

Barriers to Enterprise Development

Mark Turner

Business Environment and Enterprise Policy

Small Business Service

Department of Trade and Industry

18 June 2007

The Barriers to Starting Up

- Fear of debt
- Fear of failure
- Access to Finance
- Loss of job security
- Sales & profitability
- Time and effort
- Complexity of regulation
- To grow your business, first start that business! SME Household Survey shows what the perceived barriers are among the population to starting a business.

Barriers to growth

- The economy
- Competition
- Regulation
- Taxation
- Keeping up with technology
- Cash Flow
- Suitable premises
- Skills shortages
- SBS Annual Small Business Survey results show what existing businesses think are their biggest obstacles
- 24% stated that they thought there were no obstacles!

Barrier: Access to finance

- How big is the problem: The UK Survey of SME Finances (2004) showed that around 16% of all businesses seek finance. Of these only around 1% do not find the finance they need
- Some of these businesses fail for good reason: i.e. poor viability of business proposition, no business plan, etc.
- Government interventions seek to support viable business propositions that are unable to access mainstream finance and to address discouraged demand

What are the Government Interventions?

- Small Firms Loan Guarantee: government secured bank loans to businesses unable to provide a track record. A bank administered scheme offering loans up to £250,000
- Enterprise Capital Funds: Commercial funds with £200m from government to match private equity for SME applications up to £2m
- Regional Venture Capital Funds: smaller amounts of equity for growth SMEs
- Improved financial awareness and Investment readiness

Barrier: Regulation – removing burdens

- Simplifying and removing red tape
- Raising annual turnover threshold for company account audits from £1m to £5.6m
- Increased VAT threshold from 61,000 to 64,000 (2.5 million small businesses exempt from VAT)
- Common commencement dates (6 April & 1 Oct)
- Small Firms Impact Test on all new proposed regulations (“think small first”)
- Helping businesses comply: awareness, understanding and timely updates via www.businesslink.gov.uk

Barrier: Skills and Expertise

- Lack of appropriate skills is an issue for business
- Leitch review looks at UK skills needs by 2020
- New Skills initiative being launched by DfES
- Includes “Train to Gain” a Skills Broker programme targeting employers to encourage skills investment among the employed
- Basic skills (numeracy and literacy) are also being targeted

Barrier: Skills and expertise

- Schools Enterprise Education Network: £60m programme rolling out enterprise education for all pupils at Key Stage 4(14 to 16 year olds)
- Enterprise Summer Schools: pilot of 23 pathfinders for 1000 pupils in 2006
- Coaching and mentoring support: high growth, MAS, Designing Demand
- Facilitating networks: Knowledge Transfer

Barrier: Cultural issues

- Myths and Legends: popular excuses not to do anything
- Attitudes to risk and fear of failure
- Lack of growth ambition
- Local Enterprise Growth Initiative: One measure to help stimulate enterprise. £300m over three years

Barrier: Cultural Issues

- Make Your Mark: innovative campaign to promote an enterprise culture, particularly among young people. 500,000 people took part in Enterprise Week. Next year the US, New Zealand and the European Commission will join the event

Barrier: Complexity

- Businesses find the landscape of support to be too complicated. Too many brands, too many conflicting messages, too many schemes
- UK Government will reduce the number of business support schemes from over 3000 to less than 100 by 2010

Barrier: Accessing support

- BUSINESS LINK is the primary access channel to business support. The service provides information, business diagnosis and then independent brokerage to a range of public and private sector organisations for addressing business issues. Supported by a national telephone number, a national web site with 7m visits last year, and a suite of publications

Uk Government Intervention - Is it Working?

- SME sector is more dynamic today: 4.3 m businesses, 600,000 more than in 2000
- UK Business environment is now recognised as amongst the best in the world: OECD reports the UK as having the lowest barriers to entrepreneurship of all OECD countries
- 7.8% of the working population is expected to start a business in the next 3 years – up from 4.6% in 2002 (Global Entrepreneurship Monitor)

Is it working?

- The World Bank's "Doing Business" survey ranks the UK first in Europe and in the top ten globally (out of 175 countries) in terms of ease of doing business
- GEM (Global Entrepreneurship Monitor) has UK the third highest for early stage entrepreneurial activity of all G8 countries, with only the US and Canada ahead
- Cultural attitudes are improving, particularly among young people (SBS Household survey)

Entrepreneurial Activity

- Entrepreneurial Activity and Entrepreneurship is essentially a **small business thing**. So, protect and nurture the small business agenda. **Think Small First** and ensure that all government intervention is tested to understand the impact on small business before enacting
- Build an evidence base – monitor, measure and consult