

Entrepreneurial Intensity: Searching for the hero inside
A study of enablers, barriers and propensity for enterprise in
Lowestoft And Waveney

Professor Shailendra Vyakarnam¹
Transitions
35 Parkside
Cambridge
CB1 1JE

This study has been carried out by Transitions on behalf of the stakeholder organisations, Business Link for Suffolk, Suffolk Development Agency, East of England Development Agency, Connexions Suffolk, Jobcentre Plus, Suffolk County Council and Waveney District Council.

¹ University affiliations: Visiting Professor at Nottingham Business School, Director of the University of Cambridge Centre for Entrepreneurial Learning, Judge Institute of Management. Non-executive Director positions in Burall Ltd, Microlaunch (a start-up) and other interests.

INTRODUCTION

This paper is the culmination of an extended study of the entrepreneurial intensity of Lowestoft and Waveney. The paper is set out with a rationale for why the study was needed and how it is different from normal economic studies. The research team interviewed 41 people face-to-face and a telephone survey was carried out with 200 respondents. The full paper with all the appendices is available from www.transitions.co.uk.

Lowestoft and Waveney, the local context.

Lowestoft and Waveney, part of Suffolk in the East of England needs to transform its economic and social environment. Earlier policy papers have set out high-level indicators and ambitions².

Economic indicators

Waveney has the highest rate of unemployment in Suffolk compared to the rest of Suffolk and a large proportion of the destination of end of year 11 and end of year 13 appear to be into jobs requiring unskilled and semi-skilled personnel. This leads to low wage rates in Suffolk and in the Waveney area with Suffolk as a whole having 87% of wage rates when compared to the rest of UK. Male average earning in Suffolk is £401 per week and female earnings is £296

Crime rates in Lowestoft and Kirkley are higher than elsewhere while housing prices average £53,000.

There is no indication in the various policy papers from Waveney District Council of self-employment or business start-up but the plan has identified in the Industry and Employment section of the plan, regeneration as a key result area stating that it is a:

"major priority for the Council as a whole and sets the context for planning policy".

The objectives of the District's economy are:

To strengthen the District's economy by ensuring an adequate supply of land for employment purposes and supporting the retention and expansion of local businesses and to encourage and support the rural economy while protecting the countryside.

However, when reviewing the conditions under which planning permission will either be granted or not, the guidelines appear to favour preservation and maintenance over economic growth.

Waveney Local Strategic Partnership

A community strategy was drafted in November 2002, containing a number of ambitions for Waveney. These are to:

² Waveney Local plan, revised draft 2002. Waveney District Council, Town Hall, High Street, Lowestoft, Suffolk NR32 1HS. Additional internal papers were used as background work and these are listed in the reference section

(1) Tackle poverty and social exclusion (2) Involve people in developing their communities (3) Build a strong and competitive economy with a balanced mix of businesses and jobs (4) Develop satisfaction with Waveney as a place to live, work and visit (5) Reduce crime and disorder and make Waveney safer (6) Protect and improve Waveney's distinctive environment (7) Support and encourage young people in the District (8) Meet Waveney's accommodation needs through a sufficient supply of good accessible quality housing in the private and public sector for rent and for purchase (9) Improving education, training and learning outcomes for all (10) Improve the well-being and health of people (11) Improved transport and communication.

In order to improve economic and social indicators it is well understood that strong economic growth can contribute to poverty alleviation, increased local wealth and, through this, improved health and social quality of life indicators.

With this in mind a study was undertaken to determine the level and nature of entrepreneurial intensity in the area. The inspiration for undertaking this study came from literature on corporate entrepreneurship, where scholars have been guided by attempts to uncover how companies adopt more entrepreneurial behaviours in order to improve their performance.

METHODOLOGY

Economic and social development papers are usually based on small business research methods and relying on demographic data, such as age, gender and education. There is also a dependence on start-up statistics available from VAT registrations and so forth, when studies use the firm as the preferred unit of analysis as a surrogate for the individual.

For this study a different set of lenses have been used. The lens used is derived from entrepreneurship theory, particularly that used in the assessment of propensity entrepreneurial activity inside a corporate environment. The study is focussed on the individual as the unit of analysis. Here are the theories we explored:

Entrepreneurial intensity was defined by two dimensions; frequency of entrepreneurship and degree of entrepreneurship (Morris and Sexton, 1996). The number of pursued opportunities in a given time frame measures frequency while degree is measured by innovativeness, proactiveness and risk-taking.

Environmental factors

While individuals and teams may have the intent to pursue an entrepreneurial opportunity, one needs also to examine the environment in which individuals and teams are attempting entrepreneurship. This is because we have to assume that there should be a sufficient presence of stimulators and a reduction of barriers in order that people can make the rational choice of pursuing entrepreneurial opportunities.

These are:

The dynamism of the market place (SIC sectors and customers' sectors). The more dynamic the market place the more it is likely that firms (as a surrogate for owners and managers) will be entrepreneurial. Dynamism induces firms (entrepreneurs) to alter their products or market scope by tapping into opportunities (Zahra, 1991)

Environmental hostility seeks to assess the level of competitiveness in the sector from other businesses, products (substitutes and direct competition). The suggestion is that if firms cannot respond to hostility and competitive threats, their entrepreneurial intensity is low and survival will be difficult. In order to survive the threats, it is attractive for firms (entrepreneurs) to adopt entrepreneurship to maintain competitive advantages. (Covin and Slevin, 1989)

There needs to be heterogeneity in the supply chain of firms, customers, suppliers and people to allow for a greater diversity of interchange of ideas, opportunities and resources (Khandwalla, 1977). Heterogeneity can influence profitability for several reasons; by producing opportunities that are easy to perceive and exploit and by creating further opportunities for innovation and to learn from competitors (Zahra, 1991).

Abundance of opportunity is essential for a thriving micro-economy. This can be both real and perceived due to the level of information that may or may not be available (Covin and Slevin, 1991).

The perception of opportunity is an essential element of entrepreneurship, but this has to be validated by real market data. There is extant literature in this area, but which lies outside the scope of this paper. A few of the indicative papers are by Gaglio and Taub, 1992; Hills, 1995; Hills, Lumpkin and Singh, 1997; Schwartz and Teach 2000.

Resources. In addition to intent and opportunity recognition there is another school of thought that suggests that the reconfiguration and recombination of resources allows for enterprise to emerge and succeed (Timmons, 1999). Networks of contacts are also seen as essential resources for entrepreneurs, for the acquisition of other resources, customers and the transfer of tacit knowledge, for example about potential opportunities. (Singh, Hills, Hybels and Lumpkin, 1999)

Human and social capital. People need knowledge and ability to pursue an entrepreneurial career (Shepherd and De Tienne, 2001). This means they have to possess a number of "how to" skills and also both have and make contacts to find resources and customers. Entrepreneurship has been described as a "contact sport" and has to be learnt by doing.

Defining entrepreneurship for this paper

Entrepreneurship is not for everyone. We come to this from the rather obvious position that an entrepreneurial career is not for everyone, that it is a minority that may have an interest in such a career. Therefore it was important to find the hotspots of enterprise and focus on those while being imaginative about policy for those people and institutions that were not interested in enterprise.

There is a vast array of definitions to choose from: Entrepreneurship is about the process, attitudes, the Entrepreneur is about the person who does it, Enterprise can be about the culture, a generic term or to describe a business unit.

