approaching the BSU scheme in preparation to becoming self-employed in their chosen fields (cases M1, M2, M3).

Another feature of the businesses started was that they required low, but not insignificant investment, ranging from between £600 and £2,500 (excluding investment in vehicles), although the methods for financing this differed between subjects.

The businesses started could not be described as an economic success as their turnovers ranged between only £1,200 and £3,500 (excluding scheme monies) for the first year of operation. Even in the second year the highest projected turnover was only £6,000, for those businesses that continued to operate at the end of the study. Given the number of hours that the subjects put into their businesses, these figures are very low indeed.

An important factor for each subject was the need that the service/product of their business should be considered of high quality. Despite this, each subject commented on how they felt under obligation to keep their prices to a minimum, often saying people can't afford to pay more.

"... the older ladies want very tight curls so you spend ages putting umpteen rods in. But you can't charge them much." [Case M1]
"In terms of quality we're as good as anybody, but we're better on price and quantity. I think our low cost menus are important as not everyone can afford it nowadays. ... I wouldn't increase my prices in the near future. Again in this area the majority of people are ex-miners so how can I charge extra? I feel that I'd rather get 10 jobs at £2 per head than 5 at £5." [Case M2]

"I'm working for practically nothing per hour. But it suits me .... you can't charge that much for jumpers as the market isn't there." [Case M4]

Although public spirited, this probably contributed to the very low turnover levels experienced.

With the 2 cases that continued in business (case M1 and M2), the kudos of being in business seemed more important than any financial rewards they may receive. When looking at these cases this is fortunate as the returns currently achieved are very low indeed especially when compared to the effort required to generate that income.

"I was amazed by how much I was earning. I would probably be better off unemployed." [Case M1]

With case M2, the subject paid the casual labour she employed £30 for a day's work, arguing that it would not be worth their while doing it for less. And yet she was still not in a position to pay herself anything. She did comment that she was concerned that she made no profit, particularly when she had to use casual labour for a function. In fact during the first year her accounts did show a loss, though this in part was due to the investment made in the business.

6.15
To a large extent the income generated by the businesses was irrelevant. In each case the income of the business was secondary to that of the husband (or for case M3 the husband's benefits). All the subjects said they would have started in business even if the start up allowance had not been available because neither the income from the business, nor the allowance, was essential to the income of the family.

"I don't have to rely on the business for money, but I've used it. The allowance has paid for 2 holidays this year. ... I haven't had to rely on my husband for spending money... not that he makes me feel dependent." [Case M1]

"We could have started without the allowance but it helped us get all the things we needed quicker." [Case M2]

In summary, the subjects in this subgroup had a high degree of consistency. They were all females, in their thirties, who were looking for an outside interest and independence from their families and had decided upon self-employment as the mechanism for achieving this. Their age and financial status meant that they were able to invest reasonable amounts of money in their businesses. Yet, meanwhile, they did not require the business to provide them with anything other than a bare minimum of earnings, if indeed any earnings at all, as the income of the business was secondary to the income of their husbands. This indeed was not their primary motive for start up.

6.3.2 Business Outcomes, Aspirations, Objectives, Rewards and the Meaning of Success

The outcomes of the businesses of this group differed. Two still remained in business
at the end of the study (case M1 and M2) and these achieved the highest levels of turnover during the first year for this subgroup. Case M4 had suspended trading in order to have another baby. Although the intention was to start up again later, it was uncertain when this may be. Case M3 did continue in business but very much on a part-time only basis. Both case M3 and M4 had very low levels of turnover, indeed less even than the allowance they received. In all instances, however, the turnover achieved was very low and the earnings the subjects received were minimal.

With the businesses that continued there were no plans to expand but rather to continue as at present.

"I can't see it (the business) altering. ... I've no need to advertise at all now, in fact I relish a day off now. ... I'm working full pelt and there's a limit to what I can do." [Case M1]

"I'd like to see the business become busier and be able to pay myself a wage." [Case M2]

When asked how long they expected to continue in business they were able to consider the time period of the next 5 years. Beyond this timescale they were unsure whether they would operate as at present.

For the two subjects who continued in business (Cases M1 and M2), they felt the businesses to be a great success.

"I'd say its doing very well, I'm very satisfied." [Case M1]
"It's been more successful than I thought. It's just people coming back to you and saying I've never seen anything like it. Like photographers come up and say it's great. It's really gratifying." [Case M2]

Therefore, success for these subjects is not achieving large financial rewards but managing to start a business that will allow them the opportunity to express themselves outside the context of the family. As long as the business does not fold then this can be achieved and so success is reported. However, in the longer term, it may be that this is no longer enough. It is anticipated that there will be a point where the subjects evaluate whether the effort put into the business is worth the low financial reward achieved.

Although financial reward for the subjects who continued was limited, the intrinsic rewards from running the business were reported to be great.

"I feel satisfied in so many ways. At the end of the day I don’t come away with much in my pocket. But like I’ve bought a car. To know that I’ve done it under my own steam, I was determined enough to go for it and I’ve done it." [Case M1]

"I get job satisfaction from running the business." [Case M2]

As with other subgroups, the level of autonomy and self determination were reported to be contributors to the feeling of satisfaction.

For those who did not continue to operate their businesses full-time, these rewards were not reported. It is possible that this in part contributed to them not pursuing their businesses full-time.
6.3.3 **Factors Affecting Continuation of the Business**

As reported earlier, two subjects continued in business full-time (Cases M1 and M2), one operated very much on a part-time only basis (case M3), and one suspended trading to have a baby (case M4). With this latter case it should be noted that the subject did intend to start the business again but felt this would only be so that she could complete the BSU allowance, after this she felt it was unlikely she would continue.

With all these cases a large degree of consistency in their characteristics were observed. However, some differences were apparent and can be seen as explaining the variation in outcome experienced.

One difference identified between the cases in this group was the level of support given by the husbands. Although in all cases subjects said their husbands were supportive of their businesses, only in cases M1 and M2 (the two subjects who continued their businesses full-time) was any more than moral support offered. With case M1 the husband helped out with the children and household chores and in case M2 the husband provided his wife with transport in order that she could fulfil the jobs she took on. With the two cases which did not continue in business full-time, in case M3 the husband discouraged the growth of the business due to its effect on the benefits received by the family, and in case M4 the business was viewed more as an interest or hobby than a genuine enterprise.

A further difference between the subjects was the age of their children. In case M1 and M2 the eldest children were teenagers and therefore beginning to be independent. As a result the mothers were able to engage in businesses that took them away from the
home. In case M3 and M4 the eldest children were 8 and 3 years old respectively, and therefore the businesses these subjects started needed to allow them to remain at home in order that they could look after their children. This necessarily limited the scope of their businesses as the business would need to operate from home. Also the business was considered of secondary importance compared to fulfilling their duties as a wife and mother. Both of these factors resulted in the business being restricted to a part-time interest only.

A further factor affecting the outcome of the business was the problem of starting up when one partner is in receipt of benefit. For case M3 the subject soon realised that it was not in her interests to develop her business any further as the rewards would simply replace the decrease in benefits that would be suffered. Therefore, there was no incentive to increase the scope of the business.

6.4 TRADESMEN AND PROFESSIONALS

6.4.1 Characteristics

As the title suggests the subjects in this subgroup are continuing in a trade or profession in which they have previously trained and/or been employed. Although there are subjects in other subgroups where this is also true, there are certain other features which make the cases in this subgroup distinct. These will be outlined in more detail below.

The subjects in this subgroup were all male but were quite diverse in terms of age. Subjects here ranged between 25 and 43 years of age. All the subjects had only been unemployed for a short period of time before deciding to try self-employment (max 6
months). The primary motive for entering self-employment was the lack of job opportunities within their trade or profession. It is important to note the large proportion of subjects involved with the construction industry, three out of the five cases. In this industry very few companies are taking on new personnel, plus a large number of companies are folding or down-sizing in an attempt to survive the recession.

"I didn't bother looking for a job (when he was made redundant), I knew what the state of the market was. ... I used to receive letters weekly from surveyors looking for work. I knew it was pointless looking in the paper for another job or phoning people up. Had it been three years ago I could have made ten phone calls and probably got seven interviews and four job offers. I knew what was what so it seemed pointless trying." [Case T4]

In all cases the subject had trained in their field and in all but one case (case T2), the subjects had worked in their field for the majority, if not all, of their working lives. In each case (except case T4) the subjects had wanted to try self-employment and so unemployment was viewed as an opportunity to pursue this. Within this context, the short periods of unemployment experienced are not surprising.

"I'd considered it (self-employment) for years, since about 1986 I'd been thinking about it, but was never in a position to do it. So when I was made redundant there was no work going so I thought I'd give it a try." [Case T1]

"I took redundancy as the firm I was in was going downhill, the industry is shrinking and I could see there was no future in the industry at all and I thought it would be a good time to go... I'd always fancied it (self-employment) so I
decided to go for it otherwise I'd have regretted it." [Case T2]

"I've thought about it (self-employment) over the last couple of years. But its hardly the ideal time to do it especially in a recession. But when I was made redundant I decided to give it a go." [Case T3]

All the above, however, does not apply to case T5. Here the subject had been unemployed for 8 years and had neither worked nor trained in the trade of the business started. However, this subject started up in partnership with his brother. In this case it is the details of the brother that have resulted in this case being placed within this subgroup. The brother had undertaken training specifically to start in business after his discharge from the army. Therefore the length of unemployment was short and training in the trade pursued had been undertaken. So, although the subject of case T5 is different in these respects, the case does follow the other characteristics, outlined below, of this subgroup.

The investments made to start the businesses were generally small but not insignificant. If expenditure on vehicles is excluded, investments made ranged between £1,000 and £2,000. Additional investment after the start up period was limited to replacing worn out equipment or vehicles. In 4 of the 5 cases savings were used to finance the investment, in the other case money was borrowed from family (case T1). There was general agreement amongst subjects that borrowing money from a bank was not an option that would be considered.

This subgroup contained subjects who were the sole breadwinners for their household. For example cases T2, T4 and T5 had wives who did not work and they also had
children, case T1 had a child whom he had to support, and T3 supported his elderly parents. Also this group of people had significant financial responsibilities. All subjects in this subgroup owned their own homes and therefore had mortgages to pay. These factors have a number of implications. Firstly, it would help to explain the speed at which the decision was made to enter self-employment (excluding case T5). As each of the subjects had financial commitments and yet little likelihood of finding a job, self-employment would then be seen as the only other alternative to ensure they achieved anything like their previous level of income. Secondly, it would also explain the reasonably low levels of investment. As these individuals had ongoing financial commitments, they were reluctant to borrow and were only likely to have limited personal savings available.

The families of the these subjects were all said to be supportive of the subject entering self-employment. However, in each case this support did not extend beyond moral support being offered.

All of the subjects said they would have started in business without the help of the BSU allowance, case T2, in fact went ahead without it. However, those who did claim it said it was useful to have that extra income although normally it wasn’t said to be necessary for the survival of the firm.

"It's a help, it's definitely a help but I'd have done it \(\textit{become self-employed}\) without it \(\textit{the BSU allowance}\)... I didn't really rely on it but I'm £2,000 better off which I really appreciate - if I'd had to rely on it I wouldn't have stayed in business." [Case T3]
"I would have survived without it (the BSU allowance) but it would have been harder. When you're given £2,000 for nothing, or effectively nothing, nobody is going to turn it down and it's always going to be a help rather than a hinderance. I'd have started up and the business wouldn't have folded without it. But it's taken some of the heat out." [Case T4]

"I'd have gone ahead anyway... but it would have been a lot harder without it." [Case T1]

These businesses also achieved reasonable, though not high, levels of turnover (between £9,000 and £27,000 during the first year of operation). Also where possible (if the business was making sufficient money), this group tended to pay themselves a fixed sum each week unlike some other subgroups (case T2, T3 and T5 paid themselves fixed weekly or monthly amounts, case T1 and T4 at least ensured that they took out sufficient money from the business each week to pay household bills and expenses). Presumably the businesses would have to fold if the subjects were unable to meet their financial commitments.

"If after tax I can pay myself £13,000 I would be reasonably happy. I'm happy to take home more obviously but there's a minimum. Below this it's not worth going on." [Case T4]

This is different to other subgroups, eg the youngsters in business or mothers returning to employment subgroups, where the businesses were able to operate despite very low levels of turnover and barely any earnings.
The level of competition faced by subjects in this subgroup was high in each instance. There are a number of reasons for this. Firstly, many of the businesses were started in industries where there is high unemployment and the recession is taking its effect (e.g. construction industry as in case T1, T3 and T4). This means existing firms are competing aggressively and also people made redundant are starting up in business just like the subjects within the subgroup. With respect to case T2 and T5, the circumstances are slightly different. In these cases the industry is relatively easy to enter and is one that many people may consider as a route to self-employment, just as these subjects did. Also, in all the cases above, the start up capital costs are low, resulting in low barriers to entry and large numbers of competitors entering the market.

As a consequence of high, aggressive competition the subjects all found that prices were being forced down and in order to gain work they were having to also cut their prices.

"It's taken me a long time to start getting work. I had to drop my prices a hell of a lot." [Case T1]

Competition is... "more than I expected. There are a large number of cowboys springing up all over, also big builders are cutting their prices to the bone." [Case T3]

"...there is always someone who is prepared to work for joke money... I'd like to get £19 (per hour as a fee) but I'm getting £12-13." [Case T4]

To summarise these subjects have started in businesses for which they had either trained
and/or previously held a job. These subjects had financial obligations (e.g., mortgages) and were the sole breadwinners in their household. This had two consequences. Firstly, the decision to start in self-employment was made quickly, due to the need to maintain income levels and also the lack of job opportunities, hence only short periods of unemployment were experienced. Secondly, this group made reasonable, though not large, investments into their businesses. This was predominantly financed from personal savings. The businesses tended to be either in industries suffering decline due to the recession (this was the case where the subjects entered a business where they had previously been employed), or industries which are easy to enter and so large numbers of small firms start up (this was the case where the subjects had trained specifically to start the business and they had not worked in that industry before). The turnovers and incomes achieved by these subjects were generally reasonable.

6.4.2 BUSINESS OUTCOMES, OBJECTIVES, ASPIRATIONS, REWARDS AND THE MEANING OF SUCCESS

All the businesses in this subgroup are continuing with varying degrees of success. The income for some of the businesses is declining, and for some it is increasing. The level of turnover, however, was generally reasonable. The incomes that the subjects paid themselves, although not high, were sufficient to at least support their families although in most cases little more than this.

"When I was employed I was on £22,000 a year ... (now he is self-employed) I'm keeping the wolf from the door and that's it. There's no room for luxury - gone are the foreign holidays ... it just doesn't compare at all." [Case T4]
None of the businesses employed anyone and none had anything other than vague intentions to do so in the future.

"I've thought about it (employing someone). But I don't know. I could only afford a YTS and if I do, I've got to show them what to do, I'll be honest, I disagree with the scheme. I think it is morally wrong." [Case T3]

"It depends how it goes. I can handle what I'm doing now, but if I did take someone on it would make things a bit easier. But its expense. I couldn't set them on the books, they'd have to be self-employed. ... People like me need people to work for them but just can't afford to do it." [Case T1]

The potential may be there for these businesses to grow, should the economic climate improve. However, this subgroup generally see their business continuing into the future along similar lines as at present. Their main aim appeared to be to increase prices, and hence the margin at which they operate, rather than increase the scale of their business or alter the nature of what they do. In other words, they wish to increase the drawings they take from the business rather than develop the business further.

"In a years time, it would be nice to pay bills when they come, rather than holding them up for a month. In 5 years, maybe we'll be able to get a holiday. I can't see myself getting one at the moment." [Case T1]

"I'll be satisfied if I carry on as I am, maybe having a bit more money. I'm busy and I'm making a living, but not a fortune, but I'm content." [Case T3]
"I hope to get very much more financially stable ... and much better, more consistent work." [Case T4]

"I've got to start getting back into it (this subject put significantly less effort into the business when his brother left) I'm happy at the moment but I'm not going to keep going forever like this. I might have a few years where I go crackers and work really hard. ... It just depends how I feel at the time. There's no grand plan because it depends what happens." [Case T5]

In terms of the objectives of this group, these tended to be fairly simple - maintain a reasonable standard of living and provide themselves with work. Although many said they had held aspirations of becoming self-employed prior to this point, it tended to be the stark reality of unemployment which pushed them into self-employment.

"It was a case of having to (become self-employed). I got made redundant ... I'd always felt there was something better than working for somebody else. Since I was 17 I've always wanted to, but I was never in a position to do it before." [Case T1]

"No they (the reasons for starting in business) were purely just redundancy. I've always said, if I'd had a burning urge to be self-employed I'd have done it at 25 not 10 years later." [Case T4]

"...given the state of mining, job security isn't there. I was going to be made redundant so I got out whilst I could." [Case T2]
When asked if they had been successful, all the subjects responded positively. But, as can be seen, success was viewed as simply the ability to remain in business.

"(when asked if he was successful he replied yes because...) I'm working 5 days a week every week, whereas when I started I was maybe working 2 weeks then laid off for 2. I like the fact that I'm going to work on a regular basis." [Case T1]

"The majority of businesses fail in their first year so I must be successful." [Case T3]

"The fact I'm still here, hanging by the skin of my teeth but managing to survive means I'm successful. ... Anyone can make money in boom time not many can make it in recession." [Case T4]

"I survived the first year which is hard in any new business - I was quite pleased just to get through the first winter, I didn't know whether I'd be able to." [Case T2]

Although the meaning of success was relatively straightforward for this subgroup, other benefits, other than maintaining income levels and providing themselves with a job, were reported. As with other subgroups these included the feelings of freedom, autonomy, job satisfaction etc.

"I'm far happier being self-employed than what I was working for someone." [Case T1]
"I like the challenge. I really like what I am doing, I like the independence, I like being my own boss. I hated working under people who were incapable but got the job because they had the right friends or relatives. ... No, I like doing what I want to do." [Case T2]

"I'm getting satisfaction (from self-employment), I’m a better person. I may be doing more hours but there isn’t as much pressure, I was in a high pressure job before. I’m also physically fitter." [Case T3]

"It’s quite satisfying (self-employment), you get a job and you do it well you get a lot of satisfaction. ... I enjoy doing it." [Case T4]

6.4.3 Factors Affecting Continuation of the Business

In all the cases in this subgroup the businesses still operated at the end of the study. However, some differences between the businesses were observed in terms of outcomes. The businesses in Cases T1 and T3 were established and looked set to continue into the future. The futures of the other three subjects were less certain.

Firstly, Case T2. Here the business was established but the subject was uncertain whether he would continue. This was due to a change in his marital status. The subject was concerned that the Child Support Agency would demand a large amount of maintenance from him. He was determined that, if the claim was too great, then he would wind up the business rather than pay. This outcome would have little to do with the business itself, which at the end of the study was performing quite well. Unforeseen circumstances like this will always impact on businesses started and little can be done...
to mediate this.

Secondly, in Case T4, the subject was achieving what others may consider to be a good income and turnover from the business, however he was unhappy with the insecurity of self-employment.

"I've got work that will keep me busy for the next three to four weeks. But what then? I will need to look for work again. It's all hand to mouth. What I need is long term security." [Case T4]

At the end of the study he was looking for a job and felt that if something suitable came up he would leave self-employment. This differed from all the other subjects in this subgroup. None of the other subjects had considered taking a job in preference to being self-employed. One explanation for this difference is that this subject had never held any ambitions nor aspirations to become self-employed previously, unlike the other subjects in this subgroup. So although not performing badly compared with most of the others in the study, he was not the type of individual who could endure the insecurity of self-employment and was much more suited to paid employment, at the end of the day. However until he is able to find paid employment this subject would prefer self-employment to unemployment.

The last instance is Case T5. This subject differed from the others in this subgroup in some fundamental ways. In fact, the inclusion of this case in this subgroup is due to the subject's original partner, his brother. His brother shared common characteristics with this subgroup rather than the subject himself. Whilst the brother was active in the business, the performance of the business was very much in line with the other businesses
in the subgroup. Once he left, due to ill health, the performance of the business plummeted. The subject then reported a lack of interest in the business, he began to put less time into the business and although he said he would pull himself together and start pushing the business again, he had allowed it to drift for 6 months. By the end of the study there were still no signs of reversing the decline that had set in.

To conclude, it would appear unexpected life events will always impact upon the business eg ill health, divorce etc, and little can be done to either predict or stop the effects in these situations. Also it would appear that if an individual is unable, or unwilling, to endure the insecurity of self-employment in the long term, they are likely to try and return to employment. This characteristic could probably be identified prior to start up, as if in this case, the subject had no ambition nor desire to become self-employed for this very reason.

6.5 THE ELDERLY RELUCTANT BUSINESSMEN

6.5.1 Characteristics

This subgroup consisted of the oldest subjects in the study. Their case studies can be found in appendix 5. This was one of the smallest subgroups consisting of only three cases. The outcomes of the businesses of these subjects were probably the most diverse of all the subgroups identified. However, at the outset there was considerable similarity in terms of their characteristics and it is on these similarities which we will focus first.

All subjects in this subgroup were male, over 50 years of age and had found themselves unemployed, through redundancy. This is at an age which is increasingly being
considered as "too old for the job" by employers. Each of the subjects perceived the likelihood of them being offered a job as negligible. The best alternative available to them was considered to be self-employment. Hence the aim in these cases was to give themselves employment until such times when they would be able to retire. The only other alternative to this was perceived to be unemployment. This was not considered to be a viable option, as not only would it decrease their status and their incomes, but it would require them to use up their "nest eggs" which had been saved for retirement. This latter point was considered particularly important.

"We explored retiring early but unfortunately I would lose 6% for every year early I retired. So we said 'Right we've only got two options. We either accept what we can off the state and the pension or we do something about it.'... Our main aim was to get from 60 to 65 without using all our savings." [Case E1]

"I want to carry on as I am. We don't get any younger. If I'm fit enough to carry on as I am I'll be quite happy with that. We've got no commitments anywhere. If I carry on getting a reasonable standard of living up to retirement I'll be happy." [Case E2]

"I couldn't see any other alternative to be honest. Because I've applied for numerous jobs ... and I'm too old. So we decided that I'd go back into self-employment." [Case E3]

All the group had worked continuously during their employable lives and had managed, at least during the latter stages, to put money aside for their impending retirement. Their unexpected unemployment had now placed these reserves in jeopardy and a
primary motive for self-employment was to ensure that these reserves remained in tact for their retirement. An implication of this reluctance to spend monies saved, was that any business created would have to require the minimum of investment. It was found that, once investments in vehicles was disregarded, no money at all was invested in the business by this group.

"We could have used our savings. But whether we would have been so enthusiastic when you find your bank balance is going down I don't know. ... It would have made the decision to start harder (if they had to invest savings in their business)." [Case E3]

The perceived lack of alternatives resulted in self-employment being taken up quite soon after becoming unemployed, a maximum of 6 months unemployment was experienced prior to starting the BSU course. Also each of the subjects said they would have proceeded without the BSU scheme, although they did admit the money from the scheme was useful.

"When I was made redundant I went on the dole and told them I was thinking of going self-employed and they told me about EAS (BSU scheme) I knew what I wanted to do and how. I'd have done it anyway. ... It (the allowance) was certainly a big help. That was a couple of thousand pounds. I've kept the business on an even keel, but that provided that little extra." [Case E2]

The stated aim of the business in each instance was quoted as being able to work and maintain a reasonable standard of living until retirement.
"The aim of the business is to sustain our standard of living and not to use our savings. It's (the business) paid its way." [Case E2]

"I don't want to get any bigger. All I want is a reasonable standard of living to take me and the wife up to retirement age." [Case E3]

The businesses pursued by this group were based on their last employment - builder, flooring contractor and BS5750 implementation consultant, i.e. they were simply operating, on a self-employed basis, in the same field as they had previously worked. In each case the experience gained in their chosen field expanded over a number of decades.

The attitudes towards self-employment varied between subjects, though the outcome of these attitudes was consistent. One subject (case E1) had always wanted to try self-employment but had done well in his chosen career, even becoming a director of one company. As a result, he didn't try self-employment until this point as he did not want to risk his standard of living being reduced.

"I think it was circumstances that forced us into it (self-employment) to be honest. Let's put it this way had circumstances not forced us to do it we would certainly not have taken on a business, without any doubt, no. We would have stuck with being permanently employed. Even though all my working life I've realised to some extent I would have liked to have been on my own, all my working life I've been hoping that somebody would force me to take the plunge ... but I've needed to support a family. Really that's the crunch." [Case E1]

Another subject (case E2) had previously been approached by friends, who were in
business, to become self-employed. He resisted these requests preferring the security of employment. The last subject (case E3) had, in fact, been self-employed before in the same line of business now being pursued. However, he had taken a conscious decision to move into employment. This was because he felt he was too old and his health was too poor to be able to continue in the physical labour his business required.

"In 89 a company came along and offered me a general foreman's job and I decided to have a go at that, which I did thinking it would last me until retirement age. ... Like I say this company came along and offered me a job and 'cos I do a lot of roof work I thought I might as well ... 'cos I've got diabetes and I've got ulcers and I said I don't want to be climbing up and down peoples' roofs 'til I'm 65." [Case E3]

Therefore, although each viewed self-employment differently during their younger years, all had concluded, for one reason or another, that employment was preferable to self-employment, particularly at this stage of their lives. Hence they acknowledged that getting employment would have been preferred, but none thought it likely that an employer would take them on.

All the subjects in this group were married and they either did not have children or their children had now grown up and left home. Each fully owned their home (no mortgage was outstanding on the properties), and therefore had negligible outgoings, except living expenses.

In each case the subjects' wives were not employed and had not been for some time (in case E3 the wife was agoraphobic and hadn't worked since marriage, in case E1 the wife
had not worked since the birth of her child some 21 years previously, and in case E2 the wife had retired through ill health some years earlier). The men were, thus, the sole breadwinners for the family and all assumed that this role would continue. The wives were all supportive of their husbands becoming self-employed and concurred that this was the only alternative realistically available to them, as retirement, though impending, was still between 5 and 13 years away for these subjects. Also the wives agreed that their husbands entering self-employment was less attractive than them gaining employment, as it was considered less secure. All the wives in this group were to play some role in the business but this was restricted to administrative tasks such as completing their husband's books, sending out letters etc. Where financially beneficial, the wife was paid by the business to use up her tax free allowance (cases E1 and E3) although no money changed hands as such. In one case, E1, the wife claimed BSU allowance as a partner in her husband's business. This was claimed in order to gain extra income rather than reflect her true involvement in the business.

With regard to promoting their businesses, this group were largely inactive. Two undertook no advertising whatsoever (cases E2 and E3). In case E1, the subject did try cold calling and sending letters of introduction to potential clients, but found no work came from this at all. The main mechanism for these subjects to gain clients was to use the contacts that had been established during their previous employment. This mechanism worked with varying degrees of success, as discussed below.

The level of turnover achieved during the first year was very varied. Turnovers of £26,000, £15,000 and £6,500 (excluding the allowance) were achieved respectively for case E1, E2 and E3. In the first 6 months of the second year of operation, case E2 had
achieved a turnover of £8,000 and case E3, £3,500 ie the turnover had increased sufficiently in each case to compensate for the loss of the allowance, though little more.

By this stage the subject in case E1 had taken paid employment.

Finally, the hours worked by these subjects tended to be slightly less than if they had continued in paid employment. An average of 30 hours per week was recorded by all three subjects.

In summary, subjects in this subgroup reluctantly moved into self-employment, pushed due to the perceived lack of employment opportunities available to people of their age. With or without the BSU scheme, this option would have been pursued, as none were in a position where they could afford early retirement, nor did they relish the thought of remaining unemployed until such times as they could retire. The financial obligations of this group were limited, mortgages had been paid and where there were children, these had now left home. However, all subjects still accepted a responsibility to provide an income for themselves and their wives, hence self-employment was entered. The wives were all supportive of their husbands but the extent of their involvement with the business was limited to keeping the books, even though one wife managed to claim BSU allowance as a partner in the business. The desire to maintain savings, which had been accumulated for retirement, meant that the subjects invested nothing in their businesses, once expenditure on vehicles was excluded. The businesses started were based on their previous employment and old contacts were relied upon for generating custom.
6.5.2 Business Outcomes, Aspirations, Objectives, Rewards and the Meaning of Success

The outcomes of the businesses created in this group were as follows. One subject (case E1) took paid employment and two continued in business. The subject from case E2 was faring well, his income was equal to, if not slightly higher than that he received in his previous job and his turnover had increased during the second year to compensate for the loss of BSU allowance. With case E3, the business was only just managing to continue and the subject was able to pay for little more than household bills. During the second year he experienced a month of unemployment and also had to subcontract his labour. However, due to the poor performance of the business in the first year, during the first 6 months of the second year he managed to increase his turnover. This increase just about compensated for the loss of the allowance. The subject who took paid employment (case E1) actually performed the best during the first year in terms of turnover and personal income.

For the two subjects who continued in business (cases E2 and E3) there was no desire to expand their businesses in any way whatsoever. When asked about the future of the business, these responses were elicited;

"At the moment I could do a little bit more but I'm not pushing for it, if it comes in, to keep people happy, I would do it. But I'd just rather keep steady. If I wanted to I could probably get more work but I'm alright as I am. We're managing quite well as we are, with a few days off a week and that's how I want it to stay." [Case E2]
"I want to carry on as I am now. I don't want to get any bigger." [Case E3]

In other words, these businesses are never likely to employ anyone other than the subjects nor achieve turnovers significantly higher than those recorded above.

However, the outcomes of, and aspirations for, the businesses are in line with the subjects' original objectives. In each case, as stated earlier, the primary objective was to generate work for the subject which would allow them to maintain a reasonable standard of living until retirement, without drawing upon their savings. They were not aiming for any greater achievement than this.

As a result, success was measured against this very clearly defined aim. In case E1 the subject considered his business to be successful during the time that it operated, even though he did return to paid employment (reasons for this will be discussed later).

"...we've been very successful over the first financial year. During the latter part of that year I was approached to go back into industry. At first I refused because the business was doing well, in fact, beyond my expectations ... we were earning more being our own boss." [Case E1]

Case E2 also considered the business to be a success as:

"We're plodding along quite nicely. We don't have to rely on the business but as it is we've not had to draw on our savings." [Case E2]

However, the subject in case E3 was not quite so positive about his achievements.
"It's not exactly been successful, but it's not been a failure either as I'm still plodding along." [Case E3]

The outcome here was not success, as the reasonable standard of living which the subject aimed for had not been achieved. However, whilst he was able to keep going in business, even though his income was no different to unemployment benefits, he did not consider the business to be a failure as he and his wife could survive without relying on the help of others.

"At the moment we've no surplus money. We haven't had a holiday for 12 years. But we are independent ... we're not complaining. We're alright, we don't owe anybody anything. We pay our way. We don't want worry at our age. We've got our house paid for now, which is a bit of security." [Case E3]

Although the stated aim was to maintain income levels until retirement all subjects reported that they had enjoyed job satisfaction from running their business.

"What we're getting out of it now is satisfaction, that you're doing a good job." [Case E2]

"I get pleasure at times. When I've built somebody a nice extension and they congratulate me and they're pleased. It's a good feeling to be able to go back in 20 years time and say 'I built that'. I get enjoyment out of that." [Case E3]

Equally important to the subjects, however was, the ability to determine their own working patterns and hours. And, indeed, they reported that in self-employment they
were working fewer hours and found their work less stressful than paid employment.

"I would say I work 4-5 days on average. Sometimes I have a day off in the week. The flexibility is good. We can get out a bit more. On a Saturday, what can you do, everywhere is packed out, so we can get off on a Thursday instead. We can suit ourselves but you can't when you're working for someone else and we're not worse off now maybe we're even better off now in these last 6 months." [Case E2]

"We'd got the work, we were able to do it at my pace and the companies were happy with that. Whereas the industry I'm going into is a very difficult industry and you are constantly under stress. It (being self-employed) was less stressful than being in industry." [Case E1].

6.5.3 **Factors Affecting Continuation of the Business**

As stated previously, the outcomes of this group were diverse; one subject returning to employment (case E1), two continuing in self-employment - one being quite successful and the other performing poorly. There was little difference between the characteristics of these subjects, as illustrated above. However, a number of factors were identified as having an influence on the outcomes of these businesses. It was apparent that the ability to use contacts as the main source of custom was in part responsible for the outcome, and this strategy for gaining custom was used by all the subjects in this subgroup. The effectiveness of this policy, in turn, depended upon the business being in a protected area of the market where their contacts would require repeat work.

In the first case, E1, the use of contacts during the first year protected the subject from
competition.

"...using the influence I've got because obviously I've been to so many places and I'm fairly well known over the industry so I'll approach people I know." [Case E1]

By the end of the first year it appeared that the subject had exhausted his contacts.

"... your contacts begin to fade away and its more difficult to get back ... you become less known..." [Case E1]

Although the subject tried other mechanisms to find new clients to take through BS5750, he had no success.

"We did send profiles out but we didn't get any feedback ... My wife did some cold knocking and some were interested but nothing came of it." [Case E1]

Therefore, when offered a job, the subject took it.

Two issues arise here. Firstly, competition in this market is fierce due to recession. Recession affects both sides of the supply and demand equation. It reduces demand as companies are unwilling to spend on non essential initiatives such as quality accreditation during such periods. Meanwhile supply is also increased. As companies down-size they shed non essential staff, such as quality managers. As few opportunities are available for these people they, like this subject, start up in business offering quality consultancy. This is also due, in part, to the low set up costs involved (ie there are very few barriers to entry). Secondly, although contacts are useful for generating work this can only be
maintained for so long. As the work done tends to be one off in nature, once a contact has been used little future work is likely to arise. Consequently, although this business seemed to operate very successfully during the first year, if the business had operated for a further year the potential to continue successfully must be in doubt. The subject reflected upon these difficulties himself before making the decision to go back into paid employment.

