

2. YOUNG ENTREPRENEURS

2.1 Background

Research studies on the business start up process and on small business management tend to suggest that the typical age for setting up and running a business is over 30 and in many cases over 40 years. However, increasing focus is being placed in policy and research circles on the position of the younger entrepreneur. High levels of unemployment among some groups of young people have partly fuelled this interest, with entrepreneurship being seen as one way out of the trap of social exclusion. It is also being suggested in some quarters that entrepreneurship might provide an outlet for the talents of many highly educated young people, such as university graduates, in areas such as information technology, biotechnology and other modern industries.

While the potential contribution of young entrepreneurs towards the alleviation of unemployment and the promotion of economic growth and innovation is being increasingly recognised, there is a feeling that this group of people face a series of specific problems related to their youth. Lack of capital, underdeveloped skills in business management, limited market contacts and outdated attitudes on the part of support or finance providers, may act as a brake on the development of young entrepreneurs. This chapter reviews the position of young entrepreneurs (defined as people below the age of 40) in relation to the current provision of support services, identifies the problems that they are facing and suggests some priorities for policy initiatives to support young entrepreneurs.

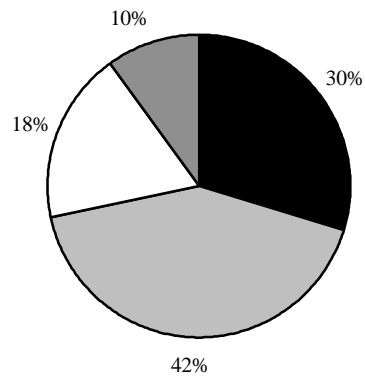
2.2 Support and membership organisations for young entrepreneurs

Charts 2.1 and 2.2 show that young entrepreneurs under 40 years of age represent a minority of clients for the majority of general business support and membership organisations in EU states (72%); by contrast, in CEE countries, half the agencies surveyed reported a minority of entrepreneurs under 40 years old in their client base. It should be noted that these figures exclude organisations specifically concerned with representing and/or supporting young entrepreneurs. In only one third of organisations did young entrepreneurs form a majority of members/clients. Typically, between one quarter and one half of member or client organisations are run by people under 40 years of age.

There is a clear difference between EU and CEE countries in this regard. Just over half of businesses covered by the CEE survey are run by young entrepreneurs, compared with 36% in the EU countries. This probably reflects the relatively recent development of the market economy in the CEE region. Many older people, who have lived and worked under the planned economy system, do not have the skills, training or experience to run businesses. In addition, they may have less motivation to start their own enterprises, having lived most of their lives under a centrally planned system. On the other hand, there is considerable enthusiasm among younger people, coupled with a rapidly developing support system, for entrepreneurship and small business development, which is reflected in these figures.

Chart 2.1: Young entrepreneurs involvement in general membership and support organisations (EU member states)

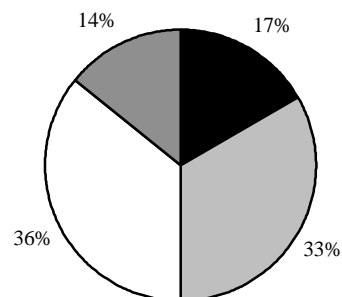
(No. of organisations providing relevant information: 293)



■ 0-25% young members/ clients ■ 26-50% young members/ clients □ 51-75% young members/ clients ■ 76-100% young members/ clients

Chart 2.2: Young entrepreneurs involvement in general membership and support organisations (CEECs)

(No. of organisations providing relevant information: 78)

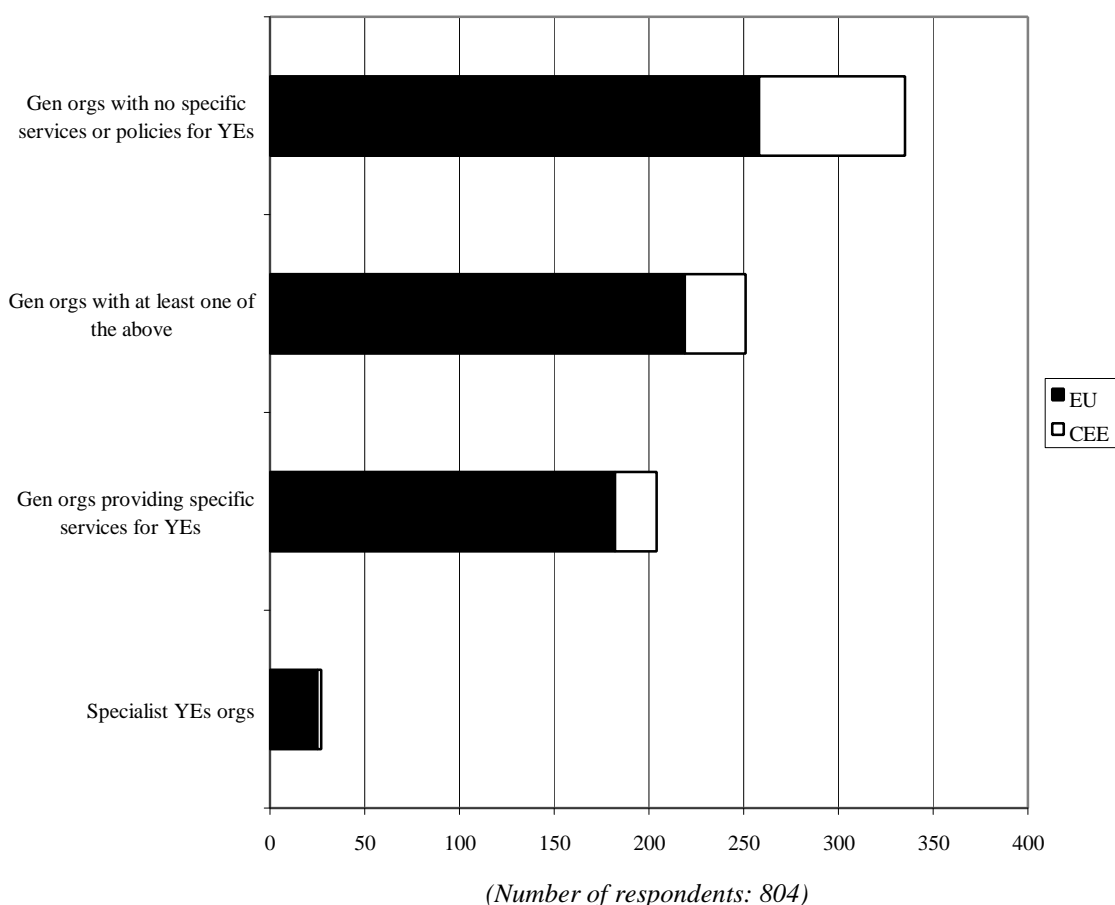


■ 0-25% young members/ clients ■ 26-50% young members/ clients □ 51-75% young members/ clients ■ 76-100% young members/ clients