For the purpose of this paper we borrow from GEM (Global Entrepreneurship Monitor, see www.gemconsortium.org), the terms necessity entrepreneurship and opportunity entrepreneurs, where necessity is due to under- or un-employment and opportunity is intentional and oriented to building a business.

Why do people do it? Again many theories exist, but the two most important theories are those of Kirzner (1973) – who suggests that entrepreneurs are those who spot opportunities and bring about market equilibrium through trading and arbitrage. Schumpeter, on the other hand (1934), suggested that entrepreneurs create market disequilibria by inventing new products and processes

Enablers and barriers

We further assumed that local enterprise development institutions need to be able to support entrepreneurs and business development. This has been a major part of UK government policy for many years with mixed results (Vyakarnam and Adams, 2001)

The barriers to entrepreneurship in Lowestoft and Waveney are many. At a high level these are cultural. For example, local communities may send out negative signals thus suppressing entrepreneurial intent. The erosion of self-confidence, the lack of opportunities (perceived or real), networks without strong connections into the market place and local agencies that have an oversupply of competing initiatives are just some of the barriers that may be encountered.

The existence of institutions and their senior managers can be either helpful or a serious barrier to entrepreneurship because nascent entrepreneurs and fledgling businesses need an environment in which they can survive. Thus an encouraging rather than a hostile environment needs to be established. New ventures or diversification from current practice into new areas requires a supportive infrastructure.

METHODS

A telephone survey of 200 households³, based on the UK Household Survey of Entrepreneurship of 10,000 households conducted for the Small Business Service (2002). This is largely an attitudinal survey that also checks for nascent enterprise.

Face-to-face interviews were conducted with 41 individuals from business, support agencies, local government and the Member of Parliament for the region. These interviews were conducted with the help of questions derived from the literature and carried out by a team of six researchers to a pre-determined semi-structured questionnaire.

An extensive survey of policy papers, academic research papers and web searches supported the study.

All of these were brought together in focus group meetings to check out the assumptions, theories and recommendations, with the help of potential local champions for enterprise promotion.

How does this study compare with other similar projects?

The GEM (Global Entrepreneurship Monitor) paper attempts to measure what it describes as the Total Entrepreneurial Activity (TEA). This is a measure of start-up activity in terms of intentions and actual. It is supplemented by interviews with people who know what is happening in a particular country. The combined

³ Conducted by IFF Research in London. They have the expertise and resources for this type of work.

indicator is then given a numerical index and correlated to national GDP. Some statisticians and economists argue that it is not possible to make a causal link of TEA with GDP as there are too many variables. They may be right. It is also true that very early research on smoking-related diseases met with the same scepticism. For the purpose of this paper we must retain an open mind. The 2002 GEM survey was based on 16,000 phone interviews and 68 face-to-face interviews.

The Small Business Service Household survey (2002) sought to benchmark the level of entrepreneurial activity in the UK, so that the SBS could measure progress as new small business friendly policies were implemented. The focus of the study was on attitudes and entrepreneurial intent. The survey was based on 10,000 phone interviews and cross-checking of information against existing academic literature.

The Sample Profile

The table below shows the distribution of age and gender in the Lowestoft and Waveney sample, and similar figures from the National sample. A breakdown of the Lowestoft and Waveney population by ethnic origin is not included as very few respondents interviewed were not white (<5, i.e. 2 identified themselves as black and 1 as Asian).

Table 1 Demographic profile of Lowestoft and Waveney population, and comparative details of the National sample

	Lowestoft and Waveney	Lowestoft and Waveney	National Sample	National Sample
Age	N=200	%	N=5872	%
16-24	18	9	797	14
25-34	40	20	1620	28
35-44	49	25	1524	26
45-54	48	24	1129	19
55-64	45	22	778	13
Male	85	42	2671	45
Female	115	58	3201	55

FINDINGS

The overview is that there is potential for turning Lowestoft and Waveney into a more enterprising area. The positive attitude and experience of the people involved in enterprise support, the schools and other agencies is encouraging.

Local firms, large and small may not be the place to look for inspiration, but if they can be helped to be more successful that could make a difference.

Enterprise Champions

It is clear that there are a number of individuals who are working hard to make a difference in the Lowestoft and Waveney area. They work in the not-for-profit sector, in schools and colleges, in enterprise support agencies and in businesses.

This is a wonderful local resource that is available and with appropriate support can make an increasing difference to the challenges that lie ahead.

Lowestoft and Waveney, like so many areas that are devastated by industrial restructuring, has acquired a negative aura.

Uncovering entrepreneurial intensity

In schools

- The Entrepreneurial Spirit Programme at Kirkley Community High School, reducing permanent exclusions and non-attendance
- Silent Majority programme, with the support of several organisations to provide business mentoring to students
- The Suffolk County Council adviser, who is seeking to scale up some of the successes among 14 – 19 year olds
- Denes High School is applying for Business Enterprise College status and runs the Workwise scheme – to learn about problem-solving and team-building
- Birds Eye sponsorship of a food technology course
- At Benjamin Britten High School, there is an increase in vocational skills training pertinent to local businesses; they are seeking to build a youth business/technology centre and are seeking to initiate a pathway to students interested in entrepreneurship. They also take part in the Young Enterprise Scheme.

In enabling agencies

- The Prince's Trust provides grants and loans, though this is not easy
- The number of women approaching the Prince's Trust has gone up from 28% to 40% seeking assistance over three years
- The Framlingham Farmers co-operative is being more entrepreneurial about the way it supports its members, with increased sharing of machinery, skills development etc
- There are good examples of rural enterprise with increased barn conversions to new uses
- Suffolk ACRE's Suffolk Community Enterprise project, which promotes and supports community enterprise. Two start-ups, Beccles After-School Club and SideStep Woodcraft Limited, are among those who have benefited from the project.

Among businesses

- There is a stable group of enterprises in the area, with some good brand names that operate on a national basis, such as in brewing, tourism and leisure, food processing and engineering. There are also examples of local success stories, such as Fragrant Sense, which has grown from a one-woman start-up to employing 47 people on a full- and part-time basis.
- The good news in the business sector was combined with some health warnings about the general lack of innovation among them.

Incubators and business centres

- The Best Start Programme has been called "brilliant", and positive remarks were made of the Chamber of Commerce and the various enterprise support agencies that operated in the area

- Business Centre occupancy is another positive indicator of entrepreneurialism in the area. For example:
- North West Suffolk Business Centre, set up in 1999, has 75% occupancy
- Riverside, established in 2001, has 100% occupancy
- Lowestoft Park, still being built, is already 100% let
- Beacon Innovation Centre has let 11 units (no percentage recorded)
- This high level of take up has overcome much apathy in the community about the viability of business and incubation centres
- Framlingham Technology Centre, where 24 businesses have been supported and 77 products developed since its establishment in 2001.
- There has been increased networking between businesses within the centres leading to business opportunities and exchange of ideas as well as providing businesses with credibility and shared resources.

Waveney District Council and other Government agencies

- The main success story has been the ability of the officers of WDC to secure large grants from the European Union and other sources for the development of the area. These are complex sources of funds and therefore not easy to disburse. However, the big picture is that some £38 million is available over some five years for economic and social development. Some of this is for redevelopment of market and trading areas of Lowestoft, some for roads and other infrastructure, some for enterprise development.
- A notable success has been the Lowestoft air show that has attracted very large numbers of tourists into the area and was made possible through a grant subsidy.
- The challenge remains for those in charge to find ways of making the funds available in a timely manner due to the lack of resources to manage so many programmes.

