

UK report for [TTE@40](#)

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Desperation and Inspiration – The motives and Competences of Older Entrepreneurs in the UK

Abstract

The UK's ageing population and a change in social structure is focussing attention on ways to encourage older people to stay longer in employment. A corollary of this is an emphasis in the UK on self-employment as a career option for older people. This report details the findings of quantitative and qualitative research in this area, which is only now emerging as an area of academic as well as policy interest.

Introduction

The last 25 years have seen a great push towards entrepreneurship in the UK. The role of small businesses in creating jobs at a time when large companies may be facing difficulties has long been a focus of academics (Birch 1979), and policy makers (Greene 2003). The policy makers' push toward enterprise promotion was seen as a way of combating the endemic unemployment of the 1980's. Of the 3.7 million enterprises in the UK only 1% employ more than 50 people (OECD 2000) making them a vital component of the UK economy. There is also a clear relationship between entrepreneurship and economic growth as explained by Harding (2002). She identifies 4 areas where UK public policy has focussed in an effort to improve the environment for start ups:-social inclusion, linking national policy with regional policy and local delivery, community regeneration, and technology entrepreneurship (ibid. 10-11). We could label these initiatives as "pull" factors –creating an environment in which entrepreneurship can flourish and the idea of becoming an entrepreneur presents itself as a viable option for people.

The UK government set out its policies towards business in the 1998 Competitiveness White Paper (DTI 1998) which focused on innovation and the potential of e-commerce. It set out several commitments to helping innovative start-ups succeed. These included: - a 50% increase in the number of start-ups spun out from universities by 2002; an increase in the numbers of SMEs connected to the digital marketplace by 2002; increasing the DTI (Department for Trade and Industry) innovation budget by more than 20% over 3 years to £230m. It defined innovation as the commercialisation of technology, receptiveness to foreign ideas, knowledge transfer and entrepreneurship. The Smart scheme, the LINK collaborative research programme and the Teaching Company Scheme are all government initiatives designed to help develop innovative products and services and foster technology transfer (OECD 2000).

A range of organisations provides training for small businesses: the Small Business Service, operating through the Business Link brand is the direct government agency tasked with this job. There are a host of consultants, Higher Education Institutions (of which Cranfield is one), Chambers of Commerce and other professional bodies that provide training to the small business sector. There has been considerable change in

the area of training and support for SMEs. There has been the development of the University for Industry (now rebranded as Learndirect). The new Learning and Skills Councils have replaced the Training and Enterprise Councils. The 9 Regional Development Agencies also have some responsibilities and strategic input into training for unemployed people and SMEs in their area.

Older People and Entrepreneurship

The popular view of entrepreneurship is that of a thrusting young start up company fuelled by youth, ambition and ideas. The Confederation of British Industry, Institute of Directors and Federation of Small Businesses have joined forces to launch Enterprise Insight, a campaign to encourage young people to start their own businesses as part of their drive to foster an entrepreneurial culture among young people. The recent Green Paper on Entrepreneurship published by the European Commission looks at how support and encouragement can be given to the entrepreneurs of the future (European Commission 2003).

Yet there has also been a recent increase in interest at both national and international level in the contribution that older people can make in the national and pan-European drive to a more enterprise focussed economy. A recent Demos report (2003) coined the term “elderpreneurship” to describe the potential new type of older entrepreneur that could emerge and suggested new micro-credit and venture capital funds aimed specifically at older people (p 60-61).

There are a variety of reasons behind this drive, many of which we could, perhaps, term “push” factors. At the macroeconomic level, there is a debate raging about the future of pensions and welfare spending across the EU and whether current levels of spending in this area are sustainable. EU policy makers are keen to increase the employment rate of the over-50’s which is low compared with that of the US and Japan (European Commission 2002). The UK is no exception to this although its employment rates for the over-50’s are higher than the European average. In addition a new European Directive outlawing discrimination on the grounds of age and sexual orientation was adopted in 2000, which should contribute to the achievement of this goal although in the UK it will not come into force until 2006.

There is also evidence that the traditional population pyramid is turning into a population pillar, as more people live longer and national birth-rates fall. For example, the number of over 60’s living in the UK will increase from 11.7m in 1996 to 17.1m in 2026 – an increase of nearly 50% (Wilson 2003). Policy makers could see entrepreneurship as a way of reducing the numbers of people claiming benefits, or subsisting on inadequate pensions.