"Because of the state of the economy one of the things to have suffered most is the quality input of a company. The quality department seems to suffer first. ...as the company goes into decline they get rid of their quality manager, some of them are then picking up BS5750 work. ... I think that while your personality is known, you pick up business - once that has dried up you have to go into the open market. Then it's more difficult because of the recession." [Case E1]

The Builder (case E3) was in a similar position to case E1. Again, due to recessionary pressures, competition was fierce. It reduced demand for this subject's services and also increased the number of competitors he faced. As in the earlier case, others in the industry were being made redundant and therefore, like him, starting up on their own account. Also, again, the barriers to entry are low resulting in large numbers of entrants and therefore competition.

"There's a lot of people out there doing the same thing especially when the weathers good. It doesn't help that all these ex-miners become builders as soon as they leave the pit." [Case E3]

Using contacts in this market is also problematic. As with the quality consultant, once
work has been completed for the contact it is unlikely further work will be offered. Contacts are therefore used up quickly and repeat work is limited. Despite this, the subject refused to advertise and suffered the consequences.

"The chap who visited from the TEC told us to advertise 'cos at the time it was a struggle ... but there's no point in advertising ... its by word of mouth (the way in which he gets work), my work speaks for itself I don't need to advertise, as I've said before I've never advertised once. When I got made redundant I was telling all my customers that I intended starting back on my own." [Case E3]

Indeed this subject had poor turnover during the first year, but things became worse still during the second year. For one month he had to register unemployed and then he was only able to sign off because he found some casual labouring work. Therefore, although his turnover increased during the next 6 months, this was not as a result of his business increasing.

The flooring contractor (case E2) was slightly different from the two other cases. He had found a niche in the market which was unattractive to competitors. Also his business was sustained by his contacts being able to offer him repeat work. His main business came from repairing floors in schools and hospitals. The small scale and small profits of this work make it unattractive to the competition. Also his customers, large public organisations, are repairing rather than replacing their floors. By its very nature this is repeat work. Further potential entrants would find it difficult to gain entry into this market due to the system of supplier approval used by these customers.

"I've known the foreman and the works estates officer at the various hospitals
quite well. As they know me I get work but if you were just starting in business, you'd never get in there if you didn't know somebody. You can't even get on a list to get in. The trainers at the Town Hall and the bank couldn't believe I could get work from them (hospitals and schools) or even get on the list of approved contractors." [Case E2]

As a result, he faces little competition and his contacts are able to give him regular repeat business. Therefore, this business has the greatest potential to maintain a reasonable level of turnover into the future when compared to the other businesses in this subgroup.

6.6 SMALL FIRM OWNER/MANAGERS

This subgroup contained subjects whose businesses turned over significantly larger sums of money than any subject in any other subgroup (the lowest turnover in this subgroup was still more than double that of the highest turnover achieved by any subject from any other subgroup). Also, all but one business in this subgroup created part-time or full-time employment; businesses in other subgroups at best sub contracted work or used casual labour occasionally. As a result this group is probably the most interesting as it is these businesses that are considered successful economically by policy makers. The case studies for the subjects in this subgroup can be found in appendix 6.

6.6.1 Characteristics

There were 5 subjects who formed this subgroup. All of these subjects were aged 25 - 35 years of age and, with the exception of one case (case S3), all were male. The
personal circumstances for this subgroup were similar. Firstly, all the subjects were married, except one subject. Similarly, in all but one case, the subjects' partners were working and so at least ensuring a minimum income for the household during the start up of the business. The exception in both these instances was case S3. Here the subject lived with her fiance, though they did get married before the end of the study. Also in this case the couple worked in the business as partners. However, the subject was able to get family credit before her marriage, and it was only when the business could provide sufficient income without the help of family credit, did the subject marry her fiance. In other words all subjects, including case S3, had a minimum level of income secured before they started their businesses. This was in part necessitated by the fact all the subject in this subgroup had mortgages and therefore needed a minimum income in order not to risk losing their homes.

A further common feature of subjects in this subgroup was that they had all wanted to be self-employed prior to becoming unemployed. The process of becoming unemployed itself was engineered in most cases, either through voluntary redundancy (case S4), or walking out of their jobs after arguments with their employer (case S3 and S5), or through pushing the employer into sacking them (case S2). Although the subject in case S1 was made unemployed, he and his partner had intended to give up work within 12 months to start their own business anyway. When they were made redundant they simply brought their plans forward.

"They were offering this redundancy package which was quite favourable to me - it wasn't a fortune but worth having so I thought 'I've always wanted my own business'. I felt it was my last opportunity to get out of BT with a little money behind me so that's what I did." [Case S4]
"I worked in a pet shop and poodle parlour and then I got the idea of starting up on my own. The woman was a snotty bitch and I just walked out in the end."

[Case S3]

"I were the manager sort of thing and all I got (from his boss, the owner) when we weren't busy was "Well it's down to your bad salesmanship" and stuff like that and when we were busy and I saved him thousands, literally thousands, of pounds, he never thanked me... the last straw came when he got back from America sure enough he came back moaning and I thought "Sod this I can't please him". He was a friend as much as anything else but I thought "I may as well be working on my own." Can you see what I mean? So I packed in so that I could do it myself."

[Case S5]

"I got sacked, but I contrived that, if you like. Out of the last year I spent working, I only spent 3 months at work. I was already looking at setting up on my own as I'd been so miserable and I knew to get the money (BSU allowance) I had to be unemployed for so long anyway." [Case S2]

A number of reasons for wanting to start their own business were offered. Some subjects were frustrated with their lack of progression in their work (cases S1, S2 and S4), the bureaucracy of their employers (case S4), or they were unable to agree with the methods of their employers (cases S3 and S5). There was a general level of dissatisfaction with their progression and the content of the jobs they were doing.

"...you've got someone else in charge of you who doesn't know what they're talking about that's what I don't like. Its having somebody who doesn't have a
clue about what they're telling you to do. I went to college for 5 years training in mechanical engineering and I go to work on a machine and there's a guy who been a woodworker all his life but because he's sucked up to the right people he's telling me what to do." [Case S2]

"The manager said when I got my last promotion to that job, he said "I'm still concerned that it's not going to be enough for you. Is it?" So I said "Probably not, Gordon". It turned out it wasn't. ... There are a lot of caring people at BT but as the company is so big you can't get an answer. You're not allowed to make your own decisions you always have to do it by the book." [Case S4]

"I don't like working for other people I've got my own ideas ... she (her old boss) was trying to tell me how to do it but her way was rubbish. If I can't do it properly, to me, it wasn't worth doing, you know. I just don't like working for anyone else really." [Case S3]

The subjects felt self-employment was the mechanism for taking control of their work circumstances. Therefore, when they became unemployed, the subjects very quickly pursued their business idea. The longest duration of unemployment experienced in this subgroup was 6 months.

These businesses all would have been started even if the BSU allowance had not been available. Cases S3 and S4 in fact started without the allowance (case S3 being put off by red tape and S4 being ineligible as he had purchased his business). Those that did claim the allowance found that it was not necessary to ensure the survival of their business, but useful, and indeed the red tape and delays in start up caused by the scheme...
were said to be counter-productive to helping them get their businesses off the ground. As a result of this two of the businesses started prior to being signed onto the scheme (this contravenes the scheme regulations).

"We had to chase the TEC up for a starting date or we would have lost our largest contract. In fact we lost as much in business as we gained in allowance." [Case S1]

"To be honest I think if I'd been relying on it, even at the beginning, that I would have gone down after 6 months. It was just an extra incentive." [Case S2]

"It was too much hassle and messing about (he was delayed by 4 months due to the scheme). The EAS - it paid the mortgage - very useful. I would have survived though. I'd have signed on for longer." [Case S5]

The businesses started by this group were also based on opportunities they perceived in the market. If they continued in the business in which they had previously worked they did so as they believed they could perform better than their old employer (cases S1 and S3) or if they thought their old employer performed well they imitated this business (case S5). In other cases either a gap in the market was identified (case S4), or the business was imitating another business known to them that was performing well (case S2).

"We'd already decided to start in business. We thought we could do it better... high quality one-offs." [Case S1]

"I've got friends who are doing it in Sheffield. They're doing very well. They just
"Its floats basically (his business idea) and when I did market research on that I found a vast gap in the market. Quite a lot of the wholesalers in the country had a problem getting enough of these particular items." [Case S4]

The business ideas of subjects in this subgroup had more scope for creating a small business, as opposed to self-employment, than any of the other businesses started by subjects in other subgroups.

The level of start up investment required for these businesses was generally significantly greater than any of the other businesses found in other subgroups. Initial investment for these subjects ranged between £1,000 to £10,000, once expenditure on vehicles was excluded. Also this subgroup was the only one where significant additional investment was made into the business after start up. By the end of the study the minimum level of investment in any of the businesses was £20,000 and the highest £47,000. There were also plans in all cases to make further investments in the coming year (all comments regarding investment exclude case S4 - this will be dealt with separately later). Further this subgroup was the only one that had subjects who were prepared to borrow money in order to invest it in their businesses (borrowing to purchase a vehicle is excluded from consideration here).

The level of turnover achieved by the subjects in this subgroup was also significantly higher than any subjects in other subgroups. All achieved turnovers in excess of £75,000, ie nearly treble that achieved by any other subject in any other subgroup, and the maximum turnover recorded was £150,000. The turnovers during the last 6 months of
the study (i.e., the six months after the first year) also showed an increase. If this is calculated on a pro rata basis to an annual figure, the turnovers for the second year are projected to range between £85,000 and £250,000 (all comments regarding turnover exclude case S4 which, again, will be dealt with separately below).

There was little consistency over the way subjects paid themselves. If the subject was in a partnership (i.e., case S1 and S5), they paid themselves a regular amount weekly from the business (this ranged between £150 to £175 per week). The other subjects did not tend to pay themselves a regular amount from the business but instead took money out on an ad hoc basis. Of these, only the subject in case S4 was able to put a value on the amount he withdrew (£9,000 for the first year).

As stated above in most cases the wife of the subject was bringing in a regular income in order to support the household during the start up period of the business (except case S3, where the husband was part of the business). This implies that the wives of the subjects supported their husbands and their businesses in a very tangible way. All subjects claimed their partners were supportive of them starting in business, but in only one case, case S1, did the wife help with the business (although help was limited to assisting with the preparation of the books).

The hours worked by this group were excessive in the first year, with 60 - 70 hours not being unusual, but these had generally reduced a little by the second year. Normally this resulted from taking on employees on a full-time or part-time basis, either directly, or indirectly, for their businesses. All of the businesses, except case S4, in this subgroup had taken on employees. One business (case S2) relied on a number of part-timers, although plans were being made to make one full-time post available. In another case
(case S3) a live-in nanny was being employed so that the husband and wife could concentrate on the business. Again, here, there were plans to take on full-time employees to help with the business in the next few months. For the other 2 businesses (cases S1 and S5), they each had a number of full-time employees and again were planning to take on more people still in the near future. In other subgroups none of the subjects employed people on any basis other than a casual or sub contracting footing.

To summarise, these subjects had created businesses with the greatest potential to grow and the greatest potential to employ others. The subjects themselves were motived to achieve more than mere self-employment and even without the push of unemployment, or the pull of BSU scheme, would have started in business within the next couple of years anyway. The motivation to succeed was backed up by a willingness to invest as much money as they had available into the business, even borrowing money where necessary. But meantime, all had a steady income stream over and above the allowance which allowed them to start up without risking their homes. The future for all but one of this subgroup (case S4 which will be dealt with below) appeared to be promising.

6.6.2 Business Outcomes, Objectives, Aspirations, Reward and the Meaning of Success

The businesses within this subgroup outperformed all other businesses in the study. These business had turnover far in excess of any of the other businesses in the study. All turnovers were in excess of £56,000 (the highest turnover experienced by any subject in any other subgroup was £27,000). This subgroup also employed people. In other subgroups there were a few cases where the business would use subcontracted labour and one case where casual labour was used. In this subgroup, in all but one case (Case S4),
the businesses employed people on a part-time or full-time basis and these all had intentions to increase the number of full-time employees further.

The incomes the subjects in this subgroup received were disappointing, however, given the high turnovers their businesses achieved. They were certainly no higher than subjects in other subgroups. However, the subjects in this subgroup seemed to accept that they would sacrifice high incomes in the short term in order to reap the rewards of their businesses in the future.

"My income may be less at the moment but in this business I've got the potential to make a lot of money." [Case S1]

The aspirations of the subjects in this subgroup were quite ambitious. Some saw their businesses supporting them as they assume an absentee owner role.

"I've said by the time I'm 50, I'm leaving it altogether. This is one of the reasons I wanted to set up on my own - I thought if I could set up a business for somebody else to run and still earn me a profit while they're still taking their wage. ... then I could go wherever I wanted so long as I was happy that the business was being run over here." [Case S2]

"I hope to be able to retire to Tenerife ... in about 15 or 20 years time ... rather than sell it I'll get them (his children) to run it, hopefully anyway, and then I'll semi-retire." [Case S5]

Others saw themselves as becoming managers of their businesses rather than having to
continue to be involved in the physical production side of their business.

"I hope not to be working on the shop floor within the next 5 years but to be managing the business and sales side of things. I hope we will have the plant operating two shifts and we will employ shift supervisors." [Case S1]

However, for a number of these subjects they did not necessarily see their existing business being their sole business. The subject in case S2 saw himself starting another business and running this alongside his grocery delivery service. In case S4, the subject was unsure what business he would be running, though his intention was to be in a business which he could manage rather than "get his hands dirty". In case S3 the subject saw her and her husband opening a number of wholesalers and then using the money generated to buy property which they would rent out. Their income would then be generated from simply collecting the rents.

In three cases, therefore, the subjects hoped to retire early and live off the proceeds of their businesses which would continue, but be run by someone else (cases S2, S3 and S5). It should be noted this may not be the same business as the one they currently operate. The other subjects hoped that their businesses would grow to a sufficient size for them to become managers, rather than workers, in their businesses (cases S1 and S4). Again, this did not necessarily have to be the same business as they currently operate. Whichever end state was desired, the implications for the businesses is the same. The business would need to grow much larger than at present and would also need to employ more people.

The objectives of this group tended to be consistent. As stated above they all wanted
to start in business prior to the point at which they became unemployed, and indeed the subjects had been instrumental in becoming unemployed (except case S1 - here the subject was made unemployed, however he had intended to leave his job to start in business anyway). This desire to start their own business tended to result from their dissatisfaction with their job content and career progression (again as stated above). They therefore started up in business to take control of their work situations and then profit from their endeavours.

"My main reason for starting was that I was fed up getting nowhere. ... They were profiting from my graft. ... Starting up was inevitable." [Case S1]

"...making a fortune and getting out of what I was in (were his motives for starting in business). I just wanted to get out of working for someone else." [Case S2]

"I've always wanted my own business from a very early age. I always wanted to be independent and do my own thing. I like making decisions, and I don't want to have to do things by the rule book." [Case S4]

When we consider the outcomes for these businesses, all of them appear successful, especially when compared to businesses started by subjects in other subgroups - they turnover higher amounts and generally employ others. However the personal, financial reward received by these subjects was not substantially different to subjects from other subgroups. On the other hand, when asked whether their businesses were successful, the responses were not so straightforward. None felt that they had been unequivocally successful. Generally they agreed they were successful but with reservations. These reservations included the fact they had to work very hard but personally received very
little, or although they seemed to be doing well, others were claiming that they were performing even better, and finally the businesses were judged to be performing well but not against their original vision.

"The business has been more successful than I expected. ... I've not regretted starting up but its very hard work and I make less money than I did before." [Case S1]

"... less successful ... I'm vastly off target. I expected a lot more. ... Realistically now I know I've done better than I should have done ... when I first started I was disappointed, now I know what its about, I think I've done well." [Case S2]

"At times it seems less successful (than they had hoped and compared to other people), with knowing other people in the business. But then again some people talk bull shit (about the performance of their businesses)." [Case S3]

"Its certainly successful. Not more successful than I expected. Its not even been as successful as I expected because really I expected to have premises and be employing staff by now and have a much higher turnover." [Case S4]

This indecision, as to whether the business is a success or not, is probably in part due to the high targets this group have set themselves. Although they are aware that their businesses are doing well, they are discontented with their performance and want to do better still.

Although the ambitions of this subgroup are not completely satisfied, the subjects still
achieved a great deal of fulfillment from running their own business. This included feelings of autonomy, job satisfaction, independence, control and kudos.

"I get a lot of satisfaction from working for myself. I like being able to make my own decisions." [Case S1]

"It's a lot of hard work, it does cause a lot of hassles and rows but it's also knowing that you're in control, you don't have to answer to anyone and that you're beating everyone in sight." [Case S3]

"It's worth it for the self-satisfaction really. One thing I've enjoyed so much is that whatever I've achieved has been through my own doing. You feel so good when you've cracked a problem. You see everything through yourself. I'm really satisfied with having my own business rather than going to work, although the hours are long and hard. Yes it's been worth it, and hopefully in 5 years time when I've got a posh house and I go fishing everyday it will be well worth it." [Case S4]

"I call the shots that's great but it's the fringe benefits you get as well. ... I mean people turn round and say you've got your own business, I don't know people look at you differently. ... (discusses how he now knows the owners of a local nightclub as a result of running his own business) I go there as many times a week as I want, for nothing ... there's a queue a mile long and I go straight to the front, manager's there with a tuxedo and he shakes my hand and I just walk straight through, I mean there's nothing finer." [Case S5]
6.6.3 **Factors affecting Continuation of the Business**

Earlier, when considering the investment and turnover of the businesses in this subgroup one case, case S4, was excluded. This is because this case differs fundamentally from the others in this subgroup. This business, although requiring the highest initial investment (£17,000 compared to the next highest initial investment of £10,000), had no further money invested, unlike the other businesses in this subgroup. Also it was not increasing its turnover in the second year, £16,000, for the first 6 months of the second year, was achieved (note, though, this would appear to be a decrease, this is due to seasonal distortions, in reality this figure is in fact very similar to first year turnover during this period). Again, this was out of line with other businesses in this subgroup who were increasing their turnover. Further, this business did not employ anyone unlike the other businesses. In other words this business was not as successful as others in this subgroup.

Apart from the differences noted above, however, there are few other dissimilarities. Therefore we need to identify why this business was not developing as the other businesses in this subgroup.

In this particular case the business was purchased. When purchased, it was run on a part-time basis and achieved a turnover of £17,000. The subject investigated the product and the market thoroughly before proceeding with the business and forecast that a turnover of £100,000 would be feasible, both in terms of potential market and production capacity. During the first year turnover was increased to £56,000 and it looked likely that, with extra promotion, this could increase to the estimated £100,000 turnover during the second year. However, at the end of the first year, a new competitor entered the market producing identical products to the subject's. This was probably due in part to
the success achieved by the subject during the first year. Unfortunately for the subject, the competitor was much larger and had a fully developed network of agents through which it could sell the products; the competitor being an established wholesaler and manufacturer of fishing tackle. As a result of this, the subject was unsure how much of the market he would be able to gain or indeed maintain as his second main selling season approached.

Initial indications suggested he may sustain his first year’s turnover, but would be unlikely to increase it. Although the new competitor had not decreased prices in an attempt to gain customers from the subject, he did have a better distribution network in place and could probably compete on this basis alone. Consequently, the subject refrained from further investment or expansion and was considering whether to sell up and start in another area of business completely, or to try and identify export opportunities.

The question for this study is, whether this business could have been identified as being different at start up and whether any action could have been taken to ensure the growth of the business?

From the evidence, it seems unlikely that these events could have been predicted. All of the businesses in this subgroup could have found themselves in a similar position. None of the businesses are unique, in fact this business was probably the most differentiated, though even in this case substitutes existed. If a powerful competitor had started up in competition with any of the businesses in this subgroup, all would have probably suffered a similar fate. None of the businesses had a sufficient stronghold on their market to ward off competitive threats. None of the businesses offered goods/services without close substitutes, and none had been established long enough to
ensure customer loyalty. Nor had the businesses got a strong financial base from which they could undertake aggressive competitive action, most of the owners having borrowed money or invested all their personal savings already. In some ways then, this business was unfortunate that his market niche had come to the attention of a more powerful competitor, and in such a case retrenchment, and potentially disposing of this business, would seem to be the most prudent course of action.

The conclusion drawn was that rather than this business or subject being different, it was chance that resulted in it, rather than the other businesses in the subgroup, being unable to grow. This outcome could easily have befallen any of the businesses in this subgroup. In other words, these are vulnerable businesses. Until they are established and have developed customer loyalty and also generated funds to ward off competitive threats, they will be under constant threat from more powerful, wealthy competitors. It is small wonder so many businesses fail within their first 5 years of operation.

6.7 NON STARTERS

Within the interviewee sample there were very few business failures (only one business ceased because of inviability, of the 20 businesses started). On the other hand it was found that a relatively large proportion of those who attended the BSU courses then failed to begin in business; 10 subjects out of the sample of 30 (33%) did not start in business. This finding was largely unexpected at the start of the study. It was envisaged that some interviewees would not go on to start in business, but it was not thought this would be in such large numbers. As this group of subjects emerged, it was decided that they should be investigated in order to see if they differed substantially and consistently from those who did in fact commence in business.
It was found that each individual who did not start in business had characteristics in common with subjects from one of the subgroups identified that did start. There were also some fundamental differences. From this a number of recurring barriers to start up were identified which were common throughout the non starting subjects. Firstly, comparisons will be made between non starters and the profiles of their counterpart subgroups, who did start business. After this, common barriers to start up of the non starter subjects will be identified.

Case studies for these subjects are given in appendix 7.

6.7.1 Youngsters in Business

Cases N1 and N2 resembled the youngsters who did start in business in many ways. They were both under 22 years of age, single, living with their parents, unable to get a job and so were looking to self-employment as a means of becoming employed and earning sufficient to live off. The income to achieve this would only need to be small. However, these two subjects had some marked differences from those who did start in business.

With case N2 the most striking difference was that she had not got a firm business idea when she started the course. During the course she had a number of ideas which the trainer helped her develop, but she was neither convinced they could earn her a living nor sure that she had either the skill or the interest to operate them. This was very different to the subjects who started in business. These had all worked and/or trained in the field of their business. Similarly, part of the reason for the start up was to be able to work in their field of interest. This subject had also been unemployed for a much
longer period than those subjects who started in business (18 months compared to less than 6 months). Therefore, self-employment was being considered as a last resort to gain employment.

"I mean I'd love to (get a job). If I could go out and get a job tomorrow then I would. I mean that's the only reason that I'm considering self-employment really - because there's nothing else." [Case N2]

Another difference was that both subject's (cases N1 and N2) business ideas required quite large (relative to the money possessed by the subjects) initial investments of over £1,000. For the subjects who did start in business initial investment was less than £150 (excluding vehicles). For the one subject who required a car the subject obtained a PYBT grant and later borrowed from her parents (case Y2). In another instance the subject used her mother’s facilities (case Y3), thus reducing the need for financial investment in the business. With the two cases considered here (cases N1 and N2), however, this was not the case. Neither had access to the initial investment.

"I think it would be really difficult to start up because I haven't really got any money behind me, well I've some but I'd need more." [Case N2]

Also, unlike the subjects that started in business, these subjects did not mention their parents being supportive of them starting in self-employment, and in particular their parents were unable or unwilling to assist them financially (with case N1 it should be noted his father had recently been made bankrupt and therefore had no money which he could lend or give to his son).
6.7.2 **Mothers Returning into Employment**

Case N3 and N4 resembled subjects in this subgroup to a large extent. In both instances the women were looking to return to full-time employment through self-employment. Prior to this point they had taken part-time jobs. As with the subjects who started in business, the business ideas of these subjects were based on either hobbies (flower arranging, case N4), or duties conducted as a housewife (catering, case N3). Also the motive for start up was to gain some degree of independence and interest outside the home.

"I don't like being dependent on him (*her husband*). I'd like to be independent, do something in my own right." [Case N4]

Despite some notable similarities, there were also some marked differences.

Firstly, although in both cases they had a firm idea of what line of businesses they wanted to be in (flower arranging and catering), they were unsure when they started the BSU course how they would operate these businesses. This was unlike the subjects who started in business, where they tended to have a clear idea of how they would proceed.

The investment required by these subjects to start their preferred business ideas was quite high (in excess of £3,000), and yet in both cases the subject had no savings and their husbands were unemployed and therefore unlikely to be able to finance their wives' business. This last fact had further implications for these cases. In both instances the husbands were not keen for their wives to become self-employed, indeed they actively discouraged it, as they were in a very weak position financially.
"Yeah, he were a bit dubious. I don't know, he knew that we could do it but to me husband it were a lot of money to pay out to start with. ... It was silly of us really to try and do it without money." [Case N3]

"He (her husband) says why can't I start it (her business) from home so there's no need to invest anything." [Case N4]

Also, there was concern that benefits received by the husband would be affected by income earned by the wife.

"If I get the allowance then my husbands benefits will go down by £36 so overall we would be £4 better off." [Case N4]

6.7.3 Tradesmen and Professionals

Case N5 resembled subjects in this subgroup in many respects. The two subjects in this case were within the age band of this subgroup. The business they wanted to start was based on a trade, or more correctly, a number of trades. The vision for the business was that it would not employ anyone other than the subjects. The subjects themselves were similar to subjects in this subgroup in that they had dependents, partners and children. However, again there were notable differences.

Firstly, these individuals had been unemployed considerably longer than those who did start their businesses (3 and 4 years compared to less than 6 months).

In the subgroup of people starting in business, all continued the trade or profession in
which they had either previously been employed and/or trained. Here the subjects were not qualified in the trades and services they intended to offer. Many of them, eg alarm fitting, had in fact only been learnt through DIY in their own homes.

When asked what their business was to be, the response gained was as follows:

"Carpentry, joinery, painting and decorating and gardening services. Plus I've fitted my own burglar alarm so we might be able to get into the burglar alarm business. Is there anything else? (this was directed to his partner)" [Case N5]

Another feature is that they were offering a multitude of trades rather than one specific skill. Therefore the business idea lacked focus and was akin to being a jack of all trade and indeed a master of none. As a result they would not be chasing one single market but a number, making it difficult to promote to customers. Also, offering this range of services would probably make customers sceptical as to whether the partners would be proficient in any area, let alone all areas, of their business.

Also, these two subjects identified a barrier to them starting up. This was the problem of being able to make enough money to support their families.

"I had to weigh up the pros and cons. But I had to think about my wife and kids. If I'd been single I'd have jumped in with both feet. One week there might be a lot coming in the next week nothing. It's OK if you're single you could survive on the £40 allowance but not with three kids. When I sign on I get about £145 per week, what with the rent being paid and the council tax. I couldn't take that
With the subjects who started in business, the view was contrary to this - they could not afford to stay unemployed. This is, possibly in part, related to the fact those who started in business all owned their own homes and were used to reasonable incomes prior to being made unemployed. Here the subjects lived in council owned accommodation and had become used to living off a low, but not small, level of income.

6.7.4 Elderly Businessmen

Case N6 resembled the subjects in this subgroup. The subject was over 50 years of age, was married and owned his own home, which was now nearly paid off. His children had left home and were no longer dependent, but he was expected to support his wife. Here after the similarities end, however.

Although this individual was within the same age bracket as those who started in business, over 50 years old, he did not perceive that his age was any barrier to gaining paid employment. This was despite the fact he had been unemployed for 2 years (over four times the longest unemployment suffered by those who commenced in business). The most striking difference, therefore, between the starters and non starter in this subgroup is the difference in perception of their likely future employability. The non starter did not feel that self-employment was his only alternative, and indeed was proved correct in this outlook when he gained employment.

Another difference was that the business idea was outside the previous experience of the subject. For the subjects who did start in business they basically took their last
employment and turned it into a business. This is possibly the reason that he did not proceed, as the project was a complete divergence from his previous experience. Perhaps if he had used his trade as a basis for his business, the transition to self-employment may have been made.

Finally, for the subjects in this subgroup who did start up in business, all had the support of their wives, this even went as far as the wives performing administrative tasks for their husbands. In this case, however, the subject did not even mention his wife. She was seen as being unconnected with the business.

6.7.5 Would be Small Firm Owners

In the group of small firm owners who did start in business, the individuals concerned were between the ages of 25-35 years of age and had their own home, were married, normally with their partner working, and had held the idea of self-employment as a long term goal to which they aspired. Indeed, in most cases, they were instrumental in becoming unemployed in order to start in business. The business ideas were either to take a business they were familiar with and improve upon it, or seek out a business opportunity as a result of research. A further characteristic is that reasonable levels of investment were made at start up and, if necessary, money was borrowed to achieve this.

There were three non starters (cases N7, N8 and N9) whose business ideas resembled those of this subgroup, but again the subjects also differed substantially.

Firstly, none of these subjects had engineered their own unemployment in order to precipitate business start up. Once having been made unemployed, these subjects did
not have a clear view that they wanted to start a business nor ideas of the business they wanted to pursue.

*(the reason for considering the BSU course)* "I just wanted to see if I could get any qualifications like, I didn’t have any in business although I had worked for big firms." [Case N7]

*(in terms of business ideas)* "I was toying with a few ideas. ...I was thinking of a hardware shop eg DIY but there’s too many at it. I did think of videos but that’s the same. So I thought of baby clothes because people are always having babies." [Case N7]

With case N8, the subject decided that starting a business may be the way to change career. But although she had a number of business ideas she was unsure which, if any, she would want to pursue.

With case N9 the subject had not even considered starting in business until the DSS threatened to stop his unemployment benefits.

These subjects did not view starting up a business as their ultimate ambition. Starting in business was only considered because they were unemployed and other opportunities had not emerged. Consequently, they tended to experience longer periods of unemployment than the subjects who did start in business (6 months to 2 years compared to less than 6 months).

"... self-employment I felt, and perhaps still feel, is fraught with so many ifs, buts
and maybe. It's not something that gives one employment security and you need to be a gambler and I'm still weighing up how much of a gambler I am." [Case N8]

Also in these cases the subjects did not have the capital to invest in their business. The subjects in cases N7 and N9 did not own their own homes and had no savings, so had little chance of raising any money. Even case N8, who did own her own home, said she had no money to invest and no inclination to borrow.

"I don't have any money. My money is tied up in my house and I don't have any capital other than that. ... I am too frightened of the challenge, from a financial point of view." [Case N8]

Further, none of these subjects had a partner who was working and could therefore support them whilst they started up.

6.7.6 Common Barriers to Not Starting in Business

From the above we can see that each non starter can be compared with one of the subgroups who did start their business. Important common differences between those who started, and those who did not, can also be found. These can be seen to act as barriers to start up. Not all of these barriers will hold in each case, but a number will. The existence of these barriers help explain why certain subjects start in business and certain subjects do not.
Barrier 1: Prolonged Unemployment

In many instances the subjects who did not start in business experienced long periods of unemployment (more than 6 months), relative to those who did start in business (excluding the mothers returning to work subgroup where long periods of unemployment were not unusual). This factor has implications for the financial standing of subjects and hence their ability to invest in their businesses. Also it has implications for their motivation towards self-employment. If they have remained unemployed for a prolonged period of time before even trying self-employment, then undoubtedly it indicates that they are not highly motivated towards becoming self-employed.

Barrier 2: Business Idea Not Fully Developed

In a large proportion of the cases the idea which was eventually considered as the vehicle for the start up business was not fully developed at the time of starting on the BSU course. One might expect this and view the course as an opportunity to mould a naive business idea into one that will eventually operate successfully. However, it can also be viewed more negatively. The idea may not be fully formed as the subject has neither the experience necessary to operate in the business area, has no role model on which to mould the business idea upon, or alternatively the subject may be clutching at straws due to having no reasonable business idea in mind when starting the course. All these reasons would give the subject a lack of confidence in the business idea and make them reluctant to take the risk of starting up.
Barrier 3: Start Up Capital

With many of the cases considered above, the start up capital requirements, although not high, were often in excess of £1000. Given the particular predicaments of these individuals, the ability to find sums of money even of this magnitude was doubtful. Either the subjects were long term unemployed, young people or wives with unemployed husbands and therefore had no personal reserves to draw upon. Without the necessary capital the subjects would be unable to proceed any further with their business ideas.

Barrier 4: Attending the Course was a means of avoiding further interference from the DSS and not as a vehicle to self-employment

It cannot be forgotten that a few of the subjects above had no intention of starting a business when they first attended the course. They decided to attend simply to get the DSS "off their backs". Although in these cases the subjects said that they had found the course very positive and that it gave them back some of their self confidence which had been lost during long term unemployment, it seems an inappropriate method for achieving this end. Other programmes could achieve the same "feel good factor" but also have outcomes that would be of more practical use in helping these individuals get back into the workplace.

Barrier 5: The Benefits' Trap

A number of cases stated that they were concerned that they could become worse
off by becoming self-employed. For instance, the women who wanted to start in business whilst their husbands were unemployed both identified potential problems with their husbands' benefits being reduced, thus making starting in business not worthwhile. Similarly, in case N5, the subjects stated that they would have great difficulty starting a business that could give them the same level of income as their benefits.

**Barrier 6: Lack of Support from Family**

The subjects who started in business frequently referred to the active support of their family (parents or spouse). In the case of the non-starters, however, this support was not as evident. In many instances the family was unable to support the subjects, e.g., parents or spouse were unemployed and so unable to offer any financial assistance.