Chart 2.3 summarises the position of responding organisations in relation to the provision of specific support or services for young entrepreneurs. Organisations are categorised as follows:

- *Organisations that stated that their primary purpose was to support and/or represent young entrepreneurs.* Twenty seven such organisations responded to the survey, 25 from the EU countries and 2 from the 6 CEE countries covered by the survey.
- *General support or membership organisations that state that they provided some services catering for young entrepreneurs.* Just over two-fifths of the 586 general organisations stated that they provided such services, although the proportion was much lower in the case of general support organisations in CEE countries (22%).
- *General support or membership organisations that have a policy specifically concerning young entrepreneurs.* This was the case for 143 organisations (29%). Again, EU organisations are more likely than those in CEE to have specific policies, although the gap is smaller than it is for the provision of services.
- *General support or membership organisations that have a specific department, group or individual dealing with young entrepreneurs.* Just over one quarter of organisations, but only 19% in CEE, had such institutional arrangements.

Chart 2.3: Extent of specific support for young entrepreneurs



In total, just over half of all general support and membership organisations claimed to have arrangements in place.

In the survey as a whole, 126 organisations returned questionnaires in which a specific question regarding their involvement in EU funded programmes was asked, 73 of which stated that they were involved in at least one EU support programme. Six of these organisations supported young entrepreneurs, including two that were involved in the DGXXIII pilot project ‘Eurosources’ which targets potential young entrepreneurs

2.3 General organisations’ support for young entrepreneurs

This section provides an overview of the types of support measures that are provided by general organisations, and section 2.4 examines the activities of the 27 organisations that specialise solely in support for young entrepreneurs.

2.3.1 Support services

In most cases, respondents either provided brief descriptions of the services that they provided, or simply stated that they provided services specifically for young entrepreneurs, without further detail. From the descriptions provided, it is possible to give a broad breakdown of the types of services provided by general support organisations that are specifically targeted towards young entrepreneurs.

- Twenty one respondents stated that that had some form of **link with organisations or initiatives** that provide specific support for young entrepreneurs. In some cases, responding organisations provided finance for youth entrepreneurship organisations; in others they were part of networks or advisory groups; other responding organisations were involved in delivering specific initiatives. Organisations and initiatives that received several mentions include the Princes Youth Business Trust in the UK, the Young Enterprise Scheme in Ireland and the Shell Livewire programme (UK, Ireland, Netherlands, and Hungary).
- Nineteen organisations provide some form of **support for young people to start up in business**, including areas such as assistance with developing and writing business plans and applying for financial support. In some cases (e.g. programmes in France, Germany, Ireland and Slovakia) the emphasis is upon providing information, training and assistance for unemployed young people to start up in business.
- Specific forms of **financial support for young entrepreneurs** were mentioned by 14 respondents. In most cases the information is too general to provide a detailed description, but Sweden appears to have a particular emphasis upon financial support through the ALMI network. Other initiatives mentioned include a loan guarantee scheme in Germany, 60% of which is used to support young entrepreneurs. In Hungary, a local support agency that responded to the survey is planning the development of a micro credit fund with a focus on young entrepreneurs.
- Training and other forms of business **support and advice for established young entrepreneurs** was mentioned by 14 respondents. There appears to be no particular geographical pattern to this type of provision, but it seems clear that the focus on ongoing support is somewhat lower than the attention given to helping young people to start up in business.
- Ten respondents mentioned activities related to **developing entrepreneurship potential within the education sector** (schools, colleges and higher education institutions). Activities included young enterprise schemes (e.g. in Ireland), graduate enterprise programmes, university-based enterprise activities and the encouragement of spin-offs from academic institutions (e.g. in Belgium).

- Finally, the idea of promoting or supporting **networks of young entrepreneurs** has been taken up by a number of organisations, and ten respondents provided some additional details. These include a ‘junior manager’ network in Denmark, a number of ‘young business groups’ in Germany (supported by the chambers of commerce) and a youth section attached to one of the employers’ associations in Hungary.

2.3.2 Policies towards young entrepreneurs

Respondents were also asked to provide brief details of any policies that their organisations had towards young entrepreneurs. This question yielded a varied response, with many organisations failing to elaborate, or simply re-stating the specific services or initiatives in which they are involved. More specific statements revealed three broad types of approach:

- Eleven organisations made clear statements, or provided additional material, that indicated that they **pay particular attention to the needs of young entrepreneurs** in their planning and their general activities. In some cases, this goes as far as specific targeting and in one case positive discrimination. One Belgian organisation stated that particular attention is placed on young entrepreneurs in their research activities; an Irish local development group targets ‘young people at risk’ for support, and in Scotland, a strategy to increase the business birth rate is targeting young people among other groups.
- Some respondents play particular attention to **lobbying activities** aimed at influencing governments and/or the education sector to pay more attention to entrepreneurship and the needs of young entrepreneurs. Examples include a Hungarian business membership organisation which is concerned about excessive levels of charges and taxes levied on young entrepreneurs; a Danish organisation that wants to improve entrepreneur training at university level; and there is concern among some organisations in the UK and Ireland to develop enterprise education in schools.
- Finally, four organisation, all located in the UK, felt that providing equal treatment and equal access to services for young entrepreneurs came under the umbrella of their **equal opportunities policy**.

2.4 Specialist organisations’ support for young entrepreneurs

Twenty seven respondents comprise specialist organisations who stated that their main activities relate to the provision of support, training, advice, finance or representational services for young entrepreneurs under the age of 40 years. This section presents some information about the nature of these organisations and the services that they provide.