At the micro level of the firm or the individual, there is also evidence that older workers are more likely to experience age discrimination than their younger colleagues (Dibden and Hibbett 1993). They are also more likely to suffer long-term unemployment (OECD 1998:132-3 and 142) as well as health problems. Given the above factors, entrepreneurship for older people may be controlled by a complex mixture of factors driven by a lack of choice around other employment and life options.

Literature Review

In the UK active labour market policies such as the New Deal for Older People, the PRIME loan fund and Employment Zones are designed to encourage the over 50s to think of self employment as a viable option (DfEE 2001). Yet very little work has been done to evaluate the success or otherwise of these initiatives. Research carried out in 2001 (Curran and Blackburn) looked at older people's attitudes towards self-employment. Their postal survey of 1000 people found 182 people retired and not in paid work, of whom just 7 said they would like to be self-employed. Anxieties about health, having an adequate income, preferring leisure or voluntary activities were all given as reasons for respondents' reluctance to start a new business. The authors also note that, because of their age, "Respondents had fewer formal qualifications than the working population as a whole: they had less opportunity to benefit from higher education expansion in the late 1960's" (ibid. p893).

The researchers also did not analyse their results by gender. There is concern however about the relatively low rates of women of all ages who choose to become entrepreneurs (Harding 2002). The rate of business start up is roughly 2 enterprises started by men for every one enterprise started by a woman (ibid p25). In the UK this increases to nearly five businesses for every one started by a woman in the 55-65 age group (ibid. p26).

Research has found that older entrepreneurs are more likely to succeed than their younger counterparts. Cressy and Storey (1995) found that 70% of businesses owned by the over 55s were still in business after 6 years compared with just 19% overall. This may be due to the wealth of experience that older people bring to their start-ups. However, this research was completed before the UK government's recent push to get older people to start their own businesses and the picture may well look different now.

Barclays Bank research (2001) found that older entrepreneurs are responsible for 50% more start ups now than 10 years ago and now account for 15% of start ups. They also noted that enterprises started by older people have an average turnover of £70 000 pa compared with a national average of £104 000 pa. 35% started because of redundancy, retirement or dissatisfaction with their previous jobs, reinforcing the theory set out above that a range of "push" factors come into play when looking at older entrepreneur phenomenon.

This research study hopes to contribute to the above debate. TTE @40 is a project funded by the European Commission to look at the training needs of older (40+) would-be entrepreneurs who may be looking to start innovative businesses and to develop internet-based training for them. There are 7 partners in the project, Austria France, the Netherlands, Romania, Slovakia, Spain and the UK. The aim of this research study was to: -

- survey the training needs of entrepreneurs aged 40 and over
- establish how many of them have started "innovative" companies
- assess their level of competence in the area of new technology
- look at how that training could be provided using the internet.

Methodology

The questionnaire was devised by Cranfield School of Management. 170 questionnaires were distributed to older entrepreneurs (defined as over 40 when the business is established). The sample population was targeted through the use of 3 organisations that help older entrepreneurs start their business. They are

- One London –an enterprise and regeneration agency with a focus on social inclusion based in central London (60 questionnaires, 11 replies)
- The Royal British Legion, a charity which provide loans for people leaving the Armed Forces to start their own businesses (50 questionnaires, 21 replies)
- PRIME Initiative, which provides loans to 50+ entrepreneurs who have been refused funding by banks. It was started by Age Concern and Help the Aged the 2 national British charities working for older people. (60 questionnaires 16 replies)

2 of the 3 organisations are nationally based enabling us to achieve a broad geographical spread. The total number of questionnaires returned was 49 a response rate of 35 %, though one was received after the data was analysed making the number of usable responses 48. Not every respondent answered every question so in our discussion of the data we have used the valid percentages for each question (only those who responded).

10 individual entrepreneurs were then telephoned to explore in more detail some of the answers they had given, particularly in the areas of finding funding for their start-ups and what training they particularly needed. They were evenly spread across the 3 sample populations used.