IT IS NOT EASY

For entrepreneurship to flourish, in the form of increased start-ups, survival and growth certain barriers have to be removed to provide an incentive to individuals to take the bold step needed. In the Lowestoft and Waveney area, the barriers and issues that need resolving are:

Physical barriers

Geographic dislocation, further constrained by no dual carriageway & third crossing; not all business saw this as an issue. Lack of transport within the region is a major infrastructural barrier – especially for the young – reinforces isolation and “inward looking nature/attitudes of community”. However, local businesses did not see this as too much of an issue as they traded locally. Firms trading outside the immediate area saw this as a problem, as did the people who did not have easy access to transport.

“It took me three hours to get to the training event and three hours to get back. But the training event was for just one hour.”

There is insufficient access to incubators/business centres – Riverside etc., the exception rather than the rule. The built infrastructure for business is poor. With

increased levels of self-employment there is a growing need for broadband connections.

ATTITUDES TO ENTERPRISE

In order for an entrepreneurial culture to exist people in an area need to be favourably disposed to it. The findings below paint a mixed view, based on the telephone interviews conducted with 200 respondents. We have also compared this to national data from an earlier study.

On the whole there is little difference on enterprising traits and the self belief about having the creativity and skills to make things happen. But there is a significant difference when compared to the national picture on people's attitude to the challenges of risk and whether they would encourage others to go into business.

The picture in Lowestoft and Waveney is that there is a fear of risk and that on the whole people would not encourage others to go into business.

Table 2: Attitudes to entrepreneurship in the Lowestoft and Waveney population, and comparative National results

	Agree %		Disagree %		Mean	
	Lowestoft	National	Lowestoft	National	Lowestoft	National
Base: All Respondents	N=200	N=5872	N=200	N=5872	N=200	N=5872
KEY ENTERPRISING TRAITS						
Imaginative/creative	72	79	20	16	3.8	4.1
Make plans happen	75	76	11	15	4.0	4.0
Prefer others to lead	35	35	56	57	2.7	2.5
ATTITUDES TO RISK AND DEBT						
Handle uncertainty well	66	67	25	27	3.6	3.5
Enjoy challenge of risk	49	65	40	27	3.1	3.5
ATTITUDES TO BUSINESS						
Encourage others	58	76	24	15	3.4	3.9

Aspirational barriers and enablers

This section summarises the views of 41 respondents regarding the enablers and barriers of the area.

There are low aspiration levels – for individuals, family, business – a general culture of “apathetic defeat”, “an expectation of failure”. The low educational levels and aspiration is compounded by aspirations to displacement enterprise requiring a low or unskilled labour force.

There is a dependency culture on Government and on large companies to provide employment and opportunities, where Entrepreneurship not even considered a career option by young people, although awareness of this is improving.

But there is a lack of any effective role models and lack of profile in the business and wider community with insufficient visibility of existing successful case studies

The informal business economy – has created a low-cash society and commercial environment.

Lowestoft and Waveney is focussed on the “glory of the past” rather than the “potential of the future”. This is because the area has suffered from two declining industries in the past thirty years; fishing and the oil industry.

The 18 – 40 year olds either leave and don’t come back or drive to Norwich/Ipswich each morning and conduct commercial activities outside the region.

There is a low level of entrepreneurship and commercial start-up skills taught in education institutions although the institutions are actively seeking funds and support to change this.

Levels of entrepreneurial activity in Lowestoft and Waveney compared to the National picture

Table 3: Comparing the population of Lowestoft and Waveney by entrepreneurship sub-groups: Doers, Thinkers and Avoiders with the national sample.

	Lowestoft and Waveney %	National %
Avoiders	79	70
Doers	11	18
Thinkers	10	12

There is a greater proportion of people who would prefer to avoid entrepreneurship in Lowestoft and Waveney compared to the rest of the country.

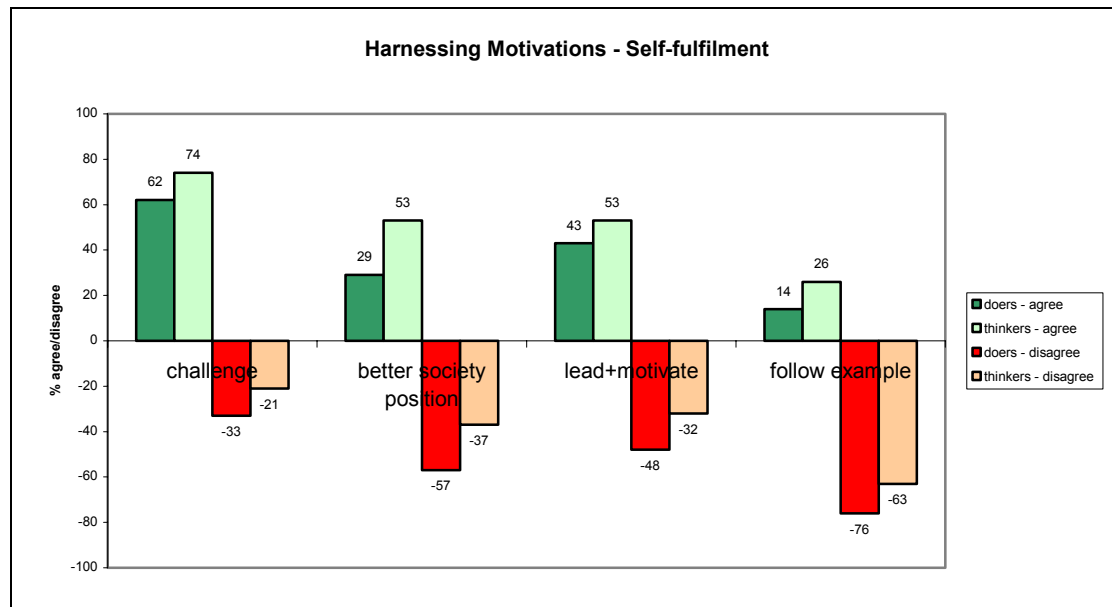
Entrepreneurial activity of individuals in Lowestoft and Waveney is concentrated mainly in finance, manufacturing, services and construction. There are greater levels of finance and manufacturing by entrepreneurs in this region compared to the National average, but less retail and distribution than seen in the National sample.

Cultural barriers

Respondents indicate (Figure 1 below) negative views more strongly than they do positive views. They agree that they might be motivated by challenge but a strong negative view can be seen for “improving their position relative to society; aspiring to lead and to motivate and to follow the example of others.

In some societies this suggests a fear of envy from those around them. Whether this is the case in Lowestoft and Waveney is not apparent in the data. The findings do raise an alarm on developing projects based on role models and mentors although there was a call for these approaches by others in face-to-face interviews.

Figure 1: Harnessing motivations – Self-fulfilment of doers and thinkers in Lowestoft and Waveney



THINKERS

The 19 "Thinkers" – those that had an intention to pursue an entrepreneurial career were then tele-interviewed about their motivations and abilities.

The highest motivator is the desire for autonomy and freedom together with economic self-improvement.

The self-perceived indications are that the respondents have general business or management skills, but lack more specific experience of entrepreneurial skills of starting a business. However, they also indicated that they were aware of what the next steps were and had given serious thought to starting, hesitating only because of fears based on lack of security if the venture failed.

Of the 13 respondents who said they knew their potential customer profile, the majority suggested that their customers would be local; that they are likely to be customers or employers although they also expected to win new customers. Respondents are, in the main, clear about who their suppliers are likely to be or feel confident they can find supplies if needed.