In terms of countries, the distribution of specialist support organisations responding to the survey is as follows:

- Austria - 4 organisations
- Belgium - 4
- Bulgaria - 2
- Denmark - 1
- France - 1
- Germany - 7
- Ireland - 2
- Italy - 3
- Netherlands - 1
- UK - 2

Services are provided by a range of organisations including chambers of commerce, employers' organisations, charitable organisations and educational institutions. In specific terms, the services provided are as follows:

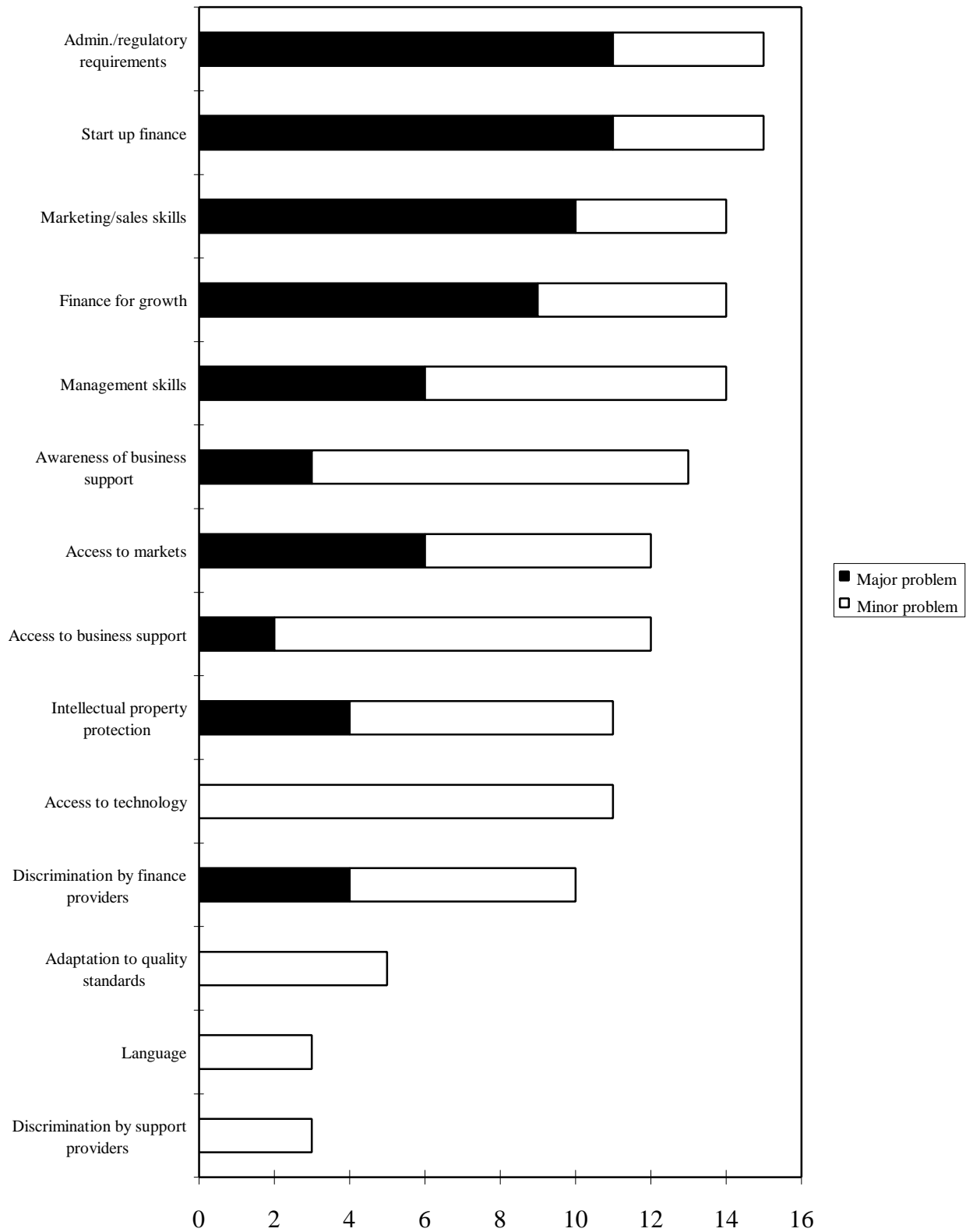
- Information or research services for young entrepreneurs - 19 organisations
- Training, advice or counselling services for young entrepreneurs - 19
- Networking, e.g. regular meetings of young members - 16
- Representation and/or lobbying on behalf of young entrepreneurs - 12
- Finance for young entrepreneurs - 9
- Export advice, training or support for young entrepreneurs - 7
- Policy design or development - 7.

In addition to the above, respondents mentioned the provision of other types of service for young entrepreneurs such as the production of a guide to self employment for young people (a *Chambre de Metier* in France), technology-related support (German business support agency), the organisation of a schools-based enterprise competition (Irish Young Entrepreneurs Association), assistance with succession in family owned businesses (Junior Chamber Austria).

2.5 Problems faced by young entrepreneurs

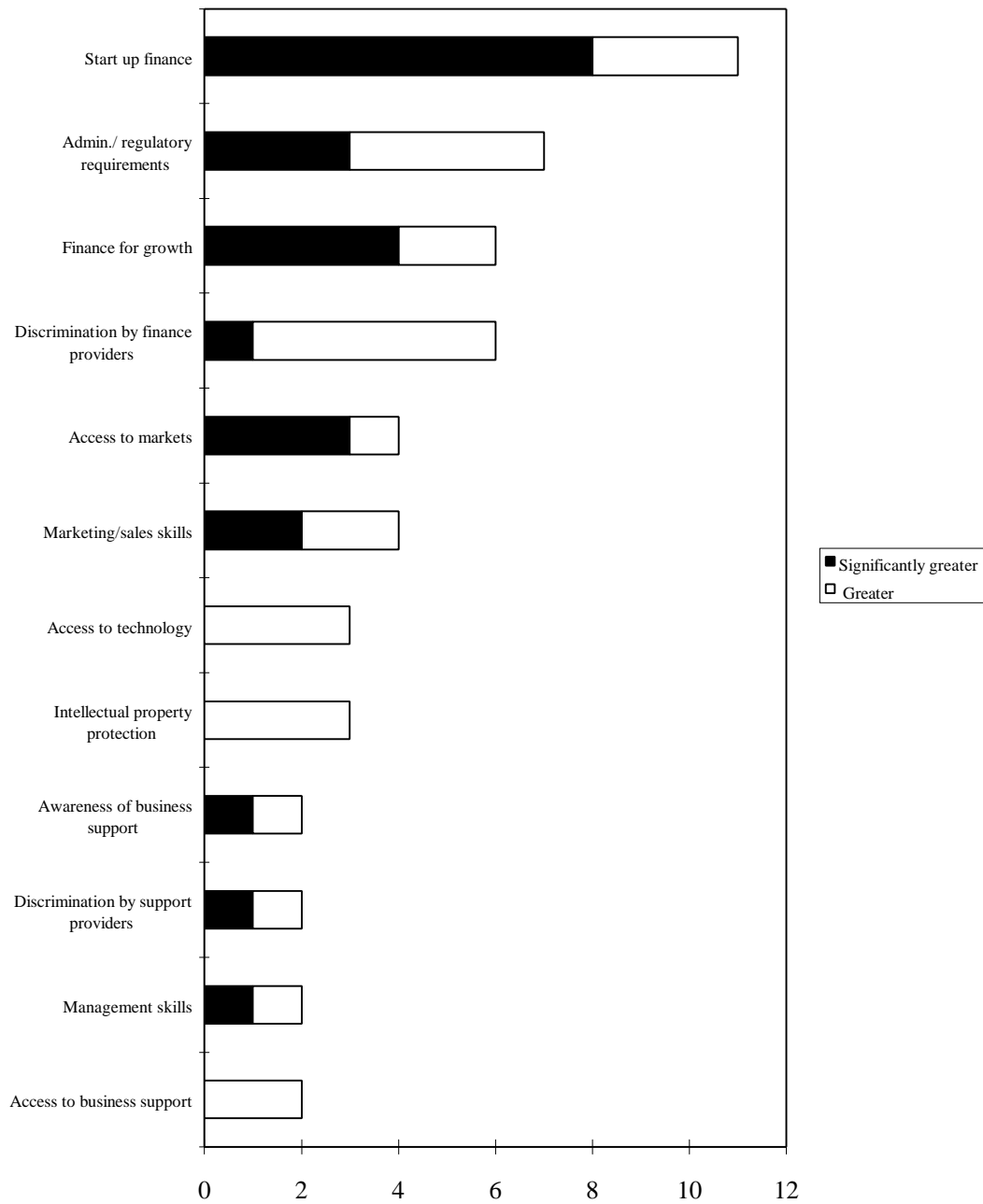
Chart 2.4 summarises the views of the respondents from the 27 specialist organisations supporting young entrepreneurs regarding the main problems faced by young entrepreneurs. Where respondents identified a problem, they were invited to distinguish between major and minor problems. In addition, where a problem was identified, respondents were asked to assess the extent to which it was similar to, greater or significantly greater than experienced by small businesses in general (Chart 2.5). This section examines each of the main groups of problems identified by the support organisations, and examines the experiences of the 13 case study businesses owned and managed by young entrepreneurs.