### 6.8 SUMMARY AND CONCLUSIONS

In this chapter some of the findings from the interview study have been given.

From the data a number of typologies have been identified. Each typology is distinguishable in terms of the characteristics of the founder, the business created, the objectives and outcomes of, and aspirations for the business (these are summarised in table 6.1 below).

The original objectives for the study were to identify factors affecting success and failure and also to define the meaning of success and failure in naturalistic terms which are
recognised by the actors themselves. Through the identification of the typologies we can see that groups of individuals have shared meanings of success and failure. These are expressed in terms of financial or economic criteria, and/or personal satisfaction and security. The definition and achievement of success on the subject's criteria influence the development and growth of the business created, eg if success is simply to create an interest outside the family, whilst meanwhile running the household, the business is unlikely to grow to any size as fulfilment of objectives can be achieved with a business which is very small.

Meanwhile, other stakeholders will have different definitions and criteria for success for the businesses created. The most influential of these are the government, who fund the scheme, and the TECs, who administer the scheme and who are themselves funded on the basis of the outcomes of scheme sponsored businesses. For the government, success will be defined as subjects removing themselves and others, through job creation, from the unemployment register. Also they will want to see the businesses become profitable, as this creates tax revenues for the treasury. The TECs on the other hand, will define success in terms of the longevity of the businesses. Survival of the business beyond the scheme ensures they receive financial rewards for supporting scheme businesses.

Achievement of success in terms of these stakeholders' criteria will be determined, in part, by the subject's own criteria for success, ie the achievement of success on the individual's criteria may restrict further development of the business and therefore not result in success in terms of other stakeholders' criteria.

Further we have looked at the capacity of individuals to invest resources (human, financial and physical) in their businesses. This is dependent on the set of circumstances

6.74
faced by the individual (the financial standing of the individual prior to start up, their ability to borrow, their prior training and work experience etc) prior to start up. Again, individuals within typologies tended to have commonalities in this area. The capacity to invest in the business, taken in tandem with their objectives for the business, it will be argued later, limit the potential scale of the business started and hence the outcome of success and failure in terms of the government and TECs' criteria.

The second group of interviewees, who failed to start in business, also need to be considered. These individuals have undertaken training at public expense with no discernable positive outcome. It is proposed, however, that the discouragement of potentially marginal businesses, whose failure would be expensive both in personal and economic terms, is indeed a positive outcome. It is necessary, though, to understand the reasons for not moving into self-employment. The discovery of the reasons why self-employment is unattractive to some individuals, rather than others, can assist in the identification of those who are unlikely to start in business.

The findings of this chapter will be developed later in order to gain an explanatory model of success and failure for BSU participants. This will seek to explain the meaning of success and the ease with which it is achieved for each of the typologies. In parallel it will identify the likelihood of success in terms of the TEC and government's criteria. The model will also be used to explain why certain individuals do not proceed into self-employment. From this it will be possible to make recommendations regarding future assistance that should be offered to start up businesses.
<table>
<thead>
<tr>
<th>Personal Characteristics</th>
<th>Youngsters</th>
<th>Mothers</th>
<th>Tradesmen/Professionals</th>
<th>Elderly</th>
<th>Small Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>&lt; 22 years</td>
<td>30 - 37 years</td>
<td>25-43 years (mainly male)</td>
<td>&gt; 52 years</td>
<td>25 - 35 years</td>
</tr>
<tr>
<td>Sex</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
<td>Male</td>
<td>Mainly male</td>
</tr>
<tr>
<td>Marital Status</td>
<td>Married</td>
<td>Married or Single</td>
<td>Home mortgaged</td>
<td>Married</td>
<td>Married (at least by end of study)</td>
</tr>
<tr>
<td>Home Ownership</td>
<td>Home mortgaged</td>
<td>Husbands actively support - help with household duties</td>
<td>Dependents supportive but morally not tangibly</td>
<td>Home completely owned</td>
<td>Home mortgaged</td>
</tr>
<tr>
<td>Family Support</td>
<td>Parents actively support - advice and/or financial</td>
<td>Not on income of business</td>
<td>Income of business has to support wife and/or children or elderly parents</td>
<td>Wives actively supportive - do books for business</td>
<td>Generally it was the wives who provided the stable income whilst their husbands started their businesses</td>
</tr>
<tr>
<td>Dependents</td>
<td>Not on income of business</td>
<td>Not on income of business</td>
<td>Income of business has to support wives</td>
<td>Income of business has to support wives</td>
<td>Not on income of business (wives either worked or benefits supported family)</td>
</tr>
<tr>
<td>Training/Education</td>
<td>Vocational in field of business</td>
<td>Most did some vocational training in field of business</td>
<td>Most had vocational training in field of business</td>
<td>Most had vocational training in field of business</td>
<td>None trained in field of business</td>
</tr>
<tr>
<td>Previous Employment</td>
<td>Limited may/may not be related to business</td>
<td>Mixed, not related directly to business</td>
<td>Most directly related to business (if not qualifications in field of business held)</td>
<td>Majority of previous employment directly related to business</td>
<td>Some had previous employment directly related to business</td>
</tr>
<tr>
<td>Unemployment</td>
<td>Short &lt; 6 months</td>
<td>&gt; 3 years since full time job held</td>
<td>Short &lt; 6 months</td>
<td>Short &lt; 6 months</td>
<td>Short &lt; 6 months</td>
</tr>
<tr>
<td>The Business</td>
<td>Youngsters</td>
<td>Mothers</td>
<td>Trademen/Professionals</td>
<td>Elderly</td>
<td>Small Firms</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
<td>---------</td>
<td>------------------------</td>
<td>---------</td>
<td>-------------</td>
</tr>
<tr>
<td>Idea</td>
<td>From vocational training</td>
<td>From hobby or activities carried out as a housewife</td>
<td>From previous trade, or profession, or business was trained for</td>
<td>From last job</td>
<td>Either from last employment, opportunity identified or knew someone in field of business</td>
</tr>
<tr>
<td>Investment (excl vehicles)</td>
<td>Very little &lt; £150</td>
<td>£600 - £2,500</td>
<td>£1,000 - 2,500</td>
<td>£0</td>
<td>£1,000-£10,000 (one case made a one off investment of £17,000)</td>
</tr>
<tr>
<td>Source of Capital</td>
<td>Varied incl: Parents, savings, PYBT</td>
<td>Varied incl: Savings, allowance, personal loan (for car), borrowed from parents</td>
<td>Most used savings, one borrowed from family</td>
<td>N/A</td>
<td>Savings, borrowed from bank or British Coal and Steel</td>
</tr>
<tr>
<td>Subsequent investment (excl vehicles)</td>
<td>Negligible</td>
<td>Negligible</td>
<td>Negligible</td>
<td>None</td>
<td>£12,000 - £45,000 (except for one case identified above)</td>
</tr>
<tr>
<td>Turnover 1st year</td>
<td>£3,000-£4,000</td>
<td>£1,200-£3,500</td>
<td>£9,000 - £27,000</td>
<td>£6,000 - £26,000</td>
<td>£56,000 - £150,000</td>
</tr>
<tr>
<td>Turnover first six months of 2nd year</td>
<td>Increased from first year to make up for missing allowance but little more</td>
<td>Increased from first year to make up for missing allowance but little more</td>
<td>Decreased for each subject, some had substantial increases, one had substantial decreases</td>
<td>Increased from first year to make up for missing allowance but little more</td>
<td>All but one case increased turnover substantially</td>
</tr>
<tr>
<td>Employment Generation</td>
<td>None, not likely to in the future</td>
<td>None, not likely to in the future (except casual labour)</td>
<td>None, in the future vague ambitions to employ others stated. Some subcontractors, casual labour used</td>
<td>None, not likely to in the future</td>
<td>All but one employed others and all intended to increase the number of people employed on a full-time basis</td>
</tr>
</tbody>
</table>
Table 6.1  continued

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Youngsters</th>
<th>Mothers</th>
<th>Tradesmen/Professionals</th>
<th>Elderly</th>
<th>Small Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary reason business started</td>
<td>Only way to gain employment in field for which they trained</td>
<td>Interest outside the family, independence but not at expense of family duties</td>
<td>Lack of job opportunities. Business seen as giving themselves a job and reasonable standard of living</td>
<td>No alternative - considered too old to get a job and too young for retirement</td>
<td>Always wanted to be self employed</td>
</tr>
<tr>
<td>Role of allowance in start up</td>
<td>Encouraged start up to be brought forward or for plunge to be taken</td>
<td>Would have started without it</td>
<td>Would have started without it</td>
<td>Would have started but it acted as an incentive to start</td>
<td>Would have started without it</td>
</tr>
<tr>
<td>Aspirations for the business</td>
<td>Stay as they are, in long term likely to do something else</td>
<td>Continue as at present</td>
<td>To increase income but continue as at present or leave self employment and get a job</td>
<td>Give themselves a reasonable standard of living until retirement</td>
<td>Expand the business and increase the number of employees</td>
</tr>
<tr>
<td>Rewards</td>
<td>Minimal, pays board and lodgings and occasional treats</td>
<td>Minimal, allows occasional treats</td>
<td>Low wages &lt; £160 per week</td>
<td>Varied - minimal up to £273 per week</td>
<td>Varied - allows occasional treats, up to £175 per week</td>
</tr>
<tr>
<td>Income from business</td>
<td>Increased confidence, enjoyment, control, autonomy</td>
<td>Kudos from running own business + satisfaction from offering good value for money</td>
<td>Autonomy, job satisfaction</td>
<td>Reduced stress, flexibility job satisfaction and reduced working hours</td>
<td>Job satisfaction autonomy, control independence</td>
</tr>
<tr>
<td>Success</td>
<td>Youngsters</td>
<td>Mothers</td>
<td>Tradesmen/Professionals</td>
<td>Elderly</td>
<td>Small Firms</td>
</tr>
<tr>
<td>-------------------------------</td>
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<td>-------------------------------------------------</td>
<td>--------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>---------------------------------------</td>
</tr>
<tr>
<td>In relation to own definition</td>
<td>Yes for 2 out of 3. They were able to continue to support themselves working in their chosen field</td>
<td>Yes for 2 out of 4. They were able to keep the business going and give themselves some interest and independence outside the family</td>
<td>Yes for all. They were able to support their families but some required higher incomes than those provided by the business</td>
<td>Yes for all. It is providing them with income, without drawing on savings, until they retire or in one case until they got a job, although the income in one instance was low</td>
<td>Yes for all. They are self employed and, in all but one case, their business is growing and they are employing others.</td>
</tr>
<tr>
<td>In Relation to funding body's definition</td>
<td>Yes for 2 out of 3. They were removed from the unemployment register only.</td>
<td>No. None were registered unemployed at start up, employed others or paid tax</td>
<td>Yes. They were no longer registered unemployed and some paid taxes.</td>
<td>Yes. They are no longer unemployed and some pay tax.</td>
<td>Yes. They are no longer unemployed and all but one employs others, and they pay taxes.</td>
</tr>
</tbody>
</table>
CHAPTER 7

OTHER FACTORS AFFECTING SUCCESS AND FAILURE

7.1 INTRODUCTION

In this chapter further findings from the interview analysis will be given.

In the last chapter the meaning of success was considered for the different typologies identified, as was their ability to invest in their businesses and the outcomes that were observed. Here the analysis will be taken further and consideration will be given to other factors which potentially influence the success or failure of the BSU businesses.

A number of factors will be discussed. The first of these is the BSU scheme itself. Here the training given, the administration of the scheme and the allowance, and follow up counselling and courses will be evaluated. The use of accountants and banks and the assistance they give to the start up business will be appraised. Also, the availability and use of grants, vouchers and assisted loans will be discussed. The processes for gaining premises and employees will be investigated as well.

Other issues that will be discussed surround the operation of the start up firms. Consideration will be given to the customers of the businesses, their location and the methods used to generate and sustain the customer base. Competition faced by the BSU businesses will be evaluated, as will the competitive strategies employed by the subjects. Relationships with suppliers and the pros and cons of having a partner will be examined.
Finally, the financial operation of the businesses will be reviewed.

Unlike the previous chapter, where clear typologies of participants could be identified, this was not the case with many of the factors that are examined here. However, these factors will also impact on the outcomes of the business and therefore need to be included in any model exploring success and failure.

7.2 THE BUSINESS START UP SCHEME

As discussed in earlier chapters, this scheme originally was directed at increasing the numbers of unemployed people who started up in business. With the transfer of responsibility for the scheme to the TECs, the emphasis shifted towards encouraging people to start businesses which had a longer term potential than to survive just for the period of the allowance. As TECs were paid on the survival of the businesses started on the scheme, a number of measures were introduced to improve the chances of survival. Training was provided to give potential participants the basic skills necessary to run their business, eg promotion and marketing, book keeping, pricing, and also the time and tools required to test the viability of their business eg market research. From this a business plan was required which, firstly, acted as proof that all the major issues of running a business had been considered, secondly, it proved that potential participants were in fact intent on starting up in business. It also allowed the business idea to be validated and evaluated, not only by the applicant but also by the TECs themselves. In North Notts TEC this evaluation was undertaken on behalf of the TECs by an independent small business advisor. At Rotherham TEC the scheme trainers were responsible for evaluation and the TEC then accepted the recommendation of the trainer (note there was some self interest in this approach as trainers were paid for training
given based not only on numbers attending courses, but also on the number who successfully started on the scheme).

If the business plan was successful the applicant was then able to start the business and receive the allowance. The money side of the scheme was administered slightly differently by the two TECs. North Notts administered it in the same manner as the Enterprise Allowance Scheme ie £40 per week for 52 weeks, payable fortnightly. Rotherham TEC decided to change this pattern of payment, within the flexibility allowed them by the Employment Department. Each participant still received £2,080 in total over a 12 month period, but during the first third of the scheme they received £50 per week, the next third - £40 and the final third - £30. The rationale for the allowance part of the scheme was to provide participants with an income whilst the business builds up custom, when income generated by the business is low and also erratic. As a consequence, Rotherham decided to weight the allowance to give participants more money in the early stages of the business, where earnings from the business would be lowest.

Whilst on the scheme, participants were monitored through a combination of questionnaires and visits by small firms advisors or their trainers. Also, many of the trainers were willing to see participants from their courses both during and post scheme if further advise was sought. Similarly, courses run by various trainers were open to scheme participants, some of which were free whilst others required a fee to be paid.

Each of these aspects to the scheme will be reviewed in the light of the experience of participants.
7.2.1 Gaining Access to the Scheme's Training

The majority of subjects claimed to have prior knowledge of the scheme before deciding to try self-employment. Some knew people who had been on the scheme (30%), and others could not remember how they had come to learn of its existence (27%). Others had seen advertisements in local papers, or posters when they went to sign on (10%), and others had been given details when attending Restart interviews with the DSS (Department of Social Security), when their attempts at finding work were reviewed (10%). Another group of subjects made enquiries about self-employment and were told about the existence of the scheme (23%). Very few realised that the TEC were responsible for administering the scheme at this stage of their inquiries, and therefore none of the respondents had approached the TEC directly for information.

Once subjects knew of the scheme they found it relatively easy to gain contact with the trainers to find out more. Most frequently contact was made via the DSS when the participants went to sign on. However, a few contacted the trainer direct or used staff at job clubs to make the initial contact.

When contact had been made with the trainer experiences differed. Most were simply given the date of the next BSU course and told that they would be able to join then. Others did not find this so easy. One subject was informed incorrectly that they had to be unemployed for 6 months in order to be eligible for the scheme.

"I were led to believe that after you'd been unemployed for six months you could join the Enterprise Allowance Scheme. But it isn't like that but that's what we were led to believe." [Case E1]
A number of subjects were told that there were waiting lists (cases S1 and T3) and that they would not be able to join a course for a month or so. This last issue may seem reasonable. However, this occurred in Rotherham, where two trainers operated within a half mile of each other. When one trainer received an inquiry and was unable to offer the subject a place on their next course, they did not try to find them a place on the other trainer's programme.

"They said there was no problem but I'd have to wait 6 weeks before he œuld get me on a course." (When asked if he was told of the other trainer he responded) "No one mentioned that." [Case S1]

A further problem that occurred was when the DSS referred subjects to the wrong trainer. One subject (case N1) resident in Mansfield, where two trainers operated, was sent 20 miles away to a trainer in Worksop.

Two issues arise from this. Finding out about the scheme does not appear to be a problem, but being put in touch with the right trainer appears to rely on luck. This is either because trainers do not network effectively, ensuring subjects are put in touch with a trainer that meets their requirements, in terms of location or timing of courses, or the information held by the different agencies is not necessarily correct.

7.2.2 Training Received

In the Rotherham TEC area there were 2 trainers and in North Notts (a larger geographical area) there were 4. Two of the North Notts trainers and both Rotherham trainers offered a course that would run one day per week for between 5 and 10 weeks.
In terms of content, the training given appeared to be very standard eg one day on marketing, another on book keeping etc. and the outcome of the training was the production of a business plan. Each course also introduced their participants to bank managers, accountants and insurance advisors.

The two remaining trainers in the North Notts area operated a little differently. One had a specific brief to focus on the long term unemployed. Here successful participants would be forwarded to another trainer for extra days training in book keeping and also to oversee the production of the business plan. The other trainer, located in Newark, covered a rural area. Here there were fewer potential participants. Consequently, they did not offer courses but instead participants attended an induction day which covered book keeping, followed by one to one counselling in order to produce a business plan. These sessions were available on a need basis.

Often the trainers on the courses were seconded or retired from either larger business or banks. Others were self-employed small firms trainers. Generally one or two trainers would deliver the whole course, but most brought in specialists for the occasional session.

Training was very well received in all but five cases (cases S1, S3, T2, T3, and T4). The most useful elements were identified to be the market research and book keeping elements of the programmes. However, as subjects actually started in business the perceived usefulness of the programmes tended to diminish, eg market research was never undertaken after that required for the business plan, book keeping tended to be left to accountants rather than undertaken by the subject etc.

Although satisfaction was expressed, there were a number of issues raised by subjects in
terms of the training received.

The main issues tended to centre on the focus of the subject matter. As can be seen from the businesses started in this study, the majority of these are very small "micro" businesses normally limited to self-employment only. A regular comment made was that the material covered was more relevant to businesses larger than themselves. Typical comments included:

"The course was very good. But a lot wasn't necessary for me. My business is very simple, I don't buy and sell things, just a few materials and invoices." [Case E2]

"I think it has been very good, but mine is a very small business. I do feel it was aimed at businesses that set out to do bigger things than me" [Case M4]

A further comment was that material was not tailored to the nature of their business and therefore, again, its applicability was very limited.

"They can't really advise about the market because they don't know it." [Case Y3]

"A bit of basic book keeping is all that is required. After that the rest is individual to the business." [Case T2]

Another issue was that some of the participants were already well informed on the issues covered and reaped very little benefit from the programme offered, and felt this simply delayed them getting started.
"The course should be a bit more selective. People on the course didn't need it, others needed more, but everyone goes through the same course. I don't mean to sound big headed but I didn't need it, it cost me time and money which I could ill afford." [Case T3]

"We had done a business plan when we went down (to their trainer). It was a bit galling to us as the business plan we ended up with was virtually the same as the one we started with. The course did us proud, but it did delay us, I missed out on one job because of it." [Case E1]

Alternatively others felt material was covered at too great a pace as they had little prior knowledge or experience in the areas covered.

"I used to come home with a headache. They were trying to get too much in. It seemed like they went from one subject to another. It was quiet a lot at one go." [Case E2]

This also needs to be viewed in light of the previous educational experience of participants. Some participants were familiar with a learning environment whereas others have difficulty with writing.

"I found it hard work with all that paperwork like. ...I can read and write sort of thing, enough to get me by ... I was struggling with it." [Case S5]

The mixed abilities and experiences of participants meant individuals either found the programme too drawn out or too quick in that they hadn't grasped one area before the
A further issue related to the training staff themselves. Some subjects made negative comments about the attitude of the trainers.

"They treated you like twelve year olds." [Case S3]

Comments such as this were not the view of the majority however.

The main criticism was that the trainers were not very knowledgeable, either about small businesses, or a subject’s business in particular.

"I mean one of the chaps there was some regional director from BP or Shell or something. Well that was useful to an extent but what advice could he offer to a young and up-and-coming florist, or gardener, or architect." [Case T4]

Those who were less than positive about the courses they attended (cases S1, S3, T2, T3, and T4) tended to have similar criticisms, but expressed these more vehemently than those who were satisfied with the programme.

"It was a complete waste of time, a waste of my time, a waste of their time... They make you jump through hoops, its not worth it." [Case T2]

To summarise, training was generally received positively, particularly book keeping and marketing, with some of the caveats given above. In terms of the practical outcomes of the training there are some indications that its impact was limited. With marketing, as
will be discussed later, most extended no further than placing advertisements in local papers or mail shots. No doubt this would have been considered by most, even without the course. Similarly with book keeping most employed an accountant to compile their annual books and complete tax returns and indeed followed their instructions on how to organise receipts and invoices.

One of the main benefits seemed to result from the security people felt at having a point of contact they could use should they encounter problems. All those who actually started on the allowance commented that they felt they could return to their trainer, if necessary, for advice or assistance.

7.2.3 The Business Plan

The business plan was incorporated into the scheme by the TECs to ensure that participants validated their ideas. Also, it gave them information on which to evaluate the viability of the business prior to the participants acceptance onto the scheme allowance. The business plan is also a mechanism for testing the applicants determination to get on the scheme and therefore their true commitment to starting a business.

The business plan did seem to be quite an effective deterrent to those who either were unsure about starting a business, or for those whose business ideas were not well conceived. Hence the large proportion of non starters in the sample.

The individuals who did proceed with the business plan and then into business, had very mixed feelings towards it. All agreed that it required considerable effort and information
gathering to complete. Many did questionnaires to try and assess potential demand for their goods/services, often competitors prices were also investigated. During the first interview many subjects identified that the business plan was very important, no doubt a reflection of the importance the trainers and evaluators placed on this.

"The business plan is very important. I've written things down as they've come to me. I read through it and think, yeah that's me." [Case Y1]

"It did help me especially with doing that business plan. It really made me think how I was going to do it." [Case M1]

"If I'd started up in business (without the scheme) I wouldn't have done anything like that. It does open your eyes a lot more." [Case T1]

For some, it did help identify issues that would not have been considered without its production and therefore helped avoid some problems later on (though these tended to be of the magnitude of not adding £30 per month for a phone bill). Later, however, the true worth of the document was questioned.

Most admitted that the figures were pure guesswork, and even then not particularly well informed guesswork.

"I mean the figures look great on paper but its all cloud cuckoo land even when you do it realistically." [Case T5]

"I thought it (the business plan) was interesting. But they were only estimates,
guesswork really." [Case E2]

Also, they felt the need to massage the figures to satisfy their trainers and the evaluators of the plan, although there was not always agreement, as in case M2.

"They (the trainer) checked the plan and they said our figures were too high so we brought them down and sent it back for them to check. They then passed it on to the TEC who said the figures were too low. So we revised the figures and sent it back and they said they were still too low. ... Each time we sent it in we had them checked, even by my husband's accountant and they (the TEC) still kept sending it back. ... By the time we had finished the figures just didn't feel right ... we just changed them as we were told." [Case M2]

The real worth of the business plan can be assessed by its use after gaining the scheme. Not one of the subjects referred back to it for their own personal use. Two did compare budgeted with actual figures, believing this would be required at their three month interview, when it wasn't they ceased to do this. Only one subject had considered preparing a business plan for future years (case S1), but had not done so by the end of the study as he had not had time.

It was later on that most subjects questioned its use. Most appreciated that they had been wildly out in the figures and that in some cases it was pure fantasy.

"I've never related back to my business plan. I'm more interested what's in the bank than what the proposals say would be in the bank." [Case E3]
"What I am doing is totally unreal compared to the business plan that I made. To me there is just no point in doing another." [Case S2]

Some subjects did borrow money from the bank in order to start or expand, and therefore the business plan could have been of use here. However, the experiences of the subjects was that banks were more interested in the value of their homes, as this would be security against the loan, or the performance to date of the business. Indeed in no cases did the bank ask to see their business plans.

"He can see what we're doing because all the money is going straight into the bank, he knows what's coming out." [Case S5]

"...they just wanted to see the books. In the end it all came down to the collateral on the house." [Case S2]

Subjects who did start in business, but did not apply for the allowance (case T2 and S3), tended to ridicule the worth of the business plan. Indeed, it was their reluctance to complete the business plan that resulted in them withdrawing from the programme.

"A friend did it (BSU scheme) and it took him two months to do the business plan. ... It cost him thousands in missed business. He had to find out so much pointless stuff. In the end he just made up figures to satisfy them... He said it was a waste of time, after seeing it I agree with him." [Case T2]

"For someone who's not started they've got to make up figures. I think its a bit pathetic really." [Case S3]
The non completion of a business plan seemed to have no adverse effect on the outcomes of their businesses when compared with other subjects, however.

### 7.2.4 Acceptance onto the Scheme

In Rotherham area this was relatively straightforward. Once the trainer was satisfied with the business plan it was passed on to the TEC in order to gain the allowance. Unfortunately for the group of participants in this study, at the time they were ready to go onto the scheme, Rotherham had over recruited against their budgeted numbers. Therefore they delayed participants acceptance onto the allowance.

In some cases this delay was not a problem and allowed the participants the opportunity to start their businesses unofficially until the bureaucracy caught up, or alternatively permitted them to select a time in the year which was more appropriate (this tended to be viewed as peak season for their business so the business could get off to a good start and the allowance would end when, again, sales would be at a peak). However, for some this did cause severe problems e.g. if they had lined up a large client or were ready to take on premises. Also, the situation was not well handled as participants were not kept informed of the latest position nor likely start dates.

* When I rang them and asked what was happening it had been 4 or 5 months. They got back to me and said they'd made a mistake." [Case S5]

"It's been so slow waiting for them (to give a start date for the allowance)... I found it quite disappointing that they've not really got in touch with me." [Case Y3]
However when participants did approach the TEC saying the delay would mean the loss of a client or premises the TEC did tend to respond quickly and set up a date appropriately.

"It took 4 weeks after sending in the plan to get a start date ... we had to chase them up as what is now our largest client wanted some work done." [Case S1]

With North Notts each business plan was reviewed by an independent small business advisor employed by the TEC. Business plans, when ready to the satisfaction of the trainer, were passed to the advisor. These were then evaluated and an interview organised with the applicant. Subjects did report that this process caused some delay in gaining the scheme, especially for one participant whose business plan was misplaced.

Generally, if the business plan was passed by the trainer, the applicant was accepted onto the scheme. For one subject this was not the case (case M2), as discussed earlier.

From this we may conclude that the process of evaluation is not particularly stringent, especially in the case of Rotherham where it is in the self interest of the trainer to pass the plans. However, having been said, there was only one business in the sample that had insufficient business to continue (case Y1), although there were a number of marginal businesses (cases M3, M4, E3 and Y3) who gained the allowance.

7.2.5 Follow Up Monitoring

The intention was to monitor participants at three monthly intervals during their time on the scheme, but this aspect of the scheme seemed particularly disorganised.
Participants were unsure how or when this would be done or what would be required of them.

Some participants were monitored purely through questionnaires. Others received questionnaires but were also required to attend occasional workshops or counselling sessions, others were visited at their premises or homes by advisors. The frequency of monitoring was different for each individual, except for the questionnaires which were sent at three monthly intervals. Individuals who met with advisors saw these between one and four times. The frequency of visits seemed to have no apparent pattern. Participants were frequently unaware who the advisor was, except in some instances where the advisor was their trainer. Also some participants even had advisors arriving at their homes without prior arrangement.

"I had one interview after about nine months. I mean it's been a real let down because they were supposed to come after the first three months but they never came and nobody even got in touch to tell me why. ... I was disgusted and the next thing I knew I got another letter saying they'd be round in six months and they never turned up." [Case S2]

And then 3 months later an advisor turned up for an interview...

"... it's the first time I'd heard of this bloke. He turned up on my doorstep saying that he'd arranged a time to see me (the subject had not received any communication from him). I'd never even heard of him. I told him to go back and try again." [Case S2]
Although the organisation of monitoring was sporadic, when asked about the content of the counselling sessions responses gained were relatively negative. The main aim seemed to be to check the business was still in operation by reviewing the participants books. The advisor would then normally ask if the participant needed any further help but in most cases this was not taken up.

"He just asked me questions and looked through my accounts book, I don't know if he tried to point out where I'd been going wrong with my accounts but that's neither here nor there as my accountant deals with all that. ... Apart from that, that was basically it. I think he just wanted a chat and then go. He wasted my time and his." [Case S2]

The subjects were also asked in the study if they felt they needed further advice, information, training. Generally they responded negatively and so it is not surprising that assistance/advice was not pursued in these monitoring interviews. Subjects tended to view them as "being checked up on" rather than a source of continued support.

"It only lasted 15 minutes. He just checked my books to make sure I was actually in business and asked what orders were like." (Did he offer any advice?) "What advice could they offer me? I've got an accountant to do my books, I can do the rest." [Case T3]

7.2.6 The Allowance

Generally the money was received regularly and in the correct amount. The exception was for some of North Notts participants. They had been told by their trainers that they
would receive their money at a rate of £50, £40 then £30 per week. They were subsequently very surprised when the amount received was at a rate of £40 per week, although this did not cause any major problems. The other exception was where subjects forgot to complete and return their three monthly questionnaires. Failure to do this resulted in suspension of their allowance. This was invariably reinstated after a phone call and the return of the questionnaire.

Given the flexibility offered to the TECs in terms of payment (£20 - £90 can be received for between 26 and 60 weeks), subjects were asked whether the schedule of payments received was appropriate.

Most participants were happy with the way their TEC scheduled the allowance and indeed it appeared to have little effect on their ability to survive.

There were a large number of comments, especially from those with mortgages and dependents, that the equivalent of £40 per week was insufficient and that they would have probably been better off continuing on unemployment benefit and starting their business unofficially.

"If I'd not got the enterprise I'd have signed on and I'd have been working until I got going or until I'd been found out. ... I mean I get £2,500 on enterprise, for signing on I'd get ... £6,000. I mean I have three kids." [Case S5]

Others who managed to get income support whilst on the scheme said that the allowance simply reduced the benefits they received by the value of the allowance, and therefore it was of little benefit to them.
“They calculated I get £40 per week TEC Start money and so they reduced my family credit by that amount.” [Case T5]

When asked if they would have started in business without the scheme allowance most participants confirmed that they would have done. For only a small minority did the allowance play a major part in the decision to try self-employment.

7.2.7 Further Advice and Courses

For most subjects their trainer had offered them advice in the future should they require it. In only two cases was this offer taken up. One enquiry (case E1) was to ask their opinion as to whether the subject should take up an employment opportunity, and another (case S2) was to ask advice about getting a YTS (Youth Training Scheme) employee. In the first instance the trainer was unable to offer little advice and in the second case the subject said the trainer did not really seem interested nor informed.

When asked whether the subjects had received any information about courses or workshops available, responses were again mixed. Some received leaflets and information regularly on forthcoming events, others were unsure as they classed this as junk mail and disposed of it without reading it. Two subjects (cases M1 and M2) said they received nothing, even after making enquiries about courses during their monitoring interviews.

The courses on offer appeared to come from a number of sources; Chamber of Commerce, their scheme trainers, TECs and private training companies. Subjects covered ranged from marketing and book keeping type courses, through to time
management, debt collecting and health and safety standards. Cost depended on the provider. Some were free, some involved a nominal fee, others were up to £100-£200 per workshop.

A number of subjects did attend courses (cases E1, T2 and T4). These were free in each case and offered by one of the scheme trainers in their area. The subjects from cases T2 and T4 attended courses on book keeping and finance. Case E1, meanwhile, was a husband and wife team and they went on every single free course available (book keeping, marketing, time management etc - in total 8 courses). The general comment was that these were well run and enjoyable. However, because of the low take up rate it is hard to identify whether these had any real impact on the businesses performance.

The reasons for non-take up were, either subjects claimed they had sufficient knowledge and skills to continue operating, or they did not have sufficient time, or both.

7.3 BANKS

All but 5 of the subjects (cases M2, M4, T2, E3 and S3) in the study opened business bank accounts. The choice of bank normally reflected the fact that they held a personal account at the bank or the manager had visited their trainer during the course. Very few conducted active research into what the banks would offer them as a small business account holder, and those that did found that it tended to include a standard package of free banking for the first year. In a number of cases subjects wanted to open an account where they held their personal account but found free banking was not available eg Co-op and Yorkshire banks. In each of these cases the bank manager offered them free banking as a means of retaining their custom.
"We went with the Yorkshire bank - they said they charged from day 1. We went to see them and said we'd banked with them for 20 years - what could they do for us? They said they would not charge for a year." [Case E1]

When opening an account, most subjects met with the bank manager or their assistant. No subjects reported having seen the small business advisor of their bank. These meetings tended to focus on the formalities of information collection in order to open the account, although in some cases other issues were discussed such as insurance, savings accounts, pensions (often this was considered as an opportunity for the bank to try and sell their products).

"She tried to get us interested in pensions and things like that, all we wanted to do was open a business account." [Case T5]

Whether the subject met the manager, or not, and the nature of subsequent discussions that took place, seemed to depend more upon the branch visited than the bank itself.

Only for two subjects did their meetings with the bank manager extend beyond that indicated above. In case S4, who banked with Barclays, the manager took quite a long time to discuss the business which the subject was buying. He also advised on accountants and produced a potential client list for the subject from his business database. In case T1, who banked with NatWest, the bank manager gave him an information pack on how to keep accounts and gave advice on how to run a small firm. In other cases subjects reported that no advice was given, although most followed this directly by saying that they did not want or require any.
In a limited number of cases overdrafts were sought when opening the account (cases T3, S1 and S5). These subjects seemed to have little difficulty gaining the overdraft they required and, as stated earlier, they were not required to produce a business plan for this. However, the overdrafts sought were relatively small (less than £1,000).