Almost all thinkers believe they will face competition. Eight (of 19) expect to work on their own, the rest expect to employ some people or set up as part of a team with no further employees. They have done some research in readiness and carried out other tasks such as seeking premises, equipment, worked on a business plan and saved some money. However, they have not yet secured funding.

Of all the thinkers there were a subset of 11 serious thinkers – these were people whose intentions were matched by a number of preliminary actions. For

example, they had thought about how much money they needed to get started and anticipated year one pre-tax turnover.

Start-up funds required		Anticipated turnover	
Up to £5,000	1	Up to £5,000	1
Up to £15,000	4	Up to £10,000	1
Up to £25,000	1	Up to £25,000	2
More than £50,000	1	Up to £50,000	3
		Up to £100,000	1
		Don't know	10

In summary, they seemed to need very little to get started, suggesting micro-business/self-employment start-ups.

Thinkers were probed on their awareness of organisations offering business support and on the whole out of 19 people most institutions were named by 2 – 3 respondents, including the bank, Prince's Youth Business Trust, Enterprise Agency, accountants, Business Link, Trade Association, Dept of Agriculture, New Deal Contractors and other

For those who were thinking of going into business, what were the perceived or real barriers?

Table 4 : Barriers to starting a business

Barriers	Number of respondents
Difficulty in obtaining finance	6
Losing security of current job	5
Not knowing how to start	4
Hard work involved	4
Have promotion prospects in the current job	4
Not having an idea	3
Not having necessary skills	3
Losing income from current job	3

Financial security is clearly the main issue, when combining the difficulty of obtaining finance with the risks of losing the safety of the current job.

DOERS

There were a very small number of doers who were not self-employed but they were in business with a member of their family.

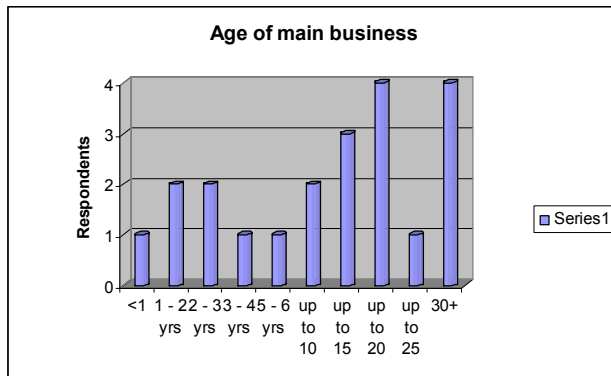
Of the 21 doers, almost all were spread evenly across all the sectors:

Agriculture/Fishing	1
Manufacturing	3
Construction	4
Wholesale/retail	1
Finance/Business activity	4
Education	1

Health and social services	2
Other services	2
Don't know	3

The nature of businesses captured in this study are reflected in the graphs below, by age, number of employees and sales turnover.

Figure 2: Age of main business



Of the 21 doers, only 7 are VAT registered ; 9 are sole trader;9 are partnerships; and 2 have limited companies .

Figure3: Number of employees

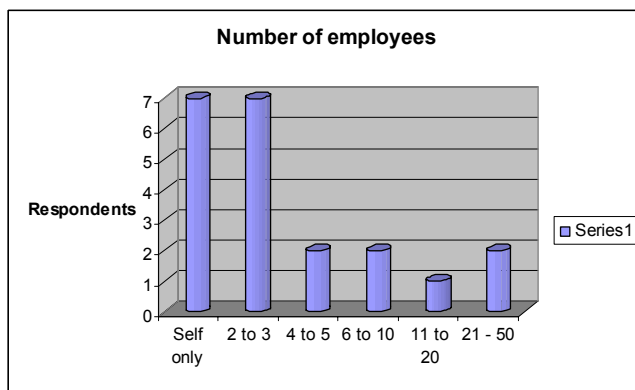


Figure4: Sales turnover

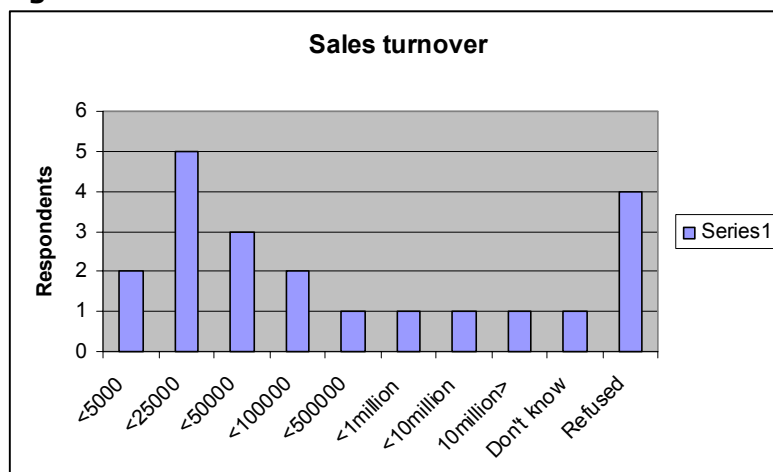
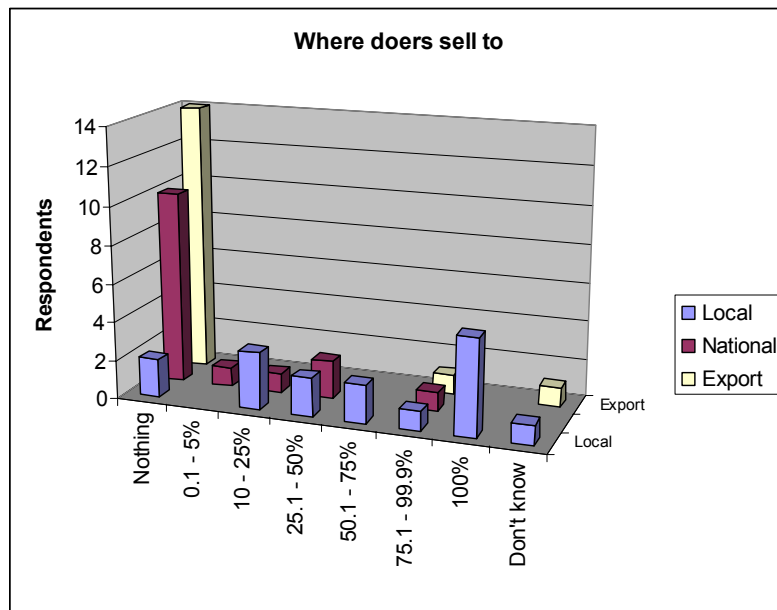


Figure5 : Where doers sell to



Doers have a spread of views between facing considerable competition and operating in a sector with low competition. They may not be fully aware of what is in the environment as there is low membership of the Chamber of Commerce and Trade Associations, with low attendance per year of events organised by these organisations .

Out of 21 doers, 15 have used banks and accountants for business support, while the take up of support from Enterprise Agencies, Business Links, Trade Associations and the Dept of Agriculture is minimal (1 – 2 respondents) .

Out of 21 respondents (doers) here is a summary of their experience and ambitions

- 6 started their businesses from scratch
- 2 inherited their businesses
- 5 took around 6 months to get started, one took over 2 years
- 9 started businesses based upon previous employment
- 6 intend to take on employees – but 15 do not
- 1 expects to reduce the number of employees, but 12 do not
- 16 are planning to increase their sales turnover
- 4 expect to scale down their businesses
- 1 expects to sell the business
- 5 expect to pass the business to a family member or colleague
- 6 are planning to expand into new markets
- 20 enjoy being in business (always – 8; mostly - 8; sometimes – 4)
- 4 believe they bring their motivation/ambition/drive/initiative/enthusiasm to business
- 6 believe they bring determination/perseverance
- 13 bring other qualities – not disclosed.