Chart 2.4: Perceptions of specialist agencies of the main problems facing young entrepreneurs



(Total number of respondents: 27)

Chart 2.5: Perceptions of specialist agencies of the main problems facing young entrepreneurs compared with small businesses in general



Note: No respondents judged that 'adaptation to quality standards' or language problems were greater than for small businesses in general.

2.5.1 Finance

Fifteen respondents felt that 'difficulties with access to start up finance' is either a minor or a major problem for young entrepreneurs. Indeed, eight respondents felt that young entrepreneurs face significantly greater problems in this regard than do small businesses in general (Chart 2.5). In some countries (e.g. Belgium), the view was expressed that bank lending criteria are out of date when considered in relation to the characteristics of those currently seeking to start a business or enter self employment.

Problems associated with accessing finance for business growth were felt to be slightly less acute than those associated with start up finance. However, four respondents stated that young entrepreneurs face significantly greater problems accessing finance for growth than do small businesses in general.

One clue as to why such problems may be faced by young entrepreneurs is suggested by the fact that 10 out of 27 respondents felt that young entrepreneurs face some form of discrimination on the part of providers of finance. While problems in raising external finance is an issue that to some extent applies general to the small business sector as a whole, six support organisations felt that young entrepreneurs face additional discrimination on the part of finance providers.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

The case study businesses had a variety of experience in relation to finance. The majority of the 13 case study young entrepreneurs had used their own personal finance, often in combination with family funds, to start up in business. In some cases, for example where the entrepreneur is taking over the family business, self-financing may be both feasible and adequate. However, for more complex business ideas requiring high levels of working capital, particularly where these form the basis of a completely new business, it is necessary for businesses to raise external finance.

In the case of one German company in a high technology area (Case A), financial problems at start-up were eased by the founder continuing to work part time in a university throughout the start up period. In addition, this company had received a loan for working capital with the backing of a German state bank involved in SME financing. This business experienced little difficulty with this process, helped by the fact that the business was known to the bank through its association with the technology centre where the firm is based.

Other external sources of start up finance utilised by young entrepreneurs included a start up grant offered by a local enterprise agency (e.g. Case M), grants from employment agencies (Case L) to support the employment of unemployment and/or disabled people, and bank loans obtained after assistance from local development agencies with writing business plans (two Estonian and one Polish business).

Obtaining finance on reasonable terms for the purchase of equipment and other business development activities was explicitly mentioned as a key problem by 6 of the 13 young entrepreneurs. In the CEE countries in particular, high rates of interest and high collateral requirements were seen as particular issues by young case study entrepreneurs. One Polish company (case B) considered that this situation was restricting the growth potential of the firm to below that of the growth of the market. In three other cases, respondents were concerned about cash flow problems caused by slow payments on the part of larger customers.

No case study businesses felt that banks had discriminated against them because of their age, although one respondent (currently running a successful catering-related business in Germany) explained that he was wary of banks due to an earlier negative experience. He had attempted to obtain bank finance for an innovative restaurant concept, but had been turned down because the banks felt that his idea was 'too risky'. He eventually generated the finance himself and the business had been very successful

Commentary

Although start-up finance was one of the most commonly mentioned problems facing young entrepreneurs (together with difficulties in dealing with administrative regulatory requirements), only about 40% of responding specialist support organisations judged these to be greater than the financial constraints on small businesses more generally. Many new businesses face difficulties in raising the collateral to secure a start-up loan, although for young entrepreneurs this can represent more substantial hurdle because of their more limited opportunities for accumulating assets that may be used for this purpose. Although there is no evidence from the case studies of young entrepreneurs experiencing age-related prejudice on the part of potential lenders, there is considerable evidence of financial constraints affecting business development. Clearly, the extent to which this is a practical constraint varies between sectors and business activities. The potential benefits of linking small start-up grants to training and advice/consultancy is illustrated by Case M, who has participated in a comprehensive package of business support for business start-ups which is part of a local enterprise scheme.

2.5.2 Administrative and regulatory requirements

Dealing with the various administrative and regulatory requirements placed on small businesses by governments and other regulatory organisations, is seen as a problem for members or clients by 15 of the 27 specialist organisations that responded to the survey. However, only 3 respondents felt that young entrepreneurs are especially disadvantaged in this regard. Nonetheless, issues relating to administrative and regulatory requirements are clearly important to young entrepreneurs, at least in the view of the support organisations. These barriers are only ranked behind finance as a perceived constraint on the development of young entrepreneurs.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

Eight of the case study businesses raised issues relating to administrative or regulatory requirements. However, 5 of these companies were based in Poland, where the main source of difficulties was legislation regarding employment issues and social security contributions, which all five respondents felt were unduly restrictive. One German entrepreneur, who used several temporary workers, had been badly hit by a new requirement to pay social security contributions for this type of staff. He was also concerned about the need for him to qualify as a trainer before the Chamber of Commerce would allow him to take on apprentices. In contrast, the UK-based health and therapy business felt that better regulation of this sector would benefit her business.