In terms of loans, two subjects (cases S2 and S5) successfully gained loans of £10,000 during the first year of operation in order to expand their businesses. In order to get these they were required to produce up to date accounts. In case S5 the subject was seeking a further loan at the end of the study (approx £30,000). Here, the bank required cash flow projections, which the accountant produced on behalf of the partnership. At the point of the last interview the bank had indicated that they would be willing to lend the money should their plans for expansion proceed.

Only case S1 tried for a loan at the start of their business. This was turned down due to the partnership not being in a position to invest any of their own money, (they did gain a loan from British Coal and Steel funds, this will be discussed later).

On the whole subjects were either satisfied or neutral towards the service they received from the bank during the first year of operation. Typical comments were:

"He offered me free banking for a year and that's it, I didn't want anything else. I've not wanted any facilities just an account." [Case T3]

"They equalled what was available elsewhere. I didn't want or ask for anything else." [Case M1]
"I ended up with the usual books and things, but once I said I was starting on the Enterprise Scheme they weren't too bothered because they know you have to have done all the work to get it. Normally they want cash flow forecasts but they knew I'd have done that already. ... I didn't get no hassle. I just went up and signed and got my cheque book straight away..." [Case T1]

The exception to this was case S1. Here the banks made a number of errors at the start of the account, eg not sending statements requested, statements going astray. This caused the subject much worry, as he was unsure of his cash flow position and was concerned that he may have overdrawn beyond his agreed limit.

"We opened the account in June and we've only just got our first statement (October). We knew cash flow was tight but we couldn't tell how tight. We eventually found that we had only used a small bit of the overdraft and this was due to the charge they made for setting up the overdraft." [Case S1]

During early interviews he had intended to open an account at another bank. However, due to time pressure he never carried out his threats.

Once their year of free banking ended a number of subjects closed their business bank accounts as they did not want to incur charges (cases M1, Y2 and Y3). Others at this stage tended to complain bitterly about the cost of bank charges (these ranged from between £10 - £30 per month except for the larger businesses). Many of the businesses tended to take great care to reduce the number of withdrawals or cheques they wrote out, and where possible operated on a cash basis.
"They've charged me a fortune. The banking's alright. It pays me not to put cash into the system, its better if I put cash into my personal account." [Case S2]

Overall, the banks had very little to offer the businesses studied either in terms of advice or services. On the other hand, none of the businesses seemed to expect or want more.

7.4 ACCOUNTANTS

All but 4 of the subjects (M2, M4, Y3, S3) took on an accountant. In three instances this was a friend or relative (although in two of these cases the subjects were still charged normal professional rates). Four subjects took on the services of the accountant that had visited their trainer during their start up course. Others took accountants that had been recommended to them, by either the bank, friends or colleagues.

In all but three cases the sole function of the accountant was to produce their end of year accounts and complete their tax returns (one or two also sought advice on completing VAT returns but then actually performed this task themselves).

The accountant would normally discuss with the subject the manner in which they wanted them to collate receipts and invoices. They also advised on what items could be included in the accounts for tax purposes (eg phone bills etc) and also indicated whether the subject should make National Insurance contributions or not.

The normal charge for this function tended to range between £100 and £200. In two instances the accountant charged in the region of £400. These were subjects with turnovers of between £20,000 - £30,000 (cases T4 and E1), however it should be noted
their accounts were not necessarily any more complex (case E1 had only issued 4 invoices and had made only limited payments from the business).

There were two instances where the subjects had taken the accountant who had attended their trainer’s course and where the bills received shocked the subjects. In case T5 the accountant charged them £100 for assisting in the production of the business plan. This had actually been done whilst the subjects were at the trainers and they had not, at that stage, employed the accountants services. They assumed that help received whilst at the trainers was free. In another instance, case M2, the accountant charged £350 for his services. This was for producing a three line set of accounts for a business which turned over only £3,500 and indeed had made a loss during the first year.

As mentioned above, there were three instances where the accountant performed more than this basic accounting function.

In case S4 the accountant had been involved in the purchase of the business and had been instrumental in the finalising of the deal and advising on the worth of the business. After this, his role was as for the majority of other subjects ie just completing end of year accounts and tax returns (the bill for the first year was £400 but would be less in years that followed).

In case S1 the accountant produced end of year accounts and completed tax returns but also organised payment of employees (NI, PAYE etc) and produced monthly management accounts. He also advised on investments they made (the first year bill was £600 but would be increasing to £800 the following year).
In case S5, again, end of year accounts and tax returns were completed and again employee wages were organised by the accountant. The accountant also produced cash flow statements for the bank when the subject was applying for a loan (the first year bill was £650).

For the majority of the cases mentioned above the accountants seem to make a reasonable income from the subjects, especially those who attach themselves to one of the trainers! In all but three cases (cases M1, T4 and T5) the subjects felt satisfied with the service received from their accountant and felt confident that they had saved the equivalent of their fees in tax, although none had hard evidence to prove this. Those who were dissatisfied with their accountants felt this, not because of the service received, but due to the fact the fees charged were so high (in these three cases they paid two to three times the amount paid by businesses with equivalent turnovers).

This raises the question, why aren't the subjects producing their own accounts? In most instances they are only required to produce a three line set of accounts. Also, this is one of the areas in which they receive training on the BSU course. For the larger businesses, where requirements are much more complex (and the potential tax bill a lot higher if done incorrectly), it does make sense for an accountant to be used.

Those who didn't have an accountant and did their own accounts meanwhile found it relatively simple.

"They (the trainer) suggested I got an accountant, which I couldn't afford. A friend works for the Inland Revenue and he told me because my books were so simple I could do them myself. From asking around I've managed to sort it out
myself and save some money. ... Its basic really nothing awkward to work out. I
just put down what I earned and worked it all out in my accounts book. ... The
form is really easy to fill in." [Case 3]

However, most subjects reported that they were relieved that they did not have to
undertake the production of accounts themselves. They were more than happy to pay
someone to take this burden from them.

"I think I'd have ended up paying it (tax - if she hadn't used an accountant). I'd
prefer someone else to do it, because I might get myself into a mess." [Case Y2]

7.5 GRANTS, VOUCHERS AND ASSISTED LOANS

Only one subject applied for, and obtained, a Prince's Youth Business Trust (PYBT)
grant. Case Y2 obtained an award of £1500 to help purchase a car. Her trainer assisted
in the completion of the application and from then on the process was relatively straight
forward. Case Y1 was equally eligible (indeed the business was the same and the grant
would have been used in the same way). However, her trainer put her off applying by
giving horror stories about the process involved.

"My first intention when I first went for an interview at MANTEC when she told
me about the Prince's Youth Trust is that I could apply for it to get a car.... one
of the tutors at MANTEC in his own words (said) "They grill you, they really grill
you before they'll give you one." ... So then being told they grill you it put me off,
I'm not very good at interviews." [Case Y1]
A number of subjects were eligible for vouchers (value approx £150) to assist in the payment of accountant's or solicitor's bills (but not for payment for producing end of year accounts). This scheme was only available to those living within the Mansfield Local Authority area. None of the subjects, though a number were eligible, applied for these. Similarly, this authority gave grants of up to £1,000 to assist with the purchase of office equipment for new businesses. Case M2 obtained one of these awards, although the money was actually used to purchase catering equipment. This scheme tended to cause a degree of ill feeling for subjects who lived just outside the authorities boundaries.

"... the thing it's too regional, how can Mansfield do it and Kirklees not. I think it's sickening really ... because he (someone who managed to get the grant) lives two miles down the road and we can't even apply for it." [Case T5]

The most significant assistance received by any subject in the study was the £10,000 loan obtained by the subject in case S1, from British Coal and Steel. This loan was offered at preferential rates compared to the banks and was also available when the banks refused loans due to the lack of capital being invested by the partners. However, this was not without its problems. The trainer assisted with the completion of the application form, yet it was returned as it had not been completed correctly. Also British Coal and Steel misplaced the application and consequently the loan was not available when the business started. This caused the subject great anxiety and large cash flow problems when he started out.

"In retrospect I wish we hadn't bothered with the loan as the benefits it gave didn't outweigh the hassle and delay involved. It could have given us real cash
flow problems, it didn't, but we thought it had because we weren't able to get any information from the bank." [Case S2]

Most subjects were interested to know if they were eligible for any assistance in the form of grants. However, most were unable to find anything - indeed it would appear that there is little available for the subjects of this study.

7.6 PREMISES

Very few of the subjects operated from premises other than their homes, or in one case (case S3) market stalls.

Case M2 rented kitchens on a daily basis (these were found by the subject herself). Fortunately the function rooms she used did not have their own resident caterers and so she was able to offer them this facility. Consequently, the arrangement has worked to their mutual benefit.

Case S1 found his first premises through an estate agent and obtained these at half rent for the first 6 months, whilst the landlord carried out repairs and improvements. However, these soon proved to be inadequate as the promised repairs did not materialise. By accident new premises were found when the subject drove past and saw a "For Rent" sign. These were more than twice the size and had far better facilities. As such they offer the potential for expansion.

Case S5 similarly found premises by just driving past and seeing a "For Rent" sign. These premises were quite expensive and when a new acquaintance, who had premises
across the road, said he was vacating, the subject took these over. This doubled the space available and yet the rent was no different. This subject was looking to purchase a second depot in another area at the end of the study. Again these were found by the subject who just happened to drive past and see the for sale sign.

Case S3 had rented a farm building, originally for warehousing space but later as a wholesale outlet (this was in the process of being fitted out by the end of the study). These were found as a friend rented an adjacent building and knew it was vacant. These were rented at a nominal price as they knew the farmer and, for him, renting the building provided extra security for his property.

Case T1 used his sister's house as an office whilst she was living in another area. When she returned to take up residence, he had to find new office premises. Using an estate agent he found a small office for rent in the centre of town. Although these were adequate the cost was an unwelcome extra burden on the business. However at a cost of £20 per week, they were far cheaper than anything else he had seen.

By the end of the study only one subject was looking to take over premises (case S4) as he was outgrowing his garage and was finding the work space oppressive (there were no windows or heating). However, despite a number of enquiries of estate agents and the local authority, he was unable to find anything suitable within his budget that was any better than the garage from which he currently operated.

From this it can be concluded that luck has much to do with finding suitable premises. Networking also provides significant benefits to the subject. The only subject who attempted to use the local authority in his search found them helpful but premises that
they could offer were far more expensive than those available from commercial agents.

7.7 EMPLOYING STAFF

Although a number of subjects employed sub contractors or casual labour, only those businesses classified earlier as small businesses employed people on a permanent basis (cases S1, S2, S3 and S5).

Case S3 employed someone full-time to look after her children and also to look after the dogs she bred. It was intended that another person would be employed to help on the markets when the wholesale outlet opened. The person employed here was a friend who lived in the neighbourhood and then moved in with them. The arrangement seemed to be working well, except the subject was beginning to resent some of the liberties taken by the employee.

"He's a winging little sod ... I got him a car and he spends hours just polishing it. That's all he seems interested in, everything else gets neglected." [Case S3]

Case S2 employed three young men on a part-time basis. One of these was looking for a full-time job by the end of the study and the subject was investigating taking him on through some government scheme eg YTS. He liked the young man and found him to be the best of the three part-timers he employed, being reliable and fast working.

Case S1 had 3 employees by the end of the study. The first employee had previously worked with the partners and was offered a job. The second employee was known to the partners but they used a TEC scheme to employ him. The scheme was operated by a
private company on behalf of the TEC. The company was meant to recruit and help select the employee, and then provide the employee with training and work clothes. Also, the wages of the employee were subsidised for a limited period. The partners were able to employ the individual they wanted through this scheme, as he was long term unemployed, and his wages were subsidised. However, the training never materialised nor did the work clothes.

"I wouldn't use it (the scheme) again in its old format, the company administering it were very poor. ... Apparently the TEC are running it now themselves, I'd be interested to see if they do any better." [Case S1]

As a result, when the partners wanted a third employee, they decided to recruit and select themselves and did not pursue any further government funded schemes. The partners did not feel they had any problems with their staff and felt that they all worked well together, the staff feeling as much a part of the company as the partners.

"I was worried at first at the thought of employing people, I felt responsible for them if things didn't work out. I don't worry now. They're my colleagues." [Case S1]

Case S5 employed 6 people. The first 2 employees were old friends and colleagues from his previous job. After this he used the job centre to try and find semi skilled staff. The subject was very scathing of this service, as many of the people sent did not meet the specification he gave. After being sent a number of people who did not meet the specification:
"I were fuming down the phone ... she asks why ... I said well what does it say on the card, what have we told you we want? She says "A semi-skilled mechanic". I says well why don't you send us one then instead of somebody who doesn't know anything about the job. ... I said well don't bother sending anybody else down no more." [Case 5]

Also he had great problems finding staff with the right attitude, ie hard working and reliable. As a consequence, the turnover of staff was quite high as the subject had no qualms sacking staff if they did not live up to his requirements.

"It's difficult to get good people and when you get good people there's always something wrong with them. They're either brilliant workers but forever taking time off and then, you've got people who can't do enough for you but they're useless. Whatever you do you can't win." [Case S5]

A number of conclusions can be drawn from this. Firstly, the use of friends, old colleagues, people they know and trust to work hard, tend to be the first source of employees. This policy helps reduce some of the risks associated with employing staff, or more particularly the wrong staff. However, this policy can also have its down side, as in case S3, where familiarity made it difficult to control the employee.

A further policy to reduce risks associated with employing staff was employed by case S2. The ability to try staff out firstly on a part-time basis, before offering a full-time post, also helped ensure that the "right" staff were employed.

After employing one or two people in this manner however, friends as a source of
employees tends to run dry and the employer has to take pot luck on the open market. In case S1 this seemed to have worked well. In case S5, however, problems were experienced. When employees do not perform to requirements the small business is in a very difficult position. The slack in such businesses is limited, therefore staff who are not sufficiently productive or reliable cannot be tolerated. Consequently, employment is unlikely to be stable in such an environment.

Another issue that emerged from this was the inability of job centres to help small firms recruit suitable employees. Time was wasted in case S5 interviewing staff who were not sufficiently qualified for the positions advertised. Time wasted in this manner has a high opportunity cost for such employers.

With regard to wages, all those who employed others suggested that they paid them above the norm for the area, for that type of work, although no firm evidence for this comparison could be offered. All these subjects also seemed to have a fraternalistic attitude towards their staff. This is probably as a consequence of the owners of the business working alongside their employees, and in one case living with them, rather than them taking a pure management role. No doubt, once the business exceeds a certain size, this relationship will change, indeed there was some evidence over the course of the interviews, that this was occurring in case S5.

7.8 CUSTOMERS, COMPETITION AND COMPETITIVE STRATEGIES

The majority of subjects only provided goods and services in their locality. The area in which they operated was very much dependent on the type of business they operated eg mobile hairdressers would not work beyond a five mile radius, to do so meant that petrol
costs ate all their profits. The radius operated in by builders would generally extend to thirty miles, but then similar constraints would stop them operating further afield.

Other businesses, specifically cases S1, T1 and T4, operated slightly further afield, up to a 60 mile radius. In part this was because travelling costs, relative to other costs were small. Also, due to the low density or concentration of customers, operating within a smaller radius would not generate sufficient potential clients to support their business.

Finally, only one business could be said to operate on a national basis, case S4. Here, again, the density of potential clients made the business only feasible if it operated on a national basis. Also, the cost of transporting fishing floats was very small (note they are made of polystyrene). As they are light weight these could be transported by post, hence the cost of delivering locally was no different to delivering 300 miles away.

Therefore, the area of operation is a function of the density or concentration of potential clients weighed against the cost, in both time and money, of supplying goods/services further afield. For example case Y1, the hairdresser who wound up her business, lived in a small village and therefore did not have the concentration of customers locally to enable her business to survive. Meanwhile, there were a number of neighbouring villages. But by the time she had travelled to these, the number of clients she could see was reduced and also the transport costs reduced her margins, making this business unprofitable. Therefore, there is a maximum radius within which the businesses can profitably draw their clients.

As the two areas where the businesses operated were suffering severely from the effects of recession, it could be concluded that the customer base which they serviced was
impoverished. But this was not necessarily the case. All but 5 of the businesses that survived said they had sufficient business by the end of the study.

Of the five cases where this was not the case, a number used methods to overcome the deficiency identified. Cases E2, E3 and Y3 all took other forms of work which they ran alongside their business. Cases E2 and E3 did some subcontracting work and Y3 taught part-time for a local stables. The other 2 cases were slightly different. Case T5 had decided to take things easy and so was not concerned by the lack of custom, also he was able to receive family credit making up any shortfall in income. Meanwhile, case T4 was worried about the uncertainty of future work and, though able to survive, was worried if the market for his services declined further that he would no longer be able to continue.

"Things have gone from bad to worse. ... I don't think I'm any further on than 2 years ago when I started, I'm actually worse off. I'm not alone in this it's not just me that's failing." [Case T4]

This is not to say that those businesses that reported a lack of custom necessarily performed worse in terms of turnover or the income of the subject.

On the other hand, this does not mean the recession had no effect on the businesses. Many reported their inability to charge what they considered reasonable rates for the work they performed eg cases E2, E3, T1, T3, T4, T5 and M2.

"I was pricing work and not getting it, then I lowered my prices and got the work." [Case T1]
"If the climate was different I'd take on more because I'd get a better price than I am now, but its just not worth it at the moment." [Case T3]

Others said it affected their ability to increase their prices eg cases M1, Y3, S4.

I didn't feel confident enough to do it (increase his prices). So I've had to leave them at the price they were already at." [Case S4]

"People can't afford much ... I don't charge much or they might go somewhere else." [Case Y3]

Meanwhile others used the depressed state of the market to offer very low price goods and services as part of their competitive strategy eg cases S2, S3, S5 and T2.

"No that helps our work (the recession). They go for cheaper tyres. ... No one can beat us on price. I mean we're really cheap." [Case S5]

"People won't get rid of their pets because the mines shut down and they're now unemployed. What they will do is shop around and see if they can get things cheaper ... (other traders) just can't compete with us, six weeks later they're gone." [Case S3]

In order to gain custom many used rather mundane promotion methods eg mail shots (cases M1, S5, T2, T5 and Y1), or adverts in local papers (cases S3, S5, T2, T3, T5 and Y1). Only one case reported any success with mail shots, case S5, who put these on the windows of parked cars near his depot. All others trying this method reported very low
response rates.

"...it's hard foot work delivering leaflets to get nothing back. We did 7,000.... we tried it again and we didn't seem to get any response." [Case T5]

Advertisements in local papers seemed to fare somewhat better.

"The Observer hasn't been bad for us. We've done quite well. People ring in and they've seen it (the advertisement)." [Case T5]

Others tried more original methods for promoting their business. Case S2 checked for people moving into houses on his round and would leave a free bag of groceries on their doorsteps the day they moved, along with promotional material about his grocery delivery round. He also visited the wardens of sheltered housing, offering them commission if they managed to get one of their residents to take his service. Case M2 attended wedding exhibitions in a bid to gain clients. Case S4 used an agent to sell his goods within one location. Meanwhile, he used personal visits and sent samples products to potential clients in order to develop a network of wholesalers.

Some of the businesses in the study (cases E1 and T4) operated in "professional" industries and therefore would write to potential clients, advertising being frowned upon as a method of promotion.

Although much activity of this nature was conducted, the main mechanism for gaining clients was through the use of contacts and friends. The customer base was then widened through recommendation.
"If I go out to a customer and they're satisfied they tell their friends. You find it spreads through word of mouth." [Case M1]

Most of the businesses in the study were ones where repeat work would be expected. Widening contacts in this way increased their customer base over time. Inability to network did have an effect on the flow of work to the business. For example, case T4 had difficulty gaining the required volume of business.

"I'm not particularly gregarious, I don't go down to the Chamber of Commerce and things like that, which is really where you meet clients ... (the reason for not having enough business) It's really that I just don't know enough people and that's where the work comes from." [Case T4]

One business where using contacts did not necessarily increase the client base was case E1. Here, once a client had used his services there would be no further use for him. Consequently, once this subject had generated business from all his old contacts in the business, he ran out of work, therefore when a job opportunity became available he took it.

As a result of recommendation and repeat business being the main mechanism for generating business, all of the subjects placed a high value on the quality of their good or service. This also translated into actions which ensured that they would be flexible, reliable, friendly and generally responsive to customer needs.

As discussed in earlier chapters the businesses created by the subjects were generally ones with low entry barriers, with readily available examples which could be copied.
Also, they operated in areas of high unemployment, where the pressures to start in self-employment are stronger. In most cases, therefore, the level of competition is great, a preliminary scan of the yellow pages and local paper advertisements confirm this. Most were aware that they were operating in a hostile environment ie depressed demand with customers and clients wanting keen prices, as discussed above. This feature, however, is also, in reality, a reflection of the level of competition ie increases in supply as well as the impact on demand caused by the recession.

Despite this, few business acknowledged competition as being a problem. Many, when asked about competition, said that it had no effect on them, as they were as busy as they wanted to be.

"Once you've got your customers, if you're nice to them they keep coming back...
I've not really noticed the competition." [Case Y2]

However, some of the businesses were very aware of its impact, especially if the business was not performing to their expectations eg cases T4 and E3.

"I do know what the current state of the market is. There are certain people around who are undercutting to a suicidal level ... there's lots of lads who are unemployed who do it freelance, for peanuts." [Case T4]

Most businesses had an awareness of the competition even so and were able to report on the quality and price of competitors. In some instances this was often based as much on myth as fact. In both these areas large numbers of redundancies had been experienced in local coal mines. Redundant coal miners were often attributed with
having increased the competition. Comments were frequently made about how many were working illegitimately, using redundancy money to subsidise low prices and also how they were unable to provide quality.

"All these ex-miners, you know, they're all builders the minute they come out of the pit. They can go and get work and do it a lot cheaper than I can. They've got their redundancy and they do it cash in hand, so they'll work for £20 a day."

[Case E3]

The subjects who could be categorised as tradesmen felt this the most acutely.

7.9 SUPPLIERS

Although the businesses in the study were all small, none reported problems with their suppliers, despite normally being in a relatively poor bargaining position. All who wanted credit terms seemed to be able to get them and normally discounts were available.

Some subjects preferred to work on a cash only basis as it was easier for them to manage their finances in this way. These tended to be the businesses with the very smallest turnovers, but others did this too eg case S5. Here, cash on delivery terms ensured very good discounts.

Often supply would be spread amongst a number of suppliers but this seemed to have more to do with convenience, one supplier being unable to satisfy all their needs, rather than anything else. Only one subject (case T5) reported using a number of suppliers as
a means of improving prices, by playing one supplier off against another.

Suppliers did not seem to be a major issue, at least amongst this group of subjects.

7.10 COSTS, PROFITABILITY AND PRICING

Overall there seemed a general ignorance about the financial position of most subjects' businesses. Gaining turnover figures from subjects normally involved sitting with a calculator to add up invoices in order for an estimate to be gained (and the invoices themselves were often disorganised).

One of the major difficulties in trying to gain an understanding of the financial position of the business was the inability of many subjects to differentiate between personal and business income. Many viewed cash received by the business as personal money. Similarly when asked what they paid themselves they would often exclude money used from the business to pay for personal expenses such as rent, mortgages, household bills.

"One of the problems of getting cash is that I'm always dipping in. If I need cash I just take it. I don't worry if there's enough money I just put my hand in - but there should be enough money. ... I'm still not on top of my accounts, I don't know how much I'm in debt for. I mean I've got the loan and I've got my own bills to pay but I'm still not sure how much I owe." [Case S2]

This ignorance about finances was reflected in the pricing strategies used. Generally, prices were based on what others were charging and then prices were then either the same or lower, or alternatively some notion of cost plus pricing was used. However, the
costs of the business were not generally well understood. The assumption was that as long as the variable costs were covered plus some margin, then the business was profitable. This tended to mean fixed costs were largely ignored, but more importantly their own labour was frequently not costed in, or where it was this was at a very poor hourly rate. This was particularly true of the very smallest businesses.

"For the sit down meals I charge £7 per head (this had been calculated on the cost of food plus some margin) but I'm worried I don't make any money on it. I have to pay my ladies £180, I'm not sure I make anything. ... I don't take any drawings, I hope to next year." [Case M2]

The larger businesses, particularly case S1 and S4, were the exception to this. In these businesses, costs were very well understood. Case S1 could even narrow down to the therm of gas how much an individual job cost. With case S4, although his products had very few direct costs, he knew exactly what these were and what the break even point was. This finding has two possible interpretations. Firstly, as the business gets larger it is impossible to operate in ignorance, to do so could jeopardise the business. Secondly, those who are more astute financially are more likely to be able to found and operate larger firms.

7.11 PARTNERSHIPS

Only 6 subjects had formed partnerships (cases E1, M2, T5, S1, S3 and S5). The subjects which had not formed partnerships either had just not considered this, or suggested that partnerships were something to be avoided at all costs.
The subject in case M2 formed a partnership with someone she was introduced to at her trainers. Although this started off well, it soon became apparent that her partner was not as committed to the business. When her partner became pregnant she wanted to withdraw from the business, taking half of the business's assets with her. This caused a degree of ill feeling and, indeed, the subject regretted having entered into the partnership.

"In retrospect I'd have been better off on my own. It's caused me so much stress, the break up. It's set me back to where we were when we started." [Case M2]

Of the remaining partnerships cases, E1 and S3 were husband and wife teams. E1 was a partnership on paper only, in order to gain the allowance for both partners. In reality the wife contributed little. With case S3 both partners contributed equally.

Case T5 was a pair of brothers who decided to start in business together. This worked well but the illness of one brother meant he was no longer able to contribute to the partnership, and so his brother bought him out and the partnership broke up amicably.

The remaining two cases, S1 and S5, were partnerships formed by friends who had previously worked together. In both these instances the partnerships continued successfully.

The reported benefits of working in a partnership that operated successfully were numerous. Firstly, they often found that the partners had complimentary skills, which meant they performed better as a team than either would independently.
"If we split up and both went our own ways and split the business in half, I think both sides would run down, it wouldn't work. ... He's good at organising, I'm useless. I think organising is really boring, he does all the books. Whereas selling, I can sell anything." [Case S3]

They also reported that having a partner eased some of the decision making pressures. As they were able to discuss any problems, they did not feel as isolated as some of the other subjects.

Having a partner also means they can take time off from the business for holidays, though these tended to be few and far between. But it did mean that there was someone responsible, who they trusted, running the business in their absence.

In one case (case S5) having a partner meant that the business had grown quicker. The subject was reasonably happy with the business the size it was, but his partner had expansionist ideas. Consequently, the business had grown far more than the subject had expected.

"I know the tyre game. Alan (his partner) he's more business minded. It was him that wanted to move to bigger premises. I wasn't sure. But I'm glad now its the best thing we've done." [Case S5]

However in the case of the husband and wife team, they did find working together put an extra strain on their relationship.

"The rows we have, the fights we have, we never had them before. It does affect
your personal life definitely because you're with each other seven days a week, 24 hours a day." [Case S3]

7.12 SUMMARY AND CONCLUSIONS

In this chapter a large number of issues have been considered regarding the assistance given to the BSU businesses and their operation and a number of conclusions can be drawn.

The BSU scheme itself was more or less satisfactory, although a number of difficulties existed in gaining clear and correct information from the various interest parties involved in the scheme. Training was well received in the main, although problems were experienced by a number of participants. This was mainly due to the lack of tailoring in the programmes to meet individuals needs, and to account for their differences in prior knowledge and learning capabilities. The creation of a business plan seemed to discourage those with marginal business ideas from start up, but had very little impact or use to those who did start. Follow up monitoring was poor however, being badly organised and giving little benefit to the participant. When attendance on courses or seeking advice was no longer mandatory (unlike the pre start up course) little use was made of these.

The attitude towards the banks was generally neutral. Little use was made of banking facilities in the majority of cases. Similarly, accountants tended to just complete end of year accounts and tax returns for their clients. On the whole their services were well received but in some cases subjects felt the fees charged were excessive. However, it was concluded that, given the simplicity of most subjects' accounts and the training they had
received, that most should have been completing these themselves.

Very few respondents were able to find financial support, such as grants, assisted loans etc for which they were eligible. In one case, where the subject did gain a loan, the administration of his application was badly handled.

When subjects needed premises they did not appear to have any difficulty finding something suitable. Generally these were found by luck, just driving past suitable vacant property, or through friends and acquaintances. When local authority premises were considered, these tended to be more expensive than those offered in the private sector.

The risks of employing staff were usually minimised by employing friends and acquaintances or those who had previously worked part-time for the business. This meant the track record of employees were known to the subject prior to their recruitment. This also permitted fraternal work relations and ensured employees selected had the "right attitude". Once this source of labour had been used up problems in gaining suitable employees were experienced.

Most subjects operated on a local basis and used old contacts and friends as the core customer base which was then extended, predominantly through recommendation. The depressed state of the economy in the two TEC regions resulted in prices being forced down, whilst, meanwhile, competition increased. Most subjects used non unique methods to gain customers.
Suppliers did not appear to be a major issue for most of the subjects in the sample.

The financial awareness of most subjects was very limited, even to the extent that some were unaware of whether the work they undertook was profitable.

Finally, a limited number of subjects had partners. Where these worked, the benefits appeared to be great - the skill base of the business was increased, the isolation of running a business was reduced and the task of management was shared.

From this analysis a number of conclusions can be reached.

In terms of the BSU scheme the administration needs to be tightened up, especially at the interfaces between agents, who put people forward for the scheme, training providers, scheme monitors, the TECs etc. Also, there is a need to improve the clarity of information about the scheme in order to ensure participants are fully briefed as to the rules and regulations of the scheme and its operation.

Training in its current format, is wasteful as it has limited relevance to the participants of the programme. The need to tailor training to the requirements and abilities of participants was evident. Also the tangible outcomes of the training were limited, as a minimum, participants of the simpler businesses should have been able to prepare their own accounts and thus avoid the expense of an accountant. Also, they should have been in greater control of, and more knowledgeable about, the financial operation of their businesses.

A number of agencies which are meant to assist small firms were discussed. However
they seemed unable to respond appropriately. A number of instances identify this eg the job centre wasting subjects’ time by sending inappropriate job applicants; British Coal and Steel mislaying loan applications; local authority premises being too expensive; employment schemes not fulfilling the contracts entered etc. If these bodies are meant to assist the small firm then a re-evaluation of their operations needs to be considered.

An important feature of most of the businesses discussed was the importance of using friends and old contacts either as customers, employees or as a source of information eg about premises. Without these, most of the businesses considered would have had more problems and greater difficulty in getting off the ground.

Finally, the local economy affected most of the businesses analysed. It had the effect of forcing prices down and also increasing competition.

It is proposed that the factors considered in this chapter influence success and failure. These factors tend to be quite individualistic and categories of response are not easily identified. However, together they impact on the outcome of the business and need to be considered in the context of this study.

The findings of this and the previous chapter will be drawn together to generate a theory of success and failure in the chapter that follows. This will then act as the springboard for recommendations for improving the chances of success for those who start in business.
CHAPTER 8
A MODEL OF SUCCESS AND FAILURE

8.1 INTRODUCTION

In earlier chapters the data collected from the interviews and questionnaires have been explored. In this chapter a model is developed from the data which will identify the factors influencing success and failure, and also the meaning of success and failure as perceived by the individual small business owner/manager. As discussed earlier, the definitions of success and failure are dependent on the stakeholder under consideration (Jennings and Beaver, 1993). There are a number of stakeholders who are interested in the outcomes of the business being researched here, all with different criteria for success. The TECs primary interest will be that the business continues to operate, irrespective of its size, as the TEC's funding is dependent on survival rates. The government are interested in seeing individuals remove themselves from the unemployment register, the business employing others and creating tax revenues. The start up trainers will be interested in the numbers of people who attend courses who go on to start in business via the scheme, as again their funding depends on this. Meanwhile the scheme participants themselves may have a different set of objectives and therefore different criteria for success and failure.

The starting point for any analysis of success and failure must be with the scheme participants themselves. Their perceptions of what constitutes success and failure will necessarily set boundaries on the performance of the business, and consequently the potential success and failure of the business as evaluated by other stakeholders.
Initially, a generic model of success and failure, taking the scheme participant's perspective, will be described and applied to the typologies of small firm owner/managers identified earlier. This will give an explanation for the outcomes observed. From this, potential success and failure in terms of other stakeholders' perspectives will be evaluated. The model will also be utilised to gain an understanding of why some subjects did not proceed into self-employment.

To conclude, features and characteristics of individuals and their businesses, which are likely to make a business successful in economic terms, will be identified.

Subsequently, recommendations will be offered as to how the scheme could be improved. This is not only to increase the likelihood of success in the eyes of the Government and the TECs, but also for the individual starting up in business.

### 8.2 A GENERIC MODEL OF SUCCESS AND FAILURE

Figure 1 shows a generic model of success and failure. This model has three key components: aspired business performance, actual business performance and minimum acceptable business performance. Each of these is influenced by a number of factors and together determine the perceived success or failure of the business for the scheme participant. These will be discussed in turn.
FIGURE 1  A Generic Model of Success and Failure

Minimum Acceptable Business Performance

Actual Business Performance

Aspired Business Performance

Extrinsic Rewards

Intrinsic Rewards

Ambition

Capability

Environment

Capacity
In brief the model can be summarised as follows.