AVOIDERS

Those who did not think that enterprise was for them were asked about their enterprise experience, if any, and what barriers they perceived got in the way of potential entry to entrepreneurship. The vast majority (148 respondents) had no experience of enterprise at all. A handful had previous experience over a period of the past twenty years. However, 99 out of 142 believe they are, and 39 think they are not, capable of running a business.

14 of the respondents have considered starting a business. The reason for non-continuation is not clear but here are the perceived barriers by the group as a whole.

The fear of debt, risk of business failure and difficulty in obtaining finance for business start-up are the major barriers. These are clear indications that a lot of work has to be done to overcome these barriers.

Complexity of regulations, and fear of losing income from present employment and the risks to security were the next set of barriers.

Attitudes and perceptions were then developed by seeking to understand what people actually did, that was either innovative, risk-taking or proactive in their jobs. In other words, irrespective of business start-ups was there any evidence of entrepreneurial behaviours?

Respondents had made some suggestions, but were not about to become proactive in leaving a job or borrowing money for a venture.

INSTITUTIONAL AND CULTURAL CHALLENGES

This next section summarises the face-to-face interviews, about the leadership, institutions and other issues that form the local environment.

Leadership Vacuum

Perhaps the most relevant barrier to the regeneration of the area was expressed by some of the interviewees who suggested that there was a leadership vacuum, where, political and business leaders locally provided no clear future-oriented vision for the region with no-one leading it toward that vision

Agency support is very start-up centric with little support from agencies or the local council for SMEs – in fact council and regulations are restrictive / unresponsive, particularly with regards planning applications.

On a regional level, it was felt that EEDA (East of England Development Agency) being Cambridge-based is dislocated from the immediate region and is therefore not entirely sensitive to the local needs.

However, there are many agencies operating in the Lowestoft and Waveney area and between them have secured over £38 million in EU grants over a five year period, to improve the physical infrastructure and generated events that have huge leverage (such as the air show) in terms of income generation for local tourism and leisure firms.

INSTITUTIONAL BARRIERS

There is little in the form of a collective approach/strategy from the many agencies offering co-ordinated assistance. The funding and advice does not reach the individuals targeted and the perception is that many of the agencies lack quality advisors ("failed business people" stigma) and that there is "no clear signpost" for would-be entrepreneurs

Women, youth and elderly especially impacted by the above.

It is too difficult to apply for grants / business support funds. Many entrepreneurs cannot afford the time to fill out the huge documents. The process to funding potential start-ups needs to be much easier, although there is an EU-funded scheme to assist with this

The rural community is being forced to be entrepreneurial as conditions in agriculture are so difficult, but they find that the local authorities are positively against helping them with entrepreneurial ideas like converting barns into offices or storage facilities. They also recognise the need for broadband telecoms infrastructure.

Schools have to contend with the national curriculum, which sets very firm targets for them to achieve and provides little scope or motivation for extra-curricular activity such as enterprise.

SOCIAL FACTORS

The views expressed by the interviewees provided strong support for the independent telephone interviews especially the fears and barriers expressed by the 148 "avoiders".

Fears

There are some fears of failure in this environment, for example a real fear of debt, no education how to handle money, no understanding of process to obtain it, "institutions make themselves institutions". Further there is a fear / reality of losing benefit if they embark on own business.

Financial literacy

Ability to obtain finance – banks are seen to be incredible barriers, agencies and grants very process-oriented (even for small amounts) – major barrier: "all too hard". Regulations are daunting especially tax and employment related – and professional advisors "not user friendly". Not enough mentors or role models to seek guidance from

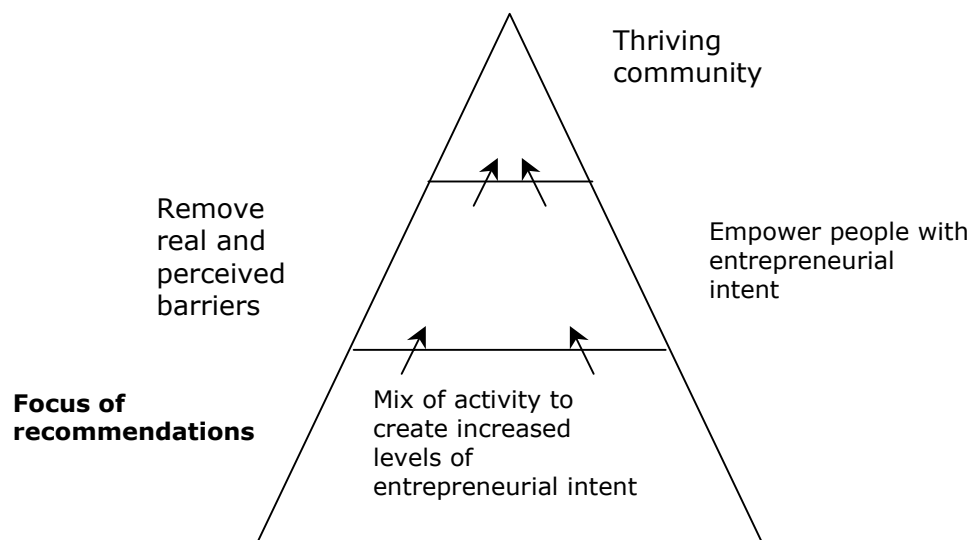
Mindset

Entrepreneurship or attitudes to it non-existent – just doesn't cross the mind as an option, nor is it part of the local vocabulary. Young people no longer taught to think laterally or 'outside the box' and teaching methods need to change to engender this. Attitude of teachers towards entrepreneurship also needs to change from 'money grabbers' to 'people who create wealth'

Education of entrepreneurship currently non-existent – although positive intentions to improve with local schools and colleges having recognised the issue

RECOMMENDATIONS

The recommendations set out here are based on an extensive study of Lowestoft and Waveney and consultations through focus groups, which were based on the findings of the study. They focus on building from within the community and set out a challenge to the leadership of the area to respond to the needs and to take responsibility for the development of a thriving community, based on entrepreneurship and a forward-looking policy and planning environment. The detailed paper is available through www.transitions.co.uk.



AGREE LONG-TERM VISION FOR THE AREA

Lowestoft and Waveney (L&W) needs to be developed around a long-term vision, with a particular emphasis on a resource-based view of the area and it was felt that the leadership for L&W needs to come together in exploratory ways to develop:

- Port-enabled enterprises
- Heavy and light engineering skills – for example, through alternative energy, wind farms and so forth
- Rural enterprises based on imaginative use of farm buildings, by easing planning criteria
- Tourism and leisure.

This would require the active participation of people from local areas and from institutions with the appropriate level of expertise to facilitate a realistic view of the way forward. In addition to a resource-based view, which takes into account what there is now, it is necessary to develop new areas of expertise.

Leadership and implementation

This study has identified over a dozen individuals (enterprise champions) who have been successful in both instilling and implementing entrepreneurial programmes and projects as well as stimulating business start-up and expansion. It is strongly recommended that these people be engaged in the next stage of visioning and developing active strategies to stimulate solutions for the promotion of an entrepreneurial culture in the L&W area. In order to help implement the vision, it will be necessary to delegate to, or create a sub-group of stakeholders to manage, the budget and responsibility for action.