Quantitative Data Analysis

The first part of the questionnaire looked at the characteristics of the entrepreneur. Only 2 of the survey's 48 respondents were women. 76% of respondents were aged over 45 with 22% being aged over 55 suggesting that we had achieved our aim of contacting older entrepreneurs. 56% had finished their education after 5 or more O levels (aged 16) while 28% had achieved either an undergraduate or postgraduate degree.

95% of respondents had started a business in the last 2 years with 34% employing members of staff. There were wide variations in how individuals had financed their businesses. 25% used a combination of savings and grant and a further 21% using the grant alone. This raises concerns about the long-term viability of a business that does not have further cash resources to help it grow or as insurance against economic downturns. Differences in the samples were seen with RBL loan applicants making up 10 of the 11 respondents (23%) who had borrowed from the bank to finance their start up. Just 4% of respondents had received investment from a business angel.

The entrepreneurs were asked to respond to a variety of statements about their reasons for starting a business. 41% were upbeat about starting agreeing with the statement "I believe I have the training education and skills needed to be successful in this new business". 37% thought their previous experience would help in the new business and the same number said they saw starting a business a desirable career choice. 11%

were starting because they couldn't find a job and just 15% thought that if the business were not successful they would find it easy to get a good job or start another business. This variety of responses indicates a mixture of push and pull factors at work behind the entrepreneur's decision to start their businesses.

There was evidence of sample bias in the response to the question asking what they were doing before they started their business (Table 1, below). Of the 18 people who said they were employed all but one had received a loan through the Royal British Legion. Obviously they had been employed by the armed forces in order to qualify for a loan. Nevertheless 32% of respondents defined themselves as economically inactive (the categories student, retired, not working) and a further 27% had been self employed which suggests that starting a business may have been a way of formalising what they were already doing.

Table 1 –Employment status before start up

Employed	41%
Self-employed	27%
Student	4.5%
Retired	4.5%
Not working	23%

The second and third sections of the survey looked at their firms and asked about areas where they wanted training. There was a wide range of businesses represented in the sample with 50% saying that they relied on the use of new technology. Businesses varied from retail and restaurants, to consultancy to construction to exporting lab materials to Nigeria.

Respondents were asked about 26 potential areas for training and they ranked their perceived need for training on a five-point scale (most, quite, average, not very, least). Results are based on those who answered most or quite to a particular subject.

Table 2 –Areas where respondents require training

Finding customers	87%
Selling skills	82%
Advertising and promotion	80%
Pricing my product correctly	72%
Sources of Business Finance	65%
Financial Management	60%
Time Management	58%
IT	55%

An open question which asked them to list their top 3 areas elicited further useful replies with specific comments about cashflow, use of the Sage business accountancy software package, taxation, marketing and selling.

40% of respondents had received no formal management training in the last 3 years yet 38% had received over 8 days formal management training.

The fourth section looked at their attitudes to training delivery, timing and process. 52% of respondents said they would be happy to use either CD roms or the web for training purposes with a further 10% preferring just CD roms and 15% just the Internet. 90% could use a computer for basic word-processing and spreadsheets and email and 85% could send an email. 90% could access web addresses and 83% could use a search engine. 58% had used an educational software product.

We also asked about how they chose training programmes for themselves. Obviously the issue of location becomes less important with the provision of technology-based training.

Table 3 Which features do you rate highly when choosing management development courses?

Quality	77%
Cost	67%
Location	46%
Word of mouth	38%
Reputation of organisation	38%
Personalised Counselling	38%
Timing	31%
Type of delivery	29%
Marketing materials	17%

Qualitative research

10 telephone interviews were carried out to explore in further detail some of the issues raised. 3 were with RBL and One London respondents and 4 with PRIME respondents. One was with a woman entrepreneur. The findings are summarised below.

PRIME Interviews

The first interviewee was a Nigerian medical scientist who had set up a medical diagnostic laboratory in Nigeria. He had borrowed from the banks in Nigeria and used his retirement lump sum to finance the business as well as his PRIME loan. He employs 5 people as lab technologists in Nigeria and could see ways to expand the business. He identified that he needed training in the area of word processing. His main barriers to training were the fact that he lived in the English countryside where the nearest town was 6 miles away and the bus service infrequent. Barriers to expansion included local barriers such as approval by the Nigerian regulatory agency. He had also experienced discrimination from suppliers who did not trust his Nigerian letterheaded notepaper and refused to supply him with products. He had overcome this barrier by contacting the UK Institute of Biomedical Sciences of which he was a member and they had given him details of alternative suppliers. He was philosophical about this problem “I can’t blame them –we Nigerians are sceptical as well”.