Commentary

Complying with administrative and regulatory requirements can present problems for many small firms, particularly when they are first established. There is little evidence, from either the specialist support organisations or the case study firms, that these difficulties represent a significantly greater challenge for young entrepreneurs than for other types of small firm. However, there appears to be a particular problem in CEE countries (e.g. Poland) reflecting a high level of social protection inherited from the socialist period. However, even in this case, the issue appears to be a general one affecting all small firms, that in CEECs happens to include a disproportionate number of young entrepreneurs compared with mature market economies.

2.5.3 *A lack of management experience and access to business support*

Fourteen of the 27 specialist agencies for young entrepreneurs viewed the ‘lack of management skills or training’ as a problem for young entrepreneurs; in 6 cases, this was seen as a major problem. Access to and/or awareness of business support services was identified by a similar number although most saw this as a minor rather than a major problem. However, very few respondents felt that young entrepreneurs suffer from these problems to a greater extent than do small businesses in general, and only one organisation felt that young entrepreneurs are significantly hampered by discrimination on the part of support providers.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

The case study interviews revealed a wide range of experience with regard to management training and development and business support. Six young entrepreneurs had started their business without prior experience of business ownership or management. In two cases (Cases A and B), businesses had been started while the founders were still at university. In others, the young entrepreneurs had left previous (non-management) jobs or moved into self employment from a position of unemployment.

The unqualified or inexperienced founders attempted to compensate for this background in different ways. Two young entrepreneurs in Estonia had attended a number of courses before and during the start up phase. Others simply started up in business and ‘learned by doing’. The owner of a German high technology business explicitly stated that he used ‘intuition’ to learn how to run his business. Another German entrepreneur (involved in a partnership) felt that the team nature of the business was a distinct advantage in learning how to run it.

Commentary

Although a lack of management skills is a problem facing many small firms (particularly new firms), this one issue where young entrepreneurs might be expected to be at a disadvantage because of their more limited ability to gain these, at least through experience. Whilst both the survey and the case studies provide evidence that management skills are perceived to be deficient, both by young entrepreneurs and by support providers working with them, the distinctive nature of the problems facing young entrepreneurs are less clear-cut than might be expected. A contributory factor may be the definition of ‘young entrepreneur’ used in the study (i.e. under 40 years old), which is likely to reduce the distinctiveness of the group and the problems they face, compared with a more restricted definition. At the same time, in terms of delivering policy to this group, Case M demonstrates the potential advantages of integrating basic business and management training into as comprehensive package of support for young entrepreneurs.

2.5.4 Markets and marketing

Another issue felt by specialist support organisations to be a problem for young entrepreneurs is 'difficulty with access to new markets'. Twelve respondents rated this as a problem for young entrepreneurs (6 as a major problem), and three felt that young entrepreneurs face particular problems in this respect. One reason for this may be a relative lack of skill on the part of young entrepreneurs in the areas of marketing and sales, which was prioritised by respondents from the specialist support organisations. In fact, 10 respondents felt that this is a major problem for member or client businesses, and four said that the problems are greater than for small businesses in general.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

With the exception of two businesses in Estonia and one in Poland, for whom securing finance was the overwhelming issue, all of the case study entrepreneurs raised a number of issues related to marketing. In some cases (e.g. a construction business and a computer company (Case B), both in Poland), 'securing orders' was seen as the main priority at start up. The key problem for one of the German businesses (specialising in automated image processing), was reported by the entrepreneur to be 'the constant search for customers in order to establish a client base'. An Estonian business in the food sector was seeking to expand into Poland, the Czech Republic and the EU, following the collapse of markets in the former Soviet Union. This business would very much welcome advice and support on international marketing issues, but cannot afford to pay for it.

Several firms see assistance with marketing issues as an important priority for future assistance. In some cases, entrepreneurs would like training so that they can improve their own marketing skills. In others, bringing in a marketing expert is the preferred solution. Another of the German businesses sees marketing as 'a problem, but not a major priority for the coming years, as our order books are full'.

Commentary

Problems in accessing and developing markets and raising the level of marketing skills, are key issues facing young entrepreneurs, as both the quantitative survey and the case study evidence demonstrates. Whilst a lack of marketing knowledge and skills are part of a more general lack of business and management skills in many cases, problems in generating orders can reflect more fundamental lack of market orientation in the core business definition. An appreciation of the importance of market orientation, combined with the value of marketing knowledge and skills in the subsequent development of a business, emphasises the need for a marketing component to be included in any wider package of support. It is recommended that where public resources are used to support young entrepreneurs, beneficiaries should be expected to undertake management training, unless they can demonstrate existing management competencies

2.5.5 Technology

Eleven of the 27 specialist agencies felt that difficulties with access to new technologies constitute a problem for their members or clients, although none viewed this as a major issue. Moreover, only a handful of respondents (3) judged the problem to be greater for young entrepreneurs than for small businesses in general. Protecting property rights was similarly rated by specialist support providers.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

Technology-related issues and problems did not rate highly in the minds of most case study respondents. All 13 firms run by young entrepreneurs use computers in their businesses, and in some cases their core business is computer-related. Most businesses have access to the Internet, which is used in a variety of ways, but primarily for marketing purposes. Three of the CEE-based businesses reported some problems with Internet access, two because of poor telecommunications networks and one because of the owner's limited command of the English language.

Two respondents, one running a family construction firm in Poland and the other providing a health and therapy service in the UK (Case M), felt the need for further training in IT issues. However, this area does not appear to be a widespread problem for most young entrepreneurs.

Commentary

Not surprisingly perhaps, the case studies showed young entrepreneurs to be reasonably computer literate, with IT and technology related issues typically rated as less important than other problems. Although a significant minority of specialist support providers identified problems in this respect, these were typically rated as minor rather than major issues. Our conclusion is that whilst a more effective use of IT can benefit most small firms, young entrepreneurs are more likely to be familiar and competent in the rudiments of IT operation, even if external advisers may see considerable scope for its further development. In this context, few case study entrepreneurs appeared to be highly computer orientated in the way they were operating their businesses.