The outer ring represents the potential size to which the business can grow. Its size is dependent upon the capacity and ambition of the subject. If actual business performance meets or is close to, aspired business performance then the subject will perceive the business to be a success.

The inner ring is the minimum acceptable performance which can be tolerated by the subject. This may be expressed in terms of intrinsic and extrinsic rewards. If actual business performance transgresses this, then the subject will cease self-employment. Alternatively, should actual business performance be closer to this circle, rather than the outer circle, then the subject will perceive the business not to be a success.

The middle circle represents the actual performance of the business. This will be influenced not only by the environment in which the business operates, but also the capability of the subject to effectively manage the business and produce goods/services. The potential size of actual performance will be constrained by the outer circle unless this changes overtime (this scenario will be considered later) through either an increase in the subjects capacity and/or ambition. This circle is irregular, reflecting the fact that actual performance on some criteria may be successful and on others less so (as indicated by the closeness to either the inner or outer circle).

This model also permits us to identify whether the business is an economic success as defined by the TECs and Government. The TECs wish to see the business to continue, ie actual business performance to exceed minimum acceptable performance. The Government wishes to see businesses not only continue, but for them also to generate
jobs and tax revenues. This will be determined by the relative size of the two outer circles.

Although this gives a brief overview of the model a more detailed discussion of the components and their influences will now be conducted. This will be used to simultaneously explain the variances between the different typologies of scheme participant that have been identified (variants of the generic model for the 5 typologies are given in figures 2a - 2e).

### 8.2.1 Aspired Business Performance

Aspired business performance can best be described as the achievement of the small business person's objectives and goals for their business. The relative size of this component will be determined by the ambition of the subject, derived from their motive for start up, but also their capacity ie their ability or willingness to invest in their business (including time, equipment, finance and skills). Neither ambition nor capacity are sufficient on their own. To have ambition without capacity or vice versa will reduce aspired business performance, potentially to such an extent that the business will never be started (see later for further exploration of this scenario). These factors will be considered in turn and their interconnections discussed.
Figure 2: Models of Success and Failure for Typologies of Start Up Business

- Figure 2a: Youngsters in Business
- Figure 2b: Mothers returning to Employment
- Figure 2c: Tradesmen and Professionals
- Figure 2d: Elderly Businessmen
- Figure 2e: Small Firm Owner/Managers
8.2.1.1 Capacity

Capacity can be considered to be the ability of the subject to invest time, money and resources into the business, as well as the skills, knowledge and prior experiences that they can bring to it.

Prior experience will inevitably influence the type of business ideas considered and so central to this factor, is the type of business created. As was found in this study (both the questionnaire and interview samples) and others (Johnson and Cathcart, 1980; Smeaton, 1992), past work experience, hobbies and interests were the main source of business ideas. Even when active searches for business ideas were undertaken, the field of investigations were limited by such factors. The business idea itself will inevitably limit the potential size to which the business will grow when taken with other factors in this component. As Osborne (1993) comments:

"Precious few entrepreneurs achieve success which exceeds the implicit boundaries created by the firm's underlying business concept." (Osborne, 1993 p19)

Given the business idea, the potential scale of the business is then restricted by the willingness or ability of the subject to invest time, money and other resources. Meanwhile, these factors will in turn influence the type of business idea under consideration. Limited capacity to invest in the business will limit the type of business ideas considered for start up. The willingness and ability to invest will depend on the family and financial commitments of the subject, as well as their circumstances prior to considering start up.
8.2.1.2 Ambition

The ambition of the subject will also limit the aspired performance of the business. Ambition will be determined by the motives for start up and the objectives that the subject wants to achieve whilst in business.

In chapter 2 the motives for starting in business were considered. These included desire for independence (Boswell, 1973), alienation from employment (Gill, 1985), need to avoid unemployment (Storey, 1982), need for achievement (McClelland, 1961), need for power (Collins and Moore, 1964), desire to reduce social marginality (Stanworth and Curran, 1976). In other words, potential objectives for start up are numerous. Although some of the writers acknowledge their theories are not universal, this does not identify the reasons for different groups of individuals having different objectives at start up.

Levinson (1980) contends that personality, society and precipitating events cause people to behave in the manner they do. Objectives for the start up business likewise will be dependent on these factors. Patterns in precipitating events can be identified, as will be shown later. A desire for self-employment, as determined by personality and societal ideals, is not sufficient however, and start up will therefore be dependent on the capacity of the individual and also the attractiveness of alternatives available ie perceptions of feasibility (Shapero and Sokol, 1982). Patterns in behaviour and motivations are therefore complex but this does not prohibit the discovery of commonalities within a group of individuals, as in this case. The objectives for different groups of individuals will differ depending on the perceived set of circumstances they face; the opportunities available to them based on their prior knowledge, experience and skills; the availability and attractiveness of alternatives and also the family and financial constraints placed
The relationship between ambition and capacity isn't necessarily static. Someone with high ambitions but low capacity may be able to increase the aspired performance of the business by increasing capacity over time, either by reinvesting profits in the business or by taking on a partner. Similarly ambition may be increased over time, either fuelled by the success of the business or by taking on a partner. These scenarios will be considered.

The aspired business performance component of the model will now be related to the typologies identified.

Aspired Business Performance for the 5 Typologies

Youngsters in Business (See Figure 2a)

For this group both ambition and capacity are restricted, hence the relatively small size of this component. Generally they were seeking an alternative to unemployment, i.e., self-employment was undertaken as they were unable to gain satisfactory work in their chosen vocation. None had any desire for the business to exceed self-employment on a relatively small scale. Within this they wanted an income that would be in excess of unemployment benefits, or equivalent employment (note in each case employment opportunities would give incomes not significantly different to unemployment benefit).
Their capacity was also restricted. None had resources available to invest in their business, and the source of any investment was gained from parents or in one case a grant. Therefore, ability to gain support from family was paramount to the size of this component. Their basic capacity came from their previous vocational training. This indeed formed the focus of the business idea.

**Mothers Returning into Employment** (See Figure 2b)

As with the previous typology, ambition and capacity were restricted and so again the size of this component is relatively small. However, the primary motive for starting a business in this group was to give themselves an interest outside their normal family role. The financial component of their ambition was nothing more than wanting "pin money" to give them a degree of financial independence.

The capacity of the subjects to invest in their businesses tended to be limited by their families in two ways. Firstly, by the husbands income, as this generally was the source of investment and then, secondly, by the time they could spend on their businesses and meanwhile fulfil their duties as mother and wife. The support of the husband was therefore, key to the relative size of this component. Again, the skills and knowledge brought to the business were either those brought from previous vocational training or the experiences gained from their role as a housewife or from a hobby. These determined the type of business started.

**Tradesmen and Professionals** (See Figure 2c)

Aspired business performance is greater than for the previous two typologies. Here the
primary motive for starting in business was to avoid unemployment, although frequently this was seen as the catalyst to realise some long held ambition to be self-employed. Unemployment for this group was particularly unattractive as they all had financial obligations (mortgages) and dependents (wives and children). Therefore, their businesses had to provide a reasonable return in order for them to meet these commitments. Meanwhile this also limited their ambition. They were not necessarily interested in creating businesses that would employ anyone other than themselves, i.e. they were simply looking for an alternative to employment that would give comparable returns and security.

The capacity for this group can be seen to be reasonable. All had some form of financial reserves which they could draw upon to invest in their businesses. However, their personal circumstances limited the amount they were prepared to invest, they were not prepared to invest large amounts and further investment would occur only if the business created surplus funds. The main source of capacity for this group was determined by their prior experience. All started businesses in areas for which they had trained and/or had previously worked.

**Elderly Businessmen** (See Figure 2d)

Again, aspired business performance is relatively small, though not as small as for the first two typologies discussed.

The primary motive for starting in business for this group was to avoid unemployment and to be employed in such a way that they could preserve the retirement "nest eggs" and support themselves and their wives. In order to do this only a relatively small income
was required, as they no longer had the financial burden of a mortgage or children. Security of income, however, was very important to this group.

Potential capacity in many respects was reasonably large for these individuals. However, the need for security and to preserve savings meant that subjects were not prepared to invest in the business, although all had the "tools of their trade" which would be utilised in the business. Capacity was large in respect of the experience and knowledge these subjects had in the businesses they started, all having many years experience within their chosen industry prior to this point. Indeed, this experience was the basis of their business idea.

**Small Firm Owner/Managers** (See Figure 2e)

Aspired business performance was far greater for this group than any of the other groups outlined above. Here the subjects had wanted to start a business, rather than being pushed into self-employment by unemployment. In fact, all had engineered their unemployment with a view to starting in business on their own account. The ambition for all subjects in this group was to start a business that would employ others, and ultimately either allow the owner to manage, rather than work in the business, or retire from the business and someone manage it for them.

Capacity for this group was also greater than any other typology. Firstly, each subject had a spouse that had an income (or in case S3 they managed to claim family credit). This increased capacity in a number of ways. It reduced pressure on the subject to bring in a regular income whilst the business got off the ground. It also allowed some risks to be taken when investing in the business. This is demonstrated by these subjects'
willingness to borrow or use large amounts of personal savings to invest in the business. Also, they were prepared to reinvest much of the earnings made by the business.

Capacity was further increased for these subjects by having a partner (3 of the 5 subjects had partners). This not only increased the level of investment, but also the skills and knowledge base of the business.

The business ideas for this group also relied more heavily on identifying market gaps rather than simply making their prior work or educational experience into a business, as with the other typologies. Frequently this was by taking a business with which they were familiar and replicating it. In some cases this was because they had worked for a similar operation, or they had conducted market research to identify a gap, in some cases they had friends doing something similar.

8.2.2 Minimum Acceptable Performance

This represents the threshold which, if transgressed, results in the closure of the business. Subjects, based on their motivations for starting in business, will have some notion as to what minimum level of performance they are prepared to accept before it is no longer worthwhile continuing in business. In other words the experience of being self-employed or the income from the business is insufficient to justify continuation. In terms of income, it may be that the business does not generate sufficient income for the subject to support themselves and/or their dependents, or in terms of less tangible objectives such as job satisfaction or security, the business experience may be such that these objectives are not met.
In most cases objectives will be expressed as a combination of these factors, the relative importance of these will depend on the motivation for start up.

The minimum acceptable performance will also be influenced by available alternatives, this may be alternative employment opportunities or unemployment benefits. If the actual performance of the business falls below the value (in whatever manner measured) of the alternatives available, then continuing in business would be a sub optimal course of action and result in the closure of the business (this does not necessarily imply bankruptcy).

Again, this may not be static and as a subjects' circumstances, expectations and commitment change this will impact on the relative size of the minimum acceptable business performance. This will be discussed later.

Again this component of the model will be discussed in relation to the different typologies.

**Youngsters in Business** (See Figure 2a)

Minimum acceptable performance is relatively small for this group. In the main it can be considered as a minimum acceptable income, although an element of job satisfaction and autonomy is considered important by this group. The subjects have negligible financial commitments and limited expectations of their earnings potential. Therefore, the minimum acceptable performance is closely related to the income that could be achieved in alternative employment or unemployment. Below this they would not be able to continue, as although they have meagre financial needs, they are still obliged to
Women Returning to Employment (See Figure 2b)

As with the previous typology, minimum acceptable performance for this group is small. Here, however, income is not the main constraint, indeed the income earned from the business could be quite minimal as long as a loss was not being made (or as in one case the benefits of the husband were not decreased by the business). Income for this group is secondary to that of the husband and so is not a key determinant of whether the business should continue, as long as the family income does not diminish.

The main constraint here is that the business does not interfere too greatly with the duties they conduct as a housewife. Another constraint is that the subjects must achieve a minimum level of intrinsic reward, job satisfaction and autonomy, as this is their primary motive for being in business.

As income is not the major concern for this group, they have the smallest acceptable minimum performance of all the typologies.

Tradesmen and Professionals (See Figure 2c)

Minimum acceptable performance for this group was primarily defined in terms of income and security. If business performance fell below a certain level then they would be unable to either pay their financial obligations (mortgages), or support their families at an acceptable level. The minimum acceptable performance for this group was not equal to the unemployment benefits that could be claimed, should the business cease,
but a function of this plus compensation required for the effort required to run the business. In other words these participants would not continue in business if the only reward they could expect was equal to unemployment benefit. This is due to the large number of hours they put into their businesses. Therefore, this component is relatively large for this group of subjects.

**Elderly Businessmen** (See Figure 2d)

This is expressed primarily in terms of income and security. A minimum level of income is required otherwise the subject may as well return to unemployment. However, security and certainty of income were also considered important. For instance, one subject (case E1) ceased trading, even though income earned during the first year exceeded that of the job he took. This was because of the uncertainty experienced in running his own business.

**Small Firm Owner Managers** (See Figure 2e)

This component is relatively small for this group. This, in part, reflects the financial security of this group due to their partner's income (or benefits). It also reflects the fact that this group are prepared to sacrifice short term returns in order to receive greater financial returns in the future from their businesses (this is reflected in the fact these subjects withdraw no more from their businesses than tradesmen or elderly businessmen in spite of the much higher turnovers achieved). In the longer term this component will undoubtedly move outwards, reflecting the need to achieve a reasonable return on the investment made, and the sacrifice made, to create the business. If this is not achieved then folding the business or selling out may be the resulting outcome.
8.2.3 Actual Performance

This is how the business actually performs when operating. Despite the great ambitions or investment made by a subject this does not guarantee actual performance will match that which is aspired or planned. To a large extent this will be dependent on the environment in which the business operates, but also the capability of the subject to steer their business to success i.e. aspired business performance. Each of these two factors will be considered in turn.

8.2.3.1 Environment

Environment in this context will be used in a narrow manner. It is appreciated that in its widest sense environment will impact on all parts of the model. Here, however, it will be taken to represent the business environment in which the business operates, made up of customers, competitors, technology, society and politics. All these factors will influence the performance of the business.

Certain markets are more conducive to small business survival and growth than others. Osborne (1993) points out the dangers of small firms entering markets dominated by a few large firms, unless they are able to niche their product. He identifies fragmented markets as being more suitable for small firm success.

The Department of Trade and Industry (1984) found most small firms sell their output within local markets, this is borne out by the research conducted here. Consequently, the buoyancy of local economies will impact on the potential volume of business achieved by the subjects. Indeed, taken in tandem with the level of competition, this will
also determine the margin achieved on sales.

Curran and Blackburn (1990) see changes in society favouring small firms. For them post modern society has made demand for goods/services fragmented and pluralistic ie increased demand for niche goods and services, as produced by small firms.

Similarly, technological developments can open opportunities for small business or alternatively make their goods/services obsolete.

Political initiatives can also impact on the performance of the business. Grants can help increase investment in the business. Schemes, such as the BSU, can help increase the number of start ups, therefore increasing competition and subsidising the business during the early months. This has been discussed at length in earlier chapters and so will not be reiterated here.

8.2.3.2 Capability

Although the environment is part of the equation as far as actual business performance is concerned, the capability of the subject will influence this as well, in two ways. Firstly, the subject can use certain mechanisms to exert some control over the environment. This is either due to their ability to identify and satisfy niche markets or differentiate themselves from their competitors, or their ability to reduce market hostility eg through networking. Secondly, the ability of the subject to manage their business effectively and produce goods/services that are demanded will also influence the actual performance of the business.
Capability will be developed in prior vocational education (Watkins, 1983) and work experiences (Smeaton, 1992) eg having worked in a similar industry previously, having management experience, having operated in a small firm should increase the capability of the individual to operate the business effectively. Capability can also be enhanced. Thorough preparation for start up eg by the preparation of business plans, allows responses to be developed in anticipation of problems and hurdles that may occur (Gill, 1985; Baker, Addams and Davis, 1993). Training should be capable of developing the skills necessary to manage a business eg marketing and financial skills can be learnt (Boswell, 1973; Gibb, 1993; Stanworth and Gray, 1992).

8.2.3.3 The Interplay Between Environment and Capability

As with capacity and ambition, actual business performance is a function of the interplay between environment and capability. Even in a hostile environment, actual business performance can be reasonable if the subject is able to control the environment eg through networking, and is able to effectively manage the business. Similarly, even in a friendly environment the actual business performance can be poor if the subject is not able to compete or manage effectively. Therefore, actual business performance will be the result of these two factors.

However aspired business performance will also influence actual business performance. In one respect this is because of the type of business that is started, due to the capacity of the subject. Also, ambition will influence actual performance as this will determine the commitment to the business.

Actual performance will be discussed in the light of the experiences of the different
typologies. It is important to note that the environments in which all the businesses operated were similar in a number of respects. Firstly, they all operated in environments which are dominated by small firms. This is either due to the small scale or personal nature of the goods/services they provide. Also entry barriers for all these businesses are low, making entry into them easy, hence the large number of small competitors they face. A consequence of this is that custom is likely to be gained at the expense of other businesses.

A further feature to note is that the vast majority of these business relied solely on local markets. It is therefore important to remember that the local markets in both areas under consideration were in depression, high unemployment was experienced due to the closure and decline of the traditional industries which were the main employers in these areas.

**Youngsters in Business** (See Figure 2a)

For this group the relative size of actual performance depended on the subjects ability to develop a loyal customer base. This was achieved by developing personal relationships with clients, and the subject’s ability to offer a reasonable service at a reasonable price. Due to the labour intensive nature of their businesses and also the parameters placed on their prices, based on a notion of a "market price", the size of actual performance is relatively small for this group.

**Women Returning to Employment** (See Figure 2b)

Actual performance is similar for this typology to the youngsters in business. However
a further constraint placed on actual performance for this group is the limited time the subject can spend on the business and still fulfil their duties as a housewife.

**Tradesmen and Professionals** (See Figure 2c)

Due to the diversity of businesses included in this group it is difficult to describe features that were common to all subjects in this typology. However, a number of themes did develop to explain actual performance.

All subjects were operating in very hostile environments. Either demand for the goods and services of these industries was limited, and/or large numbers of people were starting in self-employment like themselves (3 of the 5 subjects in this typology were in construction, the remaining 2 were in areas which are likely to attract the unemployed as they are easy to enter). In order to survive, subjects need the capability to operate at low cost and hence charge low prices as a means of attracting customers, and/or needed to be able to draw upon old contacts, made during previous employment, as customers, whilst developing new contacts. Also important to these subjects was their professional/trade status ie their qualifications and/or membership of trade/professional associations (eg the Association of House Builders).

Subjects used a combination of these tactics to deal with the environment faced and to ensure a stream of work to support their business.

**Elderly Businessmen** (See Figure 2d)

For this group actual performance relied heavily on the ability to utilise old contacts
developed from their previous work experience. As discussed in an earlier chapter this approach was sound as long as contacts could generate repeat business. For the subject who ceased trading this was not the case (case E1). If a contact generated work, once this was completed there was no further need for the subject's services. Hence there was no security of further work.

The capability of this group was great in terms of their knowledge of the "job". However, the depressed market (low demand and great competition) faced by one of the subjects resulted in poor actual performance.

**Small Firm Owner Managers (See Figure 2e)**

Here, the business idea itself will have a great effect on actual performance. If the business idea is based on identifying a market gap or opportunity then it has a good chance of achieving high levels of actual performance, if the gap or opportunity has been identified correctly. The ability for this to continue will be dependent on the ability of competitors or new entrants to copy the ideas.

In two instances the niche was maintained by offering exceptionally low prices, at the expense of margin but in the hope of gaining volume (cases S3 and S5). In another case quality and flexibility were seen as the key to differentiation (case S1). In another instance a mix of low prices, flexibility and reliability were seen as the key to gaining market share (case S2). These tactics ensured reasonable actual performance, at least during the period of the study, however these are also easily copied and may not be sustainable differentiation mechanisms in the longer term.
In the last case, S4, product uniqueness was seen as the niche factor. Unfortunately here the interest of a stronger, larger competitor was aroused. The competitor then started to produce a product in direct competition with the subject, ie the product and its market was seen as too attractive for it to be ignored by the competition.

In terms of capability, this factor was dependent on the subjects being able to identify and then provide the right good/service at the right quality and right price for the market. This was enhanced by having a partner. All of the partnerships acknowledged that they would not have performed as well individually. Also, having a partner with complimentary skills enabled them to divide the task of managing the business so that each partners skills were utilised effectively.

A further illustration of how networking improved capability is evidenced by the manner in which these subjects gained their first employees. In all instances these were drawn from individuals known to the subjects. This ensured that the employee was able to perform the tasks required and that they were reliable.

8.2.4 **Success and Failure**

For success to be perceived by the subject, the business must perform closer to aspired business performance than minimum acceptable business performance. In other words, some of the aspired performance indicators are satisfied or nearly satisfied.

As discussed earlier, aspired business performance is often not equivalent to success as defined by other stakeholders. Armstrong, Baker and Johnson (1987) found that the small firm owner/managers criteria for success were frequently:
"...phrased in terms of gaining security and giving service and were rarely presented within the conventional economic framework of maximising turnover or profits. ... there was evidence of a widespread enjoyment of the autonomy of the work situation." (Armstrong, Baker and Johnson, 1987 p62)

For dissatisfaction with performance to be experienced, actual performance is closer to the minimum acceptable business performance than aspired business performance. This does not necessarily mean the business folds. However, if actual performance does not improve, it is likely that the subject will look for ways to leave the business if, or when, a suitable alternative is available to them, eg if security needs are not satisfied, the business may continue in the short term, but in the longer term the subject will look for an alternative to the business they operate.

On the other hand, if the minimum acceptable performance indicators are transgressed the business will cease to operate as the subject will perceive that it is no longer worthwhile being in business, eg if the business doesn't achieve a minimum level of income to support the subject and their commitments.

The relative distance between, and size of, the minimum acceptable and aspired business performance will in part determine the ease with which success is achieved. If aspired business performance is relatively small, then some success will be easily achieved compared to if this is relatively large. Also, if the distance between aspired and minimum acceptable business performance is relatively small, then the dividing line between success and failure will be very narrow, so that very small changes in actual performance will result in a movement from success to failure or vice versa. Similarly, if aspired business performance is relatively large then success will be harder to achieve.
And again, if the distance between aspired and minimum acceptable business performance is relatively large then there will be a large abyss between success and failure. So, though success may be harder to achieve, it is less likely that failure will occur.

Success and failure will now be discussed from the perspective of each of the typologies.

**Youngsters in Business** (See Figure 2a)

There are two key features of the model for this group. Firstly, the closeness of aspired and minimum acceptable business performance, and secondly, the relatively small size of the aspired business performance component.

For this group the closeness of aspired and minimum acceptable business performance make both success and failure easy to achieve. Small changes in actual business performance can result in aspired business performance being achieved, or minimum acceptable performance being transgressed.

It should be noted that one of the three subjects in this group did in fact cease trading (case Y1). All subjects in this group experienced intrinsic rewards of job satisfaction and autonomy from their business, but it was turnover that determined whether the business continued or not. The difference in turnover between those that continued and the one that failed was negligible (indeed the failed business achieved the same turnover as one of the subjects that continued).

Business performance seemed to be related most closely to the ability to develop and
sustain relationships with customers, as well the capability of the subject to deliver the good/service (note in case Y1 the subject had no transport, hence making mobile hairdressing difficult beyond her own village, yet there was insufficient demand within this one location to survive.)

In the longer term, currently successful businesses could easily become unsuccessful with only small changes in the level of business undertaken. Also the effect of the subjects "growing up" will impact on the businesses. None of the subjects believed that they would be continuing as they were in the next 5 years. This, in part, can be related back to the minimum acceptable performance of the business. As the subjects get older their ability to survive on low wages will diminish, especially if their circumstances change eg they leave home, marry, have children. Also, the alternatives to running their own business will also increase in attractiveness, as earnings potential normally increases as people move into their mid twenties. Minimum acceptable performance will, therefore, increase in size relatively and move towards aspired business performance, thus increasing the likelihood of failure. In the meantime, aspired business performance is likely to remain static as the potential to increase this outwards is limited by the capacity of the individual and also the business idea itself.

The size of aspired business performance for this group was small. They had limited capacity to invest in their businesses and had quite restricted objectives. Therefore, as long as they were able to continue in business, although with only limited business earnings, success was quite easily achieved (in terms of the subjects' criteria).

Success in terms of other stakeholders can be evaluated using this model. As discussed earlier the TECs will want the business to continue in business as they are funded on this
basis. This typology are likely to be very risky in these terms due to the closeness of the inner and outer circle. Very small changes in performance can result in the subject ceasing trading. The likelihood of failure in the TECs terms is highly likely.

The government, meanwhile, want the subject to not only remove themselves from the unemployment register, but also employ others and pay taxes. The first of these objectives is the same as for the TECs and so for this typology there is a high risk of failure on this criterion. In terms of the other two objectives, it is highly improbable that success will be achieved by this group due to their very limited aspirations for the business.

Women Returning to Employment (See Figure 2b)

The key features of the model for this typology is the smallness of aspired business performance and also the very small size of minimum acceptable performance.

The distance between aspired and minimum acceptable business performance, plus the very small size of this latter component, means that the business is unlikely to cease. The small size of the aspired business performance means that success is relatively easy to achieve as objectives for the business are quite limited, normally expressed in terms of intrinsic rewards rather than financial terms. From the subject's perspective, success can be achieved as long as they gain some autonomy and job satisfaction.

The two subjects who achieved the highest level of turnover in this group (cases M1 and M2) considered themselves successful, even though one business made a loss and provided the subject with no income whatsoever, and the other subject received less
income than if she had been able to claim unemployment benefit.

The other two business weren't considered successful by the subjects but still actual performance was not sufficiently small for them to cease trading completely. One business (case M3) ceased on a full-time basis when it was realised that any further increase in income would reduce the benefits received by the family. The last subject (case M4) suspended business due to pregnancy. In the longer term she intended to resume the business, but again this would be on a part-time basis so that she could simultaneously care for her children.

All the subjects' aspired performance were constrained by the need to care for their families. The extent to which it was constrained depended very much on the age of their children (the older the children the greater the time and commitment which could be given to the business).

Success, though achieved quite easily for the subjects using their own criteria, was unlikely from the perspective of other stakeholders. The TECs, although seeing success as the business continuing, are only able to count this as a positive outcome if the business is conducted on a full-time basis. Here, although it is very easy for the business to continue, as the size of minimum acceptable performance is so small, it is highly probable this will not be on a full-time basis due to the subjects' family commitments. The businesses are likely to continue trading, but at such a low level that they cannot be considered as a positive outcome for the TECs.

These subjects are also highly unlikely to achieve any of the government's criteria for success, due to the small size of aspired business performance. Firstly, they invariably
were not registered as unemployed prior to start up, therefore they have not removed themselves from the unemployment register. The smallness of these businesses also makes the employment of others or the paying of taxes a highly unlikely event.

**Tradesmen and Professionals (See Figure 2c)**

For this typology the key feature is that the minimum acceptable and aspired business performance are both much larger than for the previous two typologies.

Success for this group was primarily defined in terms of income, although autonomy, self determination and job satisfaction were also held as important by them. Success was dependent on them being able to control their environment to some degree by developing a network of contacts. It was also dependent on them being prepared to work long hours, increasing the volume even though at lower margins, in order to ensure that they achieved the required income to support themselves and their dependents.

Meanwhile, minimum acceptable performance is reasonably large, making complete success difficult for these subjects. For these subjects the business has to provide a reasonably high and also stable income to fulfil their financial and family commitments. It is important to note that they are the sole bread winners for their families. If income becomes too low or too unstable they will need to find an alternative to the business. This is likely to be alternative employment, although it is doubtful that it would be in their previous occupation (due to the high levels of unemployment -this was one of the reasons for start up) or at the same income level as their previous job (otherwise they would have probably taken this option in preference to self-employment).
From other stakeholders' perspectives, success is far more likely than for the previous two typologies.

The businesses are likely to continue due to the lack of suitable alternatives available and also the pressure on the subjects to provide for their families. Therefore, success on the TECs criteria are likely to be achieved. Also, in terms of the government, they will remove themselves from the employment register and also will pay taxes (the relatively large size of minimum acceptable business performance means that if the business continues the business will make sufficient money to pay taxes). However, these businesses are unlikely to employ others as, although reasonably large, aspired business performance is such that employing others is not an objective.

**Elderly Businessmen** (See Figure 2d)

Success for this typology was to achieve a secure, though not necessarily high, standard of living. Their primary objective was to achieve a reasonable standard of living until retirement without using savings reserved for retirement. The income did not have to be very high as this group no longer had mortgages and their children were now self-supporting, although the husbands were normally responsible for providing for their wives as well as themselves.

Aspired business performance and minimum acceptable business performance are both smaller for this group than the tradesmen and professionals typology, but larger than the first two typologies discussed.

In terms of income, success was relatively easy to achieve as the alternative available to
this group was considered to be unemployment (which would provide only a very low level of income). The achievement of security was more difficult, start up firms are notoriously insecure. For one (case E1) the insecurity of income made the alternative of employment attractive when a job was offered to him. The remaining two subjects managed to achieve security (success) by carrying out subcontracting work to ensure a secure income alongside work they generated themselves. They were also able to a greater (case E2) or lesser (case E3), extent to generate a secure flow of work by drawing upon old contacts made during their previous employment.

In terms of other stakeholders' criteria for success, this group will not perform badly. Firstly, they are likely to stay in business, due to the small size of minimum acceptable performance, self-employment is likely to be easily sustained. This is, in part, due to the lack of alternatives available for subjects of this age, case E1 was more likely to be the exception than the rule in managing to gain alternative employment. Therefore, on the TEC's criteria, success is likely.

In terms of the government's criteria this group are likely to remove themselves from the unemployment register and pay some taxes. They are unlikely to generate large tax revenues, due to the limited size of aspired business performance, and they are very unlikely to generate employment for others.

**Small Firm Owner Managers** (See Figure 2e)

The main feature of the model for this typology is the very large size of aspired business performance, compared to all other typologies, and also the relatively large distance between this and minimum acceptable performance.
Due to the great distance between minimum acceptable and aspired business performance complete success and failure are difficult to achieve. This is reflected to some extent in the ambivalence of subjects to their achievements. Frequently comments acknowledging some degree of success were followed by comments about how they thought they would be more successful or how it was taking longer to achieve the level of success they aspired to. Therefore, the greater the ambition of the subject the more difficult for unqualified success to achieved.

Meanwhile, as aspired business performance was so large, actual business performance was drawn towards this. If actual performance did not move in this direction in the longer term then the business may cease. This is a consequence of the minimum acceptable business performance component moving outwards over time, as mentioned earlier, to compensate for the investment of time and money into the business.

Actual business performance was likely to be larger than any of the other groups due to the investment made into the business, and also because the businesses themselves were based on opportunities identified.

This group of subjects had the greatest potential for achieving success in terms of other stakeholders’ criteria. All the subjects had actively wanted to be self-employed prior to start up and therefore were willing to make sacrifices to get their businesses off the ground. They also had aspirations to manage or become an absentee owner and so in the long term would employ others. In one case (case S4), where the likelihood of this outcome was in doubt, the subject was considering starting another business should these ambitions not be fulfilled. Also the turnovers of these businesses were very large compared to all other subjects and so reasonable tax revenues would be generated.
There are two limitations, however, on the extent of these successes. Firstly, although the subjects have removed themselves from the unemployment register, they were only ever unemployed in order to start their own businesses. Secondly, although they were employing others and generating tax revenues, it is doubtful whether these businesses would ever be anything other than micro businesses, employing less than twenty people and with turnovers unlikely to exceed £1,000,000. For example, the largest of the businesses (case 55) was looking at expansion to a second depot but had no further ambition to expand further, ie their aspirations are not limitless.

8.2.5 A Dynamic Model

At first sight the model may appear to be static and indeed it does permit an understanding of the position of a business at one point in time. However, it is also dynamic in that the factors influencing the components can change overtime. This, therefore, allows the model to explain the forces which affect the outcome of the businesses as they develop. This particular feature is useful to explain some of the variations that are observed in the businesses studied. It also permits consideration of possible future developments for the different typologies identified. As was discussed in chapter 2, Stanworth and Curran (1973) see objectives and motivation as being capable of change over time and are dependent on the development of the firm, it's environment, and the entrepreneur's perceptions of these.

This is probably best illustrated by a number of cases which were unusual in that they either started off like others in their typology but ended in a very different position, or alternatively they started off differently but ended the same.
8.2.5.1 An Unusual Case from the Tradesmen and Professionals Typology

Case T5 differed in a number of ways from the other subjects in this typology, as discussed in earlier chapters. However, the model can still be applied in this instance. When the business commenced it resembled the other businesses in the typology very closely, even though this was the only partnership within the group. However, when the subject's brother left the business a number of divergences from the norm for this group occurred.

Firstly, the brother who left the business held the qualifications and training in the business, and also the membership to the trade association. The brother also withdrew half of the assets of the business when he left. Consequently the capacity of the business was diminished by the partner withdrawing.

Alongside this the ambition of the remaining brother declined. He commented how he wasn't so interested in the business and that he was spending more time with his children rather than putting his energy into the business. Hence, along with a reduction in capacity, there was a commensurate reduction in ambition. Therefore, aspired business performance was severely reduced.

Simultaneously, the minimum acceptable business performance was reduced. The subject had previously run a business illegitimately whilst unemployed and had therefore been used to living on a low base income supplemented by black economy earnings. Once his brother had left the business he was quite happy to return to this state of affairs using family credit to supplement any business income.
As the other two components diminished, so too did actual business performance. The subject no longer was pushing his business and therefore turnover decreased. His capability to carry out business was also reduced, not only because there was now only one partner available to carry out work, but also because he did not possess qualifications or trade membership which gave this business an edge over other small businesses operating in this field.