Another PRIME interviewee had begun a 3 d photography business, converting a hobby into a business. He was turning over about £12k a year and wanted to employ

disabled people to help him with his processing as the next step to growth. He described his reasons for starting up as “ a mixture of desperation and inspiration – nobody wanted me”. He had worked for the Inland Revenue, as a shopkeeper and a self-employed supplier of disco equipment and a courier driver. He described banks as “ a total waste of space”. He needed training in funding and in sales and marketing and various software programmes that would help his innovative process.

The third PRIME interviewee had started his business by accident, helping a friend who had closed his dress shop to find buyers for remaining stock. It is based in the North of England. He had gone round old peoples homes to sell the stock off. His business was selling sexy underwear and sex toys direct to people and he drove a taxi at the weekend to help finance it. He criticised the length of time (6 months) it took for the loan to come through and said that in that time he lost all his contacts. He described the problems he had had getting bank finance due to a previous hotel business he had had closing. This suggests that the business closed leaving debts and that that made the bank unwilling to lend to him again. As well as the hotel, he had run a shop for 4 years and was a partner in a bakery with his mother, suggesting a pattern of serial entrepreneurship.

The 4th PRIME interviewee was equally scathing about the time taken for funding to come through. He had been on the New Deal for Older People in the SouthWest and had been turned down for a loan by PRIME to begin with causing him to lose contracts and had then had to wait 10 days for the cheque when it was finally approved. He was dismissive of his mentor, describing him as “useless”. He had also taken out a personal loan to finance the business and his comment “If it all fails, I’m in trouble” shows that perhaps it had not been as successful as he had hoped. In response to a question about turnover he replied “not a lot” which, for a business that had been going for more than a year suggests some large problems.

Royal British Legion Interviews

One RBL loan client had started his web hosting business with £5k RBL loan and £10k from the bank and £15k borrowed from an unidentified source. He employs 2 Ukrainian web developers and one local person recruited through the Jobcentre. His customers include the University of Texas and a large German hospital. He started in 1997 and is turning over about £230k pa. He described his reasons for starting up as being “tired of being bossed around”. He left school without any qualifications and entered the air force where he qualified in electronics. He specifically identified his age as a barrier to undertaking further training “If I was 25 I’d go to college 3 nights a week. Now I feel my skills are adequate for my business”.

The other 2 RBL respondents were turning over a similar amount (up to £300k pa). One was a web based “etailer” the other a retailer both employing local people. They both identified time as a major barrier to training for them. One felt he needed better management accounts (this was raised by several respondents in the questionnaire) the other identified time management as a priority.

One London interviews

The sole woman interviewee was One London client, a potter who sold her pots through a shop run with 5 other artists. She had been turned down by Nat West bank for a loan and identified her gender as a barrier to finding funding. She said that she had heard from colleagues in the trade that they had had similar experiences to hers. Her turnover was about £2-3000 pa. Her business had started nine months earlier.

The final 2 interviewees were both One London clients. One ran a business supplying architects' designs and advising on planning issues. He had found getting funding extremely difficult "architects are expected to have their own money". The business had been going 3 years and was now employing 5 people. He identified general management as an area where he needed training and said that time and money were his main barriers to accessing training opportunities. The other ran a shop in north London supplying garments and fabric. He had started off with his own money and a bank loan and then received his One London grant after trading for 2 years. He found that not having property to put up as security against the original bank loan was his main barrier to funding. As well as he and his partner, one part-time member of staff was also employed. He had plans for expansion and identified training in writing a business plan to access further funding as his top priority.

Discussion of Findings

The fact that just 2 participants were women immediately raises questions about equality of opportunity and access to funding for excluded groups. The surveys were sent out by the 3 organisations for data protection reasons so the researcher was unable to check the gender balance in the sample. The response suggests that all 3 organisations may need to take steps to address this gender imbalance in their funding. In the UK women are regarded as being of State Pension Age at 60 whereas it is age 65 for men. This could mean that New Deal and SBS advisers are less encouraging to older women entrepreneurs as they will drop out of the statistics earlier. If this were true, it would be ironic, as women have longer lifespans than men and are more likely to be in poverty as pensioners, so the social and economic benefits of them starting up would be greater. Are caring responsibilities a barrier to older women starting their own business? More data in this area would be useful.