2.5.6 Other issues

Other factors mentioned by organisations representing or supporting young entrepreneurs include:

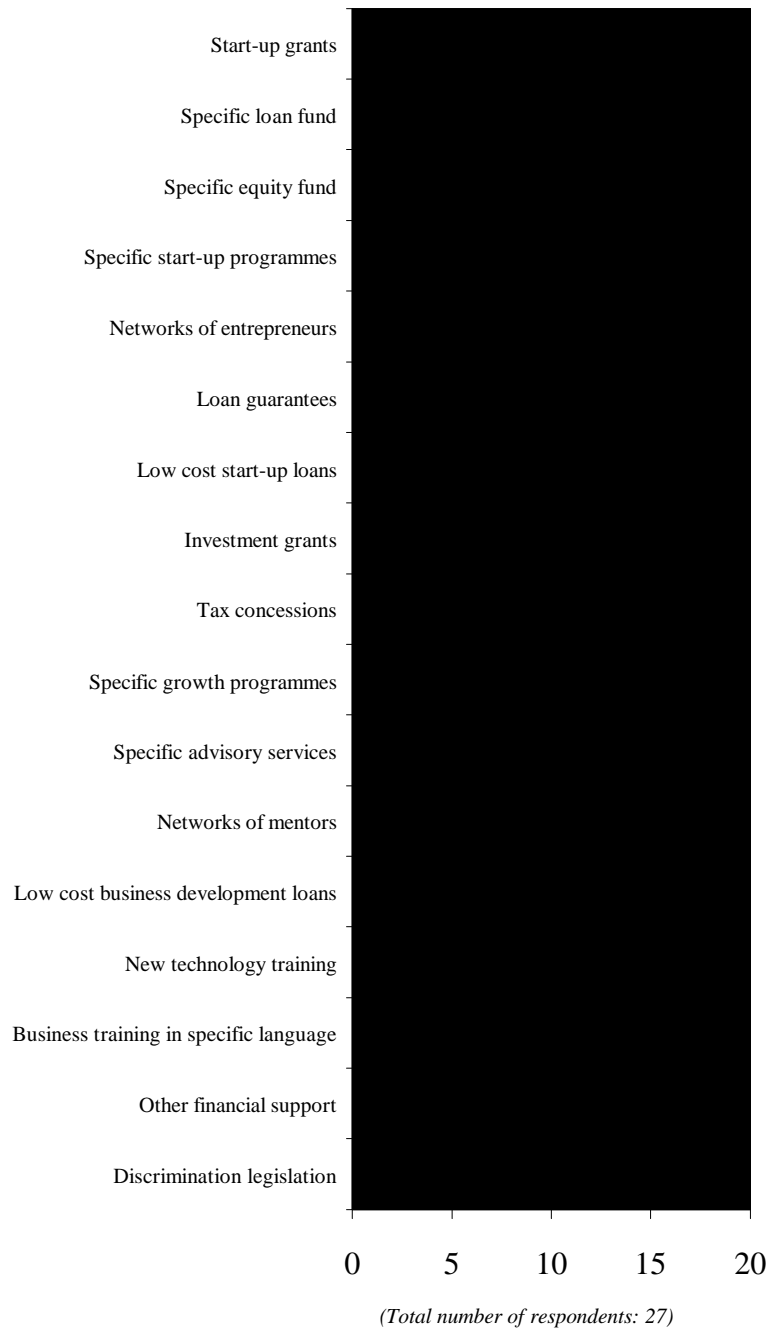
- Insufficient availability of equity capital, noted by a German organisation specialising in providing support for innovative young entrepreneurs;
- Along similar lines, an organisation focused upon assisting young people in Belgium to start up in business felt that financial institutions are too reluctant to finance 'risky' ventures, particular where they are started by young entrepreneurs;
- Another German organisation was concerned that the legal processes required in order to start a businesses are too onerous, particularly for young entrepreneurs.

2.6 Support needs of young entrepreneurs

Specialist organisations representing and/or providing support to young entrepreneurs were asked to suggest what types of policy assistance might be of greatest benefit to their clients or members (Chart 2.6). In addition, they were asked to state whether they thought that the need for support for young entrepreneurs in different areas was greater than the needs of small businesses in general (Chart 2.7). Respondents were given a number of options to choose from, and also had the opportunity to suggest policies or initiatives that were not listed on the questionnaire. Finally, respondents were asked to put forward what they felt to be the main success factors in the provision of support for young entrepreneurs.

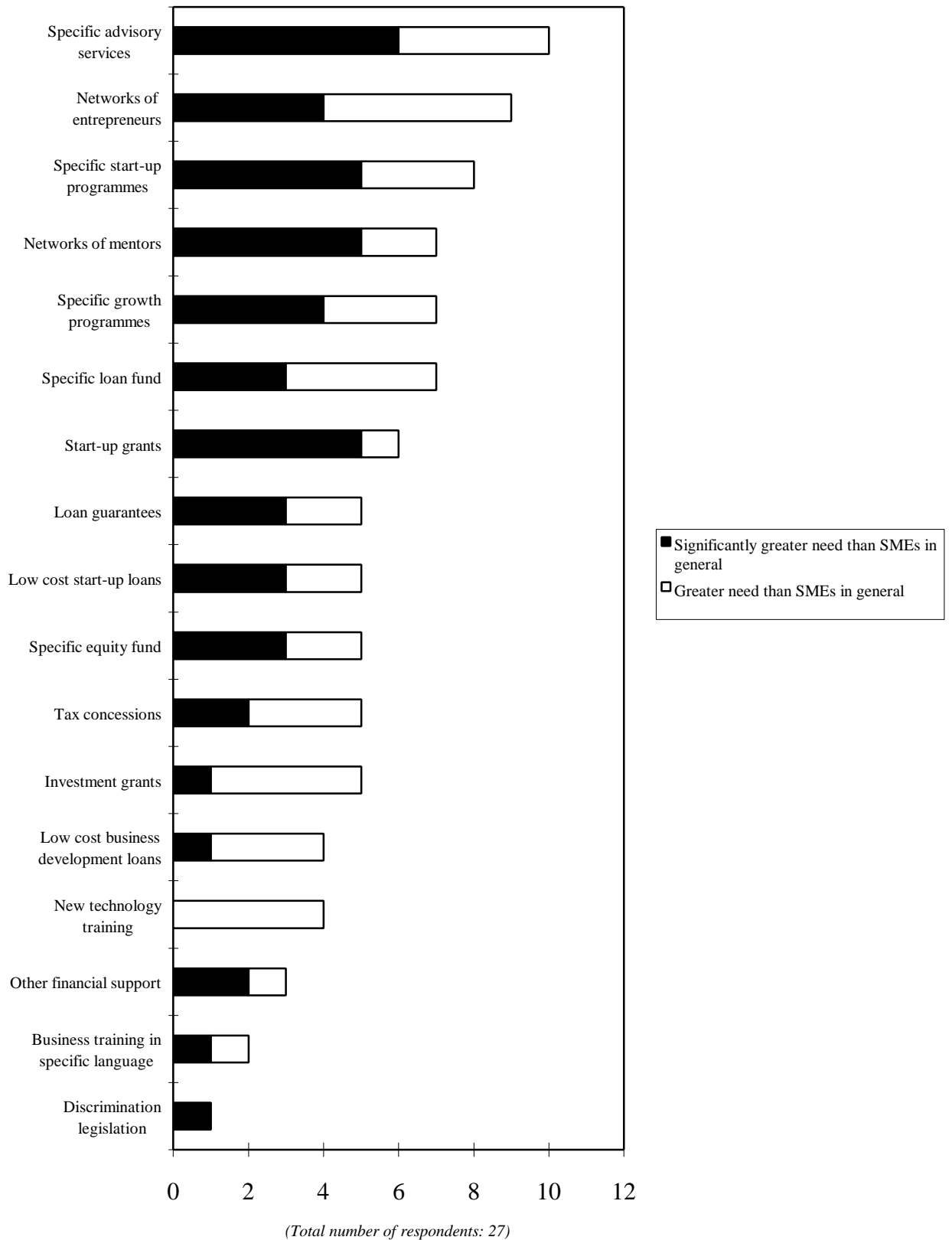
Case study interviews with young entrepreneurs also explored their perceptions of the types of support that might be most helpful for them in addressing the issues and problems that they are facing.