8.2.5.2 Two Unusual Cases from the Small Firm Owner/Manager Typology

Although by the end of the study, case S3 and S5 were very similar to other cases within this typology, at the outset this wasn't necessarily so. For these cases the original aspired business performance was far more limited than for others in this typology. However, this changed within the first 6 months of operation for both cases, though different mechanisms were responsible.

With case S3 the start up process was quite ad hoc. It was when trying out the business idea at Sunday car boot sales that the potential of the business was identified. It was initial success, therefore, that created greater ambition in the subject, ie the attainment of initial aspirations increased ambition further. Also early success increased capacity by the reinvestment of earnings.

With case S5 the circumstances were somewhat different. When this subject started he began in quite a small way and achieved some level of success. However, it was only when the subject took on a partner did the aspired business performance increase. This was in part due to increased capacity in terms of skills and finance that the partner
brought to the business. More importantly however, the partner had greater ambitions for the business than the subject. Indeed, expansion into new areas and new premises were brought about by the new partner. In this case, therefore, bringing a partner into the business increased aspired business performance.

8.2.6 Non-Starters

So far the model has been used to explain the meaning of success in terms of the subjects’ meanings and also to explore how this compares with definitions of other stakeholders. The model can also be used to understand why a large number of people who attended the business start up course actually failed to start in business.

Figure 3a and 3b demonstrate two scenarios faced by these subjects. These will be dealt with in turn. These situations can occur simultaneously and for a number this is what happened, thus making the prospect of start up an even more unattractive proposition.

8.2.6.1 Insufficient Capacity (see figure 3a)

For a number of the non-starters they held ambitions for their businesses that they were unable to fulfil due to their lack of capacity. This was either in terms of finance or skills.

Cases N1, N3, N4, N7, N8 and N9 did not have sufficient capital to invest in their business ideas to get them off the ground. In the main, they had been unemployed for a long period of time and therefore had very limited personal resources. Also these subjects did not have family or partners that were able to help with the investment,
FIGURE 3 Models Showing Reasons for Non Start Up

Aspired Business Performance (moving inwards towards minimum acceptable performance)

Minimum Acceptable Business Performance

FIGURE 3a Insufficient Capacity

Minimum Acceptable Business Performance (moving outwards towards aspired business performance)

Aspired Business Performance

FIGURE 3b Minimum Acceptable Performance Too High
whereas some groups of subjects, eg the typologies of youngsters and mothers returning to work, used this as their primary source of start up capital. It is also worth noting that the level of investment envisaged by these subjects tended to be larger than the corresponding subjects who did start in business.

Similarly, the business ideas of the non starters tended to be ill defined. This was due to their lack of knowledge and/or experience in the business areas considered eg case N2, N3, N7, N8, N9, and this reduced the capacity of the business further.

The lack of capacity, either through lack of skills and/or finance, resulted in the aspired business performance moving towards the minimum acceptable business performance. This makes success unlikely and start up unattractive.

8.2.6.2 Minimum Acceptable Performance is Too High (see figure 3b)

For some of the subjects in this group the minimum acceptable performance was high, thus making this component move towards the aspired business performance. In this instance the maximum that can be achieved by the business is close to minimum acceptable performance, again making start up very unattractive.

In previous chapters the benefits trap has been referred to, this is where benefits received are so high that starting in business appears very unappealing. Cases N1, N3, N4, N5 and N9 saw that the potential earnings of their business ideas would have great difficulty reaching the level of benefits they received when unemployed. For others, it was not benefits but potential employment opportunities that provided the basis for the minimum acceptable performance of the business. Cases N6 and N8 knew of
employment possibilities which, though not their ideal, could be gained and a reasonable income achieved. Again, compared to this, the potential income of the business idea fared poorly.

In essence, with both of the scenarios outlined above, the proximity of aspired business performance and minimum acceptable business performance, when compared to similar subjects who did start in business, mean that success would be unlikely for these subjects. If businesses had started they would have been unlikely to succeed as the minimum acceptable business performance would soon have been transgressed. Deterring these types of subjects from starting up is therefore important.

8.3 INFLUENCES ON ECONOMIC SUCCESS

Above, the meaning and factors influencing success and failure for typologies of business start ups have been explored. Here, also, conclusions about the likelihood of success for these businesses in terms of the definitions of other stakeholders, such as the government and the TECs, have been drawn. The definitions of these stakeholders are generally in terms of economic success, unlike the definitions used by the subjects themselves. However, as the aim of the scheme is to generate economically viable business, the influences upon this outcome need further consideration.

From the discussion above a number of influences upon economic success (level of turnover, job creation and survival rates) have been identified. These will be given further attention here.
8.3.1 **Objectives of the Individual**

Although it is the aim to look at factors which influence economic success rather than the meaning of success for the subject, the objectives of the subject are paramount to the determination of economic success. Gill (1985) found this in his study. He concluded that the future performance of the business, as measured externally, was dependent on the motivation for becoming a small firm owner/manager.

The objectives of the business are typically not defined in economic terms. Patton and Bradley (1994) found quality of life and independence was often cited as more important, also Armstrong, Baker and Johnson (1987) found success were more often expressed in terms of personal satisfaction and security than growth or development (economic measures).

It is therefore important to consider the motives and objectives for the business as one of the determinants of success. Only one group of subjects had objectives for their business which were commensurate with economic success, the small firm owner managers. In other groups, although they had some financial objectives, these tended to be quite limited and often security or job satisfaction were of a higher priority. When trying to identify businesses that will be economically successful it is, therefore, necessary to consider the motives and objectives of the individual.

8.3.1 **Age and Sex**

The typologies identified above have some clear age and gender distinctions. The first observation is that businesses started by the young and females do not perform as well
economically as other businesses. This was confirmed by the questionnaire data. Smeaton (1992) also had similar findings when researching the self-employed. However, this does not necessarily mean that the subjects view their business achievements negatively (again the questionnaire sample bears out this finding).

Smeaton considered this to be a result of youngsters having limited access to capital and not being old enough to develop a network of contacts. Meanwhile for women, they were often trying to balance family commitments with those of the business ie in terms of the model, capacity is reduced in both instances.

Kalleberg and Leicht (1991) also looked at female run small firms and compared these to male run businesses and found very little difference between them. These businesses were generally larger than those in this study with the exception of the typology of small firm owner/managers. Although this group was predominantly male, there was one female subject in this group. The evidence of this study showed there were few differences between the male and female owner/managers in this typology.

This dichotomy in the type of women who start in business was also found by Cromie (1991).

"The cases of the married women ... indicates that some married women, because of domestic pressures and the earnings of their husbands, may not run the business with a deadly seriousness. However, this is not universally true; some married women ran very successful businesses with great dedication." (Cromie, 1991 pp55-56)
Therefore although many women will start in business and fall into the typology "women returning to employment" some will also start in business and follow the typology "small firm owner/managers". It is therefore important to understand the personal circumstances of females who start up, and their commitment to the business, before drawing conclusions about their likely economic success.

Patton and Bradley (1994) considered the age of people starting in business. They suggested that older individuals have experience and access to capital and are more likely to have a domestic environment more conducive to start up. They propose that this is the case up to the age of 50 and then beyond this ambition will decrease as the individual looks to retirement. Similarly, they suggest that young people are disadvantaged as they are unlikely to have the necessary capital but also lack experience.

Likewise Brockhaus (1982) suggests the age band of 25-40 years is most conducive to start up as at this age the individual will have obtained sufficient experience, competence and self-confidence. This can be paralleled to a number of the typologies identified in this study. The youngsters in business all suffered from the inability to invest in their businesses. Also contacts, to help them get started in their chosen business, all had to be developed, they could not use old contacts as their base clientele. The elderly businessmen, meanwhile, did have access to start up capital but were reluctant to use this as this was saved specifically for retirement. Indeed, the businesses started were seen as a vehicle to take them up to this point without changing their standard of living, ie they lacked ambition for their businesses to achieve anything more. The small firm owner managers, on the other hand, had access to start up capital, supportive families and experience which could be used in their businesses. They were also far more ambitious than any other group of individuals.
In summary, the very youngest and the very oldest age groups are likely to perform worst economically. Similarly, women will generally not start in business with the aim of creating a business that will be deemed successful economically, although those that do will not necessarily perform any better or worse than their male equivalents. These findings are corroborated with both the questionnaire and interview findings.

8.3.2 Investment

The findings of both the interview and questionnaire analysis suggest that the greater the level of investment in the business, the greater the economic success achieved.

The ability and willingness to invest in the business has been included in the model as one of the factors that determine the capacity of the business. In most instances investment was limited, at most a couple of thousand pounds. This was with the exception of the small firm owner/managers typology.

Binks and Coyne (1983) see the limit on small firm growth as the ability to generate sufficient start up capital and then to retain business income for reinvestment. Tremlett (1993) and Wood (1985) found survival was more likely if the individual invested more in the business at start up. In terms of the model, this equates with the business having an enlarged capacity.

For most of the typologies the ability or willingness to invest was limited. Youngsters did not have access to capital - banks would be unwilling to lend them money as they had no money to invest themselves and also they had no assets for security. Mothers returning to employment were unwilling to invest large sums of money, their intentions
were to create little more than an interest for themselves outside the family. The tradesmen and professionals had financial obligations and commitments making large investments difficult at start up, and income generated thereafter was to support their personal obligations. The elderly, although they had capital available to invest, were unwilling to do so as these were their retirement savings. The only group who were willing and able to invest were the small firm owner/managers. This, in part, was due to their desire to start a small firm rather than just commence in self-employment, but also they had personal reserves or were able to borrow on the basis that they owned homes which could be used as security. Also, as mentioned earlier, they were then able to reinvest business earnings as their spouse was able to support the family, at least in the short term.

In summary, the ability, or willingness to invest substantial sums in the business at start up, and subsequently, will increase the likelihood of economic success. In terms of the typologies identified in the study, only one group was either able or willing to do this, the small firm owner managers typology.

8.3.3 Precipitating Events

Unemployment prior to start up has also been considered an influence on potential economic success. Wood (1985) found failure is more likely if a long period of unemployment was experienced prior to start up. Smallbone (1990) made similar findings and attributed this to a lack of motivation and commitment to develop the business. In this study, only two groups of individuals suffered long periods of unemployment. Firstly, the women returning to employment. For these unemployment was a consequence of raising children. The other groups that tended to suffer long
periods of unemployment were those who did not in fact start in business. This feature
concurs with the observation of Smallbone. These individuals did not perceive self-
employment as a preferred option. Only after a prolonged period of unemployment was
it even considered, ie they were not motivated towards self-employment otherwise they
would have taken the step earlier.

For others, who did start in business, unemployment was still a major factor in start up
for a number of typologies, particularly the youngsters and elderly in business but also
to some extent the tradesmen and professionals (although in this last typology
unemployment was often seen as the catalyst for them to try self-employment which had
been a latent goal). Patton and Bradley (1994) see unemployment as not being a
proactive reason for start up. They suggest that self-employment is often exchanged for
unemployment but that those who are "pushed" into this situation are less likely to be
successful than those who are pulled. The only group who were truly pulled into start
up in this study were those who formed the small firm owner/manager typology.

The evidence of this study confirms that those who are "pushed" into self employment,
through unemployment, are less likely to be successful in economic terms than those who
are "pulled".

8.3.4 Support Networks

Family support (financial or moral) was found to be an important factor for the subjects
investigated in the study. Those who failed to start in business were seen to lack the
support of their families (spouse or parents). Meanwhile, those who did commence in
business seemed to operate more successfully in economic terms the more tangible the
support offered from this source.

The issue of family support is highlighted by Gill (1985). He found that a supportive spouse increased the likelihood of success. In this study it was found that lack of family support (parents or spouse) was one of the contributory factors to non start up. Wood (1985) also found that if the spouse was in paid employment, then the business was more likely to survive. In this study only two typologies had this, the women returning to work and also the small firm owner/managers. In terms of the model, the income of the spouse allowed the distance between aspired and minimum acceptable performance to be relatively large, ie income from the business could be quite poor and still not threaten the existence of the business. In the first of these typologies this meant the businesses could exist whilst achieving very little economically. For the second, this allowed money to be retained in the business to enable it to grow and develop into a business that would be a success economically.

Family support, particularly financial, would seem to improve the likelihood of start up and in certain cases permits risks to be taken, thus increasing the chances of economic success.

8.3.5 Partnerships

In this study there were a number of businesses that were partnerships. One was from the tradesmen and professionals typology, another was from the mothers returning to employment typology, all the rest were from the small firm owner manager group.

Cromie (1991) suggests that partnerships, where they work, can be extremely beneficial
to the company as they enable responsibility to be shared, increase the skill mix and also increase finance available to the company.

All the partnerships from the small firm owner/managers typology seemed to generate business which were more successful economically than other businesses. The other partnerships broke up. It is interesting to note for the case from the tradesmen and professionals typology that the break up of this partnership resulted in a severe curtailment of the business, making it much less successful in economic terms.

Partnerships, where they work, are more likely to achieve economic success.

8.3.6 Business Environment

Osborne (1993) proposes that small firm failure is more often to do with the business environment than the competence of the person starting the business. He argues it is necessary to start in a hospitable environment, one with market growth and expansion potential. Also, he recommends entry into a market which is fragmented and with the potential for defining a market niche. Most of the businesses considered in this study may be in fragmented markets but generally they do not differentiate themselves from the competition and the markets themselves are not expanding. The small firm owner managers are the exception here, although their differentiation strategies frequently rely on their ability to charge low prices, flexibility or quality which can easily be copied in the longer term.

Often the reason for small firm failure is lack of business (Smallbone, 1990). This can
be due to insufficient demand or intense competition. As the businesses started in this study tend to be operating in markets which are easy to enter, with low start up barriers, competition is likely to be great. When this is taken in tandem with the state of the local economy, which in both instances had high levels of unemployment, then more businesses will start up as people are pushed into self-employment, intensifying competition further (Department of Trade and Industry, 1984). Meanwhile the high levels of local unemployment will simultaneously reduce demand. Therefore, these businesses are operating in very hostile environments which are likely to reduce their likelihood of economic success.

8.4 SUMMARY AND CONCLUSIONS

In this chapter factors affecting success and failure in both the individual's and other stakeholders' terms have been explored. It is important to note that success for the individual does not necessarily ensure economic success, this will depend on the nature of the individual's objectives for their business. However, through the identification of typologies, it is possible to distinguish between different groups within the self-employed population in order to find commonalities in their characteristics, objectives and the businesses started in order to identify whether they are likely to be successful in economic terms. The table 8.1 summarises the main characteristics of the model in relation to the typologies identified.

At the end of this chapter, a number of factors which influence the potential for economic success were identified. These concurred with the differences found in the typologies and add further weight to the existence of the typologies and the differences in their economic outcomes.
It can be concluded that males between the ages of 25 and 50 are more likely to create economically successful businesses, particularly if unemployment was not their primary motive for start up. The ability to invest reasonable sums of money in the business and also the existence of a partner and support networks are also more likely to result in economic success. Finally, if the business operates in a hospitable environment where the firm is able to be differentiated from the competition, successful outcomes are again more likely.

Inevitably these conclusions have policy implications. These will be considered in the chapter that follows.
<table>
<thead>
<tr>
<th>Aspired Business Performance</th>
<th>Youngstart</th>
<th>Mothers</th>
<th>Tradesmen/professionals</th>
<th>Elderly</th>
<th>Small Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ambition</strong></td>
<td>To be employed</td>
<td>To gain an interest outside the family</td>
<td>To be employed and support their families</td>
<td>To be employed and maintain standard of living until retirement</td>
<td>To create a firm they can manage or retire early from</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>Limited resources available, parents key</td>
<td>Not willing to invest substantial amounts and family responsibilities are their first priority</td>
<td>Reasonable investment but not willing/ able to invest significant resources</td>
<td>Unwilling to invest</td>
<td>Willing and able to invest significant amounts</td>
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<td><strong>Skills</strong></td>
<td>From vocational training</td>
<td>From vocational training, or experiences as a housewife/hobby</td>
<td>From training and/or work experience</td>
<td>From extensive work experience</td>
<td>From work experience</td>
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<td>Actual Business Performance</td>
<td>Very competitive</td>
<td>Very competitive</td>
<td>Very hostile</td>
<td>Very competitive/hostile</td>
<td>Less hostile as niche found/developed</td>
</tr>
<tr>
<td><strong>Environment</strong></td>
<td>Skills learnt in training and ability to get on with customers</td>
<td>Skills learnt through training/experience and ability to get on with customers</td>
<td>Ability to draw on old contacts and develop new ones, skills learnt in training/previous work</td>
<td>Ability to draw on old contacts and gain repeat work, skills learnt in previous employment</td>
<td>To correctly identify niche and manage a small business</td>
</tr>
<tr>
<td><strong>Capability</strong></td>
<td>A minimum income required (not large)</td>
<td>Minimal (not very important)</td>
<td>Reasonable income must be earned to support family</td>
<td>Income needs to ensure savings aren't diminished (but this doesn't have to be large)</td>
<td>In short term not much income is required; in long term this will increase to reflect personal and financial investment made</td>
</tr>
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<td><strong>Minimum Acceptable Performance</strong></td>
<td>Job satisfaction and autonomy (quite important)</td>
<td>Job satisfaction, interest and independence (very important)</td>
<td>Security (important)</td>
<td>Security (very important)</td>
<td>Autonomy and job satisfaction (very important)</td>
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<td>Success</td>
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<td>Mothers</td>
<td>Tradesmen/professionals</td>
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<td>Personal Criteria</td>
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<tr>
<td>Success</td>
<td>Easy to achieve as goals limited (aspired business performance is small)</td>
<td>Easy to achieve as goals limited (aspired business performance is small)</td>
<td>Harder to achieve as goals quite high (aspired business performance is reasonably large)</td>
<td>Relatively easy as goals quite limited (aspired business performance small)</td>
<td>Absolute success difficult as goals so high (aspired business performance very large)</td>
</tr>
<tr>
<td>Failure</td>
<td>Highly likely (minimum acceptable and aspired business performance close)</td>
<td>Unlikely (minimum acceptable and aspired business performance close)</td>
<td>Likely on some criteria (minimum aspired performance quite small) - lack of alternatives means business is likely to continue</td>
<td>Unlikely (minimum acceptable performance quite small) - lack of alternatives means business is likely to continue</td>
<td>Failure unlikely, at least in short term (minimum acceptable performance small - long term this component is likely to increase)</td>
</tr>
<tr>
<td>TEC Criteria (survival/time continuation of business)</td>
<td>Risk of failure, closure (due to closeness of minimum and aspired performance)</td>
<td>Risk of failure high (although business is likely to continue this is unlikely to be on a full-time basis)</td>
<td>Success likely (due to lack of alternatives and family commitments)</td>
<td>Success likely (as minimum acceptable performance small and lack of alternatives)</td>
<td>Success very likely</td>
</tr>
<tr>
<td>Government Criteria</td>
<td>Permanent removal unlikely (see above)</td>
<td>Were not registered unemployed previously</td>
<td>Success likely</td>
<td>Success likely</td>
<td></td>
</tr>
<tr>
<td>Removal of individual from unemployment register</td>
<td>Very unlikely (aspired business performance is so small)</td>
<td>Very unlikely (aspired business performance is so small)</td>
<td>Very likely (aspired business performance is quite large)</td>
<td>Very likely (aspired business is reasonable)</td>
<td></td>
</tr>
<tr>
<td>Pay rates</td>
<td>Very unlikely (no ambition beyond self-employment)</td>
<td>Very unlikely (no ambition beyond self-employment)</td>
<td>Very unlikely (no ambition beyond self-employment)</td>
<td>Very likely (no ambition beyond self-employment)</td>
<td></td>
</tr>
<tr>
<td>Job generation</td>
<td></td>
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</tr>
</tbody>
</table>

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CHAPTER 9

CONCLUSIONS AND RECOMMENDATIONS

9.1 SUMMARY OF FINDINGS

In previous chapters, an analysis has been undertaken of participants who started their businesses through the BSU scheme. The businesses started on the scheme were micro businesses. In the main, these were people who had started in self-employment with no desire to expand beyond this. However, a small number created small firms which employed others and generated a reasonable level of turnover.

For scheme participants the meaning and achievement of success and failure in the subjects' own terms were investigated and a number of typologies identified; youngsters in business, women returning to employment, tradesmen and professionals, elderly businessmen and small firm owner/managers. For each typology the meaning of success and failure differed, due to their different motives for start up and the objectives held for the business. These were in turn dependent on their personal circumstances; the precipitating events that led to start up, family and financial obligations and the alternatives available to them. The objectives (ambition) and capacity to invest resources in the business restricted the size to which the business may grow and therefore limited the success that could be achieved in terms of other stakeholders' criteria eg the TECs and the government. Meanwhile, failure was experienced if they were unable to perform in excess of a minimum threshold. This threshold was determined by the financial needs of the individual, the alternatives available to them and also the intrinsic rewards they required from the business. The achievement of success and failure in their own terms was determined by the performance of the business, which was dependent on the
business environment faced and the capability of the individual to effectively manage their business and produce goods and services. A model to explain these observations was developed in chapter 8.

It can be concluded that the vast majority of the businesses were able to achieve at least some degree of success in terms of their own definitions, hence only one of the businesses ceased trading. The achievement of success on the other stakeholders' criteria was less evident. Many of the businesses, particularly the youngsters in business, mothers returning to employment and elderly businessmen, achieved very little in terms of these stakeholders' definitions of success. The only group that achieved significant success in these terms was the small firm owner/managers.

From the analysis a number of factors which enhance the likelihood of economic success were identified. As mentioned above, the objectives of the individual acts as a constraint on potential performance, if the individual has very limited or non financial objectives for the business then they are unlikely to achieve economic success.

Age and gender were seen to have a significant impact on economic success. The very youngest and oldest age groups were least likely to perform well on economic indicators. Similarly women who started in business were less likely to perform well on these indicators if they still saw their main role as raising children and caring for their husband. Males aged between 25 and 40 years, meanwhile, seemed to have the greatest likelihood of economic success (note women may also create successful businesses but this requires them to see their main role as running a business).

The level of initial and subsequent investment were also seen to affect economic success.
Businesses with higher levels of investment were more likely to perform successfully in economic terms.

If unemployment was the main reason for start up, the business was less likely to be successful than those businesses started by individuals who were positively drawn to self-employment.

Family support networks were also an important factor in the start up of the business, indeed if it was lacking start up was unlikely. In certain circumstances it aided the achievement of economic success. This was particularly true for the small firm owner/managers. Here, the subjects were able to invest more money and could reinvest earnings into their businesses because their spouses were able to support the family financially, whilst the business became established.

Finally, partnerships were more likely to achieve economic success than sole traders. This was because this was normally accompanied with the ability to invest more into the business and also it increased the skill mix in the management team.

Although the BSU scheme no longer exists as a national scheme (as of the end of March 1995), small firm initiatives under the umbrella of the Single Regeneration Budget (SRB) are still being undertaken. Although at the time of writing the exact nature of these was unknown, it was anticipated that a number of regions would still operate a scheme which included elements of funding, in the form of an allowance, along with training and advisory support. In the Rotherham area an initiative including training and business plan preparation was being proposed, along with a £500 incentive for those who were unemployed prior to start up. In North Notts small firm initiatives were being planned,
although the detail of this had yet to be determined. As a consequence of these developments and the state of flux in small firm initiatives, it is possibly more important than ever to identify individuals who are worthy of support and to make recommendations as to how this support may be directed to achieve maximum impact and economic return. For the remainder of this chapter recommendations for small firm initiatives and support will be made based on the findings of the research conducted here.

9.2 RECOMMENDATIONS FOR FUTURE SMALL FIRM INITIATIVES

Two issues arise when making recommendations for small firms initiatives. The first of these is, at whom should these initiatives be directed, and the second is what should the nature of these initiatives be? These two issues will be addressed in turn.

9.2.1 Target Groups

Increasingly the government is looking for value for money as the funds available for public sector support diminishes. In these terms those individuals who form the small firm owner/manager typology should be targeted, i.e. those who are currently employed but motivated to start their own business, who have funds available for investment, who are aged 25 - 40 and normally these will be males, with a spouse who is employed and those with a business partner. If this typology are targeted and aided in their growth, then these offer the greatest returns; tax revenues and employment generation, in terms of government funding. Meanwhile the unemployed, the young, elderly and females should be avoided on this basis. Even so, the businesses started by this group are not the "dynamic motors of national economic growth" (Smallbone, 1990 p43) and will
probably be limited to starting micro businesses with less than 20 employees and less
than £1,000,000 turnover.

However, this is taking a very narrow viewpoint of success. The unemployed who start
their own business must also be considered a positive outcome for the government,
especially if they come from sections of the population who experience the greatest
difficulty in finding employment ie the young, elderly, and those made redundant from
decreasing or depressed industries. As has been shown in this study, although success on
government criteria is limited, nevertheless the outcome of these individuals gaining
employment through self-employment is a positive outcome. More importantly, it
permits these sectors of society to find a productive outlet for their skills, rather than
remaining unemployed, and achieve personal objectives, even if these are not measured
in economic terms.

Most critically it is necessary to discourage those with very little likelihood of success,
in either economic or personal terms, from taking the step to self-employment (Storey
and Johnson, 1987; Joyce and Woods, 1993). As Patton and Bradley (1994) comment, failure:

"...has significant implications in terms of resource wastage; including a possible
reduction in the future level of entrepreneurial activity, economic competitiveness
and social costs." (Patton and Bradley, 1994 p2)

The changes in the BSU scheme did discourage those with little probability of success
from starting by requiring a number of hurdles to be overcome before acceptance onto
the scheme. This was generally due to the period of reflection and the evaluation of the

9.5
business required through the production of a business plan.

9.2.2 The Nature of Assistance

Assistance offered to small firms can take various forms. Here, the experiences of the businesses analysed will be considered in order to make recommendations as to the nature of assistance which should be given to enhance survival rates and economic success. The recommendations made are feasible and could be adopted by the regions using SRB funds.

9.2.2.1 An Allowance

Within the study there were no businesses that started up specifically to gain the BSU allowance, although a number did admit that the allowance did help sway the equation in favour of start up rather than remaining unemployed (these were not the economically successful firms). In some instances the allowance was irrelevant as the individuals with family commitments, eg the tradesmen and professionals, would have been able to claim family credit as their business became established and only a low income was achieved. The allowance had actually meant they had not been able to gain this. Also the value of the allowance has meant its importance to scheme start ups has diminished. It has remained at the equivalent of £40 per week for over a decade and therefore its worth is now limited. The allowance of the old BSU scheme can also be considered inequitable, as its value was the same irrespective of the circumstances of the claimant. One woman, who was supported financially by her husband and only turned over £1,000 from the business received, the same allowance as other individuals who had a wife and children to support and a mortgage to pay solely from their income.
The first recommendation is that an allowance is an inappropriate mechanism for aiding small firms. However, it is necessary to appreciate that whatever business is created (ones that will become reasonably large or those that are simply self-employment), the earnings will be low and erratic for at least the first six months. Therefore the benefits system needs to accommodate those who start in business to permit benefits to be claimed during this period. Failure to do so will increase the black economy (claiming benefits without revealing business income). Once an individual has operated on this basis, the temptation will be to continue operating in this manner. Alternatively, if the benefits system enables benefits to be claimed whilst earnings are low, payments will be related to the needs and financial commitments of the individual and will promote the creation of legitimate businesses. In the long term the net cost to exchequer should be zero as benefits will be recovered through the increase in tax revenues.

The current benefits system would permit some of the subjects to make claims, particularly the tradesmen and professionals, the elderly and those small firm owner/managers who do not have a spouse in employment, but this needs extending to youngsters in business. Other typologies, eg mothers returning to employment and small firm owner/managers, tend to have a spouse that will support their families and so should not require benefits. Despite this, information about eligibility and entitlement is not widespread. It is, therefore, necessary for small firms support systems, eg advisors, to work with the Department of Social Security to publicise and inform individuals of their rights and entitlement.

9.2.2.2 Grants and Loans

The availability of financial assistance is generally not well known by participants.
Advice about this tends to be fragmented and information difficult to find (Prowse and Pohl, 1994). Access to a national or regional database of grant and loan schemes would seem relatively easy to produce and update and yet is lacking at present. If this included identification of qualifying criteria, and contact names/numbers for further information, this would reduce the difficulty experienced by participants in gaining clear, unambiguous information. The case of the powder coating firm (case S1) suggests that the current situation is inefficient with the small business person suffering as a result.

If grant and loan schemes are meant to be aimed at assisting small firms then more efficient mechanisms are required for gaining information and making applications. Potentially the creation of Business Links could overcome this problem, although the evidence so far suggests these are not necessarily more effective than systems already in place (Deakins and Ram, 1994).

It is also important that loan schemes exist, such as that offered by British Coal and Steel, due to the difficulties of gaining finance for the new start up business. This is not to suggest that qualifying criteria should be relaxed, indeed it is considered essential that these remain stringent. However, it is necessary that finance is available for "good ideas", especially if the individual cannot gain access to normal sources of funds eg banks, savings etc.

9.2.2.3 Business Plans

One of the main features of the BSU scheme was the requirement to produce a business plan. This was quite an important factor in deterring the less suitable candidates from starting in self-employment. It either deterred those with limited commitment from
starting the scheme, and their business, or it allowed the feasibility (or infeasibility) of the business idea to be evaluated. In terms of earlier discussions, this was a very important function for the plan and it achieved this objective reasonably well as demonstrated by the very low number of businesses that ceased trading.

For those who did start in business, however, its use was limited and indeed none referred back to it once they started in business. Gill (1985) suggested that the creation of a business plan was crucial to survival. This is confirmed here by the fact that the businesses least likely to survive were deterred from starting up, through producing a business plan. However Baker, Addams and Davis (1993) suggest creating a business plan simply for the benefit of an external stakeholder has limited benefits, and that it is only when it is produced and used as a management tool that it can help in the evaluation of alternative courses of action and can be used as a control mechanism to identify corrective or remedial action.

At present, the business plan is only used as a mechanism for gaining the allowance. With the demise of the allowance the incentive to undertake, what for many is a difficult task, will disappear. It is, therefore, necessary that trainers show small business people, not only how to create the document but how it can be used as management tool to aid the development and control of their business.

9.2.2.4 Skills Development

It was proposed in earlier chapters that people who start in business may be knowledgeable about their industry and how to produce goods/services, as businesses created are often based on previous work experiences. However, they are frequently
unable to manage their businesses effectively, as they have had no preparation or experience of this (Watkins 1983). This was certainly true of the people who were investigated in this study. Most had previously trained or worked in the business area where they started up, but few had management experience at other than junior management levels. This deficiency was probably most evident when the marketing and finance of the firms were considered. Pricing tended to be based on charging the same or less than competitors, accounts were left to the accountant, marketing activity was often restricted to mail shots and advertisements in the local paper, and market intelligence was minimal.

Although these businesses were only very small and did not require highly sophisticated management, some very basic business skills were lacking. This was in spite of the fact all had undertaken some pre-start up training. Also surprising, given this finding, was the limited take up of further advice and assistance on offer.

Part of the reason for this may have been the problems that participants identified with the training they received, eg principles taught were geared to firms larger than their own, material was not specific to their business and in some cases irrelevant, material was covered either too quickly or slowly given the participants prior knowledge and learning abilities, trainers did not necessarily have any first hand experience of small firms, the training delayed start up and once the business began there was no time to attend further training, and finally follow up monitoring was poorly organised. These problems are not exclusive to these participants and others have commented upon them (Gill, 1988; Ritchie, Asch and Weir, 1984; Prowse and Pohl, 1994; Curran, 1986a; Gray, 1994).
This is quite a long catalogue of problems. Despite this, many people attended the courses. However, this was because it was an entry requirement in order to gain the £2,000 allowance. With the demise of this incentive, training must be more positively received if it is to attract participants. Meanwhile, the evidence also suggests that the training received needs to be more effective.

Gill (1988) identifies a number of principles which would enhance the provision of effective assistance. These include process as well as content issues. The first recommendation is that the advisor should be able to empathise with the trainee and gain their trust, otherwise their advice may be ignored, even if sound. The advisor also needs to be available on demand so that as problems arise they can be tackled with the help of the advisor, ie advice is timely. Also, the advisor should not just give solutions to the small business person but help them work through the problem to the solution, so that it becomes a learning experience and advice is more appropriate, as the problem is fully understood. Gray (1994) makes similar recommendations.

"... formal training of the mass enterprise training variety was too general and that a more personal "relationship training" conducted by consultants would be more effective..." (Gray, 1994 p312)

These principles could be adopted to overcome some of the problems identified here. Firstly, if the advisor has personal small firm experience, along with management and business experience, they will be able to empathise with the small business person and their problems, as well as have the necessary experience to help them. This would replace the current scheme of en masse training received prior to start up. With demise of the BSU scheme, fewer trainees will no doubt come forward, therefore one to one
training of this nature is likely to be feasible and more effective. This would allow advice to be tailored to the individual and permit them to learn at their own pace. As Gill (1985) reported, pre-start up training seemed to have very little effect on the business once it began; principles learnt in abstract could not be applied to the contexts which were encountered.

If support is available on demand then this allows advice to be given as problems are encountered. Regular and reliable contact with a counsellor will be conducive to the development of trusting relationships which will encourage help to be sought when it is required.

Finally Gill (1988) suggests that informal networks offer great opportunities for learning. The creation of small business clubs could be one such forum. This would permit individuals with similar concerns and problems to come together and learn from each other. It would also help overcome some of the isolation people experience when self-employed. Small business clubs do exist, although membership tends to only scratch the surface of the small firm population. There needs to be increased publicity for such initiatives and maybe other incentives for joining, eg access to accountants or solicitors, social activities etc.