The educational achievements of older entrepreneurs are clustered at the top and bottom of the educational scale with older entrepreneurs having either relatively high or relatively low levels of qualifications. This issue was highlighted in the literature mentioned in the introduction. This raises significant challenges for anyone wishing to provide training to this age group, as there will be wide degrees of variation in attainment. There is a need for skilled work to ensure that training is appropriate and pitched at the right level. A similar result was found when they were asked about the amount of management training they had received (40% had none or 38% had over 8 days) mirroring the educational clustering seen earlier in the survey although we did not check to see if the 2 variables were statistically related. Again, there will be differences in management expectations which makes designing a “one size fits all” course challenging.

There are differences between the samples. For example, closer inspection of the response to the employment question showed that of the 14 respondents who employed people, just one had used the PRIME initiative, 4 had used One London and 9 had received a Royal British Legion loan. This suggests that there may be an age factor at work here with RBL loans going out to slightly younger people who want to make a growth oriented business for the next 20 years of their life rather than a 50+ entrepreneur who may be content with self-employment. This in turn could demonstrate a difference between those older entrepreneurs who fell positively “pulled” and attracted to self employment and growing a business and those who may be “pushed” into it through the New Deal.

A surprisingly high number of the business (50%) relied on the use of new technology, which suggests that older entrepreneurs are not flinching from exploiting opportunities offered by new technology. It was also encouraging that 58% of respondents had already used an educational software product, which would make them receptive to any new technology-based training tool that the project develops. 90% could use a computer for basic word-processing and spreadsheets, which is also encouraging. The quality of any training product was also stressed by 77% of respondents and only 29% caring about the mode in which it was delivered which suggests receptiveness to new types of training delivery. Quality is, however, a notoriously subjective notion.

Further useful information was gleaned from the interviews. They provided a fascinating insight into the range and quality of businesses in receipt of funding for older entrepreneurs. Several interviewees perceived the issue of access to funding and the time it takes to be processed and delivered as a clear barrier to a smooth start up. The time demands of running a business for both the successful and less successful entrepreneurs were a clear barrier to participation in further training. Age was also an issue with people feeling their experience had given them all the training they needed. Prejudice against women and people from minority communities also came across as a barrier to participation in business start up. There were hints at lots of “push” factors at work with references to employers’ indifference, tired of current work, and serial entrepreneurship in failed businesses prior to the current one. Yet of the 10 interviewees, 8 were employing people, 2 in other countries, which is an impressive result from a randomly chosen sample.

Conclusion

This study has shown the huge diversity in the field of older entrepreneurs. The entrepreneurs themselves are a heterogeneous group with varying degrees of educational attainment, management experience and with varying degrees of ambition for their enterprise depending on their background, lifestyle and age. They are running innovative niche web based companies, importing buildings, running consultancy firms, restaurants and beauty salons. There is no one area that is specific to them and no two older entrepreneurs are alike. This, in turn makes designing any training programme for them a complex and subtle task.

The research has shown that the UK has a mixed picture when it comes to older entrepreneurs. On the one hand there is encouragement at the macro level with grants and high-level commitments to make entrepreneurship accessible and for entrepreneurs to exploit new technologies. Yet at the micro level, from the interviews the impression from entrepreneurs is of indifference from banks, bureaucracy from loan administrators and covert and overt prejudice towards some sectors of the population from lenders and suppliers. These are subjective experiences and it is clear that “bureaucracy” to an entrepreneur could be described as “risk management” from a banker or enterprise agency.

It is clear that start up finance and further funding once the business is established remain the greatest obstacles to older entrepreneurs. This is basically little different to the issues facing entrepreneurs of any age. The evidence suggests that efforts to help them overcome the prejudices of banks are at best patchy. Are banks there to provide a service to all sectors of the population or are they companies whose primary duty is to protect their shareholders? It is also instructive that so little work has been done in this policy area overall, falling as it does between entrepreneurship, social policy and sociology. Cross sector research is also clearly needed if academics and policy makers alike are truly to understand and effectively respond to the challenges older entrepreneurs face.

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