Chart 2.6: The priorities of specialist agencies for policies that will benefit young entrepreneurs



Note: The table summarises the three most important priorities for policy assistance identified by respondents.

Chart 2.7: Views of specialist agencies concerning the special policy needs of young entrepreneurs compared with SMEs in general



2.6.1 Financial support

Section 2.5 illustrated that access to finance, both for start up and for business development, is seen as one of the key problems facing young entrepreneurs in the EU and CEE countries. Sections 2.3 and 2.4 have described some of the financial support mechanisms that are already in place.

Chart 2.6 illustrates that the first three priorities of specialist support and membership organisations for policies that will benefit young entrepreneurs are different types of financial support. More specifically, and in order of perceived need, respondents highlighted the following:

- Grants for business start up;
- Loan fund specifically aimed at young entrepreneurs;
- Low cost start up loans;
- Tax concessions for young entrepreneurs;
- Equity fund specifically aimed at young entrepreneurs;
- Access to loan guarantees;

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

Three of the case study businesses had received some form of public policy assistance directed towards young entrepreneurs. In one case (Case L), this came in the form of a grant from the Greek Employment Department. In the case of a young entrepreneur in the UK (Case M), both a grant and a low cost loan had been obtained from a local enterprise agency. In addition, one of the German case study businesses had benefited from the re-financing of a loan by a state guarantee bank. Other forms of indirect financial assistance received at the start up stage include low cost premises provided by business incubators for two of the Polish young entrepreneurs, and state wage subsidies for unemployed and/or disabled employees in Germany and Poland

None of the case study businesses had received any form of policy support with regard to finance for business development. In some cases, internally generated finance was used and in others, the businesses had been successful in obtaining conventional bank finance. Several businesses had been unsuccessful in obtaining finance, or were in the process of searching for appropriate finance for development projects (see section 2.5.1).

In terms of the future needs of the case study young entrepreneurs for support in relation to finance, the following examples are illustrative:

- *A need for long-term loans to build new factories a (food business and an environmental company, Estonia).*

- *A German entrepreneur operating in the catering equipment sector was seeking a subsidised loan with state guarantees, in order to further develop his already successful business.*
- *Another German business is interested in seeking external capital funds, and was disappointed to find that his business was too well established to benefit from a state risk capital programme.*
- *A Polish entrepreneur would like to find some assistance to 'facilitate the present arduous access to loans', referring to the administrative requirements of many banks in Poland.*

Commentary

In view of the fact that most new businesses start with some combination of self financing and bank loans, it is not surprising that finance has been identified as a priority support need of young entrepreneurs (particularly at start-up). With less time to accumulate capital or assets to be used as collateral for a loan, young people can face particular difficulties in raising sufficient finance to get a business started. In this context, targeted assistance in the form of grants or low cost loans at this stage may be seen as a high priority, particularly since this can help to lever additional finance from commercial sources.

2.6.2 Business support and training

While awareness of and access to business support services was not seen by most respondents as a significant problem facing young entrepreneurs in general, most specialist organisations felt that the provision of business support services and programmes aimed specifically at young entrepreneurs, should be a policy priority.

In particular, targeted business start up programmes and specific advisory services were seen as key priority areas. Growth programmes aimed at young entrepreneurs were also seen as potentially beneficial to this target group, and six felt that there was a case for business training in specific languages. Nine respondents noted the need for new technology training.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

The case study businesses reported a range of experiences in relation to business support, advice and training and not all felt that they had specific problems or needs in this area. The specific needs that were identified varied greatly, including:

- *The Greek owner of a firm that had spun off from his father's business (Case L) recognised that he was hampered by lack of experience in some areas, despite having worked in his father's business for many years. Whilst*

recognising the deficiencies of his business experience with respect to sales and marketing, he was not convinced that his needs could be met through external assistance.

- *An Estonian business run by a 33-year old Estonian man (Case K) who felt the need for assistance with tourism-related issues to help him develop his business because of the market potential of the tourist industry for the high quality wood carvings, which were his main products.*
- *A Polish computer-related business run by two partners who started up from university, who would like specialist legal assistance to develop their business into a limited company.*
- *A UK-based health and therapy business (Case M) in which the owner had benefited from a range of courses and programmes still sees the need for external advice and support on issues such as IT and marketing.*

Commentary

The types of current and future support needs identified by the case study entrepreneurs reflect the variety of needs faced by businesses once they become established. However, a lack of business experience combined with the development potential of some businesses set up by young entrepreneurs, results in a significant minority of specialist organisations identifying a need for specific advisory services, mentoring and growth programmes, targeted on entrepreneurs in this age group. However, it may be suggested that the overall effectiveness and impact of any such initiatives are likely to be increased if they were to include targeted financial packages.

2.6.3 Networking

The encouragement of networks of young entrepreneurs and/or networks of mentors supporting young entrepreneurs are seen as a key policy priority by the specialist agencies. Thirteen respondents felt that the encouragement of young entrepreneur networks is a high priority, of which 9 felt that networking is more important for young entrepreneurs than for small businesses in general, because of the potential mutual support that it offers. Similarly, seven respondents saw a specific need for mentors working with young entrepreneurs to have access to networks.