In addition to economic entrepreneurs who have been successful locally, there are many social entrepreneurs, especially in the schools. Everything must be done to encourage and empower these enterprise champions to scale up their levels of activity.

Perceptions

L&W has a bad press due to its presence on poverty indicators, remoteness from commercial activities and the decline of fishing and oil industries. It is time to address this perception by highlighting the presence of entrepreneurial people and institutions. The management of perceptions should be an important step in creating and sustaining a long-term vision for the area. A range of activities and initiatives to promote local successes, raise awareness of entrepreneurship as a positive alternative and encourage aspiration is recommended to accomplish this.

Local success stories

This study has highlighted the fact that there is enterprise in L&W, for example, the Millennium project, the over-subscription of the enterprise centres, the regeneration of Lowestoft that is proceeding at present and so forth.

It is imperative to build on these stories and on the many more that local knowledge will reveal. One of the best ways to disseminate these stories might be through the oral tradition. For example, we learnt that there are regular talks on the past glories of fishing. One-way forward would be to make allies of local presenters and get them to tell stories in looking toward the future as much as reflecting on the successes of the past.

This re-emphasis of the agenda is important given the significant role of English Heritage, local museums, countryside lobby groups and others, all of whom help to sustain the past.

Encourage aspiration

The perception of entrepreneurs, directors and business people generally also need to be addressed through a combination of education and publicity. The negative view of business failure, entrepreneurs and wealth needs to change in favour of enterprise. In areas such as L&W, where entrepreneurship as defined by self-employment is a necessity, the objective would be to raise aspirations to seek business ideas that go beyond displacement enterprise (window-cleaning,

gardening and other enterprises with low barriers to entry and severe competition).

Education

Education plays a crucial role in the long-term sustainability of changing the local culture. The secondary schools and colleges we interviewed have shown initiative and personal dedication in addressing the issue of entrepreneurship. They must be supported through imaginative and bottom-up planning approaches, thus providing them with resources to make a real difference.

It might be worth considering how to mimic the technology transfer/entrepreneurship education approaches being taken in universities and adapting it to the needs of the local population. The vision would be to spread the can-do spirit to all students and staff and provide resources, infrastructure and support to enable people to realise their goals.

Promote schools' success stories

As noted already, there is much to be proud of in the area and the schools' efforts are among them. These should be promoted more actively, for which the schools need to be resourced. The leadership of L&W needs to develop plans for accessing resources that can be used by schools.

Support schools' existing initiatives

Building on the momentum of success is perhaps going to be the most rewarding programme. The schools can be connected to national, regional and international networks to help raise the game, the First Lego League competition⁴; Real Alchemists Boot Camp⁵ to name just two examples.

The schools, especially the people behind the initiatives, could be linked to the Ashoka Trust, that has built an excellent reputation around supporting people to scale up their good work in social and environment enterprise.⁶

Teach business skills and entrepreneurship in schools and colleges (FE and HE)

The focus of this has to be on the practice of doing business and entrepreneurship and would include the ability to network with people, access information, find markets, remain alert to opportunities, acquire selling skills, improve communication skills.(Timmons, 1999)

In addition, students will need to acquire knowledge of how to prepare plans (needed to borrow money), accounting for them, marketing and selling, hiring and firing people, complying with government and other aspects of doing business that is currently already provided by local agencies. (Schwartz and Teach 2000)

⁴ <http://www.firstlegoleague.org/sitemod/design/layouts/default/index.asp?pid=0> is being promoted locally by Andrew Mitchell at BT Adastral Park.

⁵ <http://www.cec.cam.ac.uk/teaching/brochures/teaching/alchemist/index.html>

⁶ <http://www.ashoka.org/home/index.cfm>

Support development of links between schools and businesses

Formal education provides knowledge of theory and practice in artificial conditions. The transfer of tacit knowledge is essential for a more rounded view of what it takes to be in business and this is best achieved via interaction between business and students. Equally, there are ways in which businesses can benefit by this interaction. L&W should create a consultation process for schools and local businesses to engage in discussions on how greater communication and opportunities for interaction can be brought about. (Gaglio and Taub, 1992; Singh et al 1999; see also www.dfes.gov.uk/skillsstrategy)

Access to information and support services

Once the entrepreneur has identified an opportunity, s/he needs to be able to assess the feasibility of the venture, find and access information and resources to go forward. At this very early stage in the life of the enterprise there is scarce resource to pay for the right information and to be connected to the right suppliers and potential customers. It is in this context that the call for a more effective business support system should be viewed.

The “over-supply” of initiatives in enterprise support is well documented, as indeed is the call for greater co-ordination of agencies. It is not that there are too many initiatives and agencies that is alone the issue. The difficulty is compounded by the disconnection between the managers and staff of the agencies in terms of trust and desire to work to a common goal.⁷ It is only when a “golden-chain”⁸ of staff and managers of all these agencies can come together towards a common purpose that the entrepreneur will get a good deal.

Take it to the people

The low take-up of initiatives is due to the confusion caused by over-supply, the credibility of the agencies promoting various schemes, the stop start nature of funding led initiatives and the bureaucracy to take up initiatives necessitated by the funding sources.

At the best of times it takes a particular skill set to access public-sector support, but in L&W, where educational attainments and suspicions exist, the challenges are greater than elsewhere. It is necessary to reach out to the “customers” through more imaginative marketing and promotion activities, to become proactive in signposting and delivering benefits of the support.

Tailor advice to the sector/business (e.g. farmers)

Successful entrepreneurship is thought to be path dependent – in other words the nature of resources, background experience and routes to market are likely to

⁷ Vyakarnam and Adams – Environment and Planning C: Government and Policy 2001, vol. 19

⁸ Gill et al; Funding Technology, available for free download via www.cec.cam.ac.uk/research/index.html

influence the way the business will be created and taken forward. This means that advice, funding, knowledge and skills also need to mirror the business.

For agencies, the implications are that well segmented effort needs to be put in place, for example with farmers, small rural enterprises, engineering, services and so forth. This effort should be considered in terms of the actual schemes of assistance and in terms of the expertise of the advisers.

Growing and established businesses need support with access to markets/customers by enabling networking, communications and marketing. The low levels of innovation could also be addressed by supporting more spend on R&D. Local purchasing policy for local government needs to be strengthened.

Provide mentors

In order to move signposting and advice to the next level of quality it is suggested that an active mentoring scheme of the sort provided by the Princes Youth Business Trust⁹ be investigated on a wider basis¹⁰. Mentors could also take a more developmental role, beyond formal advice and information sharing. To gauge the level of mentor support available in the local business community, the support agencies, who already provide well-received advice, might initiate a pilot programme.

FINANCE

The indication in the L&W study is that there is a great fear of debt and that the banks are unhelpful to micro-enterprise. From the perspective of the micro-enterprise, where very small sums of money are required to get a venture started, the fear of debt is compounded by the difficulty of making the transition from unemployment into self-employment, especially because the risks of venture failure are high. In recognition of this dilemma for very small and micro-enterprises there have been several initiatives that are now of a global nature that might be helpful in L&W:

Provide easily accessible micro-finance

Credit Unions that combine savings schemes with micro-lending in close-knit communities where credit risk is better known and is shared among family and neighbours.¹¹

On a similar theme – revolving loan schemes (also known as ROSCAs) have been set up for particular communities, such as female enterprise¹² for poverty alleviation¹³ and social and economic development.