9.2.2.5 Accountants

From the analysis undertaken earlier, accountants received reasonably poor reviews. The costs of some accountants was considerable, given the small amount of work that would be necessary to prepare end of year accounts. On the other hand for the larger firms, accountants were a valuable asset to the owner and fulfilled functions beyond the
creation of a three line set of accounts. The main question that needs to be answered is why many of the smallest businesses were not completing their own accounts, given they had received training in this area? But also given the training and the fact they employed an accountant, why was their knowledge of their finances so poor?

The first of these questions is partly answered in the earlier discussion about training. Learning the principles of book keeping is difficult when the numbers have no meaning to the individual (it is likely the highest quantitative achievement for many will be an O level in maths, if that). If individuals have an advisor who can work through their books with them, it is more likely that they will learn this basic skill far better. Further, potentially this would also help remedy the second issue, that of general financial naivety. At present the individual passes all the financial information to the accountant, thus distancing them from their finances. For example, case M2 was unable to determine whether she made any profit on some of her catering jobs. This situation was masked as the receipts for all jobs were simply given to the accountant. If she had been managing this information herself it would have been relatively simple to calculate the profitability on an individual job.

Therefore, for the smallest businesses, having an accountant is not only expensive but also helps keep the individual ignorant about the financial position of the business. A personal advisor could help with completion of tax returns and end of year accounts, a relatively simple job for most of these businesses, and meanwhile highlight some of the basic problems in the operation of their businesses.

This is not necessarily relevant for the larger firms whose accounts are more complex and management time was scarce. Also, with the larger firms, the financial position of
the company and its costs seem much better understood.

9.2.2.6 Summary of Recommendations

A number of recommendations have been made. The first of these was to identify who should receive government support. The general conclusion here was that, although certain businesses had greater potential to create economically successful businesses and so should be encouraged most strongly by government initiatives, those whose ambitions are to simply be self-employed should not be ineligible for assistance. These individuals are often disadvantaged in relation to employment opportunities, and by starting in business at least they are productive and able to fulfil some of their personal goals. Remaining unemployed is just a further burden on the state and a socially unattractive proposition. However, firms that are unlikely to succeed should not be encouraged as failure is unproductive economically and costly from a social perspective.

It was argued that an allowance for start up businesses was not effective. Many businesses would start up anyway and it was inequitable in that all participants received the same amount irrespective of their personal circumstances or the type of business they started. It was noted that many participants, if they had not been in receipt of the allowance, would have been eligible for some form of state benefit, particularly if they had dependents. This mechanism was considered more attractive as eligibility would be on a need basis. Meanwhile, such entitlement needs to be better publicised and encouraged in order that businesses are started legitimately. The alternative is that businesses will operate in the black economy, which would be more expensive to the exchequer in the long term.
The system for identifying loans and grants needs to be improved as information tends to be dispersed and confusing. The need for loan schemes is acknowledged, but it is recommended that screening criteria remain stringent, so that only the better business ideas are financed.

Business plan development needs to be continued, but the emphasis needs to be on personal and business evaluation in order that the most marginal business ideas do not proceed. After this, the use of the business plan as a business development and control mechanism needs to be learnt. Otherwise it just becomes another burden on the individual, with few tangible benefits.

Pre-start up training as provided on the BSU course was not recommended. Instead, the importance of a personal counsellor who could empathise and respond to the needs of the individual was recommended, with the emphasis changing from teaching to learning.

Finally, for the smaller businesses, employing an accountant should be discouraged. This is not only due to the expense, but also because the individual becomes removed from the finances of their business. With the help of a personal counsellor, the small business person should be able to grasp the principles of book keeping and accounts preparation but also be more in tune with the costs and profitability of their business.
APPENDIX 1

QUESTIONNAIRE SENT TO SURVEY SAMPLE
ABOUT YOU

1. How old are you? _____ YEARS

2. Which gender are you? MALE/FEMALE (delete as applicable)

3. Are you married or live with a partner? YES/NO (delete as applicable)

4. Which of the following qualifications do you hold - include any vocational qualifications you possess (indicate number or subject where applicable)?

   CSE (number)_______ GCE (number)_______ GCSE (number)_______
   A Levels (number)_____
   HNC - Subject_________________
   HND - Subject_________________
   Degree - Subject_________________
   City and Guilds - Subject_________________
   Professional Qualifications - Level and Association_________________

   Other (please specify)___________________________________________

   ______________________________________________________________

5. Briefly describe your previous employment history, your previous 4 jobs will be sufficient, include the type of organisation you worked for, the approximate size of the organisation in terms of the number of people it employed, your position in the organisation eg skilled/semi skilled employee, manager etc and the duration of your employment.

   ______________________________________________________________
   ______________________________________________________________
   ______________________________________________________________
   ______________________________________________________________

6. What was your net weekly income (ie after tax and stoppages) of your previous job also specify in the relevant space the value of any benefits you may have received eg assistance with poll tax, income support, rent assistance etc?

   INCOME £___________
   BENEFITS £_____ TYPE OF BENEFIT____________________
   BENEFITS £_____ TYPE OF BENEFIT____________________
7. How much money did you receive in unemployment benefits, or equivalent, on a weekly basis before you started Enterprise Allowance Scheme also specify the value of any other benefits you may have received eg assistance with poll tax, rent assistance etc?

**UNEMPLOYMENT BENEFIT** (or equivalent) £_________

**OTHER BENEFITS** £_________ **TYPE OF BENEFIT**______________________

**OTHER BENEFITS** £_________ **TYPE OF BENEFIT**______________________


**ABOUT ENTERPRISE ALLOWANCE SCHEME**

8. How long were you unemployed before starting Enterprise Allowance?

_____YEARS _____MONTHS

9. When did you start receiving Enterprise Allowance?

_____MONTH _____YEAR

10. Are you receiving Enterprise Allowance currently

    YES(go to question 12)/NO(go to question 11) (delete as applicable)

11. If you answered NO to question 10, are you still operating your Enterprise Allowance Business?

    YES(goto question 12)/NO(goto question 38) (delete as applicable)

12. What use have you made of the training/consultancy/counselling services available to you as an Enterprise Allowance participant whilst claiming the allowance and how useful did you find these (briefly state which of these you have taken up and give details of how suitable you felt these sessions were and how they could be improved) eg you undertook a BEP training programme which was useful but you really needed more advice on how to complete tax returns etc.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

10.3
13. What support do you believe should be made available to Enterprise Allowance participants as they leave the scheme? eg you would like counselling sessions with business advisers, accountants etc

14. Do you think a scheme which provided you with vouchers which could then be used to purchase further training courses or business counselling sessions of your choice, once you finished the scheme would be useful?

YES / NO  

15. If you have finished the scheme and are still operating your business, how much support have you received after finishing the scheme and do you consider this sufficient? (if you haven’t finished the scheme then go to question 16) eg you required more training on marketing your business but it wasn’t available but you did receive a useful advisory session which helped you identify further sources of finance etc.

YOUR BUSINESS

16. Describe your Enterprise Allowance business, eg outside caterer for weddings and business functions, car mechanic specialising in body work, consultant advising medium sized firms nationally on quality issues etc.

17. Where did you get your business idea from? eg the idea came from a hobby, from previous work experience, you knew people doing well operating a similar business etc.
18. Does your business employ anyone, other than yourself, and on what basis do you employ people? eg Yes, 2 people part-time and one person full time.


19. Did you identify a need to employ other people in your business plan and has this need arisen?

YES, a need was identified but I don’t employ anyone
YES, a need was identified but I don’t employ as many people as I anticipated
YES, a need was identified and I employ the number of people I anticipated
YES, a need was identified but I employ more people than I anticipated
NO, a need was not identified and I don’t employ anyone
NO, a need was not identified but I do employ people
NO, I didn’t have a business plan

(delete as applicable)

20. Do you foresee the need to employ other people in the future? Please state how many people you think you will need to employ, on what basis they will be employed and when you believe you will take on these workers eg you believe you will employ 2 people on a part-time basis in approx 6 months time.

<table>
<thead>
<tr>
<th>NUMBER</th>
<th>BASIS OF EMPLOYMENT</th>
<th>WHEN</th>
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<tbody>
<tr>
<td></td>
<td>(eg 1 person)</td>
<td>(eg in 6 months)</td>
</tr>
<tr>
<td></td>
<td>(eg part-time)</td>
<td></td>
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</tbody>
</table>

21. Where do you operate your business from?

HOME/RENTED PREMISES/PREMISES YOU HAVE PURCHASED

(delete as applicable)

22. Approximately how much money did you need to start up your business?

£________

23. Where did you get this money from?

PERSONAL SAVINGS/ REDUNDANCY PAYMENT/ BANK LOAN
/ BANK OVERDRAFT/ BORROWED FROM FAMILY
/ OTHER (please specify)________________________ (delete as applicable)
24 Do you see customers for your business as being:

LOCAL/WITHIN THE REGION/NATIONAL/INTERNATIONAL
(delete as applicable)

25. Do you see your business as having many competitors?

YES, there are lots of businesses offering similar goods/services
YES, there are quite a few businesses offering similar goods/services
YES, there are a few businesses offering similar goods/services
NO, there are no businesses offering similar goods/services
(delete as applicable)

26. Describe the strategy you employ to attract customers eg competitive pricing, fast delivery, local, personal service etc.

__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

27. What do you think your annual turnover will be this financial year (including Enterprise Allowance payments if applicable)?

£_________

28. On average what do you pay yourself on a weekly basis from your business (include in this any proportion of the Enterprise Allowance that you retain) also specify the value of any other benefits you receive, in the relevant space eg assistance with poll tax, rent assistance etc?

WEEKLY PAYMENT TO YOURSELF £_________

OTHER BENEFITS £_________ TYPE OF BENEFIT__________________________

OTHER BENEFITS £_________ TYPE OF BENEFIT__________________________
BANKS AND ACCOUNTANTS AND OTHER ASSISTANCE

29. Do you have a business bank account?

YES (go to question 30)/NO (go to question 31) (delete as applicable)

30. If you answered YES to question 29, describe any advice you have received from your bank and comment upon its usefulness eg they advised you to transfer an overdraft into a loan and this has saved you money on interest payments, they have given financial advice which has helped save you money, they have been no help etc.

31. Have you sought the help of an accountant?

YES (go to question 32)/NO (go to question 33) (delete as applicable)

32. If you answered YES to question 31, describe the type of help you have received and comment upon the usefulness of this help eg your accountant simply checks your books, your accountant has helped you source finance for the business which you wouldn't have been able to do on your own etc.

33. Have you received assistance from any of the following agencies and what was the nature of the assistance you received? eg you received a grant from the Princes Youth Business Trust.

<table>
<thead>
<tr>
<th>AGENCY</th>
<th>DELETE AS APPLICABLE</th>
<th>ASSISTANCE RECEIVED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Council</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>Rural Development Commission</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>British Coal Enterprise</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>Princes Youth Business Trust</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>District or County Council</td>
<td>YES/NO</td>
<td></td>
</tr>
<tr>
<td>OTHER (Please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10.7
What did you want to get from Enterprise Allowance?

34. Explain why you decided to go on Enterprise Allowance eg it was a way of avoiding unemployment, an opportunity to start your own business which you wouldn’t have done otherwise, an opportunity to start your own business earlier than you would have done etc.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

35. To what extent do you feel that you have achieved what you wanted? eg being self-employed has helped get you a full time employment elsewhere, your business is more successful than you thought it would be, etc.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

36. Do you believe that you were adequately prepared to start running your own business?

   YES(you have now finished)/ NO(go to question 37) (delete as applicable)

37. If you answered NO to question 36, what do you believe could have been done in order to prepare you for this? eg more specialised training in the area of marketing was required etc.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Thank you, you have now finished

Please return your reply to us in the postage paid envelope enclosed.
FOR THOSE WHO NO LONGER OPERATE THEIR ENTERPRISE ALLOWANCE BUSINESS

38. If you answered NO to question 11, how long after starting Enterprise Allowance did you cease to operate your business?

__________ MONTHS

39. Describe your Enterprise Allowance business? eg outside caterer for weddings and business functions, car mechanic specialising in body work, consultant advising medium sized firms nationally on quality issues etc.

__________________________________________

__________________________________________

40. What use did you make of the training/consultancy/counselling services available to you as an Enterprise Allowance participant and how useful did you find these (briefly state which of these you have taken up and give details of how suitable you felt these sessions were and how they could be improved)

__________________________________________

__________________________________________

__________________________________________

41. If you finished your year on the scheme and operated your business for a period after this, how much support did you receive after finishing the scheme and do you consider this was sufficient? (if you didn't finish the scheme then go to question 42) eg you required more training on marketing your business but it wasn't available but you did receive a useful advisory session which helped you identify further sources of finance etc.

__________________________________________

__________________________________________

__________________________________________

42. Describe in your own words why you decided to cease operating your business eg found alternative employment, the business was losing money etc.

__________________________________________

__________________________________________

__________________________________________
43. If your business failed why do you think this was? (If this was not the case go to question 44) eg lacked sufficient experience to operate the business, the market was not as large as you anticipated and therefore couldn’t support the business etc?


44. Do you believe that your time spent running your own business was worthwhile and why do you believe this eg no it has left you in debt and so you are worse off than before you started, yes it has given you skills which have helped you find a job, yes it has given you another business idea which you believe will succeed as you now know what the likely pitfalls will be etc?


45. Do you think that the problems you encountered could have been avoided and what do you think would have helped you avoid them eg the market size was too small and so more detailed market analysis when you started would have told you that the business was not viable hence more assistance in developing a business plan would be of use, you required more training on how get money in from your customers etc?


46. What are you doing now eg you are employed elsewhere, you are unemployed etc?


47. Do/did you feel the level of support received whilst on the scheme was/is sufficient?

YES (go to question 49) / NO (go to question 48) (delete as applicable)

48. If you answered NO to question 47, what support do you think should have been provided?
49. Did you have a business bank account?

YES (go to question 50)/NO (go to question 51) (delete as applicable)

50. If you answered YES to question 49, describe any advice you received from your bank and comment upon its usefulness eg they advised you to transfer an overdraft into a loan and this saved you money on interest payments, they gave financial advice which has helped save you money, they were no help etc.

51. Have you sought the help of an accountant?

YES (go to question 52)/NO (go to question 53) (delete as applicable)

52. If you answered YES to question 51, describe the type of help you received and comment upon the usefulness of this help eg your accountant simply checked your books, your accountant helped you source finance for the business which you wouldn't have been able to do on your own etc.

53. Did you receive assistance from any of the following agencies and what was the nature of the assistance you received? eg you received a grant from the Princes Youth Business Trust.

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<th>AGENCY</th>
<th>DELETE AS APPLICABLE</th>
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<td>Local Council</td>
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<td>Rural Development Commission</td>
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<td>British Coal Enterprise</td>
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<td>Princes Youth Business Trust</td>
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<td>District or County Council</td>
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THANK YOU, YOU HAVE NOW FINISHED

10.11
APPENDIX 2

CASE STUDIES OF THE YOUNGSTERS IN BUSINESS SUBGROUP

CASE Y1 (Mobile Hairdresser)

This subject was employed in a clerical post on leaving school. After working for a couple of years she was made redundant and decided to take this opportunity to go to college and take a vocational hairdressing qualification. On completing this she tried to get work in a salon. Originally it had been her intention to become a mobile hairdresser, but only after gaining experience in hairdressing by working in a salon. Due to the difficulties in finding employment she decided to go straight ahead and try self-employment as a mobile hairdresser. She was unemployed for three months before she approached the scheme.

In order to start the business she invested £150 in equipment. She did want a vehicle as well but she was unable to afford this. She had considered applying for a PYBT grant but was put off the idea by her trainer who said that the process involved was arduous and that she would need to be prepared for a "real grilling". As she did not have transport she could only service customers in her own, and neighbouring, villages.

After nine months in self-employment this subject was unsure whether she would be able to continue in business once the scheme money ended. Although there had been some real interest initially this had dropped off and now she was only working 2.5 days from an initial peak of 4-5 days per week. Over the first year the turnover of the business was
£3,000 (excl. the allowance). From this she was only able to pay herself £35 per week on average and most of this went to her mother to pay for her board. Most of the first year's turnover had been earned during the first six months of self-employment. Consequently, when the year on the allowance ended she only managed to keep going for a further 3 weeks before winding up her business. She started looking for work as a hairdresser at this point, but was again unsuccessful. After a few weeks she expanded her search for work outside the field of hairdressing and soon found a full-time job with a computer company, doing clerical work.

The subject admitted that the business would have ceased trading 6 months earlier had it not been for the scheme allowance. However, she was pleased that she had been able to try for a full year. She felt, that if she had finished earlier, she would have regretted not giving it longer to see if the business could succeed.

When asked the reason for business failure the subject had no doubt that the closing of local mines had a significant effect. One wonders, however, if she had been truly mobile, i.e. had a vehicle and could have travelled to neighbouring towns, whether the business may have survived. The subject had enjoyed self-employment even though the business eventually failed and felt it had given her self confidence which she didn't have before. Also she hoped that in the future, when the local economy was more buoyant, that she would be able to try and start up again.

CASE Y2 (Mobile Hairdresser)

After completing her hairdressing qualification this subject was unable to get a job in a salon as she had hoped. For 6 months she tried to find work without success. Therefore
when she was informed about the Business Start Up Scheme she decided to try self-employment. She had all the equipment necessary to start in business but did need to buy a vehicle. Her trainer advised her to apply for a PYBT grant. Her application was successful and she obtained £1,500 in order to buy her first car. She was 19 years old.

The business started off slowly but within nine months of commencement she was working at full capacity 35 - 50 hours per week. During this time she also attended some courses eg aromatherapy and how to apply false nails. She hoped to use these extra services to increase her business. Her turnover for the first year was £4,000 (excl. the allowance) but the majority of this had been earned during the last 6 months of the first year, when she had been busiest. By the second year the business managed to turnover £3,000 in the first 6 months. Therefore the loss of the scheme monies went unnoticed. Indeed after the first few months of being in business the scheme money had been saved by the subject. Throughout the study this subject took little more than pocket money from the business in order to buy clothes or pay for the occasional evening out with her friends. However, the business did permit her to pay her parents board and lodging.

During the second year the subject needed to buy a replacement vehicle and borrowed £2,000 from her father for this purpose.

The subject was very pleased about the way her business had developed and was enjoying working for herself. She envisaged that at least for the next 5 years she would continue to operate the business in the same manner.
CASE Y3 (Riding Instruction, Livery and Stabling)

This subject had worked with horses all her life and had passed numerous instructor's qualifications. From leaving school she had worked in a number of stables but became disenchanted with the low wages, long hours, degree of responsibility expected and yet the lack control afforded her. When she became unemployed, at the age of 22, she returned to live with her mother and started giving lessons from her mother's stables and fields. This subject had always intended to start in self-employment and, as she was able to use her mother's facilities, saw this as an ideal opportunity to begin.

After being back at home for 6 months she became self-employed. At first her mother allowed her to take over some of the livery work from her own business. This was to boost the subject's turnover during the start up period (her mother did take this work back after a few months however, and also charged her daughter rent for using the stables).

During the first year the turnover of the business was £3,000 (excl. the allowance). Turnover had increased over the first year but the subject was still a little disappointed by the amount she was turning over. At the start of the second year she was offered some part-time teaching at another stables and she accepted this. This increased her turnover so that at the end of the next 6 months she had turned over the same as in her first year and therefore compensated the business for the loss of the scheme money. Although the subject worked in excess of 70 hours each week she was not in a position to pay herself a regular income, above paying board to her mother.

The subject considered her business to be a success. When asked what she got from
running her own business the subject discussed the satisfaction achieved from having control over how she works and also the fulfilment gained from teaching people. This corresponded quite closely to the reasons for becoming self-employed initially.
APPENDIX 3

CASE STUDIES OF THE MOTHERS RETURNING INTO EMPLOYMENT
SUBGROUP

CASE M1 (Mobile Hairdresser)

This subject was 35 years old, married, with two children aged 6 and 13 years old. She had done hairdressing as a hobby for a number of years and then as her children started school she decided to take a hairdressing course with a view to becoming self-employed. During this time she worked part-time on a market stall in order to pay for her tuition. She stated that her objectives for starting a business was to achieve some independence from the family. On completing her hairdressing qualifications she successfully applied for the Business Start Up Scheme. She claimed she would have proceeded with the business even if the scheme had not been available. Indeed, after the first 3 months of trading, the allowance was not used but saved.

In order to start in business she needed limited equipment but did have to purchase a car. For this she took out a personal loan from the bank for £1,500.

Within 9 months the subject was working approx 35-40 hours per week over a 5.5 day period. She commented that she did feel guilty as sometimes she would not be at home when her husband returned from work and her children often had to look after themselves. However her husband was very supportive and would even cook the family dinner, wash the clothes etc if she was out working, even though he himself was working
up to 90 hours per week. At the end of the study the level of activity had not increased any further than that reported at 9 months and indeed the subject suggested that any further increase would be unlikely. The turnover during the first year was £3500 (excl the allowance). In the first six month of the second year turnover was £2,500. This increase in turnover compensated for the loss of the allowance.

The subject did not pay herself regularly from the business although she used the income generated to take her family on holiday. She was particularly proud of this as it was the first time that she had, independently, been able to treat the family. The income generated by the business was secondary to her husband's wages.

When asked what she got from running her own business her response was that she enjoyed the prestige of running her own business. One of the key incidents that reflected this was when one of her friends asked her to be a referee for a passport because she was a "business woman".

This subject was still in business at the end of the study.

CASE M2 (Outside Caterer)

This subject was 37 years old, married and had not worked since the birth of her child some 13 years earlier. As her daughter was growing up and able to look after herself the subject decided that she now wished to do something for herself and looked around for opportunities she may pursue. Eventually she decided she would like to set up in business as an outside caterer. This was because she always enjoyed preparing dinner parties for friends and family and felt it was something she would be able to turn into
a business. Her first step was to take a short catering course and then the Business Start Up course. Whilst on the course the tutor recommended that she take on a partner. He then introduced her to another woman who was in a similar position and who also wanted to start up in catering. The two women met a number of times, found that they got on and that they wanted to do similar things and therefore they started as a partnership.

The partners invested £5000 between them over the period of the first year. This was funded by a £1,000 district council grant and the scheme monies which were saved in order to buy the necessary crockery, cutlery, utensils etc. They found kitchens which they were able to rent by the day which met with environmental health regulations.

By the end of the first year, the business had turned over £3,000 (excl. the allowance). At this stage the partner became pregnant with her second child and decided to withdraw from the business taking with her half of the equipment purchased by the business. For the next 6 months any money generated by the business was saved with a view to buying replacement equipment at the end of the second year in business. During the next 6 months turnover of £3,000 was achieved. This level of turnover if maintained in the second six months would be slightly higher than the first year's turnover, even when scheme monies had been added.

Due to the nature of the business casual labour was employed, when necessary, to assist in the serving of food. Six women were employed on average 2 days per month each. Since starting the business the subject had not taken any drawings. This compares unfavourably with the casual labour employed by the business who normally earned £60 per month for just 2 days work. However the main income for the family was that of her
husband and not that of the business. The subject spent on average 35 hours per week working for her business, though this could be more if she was preparing for a large function.

The husband was supportive of his wife going into business despite the fact he may "miss his Sunday dinner" on occasions, something which the subject deeply regretted. He also assisted his wife by driving her to the wholesalers and transporting prepared food between the rented kitchens and the venue. When asked what she got out of being in business she responded that it was pride in the work she does but also satisfaction that she had built up a business.

The subject was still in business at the end of the scheme.

**CASE M3 (Childminder)**

This subject had given up full-time employment as a social worker after the birth of her first child 8 years earlier. At the start of the study this subject was 37 years old, married with three children, the youngest of which had just started school. When her last child started school she realised she needed more to do than just housework. However she also wanted a job that would permit her to be at home during the holidays as she also wanted to be there for her children. As she had always worked with children and this is what she enjoyed, she decided to become a childminder and went on a course to gain registration. It was whilst on the course she was told by the tutors that she would be eligible for the Business Start Up Scheme.

In order to childmind a number of changes had to be made to her house in order to
comply with safety regulations. These modifications cost the subject £650. This money was lent to her by her mother. Her first charge was the child of a friend. However this caused a number of problems because of childminding regulations. Firstly the child was less than 12 months old. This restricted the number of other children she could care for simultaneously. A further complication was that the child was only in her care part-time. She had difficulty finding children to care for which fitted in with the times she took this first child (again due to regulations stipulating the number and age of children that can be cared for). However this meant that she only put in 20 hours per week into her business, less than the 37 hours required by the scheme for continued support. Hence the TEC withdrew the Business Start Up scheme allowance after four months.

Despite this the subject continued to mind the one child and intended to continue like this until the child goes to school. Although the child was now over 12 months and therefore it would be feasible for her to mind more children she was not intending to do so. This was because her business income affected her husband's benefits. He was unemployed due to disability. Although supportive of his wife's business he was adamant that she should not earn any more money, as it was pointless her working harder if at the end of the day the benefits they received were simply reduced in direct proportion to the amount she earned.

The income from minding the one child was £1,200 per annum.

Although the business continued at the end of the study it was on a very small scale and only on a part-time basis. Therefore this case has been regarded for the purpose of analysis as not continuing.
CASE M4 (Children's Knitwear)

This subject had been made redundant, from a clerical position, during the pregnancy with her first child. She was married, and her husband employed, so she decided to stay at home looking after her child. After three years she decided she would like to earn some money on her own account after being dependent on her husband. However as the child was still not of school age and she did not want to give up the full-time care of her child she wished to work from home. At this stage the subject was 30 years old. She had been knitting children's jumpers for some time as a hobby and decided that she could turn this into a business. She knew of the Business Start Up Scheme and felt this would be useful extra money. After starting on the scheme however she became pregnant with her second child and suspended her business after 10 months, 1 month before giving birth.

In order to start the business she used her savings to invest £600 in upgrading her knitting machine. Although the original idea was to sell jumpers through friends by running a party plan scheme this did not happen. Before starting the business she thought she would be able to make 25 jumpers per week. However, it soon became clear that 6 was the maximum achievable and even this became increasingly difficult further into her pregnancy. The turnover achieved in the 10 months the business operated was £1,000 (on a pro rata basis £1,200 for the year excl. the allowance). From this she did not pay herself anything and the scheme monies were saved in the bank. As well as difficulties in making sufficiently large numbers of jumpers there were also problems with selling them. She was unable to compete on price with high street shops and as the jumpers were home made she viewed her main competitor as grandmas who would make jumpers for free.
At the end of the study she had still not resumed the business (her second child was now 9 months old) but did indicate that she intended to continue her business to the end of the scheme when her second child was a little older.
APPENDIX 4

CASE STUDIES OF THE TRADESMEN AND PROFESSIONALS SUBGROUP

CASE T1 (Industrial Pipe Insulation)

This subject was 25 years old and single although he did marry a few weeks after the end of the study. He had a child from a previous relationship for which he was financially responsible and he owned his own home. He had worked for his uncle and father’s insulation company since leaving school, except for one year when he worked for the National Coal Board (NCB). He had done his apprenticeship with his father’s company. When his father died the company fell on hard times and his uncle made him redundant. Even prior to unemployment he had intended to become self-employed at some stage in the future. Therefore when he was made redundant he decided to put this plan into action. Within one month he had approached the Business Start Up Scheme. His business idea was to continue his previous trade on a self-employed basis.

Although he did not need to invest in any plant or equipment he had to borrow £2,000 from his family for working capital. He did try some promotion in trade directories but found little business came from this. During the first 9 months he secured little business. The work he did get was through old contacts made whilst working for his father, but this was done on a labour only basis. In these early months he found his quotations were rejected. As a consequence he reduced his prices and found that he then began to gain work.
After being self-employed for about nine months he developed a relationship with a newly formed building company. This resulted in a few reasonably sized jobs during the last few months of his first year of operation. By the start of the next year he was completing all their pipe insulation work as well as managing to pick up work from other companies as well.

He admitted that the early problems were due to pricing too high. The depression in the industry and the subsequent competition resulted in prices being cut to the bone. During the first year he only turned over £9,000 (excl. the allowance), due to the slow start up. In the next 6 months he achieved a turnover of double this figure ie £18,000. However he found that this increase in turnover resulted in cash flow problems which held him back from increasing his turnover further. Delays in payment for his work meant he did not have sufficient funds to buy materials for his next job. By the end of the study this problem still had not been resolved.

During the last 9 months of the study the subject was managing to pay all his personal expenses which earlier he had been unable to do and in fact he had fallen into arrears with his mortgage. Also by this stage he was able to pay himself £30 per week.

Although he had worked few hours during the early months of his business, by the end of the study he was working in excess of 80 hours per week and often working until 1-2 am in the morning. In spite of this the subject was satisfied with his business and although originally he decided on self-employment because he could not find work he now felt that he would not even consider working for someone else. In terms of objectives these did not change throughout the study and were always relatively short term. These were firstly to pay off the debts he had accrued in the early days of the...
business and his short period of unemployment. After this his aims were to buy a non-
work car and have a holiday. The subject had no plans to expand the business nor
employ anyone except on a casual basis within the foreseeable future.

CASE T2 (Driving Instructor)

This subject was 43 and married with children. He was working in a mining related
industry when he was offered voluntary redundancy. He decided to take this opportunity
to try self-employment. As an advanced driver he had given people driving lessons over
a number of years and decided that he would like to qualify as an instructor in order to
start up in business. When made redundant he used the money to support himself
through his qualifications and managed to complete these within 5 months.

When he had completed his training he approached the Business Start Up scheme.
However, after attending the Start Up course he decided that completing the business
plan was too time consuming and so started in business without claiming the allowance.
As well as the cost of gaining his qualifications (approx £1,000) he invested £6,000 in a
dual control car which he paid for on hire purchase. Beyond this the investment was
negligible.

When he first started out the subject also worked part-time as a taxi driver whilst he got
his business established. Within a few months he was able to give this up as he had
enough work from driving instruction alone. He was by this stage working 70 hours plus
per week instructing.

Originally he advertised his business in local papers and shop windows but stopped this
promotion once he started gaining sufficient customers through recommendation. He had entered with a special low price in order to get a firm customer base but soon found that other instructors had also reduced their rates. The price reductions were due to the increase in competition in the area. This was partly blamed on miners taking up driving instruction as an easy way of becoming self-employed when they were made redundant.

During the first year he turned over £16,500 and managed to pay himself £700 per month from his business.

By the end of the study this subject's circumstances had changed significantly. He had left his wife and bought a house with his new girlfriend. As a result of his change in marital status he had reduced the number of hours that he worked in his business. He was at this stage working 40 - 50 hours per week. This reduction was in order that he could spend more time with his new partner. This had a direct effect on his turnover which was £3,000 for the first 6 months of his second year in business (although this is only just under half of his first year turnover it must be remembered that during the first 6 months of the first year, the turnover had been substantially less than the second 6 months. If the business had continued on its original trajectory then a turnover of £10,000 would have been expected in this period). Despite this he felt his business had been successful and he had found self-employment very rewarding.

With respect to the goals of the business this very much depended on the outcome of the subject's impending divorce. If the settlement sought was too high it was his intention to wind up the business in order to avoid payment. If the settlement was reasonable then he intended to continue with driving instruction part-time and start another business along side this. A number of ideas were being considered including hypnotherapy,
aromatherapy and teaching night classes in driving for the impending written component to the driving test.

Both with his current business, and the new ideas being considered, he would operate on a self-employed basis only. There was no scope nor ambition to employ anyone else.

At the end of the study the subject was still in business as a driving instructor.

**CASE T3 (Builder)**

This subject was 29 and single. Though he owned his own home his elderly parents lived with him. He had worked in the building trade all his working life. He had served an apprenticeship and had become a registered house builder. His last job was as a site manager for a building company. Several of his peers were self-employed in the building trade and he had considered doing this himself. When he was made redundant he made the decision to try self-employment. Within 2 months of redundancy he had approached the Business Start Up scheme.

He used his personal savings to buy a van (£4,000) and some equipment (£2,500).

He realised from the outset that competition would be fierce and the prices he could achieve would be low, given the state of the construction industry. He started his business offering small scale building work eg extensions.

The business performed better than the subject anticipated and although in the first year the margin achieved was less than he wanted this had improved during the second year.
Also during the second year the size of jobs increased and the subject managed to have three months work lined up in advance. He was having to work 50 hours per week during the period of the study. Despite this the subject commented that competition was even worse than he had expected as even large building companies were taking on small jobs, such as extensions, to ensure they could guarantee their employees work.

His turnover during the first year was £27,000 (excl. the allowance) and then £15,000 for the next 6 months. Although the subject wished to increase his margin he had consciously attempted to ensure that his turnover remained under the threshold for VAT registration.

The subject was able to pay himself £150 per week from the business and although he found the scheme money useful, he did not need to rely upon it. Although he earned more money when he worked as an employee he was pleased that he had become self-employed and was unable to envisage returning to paid employment.

The subject was happy with the development of his business at the end of the study although he hoped to be able to improve the margin at which he operated in the future.

CASE T4 (Quantity Surveyor)

This subject was 36 years old, married with children and a mortgage. He started in quantity surveying when he joined a large quantity surveying firm as a junior on leaving school. He gained a degree through part-time study whilst working. After working for this company for 18 years he was offered a management position with a new design and
build company but was made redundant after a couple of years.

By this stage the construction industry was in decline and so he decided to try self-employment as he realised the likelihood of getting a job was poor. This decision was made after only 2 months of unemployment. However the subject would have preferred to have taken paid employment rather than start a business.