In the UK, Housing Associations have a close link to their tenants and owner-occupiers. It may be possible for such Associations to make the links between

⁹ <http://www.princes-trust.org.uk>. Lowestoft College has received two awards from the Prince's Trust recognising achievement and commitment on its Volunteers Programme for 2002.

¹⁰ <http://www.mentorsforum.co.uk>

¹¹ <http://www.urban.odpm.gov.uk/publications/gp/sustainable/13.htm>

¹² <http://www.grameen-info.org>

¹³ <http://www.alternative-finance.org.uk/cgi-bin/summary.pl?id=83&language=E>

the formal banking sector and the borrowers. There may also be other not-for-profit organisations with good access into the community that can take on the role of lender, especially for economic activity.¹⁴

It is recommended that the L&W leadership convene a conference of experts in the area of micro-finance and initiate a long-term strategy for the provision of credit, with appropriate mechanisms for the alleviation of the fear of debt. (Please see reference to information in footnote 8 from the Office of the Deputy Prime Minister.)

Agency support

There are indications in the data and from the interviews that there is a need for debt counselling and business advice.

Access is needed to clear information for sources of finance, financial and debt management.

Practical and confidential advice already being supplied by the Citizens Advice Bureau and others needs to take account of the convergence between personal and business debt. Frontline staff dealing with these issues may need to be consulted and trained.

Transition from benefit to self-employment made easier

A great deal of consideration needs to be given to the transition from benefit to self-employment. The Employment Allowance Schemes (EAS)¹⁵ of the 1980s offers a model that might be emulated. These enabled people to make the transition into self-employment through grants that were roughly equal to unemployment benefit.

There are sufficient sources of funding into L&W (for example, the under-subscribed ESF) for the economic development partnership to explore the possibilities of setting up a scheme that draws on the experience of EAS and subsequent improvements. This issue needs to be given priority and the leadership in L&W needs to apply creative thought to how this can be achieved, perhaps linking it to the issue of micro-finance.

National and local government taxation made lighter

It would be surprising if interviewees did not ask for lighter taxation. This issue is about the process of paying taxes as much as it is about the amount of tax. While amounts are determined at Westminster, agencies can play an active part

¹⁴ <http://www.alternative-finance.org.uk/cgi-bin/summary.pl?id=69&language=E>

Strategies for developing viable microfinance institutions. Much work in micro-finance is focused on the creation of new specialist micro-finance institutions, or on ways in which commercial banks can become involved. This paper focuses on ways in which other types of existing institutions, and in particular agricultural development banks, can develop viable and sustainable micro-finance activities. The paper suggests and describes three ways in which this development process can take place; the formal finance and institutional transformation approach, the non-formal financial institutional upgrading approach and the sound practices approach. The three short extracts describe one example of each.

¹⁵ Vyakarnam and Jacobs conducted several evaluation studies of these and related schemes, see e.g. <http://www.vyakarnam.com/policy.htm>

in making it easier for people to pay their taxes. This might be done through holding regular surgeries – perhaps by subsidising local accountants and tax advisers to provide independent advice and support with form filling for those who lack confidence in doing so.

INFRASTRUCTURE

L&W can be aggregated into a sub-regional agenda with Great Yarmouth to benefit from an enlarged view of the need for infrastructure. (Cf. EEDA's *Prosperity for All 2010* via www.eeda.org.uk)

Transport improvement, both roads and public services were seen as essential to improve the prospects for the area. This has been well catalogued in studies on Suffolk and is outside the scope of this paper. There is need for continuing the increased supply of broadband. The leadership of L&W might consider a bold initiative to find ways to stimulate increased use of this technology, for example, by developing projects and programmes that actively engage the community in fun ways.

Create centres of excellence (clusters, incubators and enterprise centres) linked to inter/national partners and co-ordinated with schools

One way to bring to life a long-term vision to encourage entrepreneurship in L&W is to link centres of excellence with incubator facilities, mentors, local businesses and schools and colleges. These centres of excellence could be linked to institutions outside the area, for example, the University of East Anglia or the University of Essex.

The potential areas of intersection are environmental sciences linking the University of East Anglia with the East of England Energy Group and technical skills from the oil and gas industry. Other areas to explore might be to link up with culture/art/museum studies to develop aspects of tourism and leisure as well as linking with local publishers. This strategy might elicit support from the Regional Infrastructure for Innovation to assist in bringing together UEA/University of Essex/APU and perhaps the Norwich College of Art and Design.

A longer-term development might focus on computer studies, electronic systems design and related subjects or biological sciences to plug into the high-technology effects of Cambridge. The institutions that might be linked into, in addition to the universities already mentioned, include Adastral Park, Felaw Maltings and the clusters of media businesses in Suffolk and Essex.

Ease planning permission red tape to allow conversion of use of farm buildings

It appears that the issue of planning permission has to become more imaginative and in keeping with the requirements of the future. There were too many stories from the interviews where the planning system was cited as being parochial and unhelpful to enterprise. The leadership of L&W should have the opportunity of learning from other, more successful areas on how to enable enterprise development while sustaining the positive aspects of the local environment.

As new homes are constructed, there needs to be an exploration of how the design can allow for working from home as the vast majority of micro-enterprises are based from home. Local land use, ease of growth for local businesses and

becoming connected to the long-term enterprise development strategy all need to be integrated.

Create stronger entrepreneur networks and networking centres

Finally, entrepreneurship requires people to meet and interact to exchange ideas, information and access resources. This is a very important part of building social and human capital in informal ways. The business community of L&W, its policy makers, business advisers, heads of schools and others need to be able to network with one another and with people from outside the area. They need to be inclusive of people who are enterprising but lacking in resources so that they can form relationships, build trust and find ways to help one another to progress.

The networks need to be “nutrient-rich” in ideas and resources as well as in credibility and self-confidence. These networks should not get lost in poor programme implementation, bad choice of role models and confuse needs with wants. It is essential to find local social leaders who can help to make the links, draw people towards the networks and animate/facilitate linkages. These people can also provide for ethical leadership and act as credible nodes of information.

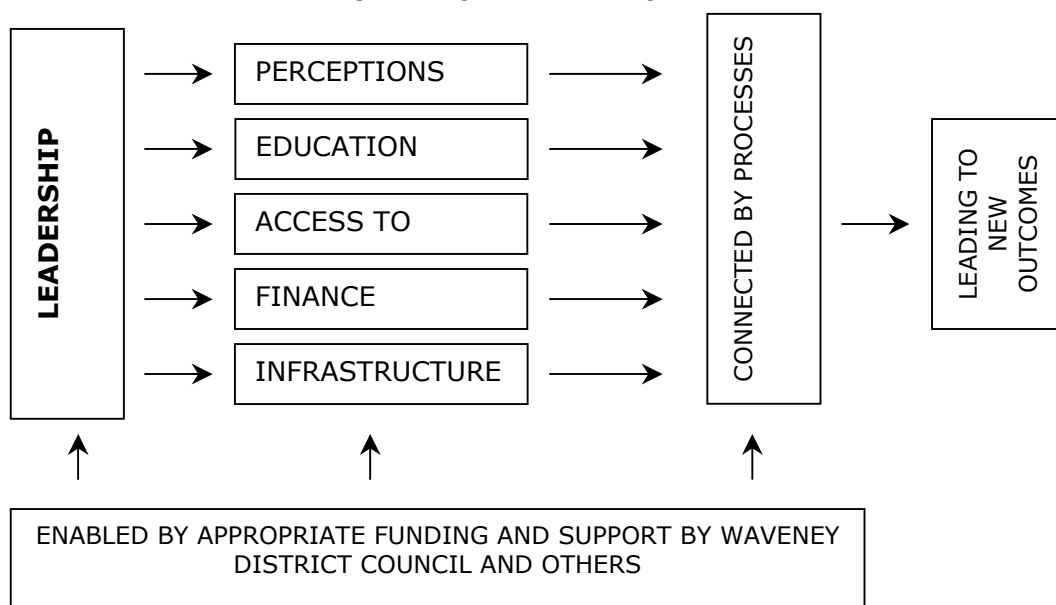
CONCLUSIONS

This study, paper and strategy-making process have been fascinating in many ways. First, it helped to set aside myths and stereotypes that Lowestoft and Waveney was backward. Yes, it is lacking and has many difficulties but, by taking the approach of finding the hotspots we have successfully found people, institutions and examples of success on which it should be possible to gain a momentum to overcome the many barriers.