From the outset the subject found that competition was great and that qualified quantity surveyor (QS) were dropping, quite considerably, the hourly rate at which they were prepared to work. He therefore found it difficult not only to get a reasonable price for the work he did but also he found difficulty in generating work. Cold calling and writing letters of introduction had limited returns and so he had to rely on his old contacts for work. Unfortunately this network was not as extensive as he would have liked.

The problems of getting and also achieving a reasonable price for work made self-employment insecure for this subject and this in turn was considered very stressful. He had used his savings to buy a car for the business (£2,000) and also to invest in working capital (£2,000). Therefore if there was a slow month or two the family could easily get into debt, as they now had no money to fall back on. The subject did apply for a number of jobs but was unsuccessful.

Despite this the performance of the business was not as bad as one might think. During the first year he achieved a turnover of £24,000 (excl. the allowance) but unfortunately this dropped a little during the second year. This was blamed on the reduction in fees he could achieve as the construction industry suffered yet another year of recession.
Although the turnover of the business was reasonably high the subject did not manage to pay himself a regular wage from the business. Household bills and the families living expenses were met by the business, but little more.

This subject decided when he started in business that he would be unable to work from home due to the distractions of his wife and young children. Therefore during the first year he worked from his sister’s house which was in the process of being renovated. At the end of the first year he had to vacate the property and found office space in a building in the centre of town. This increased his overheads and therefore reduced his income further.

It was unlikely that this business would employ anyone although the longer term aim of the subject was to form an associateship with either another QS or an architect with a view to sharing office space.

The subject claimed to enjoy self-employment as he was able to determine his own working time and working practices. However, the lack of income and the uncertainty of future work made self-employment too insecure to be his preferred way of making a living, especially as he had the responsibility of providing for a young family and also a large mortgage.

**CASE T5 (Security Alarms)**

This subject was 28 years old, married with children and a mortgage. He had worked in the coal mining industry but had then been unemployed for eight years after taking redundancy.
Although technically unemployed he had been operating a business whilst claiming benefit. This primarily involved the purchase and sale of second hand vehicles to the general public. His income from this business was reasonable even when the benefits he received were excluded. However, the subject decided that he wished to have a legitimate business that had prospects for development.

At this stage his brother, who had been in the army for a number of years, had been retired through ill health. As part of his resettlement package he took a City and Guilds Qualification in Security Alarm fitting. Due to his ill health the prospects for gaining employment were limited. Like his brother he was married with children. As a result of this the two brothers decided to start up a security alarm fitting company together. The qualified brother would train the subject in the installation of alarms whilst they operated the business.

Each brother invested £4,000 from their personal savings into the business for vehicles, stock, portacabin premises (these were kept on the subjects land) and working capital. When the business started they advertised in the local press and delivered fliers door to door within their area. This resulted in quite large demand during the first 6 months that the business operated. However the work then dropped off. This was in part put down to the fact that there had been a large number of miners made redundant in the area. This had a twofold effect. People within the area were worse off as a large proportion were miners (due to requirements for them to visit alarms if they should go off they could only fit alarms within a relatively small radius from their homes). Secondly a number of electrically trained ex miners started up in business, fitting alarms.

The turnover achieved in the first year was £20,000 (excl the allowance), most of this
being achieved in the first 6 months. From this the brothers were able to pay themselves £80 per week each and they were also able to claim family credit.

During the first 6 months of operation both partners worked 60 hours a week. Unfortunately this took its toll on the brother's health. Therefore after the year on the Business Start Up scheme he decided to withdraw from the business. The subject sold some (£4,000) of the assets in order to buy his brother out of the business.

After this the subject lost interest in the business and entered a "lazy period" where he did not attempt to promote the business. This demotivation was due to his brother leaving the business, but also the poor performance of the business. During this time advertisements were still being placed in the paper and the business, to all intents and purposes, was trading as before. However, the subject commented that he had received few calls and that also prices were being forced down by the increased competition.

During the 6 months after the scheme finished the business only turned over £3,000. From this the subject now paid himself £100 per week but he was still able to receive some family credit.

The subject was asked whether he may consider returning to selling cars given this earned him a higher income. The response to this was negative as the subject felt that the status of a car salesman was less than running this new business. Also he suggested that soon he would get over his lazy period and begin to promote the business again.

The business was still operating at the end of the scheme although was much diminished.
APPENDIX 5

CASE STUDIES OF THE ELDERLY RELUCTANT BUSINESSMEN SUBGROUP

CASE E1 (Quality (BS5750) Consultant)

This subject was 60 years old, married, with grown up children and fully owned his own home.

This subject had worked in engineering all his life. After serving an apprenticeship he worked his way up the career ladder changing company, where necessary, to gain promotion. At one stage he reached the position of Director but had since suffered a number of redundancies as the firms he worked for either closed or were taken over. Previously when he had been made redundant, he had been offered another job almost immediately. This last time, however, there had been no job in the offing. He put this down to his age and felt that at 60 years old he was very unlikely to get a job. Therefore he had to make a decision whether to retire, remain unemployed or start up in business.

The subject knew if he retired that his pension would be very much reduced, similarly he did not feel he could live off the benefits from unemployment. Consequently, he felt he had little to lose by becoming self-employed and the Business Start Up allowance acted as a further incentive for him to take this step. He was only unemployed for 1 month before deciding to start in self-employment.
During the last couple of decades this subject had moved into quality control and assurance and had taken the last few companies he had worked for through BS5750 accreditation. He decided to use this as the focus of his business and become a quality consultant. As well as this being a field in which he was knowledgeable, a further reason for pursuing this business was that it required little investment and so the risk of losing money on the venture was minimal. Technically his wife was a partner in the business and also joined the Business Start Up Scheme. In reality her involvement in the business extended little further than typing out invoices and keeping the books in order, although she did receive the Business Start Up allowance.

At the start of the business only a few hundred pounds of personal savings were invested to purchase a car.

After trading for nearly one financial year the subject left the Business Start Up Scheme and took employment. The business, whilst operating, had far and away exceeded the subject's expectations. During the period the income generated by the business was in excess of his last job (approx equivalent to £215 per week), although money earned was not drawn out of the business except to cover household bills and expenses.

The subject claimed that self-employment was less stressful and required shorter working hours than any of his previous jobs and indeed the job he had just taken. The subject had previously wanted to enter self-employment but had been too risk averse to leave paid employment, "we just didn't have the guts to do it". He commented that in retrospect he wished he had tried self-employment "30 years earlier". It would seem strange on first impressions that he opted for employment. However, a number of factors conspired to make this a preferred option.
The business started only required 4 customers to achieve his first year’s turnover of £26,000 (excl. the allowance). During the first year of operation this had been achieved by drawing upon his contacts in the engineering industry. Cold calling had been attempted but nothing had emerged from this. At the time he was offered a job, no new work was on the horizon. Also the allowance was due to end in a couple of months. As a result when he was offered a management job, although not particularly well paid, he decided to take it. The subject commented that in the end he just wanted an easy life until retirement. Although he enjoyed some success in self-employment and enjoyed the experience immensely, he felt that taking a job would be the safest option at the end of the day.

Despite taking a job the subject intended to continue his business on a part-time basis. However at the last interview, some 9 months after finding a job, the subject had still failed to find any new clients, despite the fact that potential clients were unaware that this was no longer a full-time business.

**CASE E2 (Flooring Contractor)**

This subject was 55 years old, married with no children. He fully owned his own home.

When the subject left school he worked as an improver laying hardwood flooring. He continued in flooring throughout his working life. He had worked for a number of companies and had been made redundant on an earlier occasion. At this point a friend asked him to become self-employed and join him in business. The subject decided against this and found another job. This was his last job but this came to an end when the owner died and the business was wound up.
At this stage the subject decided to try self-employment. He admitted that he would prefer to take a job but felt it was unlikely that a company would take him on at his age. The business idea was to target customers who were previously serviced by his old company. His old company had put down new flooring and repaired existing flooring for schools and hospitals in the local area. As his business would be on a smaller scale he decided to offer repair services, rather than supply and lay new flooring. This was because he would not be able to carry out large jobs, as there was only him in the business, also he would be unable to compete with competitors on price when supplying flooring materials as he was not VAT registered.

In order to start in business the subject invested £5,000 to buy a van for the business. This was purchased with his wife’s savings.

After 9 months the subject claimed the business was ticking over. He had used his old contacts to gain work and over the period of self-employment he developed new contacts as well. Also, after one year of trading, the subject gained some sub contracted work from a local carpet shop. These strands to his business meant that a reasonable level of turnover was achieved. Thus, by the end of the study, the subject was achieving what he considered a reasonable standard of living. The first year’s turnover was £15,000 (excl. the allowance) and for the following six months a turnover of £8,000 was achieved. From this the subject was able to pay himself £175 per week.

Although originally reluctant to enter self-employment, the subject finally found it preferable to taking a job. Indeed his wife had also altered her opinion about self-employment. Originally she had considered it risky, especially given their age. However, she found that her husband was able to spend more time at home and could choose his
working hours to fit with their leisure time. This was important to both of them as the wife suffers from a long term illness.

This subject still continued in self-employment at the end of the study and looked set to achieve his ambition of maintaining his standard of living, without drawing upon savings, until retirement.

**CASE E3 (Builder)**

This subject was 52 years old, married with children who had left home. He fully owned his own home.

This subject had served an apprenticeship as a brick layer and had worked as a builder all his working life. He had previously been self-employed and had achieved a good standard of living from this. However, two years earlier he decided to take a job. This was because he had a number of illnesses and felt he would be unlikely to cope with the physical nature of his business as he grew older. Moving back into self-employment after being made redundant was not the preferred option. However, he felt he would be unlikely to gain work as a builder, given his age. He tried applying for jobs for six months but during this time he did not even receive an interview for any of the numerous applications he made. As he was still thirteen years from retirement he considered self-employment was the only option available to him.

In order to start in business he exchanged his car for a van. This transaction required a further £500 to be invested which came from personal savings.
During the 18 months of the study the subject found great difficulty in attracting work. On completing the scheme he spent a few months unemployed until he was able to get some work sub contracting his labour. The business was limping along making a very poor turnover, approx £6,000 (excl the allowance) during the first year and in the following six months £3,500 (this was through sub contracting rather than his business). From this level of turnover the subject was unable to afford anything more than to pay household bills and 'put food on the table'.

Although it was the subject's intention to continue in self-employment until retirement it would seem unlikely that this will be without periods of sub contracting or unemployment, given his experience to date.

Part of the problem for this subject was the high level of competition he faced, plus the low level of demand for building work and repairs from the general public. Also he found that prices were being forced downwards as a number of people were starting up in competition, but operating on an illegitimate basis.

Over the period of the study the aims of the subject both reduced in terms of the ambition and became shorter term in nature. Originally the stated aim was to maintain a reasonable standard of living until retirement. By the end of the study this had moved to being able to tick over until the end of the recession with little consideration as to what would happen next. The subject seemed resigned to his business achieving little more than a meagre income. When questioned about seeking employment as an alternative to continuing in business the subject said he now considered this not to be a realistic alternative. His reasoning for this was that employment during a recession is insecure. As a result he would not take a job now as he may find himself unemployed.
again in just a few years. He felt this would then put him in a worse position than the one he currently faced.
APPENDIX 6

CASE STUDIES OF THE SMALL FIRM OWNER/MANAGERS
SUBGROUP

CASE S1 (Powder Coating)

This subject was 26 years old, married with no children. The subject had worked for a number of years for a roll door manufacturer, spraying their products with powder coating. He and a friend, with whom he worked, had been discussing the possibility of starting up in business and had begun to draw up a business plan. They had intended to leave work in 1993 after saving up as much money as possible for start up capital. However early in 1992 the company decided to close their powder coating operation in order to focus on their core business - roll door manufacture - and the friends found themselves unemployed.

As a result of this they decided to start up in business in 1992 instead and simply brought their plans forward. Consequently the subject was only unemployed for 3 months. Due to their lack of capital, banks were uninterested in lending the partners money. They therefore approached British Coal and Steel for a loan with the assistance of their Business Start Up trainer. This was successful and they managed to borrow £10,000 on preferential terms. This money was used to purchase equipment and rent premises which they found through a commercial agent.

The business idea was to powder coat customers’ products. A large number of firms
nationally offer this service, however they intended to compete by entering a niche in the market. Rather than complete large (volume) batches as most of their competitors did they would coat small (volume) batch and promote their flexibility and quality. They managed to purchase equipment from their old employer at a reasonable price and also secured a contract to coat their old employer’s products (as previously indicated this company had moved out of this non core activity).

After trading for 9 months the business had grown and had moved to larger premises. They had also taken on 2 full-time employees and invested a further £12,000 in equipment from funds generated by the business. They had also increased their customer base significantly although their old employer was still their largest customer. During this period the partners were working in excess of 70 hours most weeks.

Within 18 months of start up the business had grown further and now employed 3 people full-time. Although the company was still focusing on the small batch niche in the market the partners had plans that within the next 12 months they should diversify into fabrication and had already identified suitable premises for this purpose. They were finding that their reputation was bringing in new customers and even competitors recommended them to their customers if they had small batch work to be completed. The hours of the partners had reduced to 60 - 70 hours per week due to taking on a third employee. They hoped taking on a fourth employee, within a few months of the end of the study, would reduce their hours further. It was their intention within the next 5 years to be in a position where the partners no longer worked on the coating line itself but managed the company.

During the first year the business turned over £97,000 (excl. the allowance), within the
next 6 months they managed to turnover £75,000. Throughout the period of the study the partners paid themselves £175 from the business. They found that the Business Start Up money wasn't even noticed and said that they would have proceeded without the scheme. Indeed they commented that the delay in completing the course and being signed onto the scheme lost them more money than they received from the allowance. However they did agree that at least in the early weeks of start up, the allowance was useful. This was because at that stage their loan had not come through from British Coal and Steel (apparently their forms had been lost by the office administrating the loans).

Both partners were married and their wives worked. The wives were fully supportive of the husbands business and indeed the two couples would get together over the weekend to sort out the paper work or go to the factory to tidy up. Both partners also owned their own homes.

CASE S2 (Grocery Delivery Service)

This subject was married but had no children. He had worked in a number of jobs but had been dissatisfied with all of them. When he was 33 he decided that he'd had enough of working for other people and so he engineered his own dismissal so that he could then go onto the Business Start Up scheme to start his own business. He had a friend who lived in another town who was delivering groceries door to door and who was making a very good profit from this. He therefore decided to start the same business in his own area. His target market was either people with transport difficulties who did not want to carry large heavy items from the shops, or those who were too busy to go shopping regularly. In order to start he used £2,000 from his savings to buy some stock and a
vehicle suitable for delivery. He was only unemployed for 3 months before approaching the Business Start Up scheme and he had in fact started in business during this period.

Within 9 months of trading the business had expanded. The subject had bought an existing milk round, purchased 2 more vehicles and a computer. This investment cost him £45,000; £10,000 of which was borrowed from a bank and the rest came from personal savings and finance generated by the business. This investment tripled the size of his business and also he was now able to offer dairy products to existing customers and grocery delivery to the customers on the round he had bought. By this stage he was working 60-70 hours per week and was using 3 sixth form boys to help with deliveries in the evenings after school.

At the end of 18 months the business had grown further as had the products he offered on his delivery service. He was hoping to take one of his part-time lads on full-time within the next 6 months. Also, in this time scale, he wanted to start another business - mobile tyre fitting. The hours the subject put into the business had decreased and now he was only working 35 - 40 hours per week. His longer term ambition was to start another business which would be more profitable. At this stage he would then either sell the delivery business or employ someone else to run it. Whatever happened the subject saw his future as being in self-employment and indeed regretted not taking this step earlier in his career.

During the first year the business achieved a turnover of £75,000 (excl. the allowance) and during the last 6 months of the study a turnover of £42,500. Despite this high turnover the subject did not pay himself a regular income from the business although he would buy himself occasional treats such as a £600 push bike or £200 weekend away. The
subject was married and his wife was in employment. It was her salary that paid for all the household expenses including the mortgage on their home.

CASE S3 (Pet Food Market Trader)

This subject was 30 years old, divorced with two children.

She had worked with dogs throughout her working life. At one stage she was self-employed as a dog clipper. This business was started on the old Enterprise Allowance Scheme, but she ceased trading when she became divorced from her first husband. After this she worked in a pet shop until she had a disagreement with the owner and walked out. She was then unemployed for 6 months. During this period she started going to car boot sales with her fiance (they got married during the course of the study). They had acquired some bankrupt stock from a pet shop and sold this on the Sunday markets. Within a few months they had increased their stock and were turning over £100 each Sunday. It was at this stage she approached the Business Start Up Scheme as they had decided to try and run a market stall full-time, she was 30 years old at this stage. However the subject decided not to apply for the allowance in the end. This was because her benefits would be decreased by the same amount as the allowance and also she was put off by having to produce a business plan and the red tape of the scheme.

The business operated for nearly a year before it became official. By this stage they had a market stall nearly every day of the week and had increased the range of goods they offered to cover the complete pet care range. They also had £10,000 invested in stock and vehicles. The markets they attended changed as they found busier and therefore more profitable markets. They were also working over 70 hours a week and
consequently employed someone full-time to look after their children whilst they ran the business. They felt their business was very successful especially as they soon put any competitors out of business when they moved to a new market. They aimed to be significantly cheaper than anyone else and achieved this on their full range of goods. They also felt that they benefitted from the recession. The reason being that people with pets would always buy pet food, and given their stall was cheaper than the competition they would gain custom at the expense of their competitors.

By the end of the study a further £10,000 had been invested in stock (total investment £20,000). All money invested was generated from the business as neither partner had any savings. They had reduced the number of markets that they worked to 4-5 per week but were still working over 70 hours per week. This was because they were working on a project to move into wholesaling. Originally they had rented a unit for storage space but they soon decided to turn this into a wholesale outlet and were in the process of fitting out the premises. They intended to open this within 4 months of the end of the study. The husband was to run the unit and the wife was to continue selling on the markets. They would employ a driver full-time at this stage to help on the markets. They hoped after a further 12 months of trading to employ a further employee to work at the wholesale outlet.

During the first (unofficial) year of operation (the first year of the study) the turnover of the business was £84,000 (the allowance was not applied for). During the next 6 months the turnover was £45,000. Despite this high turnover the partners did not pay themselves a regular income from the business as most of the money was ploughed back into the business. However they were still receiving family credit throughout the period of the study. They had been able to pay off some of the debts that had accumulated
during their period of unemployment and were now keeping more up to date with bills although they did suffer some cash flow problems. This was due to their inability to open a bank account or get any credit terms as a result of a number of county court judgements made against the partners prior to them starting up in business. Despite this the couple did own their own home.

The partners had been surprised by the speed at which the business had taken off and were confident about the future.

CASE S4 (Fishing Floats)

This subject had been with his last employer, BT, for 8 years when the opportunity for voluntary redundancy was offered. He had always wanted to be self-employed and so decided to take this opportunity. He had made an earlier attempt at self-employment, during his early 20's, but this had fallen through before it managed to get off the ground. Part of the reason he wanted to enter self-employment was that he had been unhappy in his job. Despite a number of promotions he felt he was unable to progress fast enough and was frustrated by the large bureaucracy of his employer. He was 31 years old and married and was soon to find out he was to become a father. When he accepted redundancy he did not have a business idea, but had 3 months left to work and so started looking for opportunities.

Eventually he found a business to buy. This made fishing floats and had been operated on a part-time basis by a gentleman who lived in the south but who had now fallen ill. The business cost £17,000 which was bought with redundancy and savings. For this the subject got the necessary equipment but also the secret to the technical process which
made these products unique. The previous owner signed an agreement not to divulge
the process to anyone for 2 years, although the subject's solicitor thought that it would
be hard to invoke this should the agreement be broken. As he was buying an existing
business the subject fell foul of the Business Start Up Scheme regulations and so
although he had attended the course he was unable to get the allowance part of the
programme.

After a number of initial problems eg sourcing supply of materials, becoming familiar
with the equipment, starting out of the fishing season, the business started to develop.
He expanded the number of wholesalers taking the product and also gained an agent
who would sell in the south of England. During the first nine months he was regularly
working 100 hours per week in order to build up stock so that he would not have to
disappoint wholesalers should they come in with a large order. He also developed
another float. This one had the advantage that it could be sold at a higher margin than
the existing product but also that it would be demanded in the opposite fishing season
to his existing product. It was hoped that this would help reduce some of the seasonal
fluctuations in demand. At this stage he was quite confident about the future and was
about to start looking for premises as there was no longer enough space to operate from
his garage.

This optimism had faded to an extent when interviewed 9 months later. A national
wholesaler had started producing an identical product at an identical price over this
period. Although he was unsure if this would affect his sales, as the main selling period
was only just about to start at this time, he was concerned that his customers could
switch to the new supplier with no problems as it was impossible to tell the products
apart. The subject had consequently stopped looking for premises as he wished to assess

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the impact of this new competitor on his sales before taking on further financial commitments. Partly as a result of having large stocks left over from the previous season, and partly because the subject had become more proficient in producing the floats, the hours he worked had halved to an average of 50 per week. By the end of the study the subject was unsure what to do next. He had a number of options he was considering (expand his business, stay as he was, sell up and start up in something else) but he was going to wait until after the season, once he knew the impact of this competition, before making any decisions.

During the first year of operation the subject had achieved a turnover of £56,000 (the allowance was not applied for). In the next 6 months turnover had been £16,000, note this figure suffers due to seasonal distortions. During the first year of operation the subject paid himself £9,000. The business could have afforded more but he decided to retain it in the business because of his original plans to expand. During the next 6 months he had increased this slightly as his wife was on maternity leave and so the family faced a reduced income.

The subject had enjoyed his period of self-employment despite the fact he had less income and worked longer hours. He also did not envisage returning to employment as he enjoyed being able to make his own decisions and being free of bureaucracy. Although the subject was uncertain whether his existing business would be able to grow further, due to the new competitor entering the market, he was considering a number of business ideas which he may pursue either instead of, or alongside, the current business.
CASE S5 (Tyre Fitting)

This subject was 30 years old, married with four children. He had worked for only one employer since leaving school in a tyre fitting business. After working there for a couple of years, he took over the day to day running of the business from his boss. After a number of arguments with his employer he left and became unemployed. Although he claimed benefits for a period of 6 months he had in fact started up in business selling tyres on his own account. Someone reported him to the DSS for this. As a consequence he started the Business Start Up course with the aim of going onto the scheme and starting in business again, but this time on a larger scale and officially. He found premises in the centre of town and invested £3,000 in stock and equipment. This money was raised by extending his mortgage with the building society. Within a few months he decided to take on a partner, a man with whom he had worked in his last job. The partner also invested £3,000 and they increased the stock of tyres they sold. His partner decided not to try for Business Start Up Scheme as the subject had told him of the red tape involved.

The subject had considered self-employment earlier, during his early 20's. At that stage he had neither a house nor any savings and so was unable to get any finance and so went no further.

The subject was aware that there was a lot of competition in tyre fitting. However he used the suppliers from his last job and was able to undercut the competition locally on 90% of the products he sold. He undertook a campaign of promotion in the local paper and went out daily, and later weekly, putting fliers on parked cars near the centre of town. Within 9 months of starting he had moved to premises double the size of his
original unit, expanded the products and services he offered into repairs, shock absorbers, exhausts etc, was employing three men full-time and was applying for a licence to give MOT's. He felt the business was doing well because he was so much cheaper than the competition. Also due to the recession people were shopping around for the best deal, resulting in more custom for his business.

At the end of the study the business had developed further. They had gained approval for doing MOT's. This had required an investment of £15,000 in equipment, £10,000 of which came from a bank loan and £5,000 from money generated by the business. He was now employing 6 people and the partnership was looking to expand. They had found premises in another town and were looking to open another depot there offering the same services and products as their existing outlet. The bank had agreed to a further loan of £30,000 and the partners were to put in £10,000 from the reserves which the company had built up. At the time of the last interview the subject was waiting to find out whether planning approval for alterations, had been gained. If this was given they hoped to have their second depot up and running within 6 months and employ three further employees. They planned that the partners would take it in turn managing each outlet.

During the first year the business turned over £150,000 (excl. the allowance) and in the next 6 months, by the end of the study, they achieved a turnover of £125,000. Throughout the study the partners paid themselves £150 per week. The wife of the subject was working part-time and so extra income was being brought into the family through this. By the last interview the subject was working 55 hours per week but he envisaged this would increase when they opened the second depot.
The subject was enjoying self-employment as he was able to "call the shots", something which had caused friction between himself and his previous employer. Although the business had grown very quickly in a short period of time, he had no plans that the business would expand further after gaining the second depot.
APPENDIX 7

CASE STUDIES OF THE NON-STARTERS SUBGROUP

Case N1

This subject was 19 years old, male and lived with his parents. Since leaving school he had worked in his father's light haulage and removals firm. This had gone into liquidation, thus the subject was made redundant. After being unemployed for 2 months he enquired about the Business Start Up Scheme.

His idea was to start a light haulage and removals business, as he considered this to be the only thing he knew how to do. In order to proceed with this idea he required the sum of £2,000 to purchase a vehicle. However he had no personal funds and, as a bankrupt, his father was in no position to assist in the financing of the business. He had considered applying for a PYBT grant but was unsure how to complete the necessary forms. Although his trainer had offered him help in completing these he did not follow this up.

Lack of finance was therefore offered as the reason for not proceeding with the business and yet the subject did not pursue a potential source of capital, even when assistance was offered. In reality the business idea was unworkable. To start in removals a minimum of 2 people would be required for much of the lifting involved. However the subject's business plan made no provision for paying another person, even on a casual basis.
At the end of the study the subject remained unemployed.

**Case N2**

This subject was 22 years old, female and lived with her parents. She had never had a full-time job since leaving college with a vocational hairdressing qualification, though she had taken a number of very badly paying part-time jobs. After walking out of her last part-time job she was unemployed 18 months. It was then she decided to enquire about the possibility of self-employment.

The subject went on the Business Start Up course in the hope that it would help generate a business idea which she could pursue. Despite help from her trainer no satisfactory business idea had developed. Ideas ranged from recoding car radios through to mobile car washing. All of these ideas required a minimum investment of £1,000, which the subject did not possess, and none of the ideas were within the experience of the subject. The subject even commented that she felt the ideas were unworkable.

At the end of the study the subject had returned to college to try to gain skills to improve her employment opportunities.

**Case N3**

This subject was 35 years old, female, married and living in rented accommodation. She had children who lived at home but who had finished school. Whilst raising her children she had held a number of part-time jobs but had been unemployed for the last 15 months.
As she was having difficulty finding work she decided that she would like to try starting a business and so decided to take the Business Start Up course to gain more information. She decided that she would like to run a catering business but the exact form the business would take went through a number of permutations, from a cafe to a mobile van, during the time of the Business Start Up course. By the end of the course she had decided a mobile van was the way she wished to proceed. However, in order to purchase a vehicle which would meet environmental health requirements, she would require approx £3,000 - £5,000. This subject had no savings, her husband was unemployed and they lived in rented accommodation. Therefore the likelihood of having sufficient funds to invest was remote. Also her husband was not happy about her becoming self-employed as he was worried about the financial risks involved. A further problem identified was that the family's benefits would be cut in proportion to the money generated by the business. Hence they would be unlikely to be any better off at the end of the day.

The subject subsequently decided to start a catering course to prepare for such times when she could start the business. However, she left the course after a few weeks as she did not enjoy it. She has since had a number of part-time jobs.

Case No 6

This subject was 44 years old, female, married and owned her own home. She had children but these had left home (within 12 months of the start of the study). After raising her family she had started a flower arranging course and had taken a part-time job in a florists. She did this for one year and then decided that she would like to pursue this on a self-employed basis.
She read about the Business Start Up course and decided to find out more. Although she knew she wished to do something with flowers she was unsure as to what form the business would take eg shop, work from home, sell arrangements on the market. This issue was never resolved as the subject became ill and postponed taking any further action towards self-employment.

Meanwhile the husband of the subject was unemployed. He was reluctant for his wife to start a business, particularly if it required significant amounts of investment (which some of her ideas did). Concern was also expressed over the potential loss of benefits that may be suffered, should she start in business.

Since the end of the study the subject has become unemployed but has begun an advanced flower arranging course.

Case N5

In this case there were two subjects who had intended to enter partnership together.

One was 29 years old, male, married with three young children, living in rented accommodation. He had originally started a joinery apprenticeship but never completed it. He had then taken a number of short lived labouring and building jobs but had become unemployed. He remained unemployed for the next 4 years.

The other partner was also male, 25 years old and was cohabiting with his girlfriend and had one child. They also lived in rented accommodation. After leaving school he worked for his father, a gardener, for a couple of years. After this he took a number of
labouring jobs on building sites but had since been unemployed for the last three years.

Their business was to include joinery, alarm fitting, gardening, building, painting and decorating amongst other services. They had run their business unofficially, on and off, for a time (1-2 years). However the partners never started the Business Start Up scheme nor made the business official. A number of reasons were offered. Firstly, both partners had dependents (wife/girlfriend and children) and they considered starting a business to be too risky - they had no capital and were therefore concerned that they could get into debt should the business fail. Secondly, the level of benefits, both direct eg social security payments, rent rebate, council tax reduction, and indirect eg free dental treatment, school meals, prescriptions, received were such that the business would have to generate quite sizable profits to compensate for the loss of benefits. A third reason related to this was that having run their business, illegitimately, for a number of years they realised that the business would not generate sufficient profit to support their families to the same standard of living as when unemployed.

Two reasons were given for considering the Business Start Up scheme in the first place. One was that the partners were worried about being reported to the DSS for working whilst claiming benefits. The second was to stop the DSS badgering them to find work or take part in one of their schemes.

By the end of the study both subjects remained unemployed.

**Case N6**

This subject was 52 years old, male and married. The mortgage on his home was nearly
paid off and his children had left home. He had worked for most of his life as a builder although when the building industry went into decline in the late 80's he got a job in a printers. However he was made redundant from this job after a few years.

This subject had been considering self-employment over the previous 20 years and had the same business idea throughout that time. This was to manufacture concrete 5" x 5" cobbles which could be used to build patios. He had purchased the moulds to produce these and from his garden shed could make sufficient numbers, in one day, to lay a medium sized patio. However, although unemployed for 2 years, he had moved no further with the idea and did not even take the Business Start Up course until the latter stage of this period.

The subject did not proceed in to business and offered a number of reasons for this including it was the wrong time of year, the recession was too deep, the weather was poor. Six months after taking the course he found a job.

Case N7

This subject was male, 37 years old, cohabiting with his girlfriend and living in rented accommodation. He had been in the army for a number of years and then on leaving he took a number of jobs which were relatively short lived. After being made redundant from his last job, he was unemployed 10 months before he went onto the Business Start Up course. The reason for going on to the course was unclear with the subject making a number of contradictory statements. These included taking the course just to gain the small business management qualification, through to him wanting the trainer to assist him in finding premises. Similarly, his business idea was not clear and changed over the
period of the study. His business ideas included a video shop, DIY shop - but he had finally decided to look at a baby clothes shop. The rationale given was that a number of such shops had closed and that people were always having babies, therefore a constant demand could be expected.

To start this business initial investment requirements in excess of £5,000 were estimated. The subject did not have any savings, his girlfriend was also unemployed and they lived in rented accommodation so no money could be raised on the house. Although he did not have the capital to proceed, this was not given as the reason for not going ahead with the business. The reason given was that he wished to wait until the end of the recession. By the end of the study the subject had taken a job but indicated that he may give this up in order to start the shop in the long term.

Case N8

This subject was 37 years old, single and owned her own home. For the majority of her working life she had been selling houses, working her way up to a managerial sales position. With the depression in the housing market she was made redundant and so she decided to use unemployment as an opportunity to identify new career opportunities. Given the quite narrow working background of the subject, self-employment was considered one of the few opportunities to achieve this.

Within 6 months of being made redundant the subject started the Business Start Up course. At this stage the subject did not have any firm ideas of what to pursue as a business, and a number were considered. Eventually one idea was pursued more vigorously than any of the others. This was to supply her own brand of beauty products
to health farms and beauticians. This business would require investment of approx £4,000, excluding investment in a vehicle, in order to have her own packaging developed and to take an initial quantity of stock. Although she would have been able to raise this money she was reluctant to risk investing so much. However, before pursuing the idea any further she was offered a job back in house sales, though not in a management position. She decided to take this.

Case N9

This subject was 45 years old, male, divorced and he lived with, and looked after, his invalided father and disabled brother in his father's house. Previously this subject had run a shop but this had gone into liquidation and he had not had a job since.

After being unemployed for 20 months the DSS put pressure on him to join a scheme of some sort. He decided to try the Business Start Up course. Because he had several illnesses and disabilities himself, plus he had to care for his father and brother, he decided that self-employment was the only option available. Working for somebody else full-time was out of the question as he needed flexibility in order to care for his family. However he had not considered self-employment until pressure was applied by the DSS.

When he went on the Business Start Up course he had no firm idea for a business. He considered a number of things before arriving at the idea of wholesaling bankrupt and out of season stock (the nature of the stock would depend on what was available). This idea would require a minimum initial investment of £6,000. However, as a bankrupt he neither had savings which he could use nor would he be able to borrow any money. The subject was therefore considering other business ideas which could generate sufficient
money to make this investment.

At the time of the first interview he had a market stall. By the second interview this had failed and he had decided to look at other ideas to generate the cash to start the wholesaling business. As a result he enrolled on a number of computer courses at a local college, with a view to keeping financial accounts for small firms. He hoped this would generate sufficient funds so that in the next 5 years he would be able to start wholesaling.
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