In addition to the long-term strategy set out through the many recommendations there are a number of “Monday morning actions” that have been identified by the steering group and by those who have taken a keen interest in the research project.

To bring these recommendations together we put forward a model for enterprise development in Lowestoft and Waveney.

Lowestoft and Waveney Enterprise Development Model



Based on the Business Excellence Model

We have learned that it is possible to adapt research methodology from corporate entrepreneurship and apply it to local economic development, by construing the area "as if it is a large business" rather than as a geographic entity. By drawing on entrepreneurship literature and focusing on individuals as the unit of analysis we think we have contributed insights for local policies to be developed.

The research method is exposed to criticism of being an adhoc descriptive study, being self-reported and lacking statistical rigour. While these are valid criticisms we have tried to soften them through the use of multiple sources of data, randomised telephone interviews (200) and 41 influential face to face meetings ranging from the local MP through to heads of schools, local businesses, local councillors, advisers, church representatives and others. We then tested the first cut of results with a steering group and subsequently a focus group to ensure that our results and recommendations fitted into the local context and other previous studies.

Most importantly the creative process of undertaking the study has been well received in Lowestoft and Waveney and it is hoped that real change can be brought about in the years to come.

This paper is based on the bold assumption that an entrepreneurial environment and economic development are linked, in the same way that the GEM project is progressing, so future research in this area will need to account for the links between entrepreneurship and performance. Different conceptualisations of entrepreneurship (Zahra, Jennings and Kuratko, 1999) need to be explored for areas of high social deprivation and poor economic development. These future studies will need to take account of different types of entrepreneurs and organisation because they may influence outcomes (Birley and Westhead, 1990b, Westhead 1995).

The different types of entrepreneurs suggested in the GEM report are "necessity and opportunity entrepreneur; here we have used the terms doers and thinkers to separate those in business from nascent entrepreneurs (Westhead and Wright, 1998a). For areas such as Lowestoft and Waveney these typologies will need to include micro enterprises, self-employment, social entrepreneurs and entrepreneurial managers in public sector organisations such as schools and government departments.

The entrepreneurial processes are hypothesised to be different to those commonly found in entrepreneurship literature and in small business policy reports. Future research needs to investigate these in more depth, as there is a greater need to understand the processes and strategies selected by different types of entrepreneurs (Hornaday, 1990)

Another crucial area for future research is on how entrepreneurs in areas with poor resources and low connection to networks are to operate. How are they to find opportunities, what are the means by which they can recognise growth oriented opportunities and access information and resources to take business ideas forward?

Imagination and multidisciplinary research approaches will be needed to advance our understanding in this domain.

References

- Birley S and P Westhead (1990a) Growth and Performance Contrasts Between 'Types' of Small Firms. *Strategic Management Journal*, 11, 535-557
- Covin J G and D P Slevin (1989) Strategic Management of Small Firms in Hostile and Benign Environments. *Strategic Management Journal*, 10, 75-87
- Covin J G and D P Slevin (1991) A Conceptual Model of Entrepreneurship as Firm Behaviour. *Entrepreneurship Theory and Practise* 16 (1) 43 - 51
- Gaglio C M and R P Taub (1992) Entrepreneurs and Opportunity Recognition. In N C Churchill et al (Eds) *Frontiers of Entrepreneurship Research*, 136 – 147, Babson College, Wellesley, MA.
- GEM (2001) *Global Entrepreneurship Monitor*. Rebecca Harding. London Business School.
- Hills G E (1995) Opportunity Recognition by Successful entrepreneurs: A Pilot Study. *Frontiers of Entrepreneurship Research*, 105 – 117, Babson College, Wellesley, MA.
- Hills G E, G T Lumpkin and R P Singh (1997) Opportunity Recognition: Perceptions and Behaviours of entrepreneurs. *Frontiers of Entrepreneurship Research*, Babson College, Wellesley, MA.
- Hornaday R W (1990) Dropping the E-words from Small Business Research. *Journal of Small Business Management*, 28, 22-33
- Khandwalla P N (1977) *The Design of Organisations*, New York, Harcourt Brace Jovanovich.
- Kirzner I M (1973) *Competition and Entrepreneurship*. University of Chicago Press.
- Morris M H and D L Sexton (1996) The Concept of Entrepreneurial Intensity: Implications for Company Performance. *Journal of Business Research*, 36, 5-13.
- Schumpeter J A (1934) *The Theory of Economic Development*. Harvard University Press.
- Schwartz R G and R D Teach (2000) A Model of Opportunity Recognition and Exploitation: AN Empirical Study of Incubator Firms. *Journal of Research in Marketing and Entrepreneurship*, 2,2, 93-107
- Shepherd, D.A. and D R De Tienne, (2001), Discovery of opportunities: anomalies, accumulations and alertness, *Frontiers of Entrepreneurship Research*-. Babson College, Wellesley, MA:.
- Singh R P, G E Hills, R C Hybel and G T Lumpkin (1999) Opportunity Recognition Through Social Network Characteristics of Entrepreneurs. *Frontiers of Entrepreneurship research*, Babson College, Wellesley, MA.

Small Business Service (2002) Household Survey of Entrepreneurship. Study conducted by Jan Shury, Steve Lomax and Shailendra Vyakarnam. Research Report: rr 005/02 SBS Research Directorate, Level 2, St Mary's House C/o Moorfoot, Sheffield S1 4PQ. www.sbs.gov.uk/research

State of Suffolk (2002). Suffolk County Council, Ipswich.

Suffolk Strategic Partnership (2002) From Vision to Reality. Internal paper.

Timmons J A (1999) New Venture Creation. Entrepreneurship in the 21st Century (5th edition) Burr Ridge IL: Irwin McGraw-Hill.

Vyakarnam S and R Adams (2001) Institutional Barriers to Enterprise Support: An empirical Study. Environment and Planning C: Government and Policy, 19 (3) 335-353.

Waveney Local Strategic Partnership (2002) – Community Strategy. Internal paper.

Waveney District Council (2002) Mission Statement and Key Result Areas. Internal paper.

Westhead P and M Wright (1998a) Novice, Portfolio and Serial Founders in Rural and Urban Areas. Journal of Business Venturing, 13, 173-204

Zahra S A (1991) Predictors and Outcomes of Corporate Entrepreneurship: An Exploratory Study. Journal of Business Venturing, 6, 259-285

Zahra S A, D F Jennings and D F Kuratko (1999) Entrepreneurship and the Acquisition of Dynamic Organisational Capabilities. Entrepreneurship Theory and Practise, 23, 5-10.