THE EXPERIENCE OF CASE STUDY ENTREPRENEURS

In 9 out of the 13 case study businesses, some form of formal or informal networking was seen as important to the activities of the entrepreneur, although this was a characteristic of those in the EU rather than in either of the CEECs in which the case studies were conducted..

The types of networking activities undertaken by the 9 EU-based entrepreneurs fall into three broad categories, with some entrepreneurs being involved in more than one activity:

- *Formal business associations with a general business membership that were usually organised on a local or regional basis. These include the Chambers of Commerce in Greece and Germany, (membership of which is obligatory in the case of Germany); a regional Chamber and a craft chamber in Poland, and the Polish-Lithuanian Economic Chamber. However, respondents were generally sceptical of the tangible benefits they received from membership of these organisations*
- *Trade, sector or professional associations. Six respondents reported membership of such organisations, and in general felt that they were useful in providing information about issues such as new legislation, and in providing trade contacts.*
- *Semi-formal networking activities, including attendance at trade fairs and exhibitions, an activity described as central to business generation by one of the German entrepreneurs. One of the Polish respondents focused on the benefits of being involved with the local Business Incubator Foundation, in terms of generating links with other businesses in the same area.*

Only one case study entrepreneur (Case A) reported any involvement in network initiatives primarily targeted at young entrepreneurs. This entrepreneur and his partner had been involved in a group named 'Go-Pool', consisting of university-related entrepreneurs. This entrepreneur had also investigated two of the best-known associations for young entrepreneurs in Germany, but decided not to join perceiving that these groups were dominated by family businesses which had little in common with their own high technology enterprise.

When asked about future support needs, only two enterprises mentioned the need to develop and improve networking activities (Cases L and M). In both cases, the expressed desire was for stronger, more effective sector organisations.

Commentary

Initiatives to stimulate and support network activity are an important potential means of helping individual entrepreneurs to overcome some of the disadvantages associated with small firm size through co-operation. Whilst networks of young entrepreneurs may offer appropriate mutual support at the start-up stage, once these businesses become established there would appear to be merit in seeking to integrate them with existing networks. As far as the formal network organisations are concerned, such as Chambers or trade associations, there may be case for DGEnterprise to use its influence to set up special interest groups within these organisations to promote and address the distinctive needs of young entrepreneurs.

2.6.4 *Other issues*

Five organisations felt that there was a case for some form of legislation to tackle discrimination against young entrepreneurs, but only one felt that this was an area where there was a significantly greater problem for young entrepreneurs than for small businesses in general.

Other issues mentioned by respondents include:

- Innovation in the area of social security and unemployment benefits (Business-supported charitable organisation, UK)
- Changes in the banks' attitudes towards 'risk' and in particular towards young entrepreneurs (Organisation representing young entrepreneurs across the EU)
- Reductions in employers' social contributions (Start up service targeting young entrepreneurs, Belgium)
- Promotion of micro lending and/or mutual guarantee schemes (German organisation supporting innovative young entrepreneurs, and European young entrepreneurs' association)
- Better marketing of national support measures such as the self employment option on 'New Deal' (Business-supported charitable organisation, UK)
- Better funding for training that is orientated towards 'personal development' rather than purely business based (UK Junior Chamber).

2.6.5 *Success factors in support for young entrepreneurs*

The 27 organisations providing specialist support for young entrepreneurs were asked in the survey to suggest what they considered to be the main success factors in the provision of support for young entrepreneurs. Eight organisations made some kind of comment, with the following being typical examples:

'Networking between clients and partners; the provision of individual consultancy; long-term involvement with the clients; training programmes; there is a need for special programmes for specific groups' (Support organisation, Utrecht, Netherlands)

'The principle of a one-stop-shop for administrative matters relating to business start up is important, as is the provision of comprehensive information and ongoing advice on start up and business development' (Young Enterprise scheme, Austria)

'The active seeking of collaborators and sponsors, backed up by a powerful well-established image and house style and a clear well-defined strategy and business plan.' (Association of Young European Entrepreneurs, based in Brussels)

'Understanding the needs of customers and continuous advice as a 'help to self help', together with the active lobbying of financial institutions and grant-giving agencies' (Agency supporting innovative young entrepreneurs, Germany)

'Networking, co-ordination of actions, dissemination of best practice' (Organisation co-ordinating programmes for young entrepreneurs, based in Brussels)

2.7 Examples of Specialist Initiatives

Whilst the absence of an opportunity to independently evaluate these initiatives makes it inappropriate for them to be presented as examples of 'good practice', the following have been selected to illustrate what appear to be appropriate responses to the specific needs of young entrepreneurs identified in the study. It is beyond the scope of the study to establish how effective these initiatives are, or what their impact has been.

SHELL LIVEWIRE: IMPROVING BUSINESS SUCCESS

Shell LiveWIRE is a UK wide initiative to develop quality programmes which improve the opportunities for young people to realise their potential through the creation and development of business enterprises. Shell LiveWIRE argue that of around 450,000 businesses that start up each year in the UK, only just over half will survive longer than three years, whereas with a structured business plan and sound advice the chances of success will be significantly increased. In this context, the Programme offers free advice, information and business support at a local level to young people aged 16-30 as well as access to a local business adviser. Financial help is available in the form of competitive cash awards to businesses which have demonstrated considerable progress since starting up. The Programme encourages sound business planning and monitoring of the business on a continual basis in order that young entrepreneurs are more flexible and responsive to opportunities which arise, as well as increasing survival rates.

COMITATO GIOVANI IMPRENDITORI: ESTABLISHING THE ROLE OF YOUNG ENTREPRENEURS IN MAINSTREAM ORGANISATIONS

In order to adapt to the needs of young entrepreneurs the Italian Confederation of Craft and Small Enterprises (CNA) of Emilia Romagna has established Comitato Giovani Imprenditori. The objective of the Programme is to increase the acknowledgement and visibility of young entrepreneurs through their greater involvement in the decision-making bodies of the CNA. Membership of Comitato Giovani Imprenditori is open to all entrepreneurs and co-entrepreneurs under 40 who are members of CNA. The Programme aims to: develop business culture and support succession in craft SMEs; promote managerial training amongst its members; encourage the entry of young people into business; offer the opportunity to meet with other young entrepreneurs. Comitato Giovani Imprenditori has established collaborations with European partners with similar aims and is a member of JEUNE.

YOUNG ENTREPRENEURS PROGRAMME: THE ENCOURAGEMENT OF ENTREPRENEURSHIP AMONGST YOUNG PEOPLE

The Young Entrepreneurs Programme in Ireland aims to stimulate enterprise and innovative activity amongst young people by promoting the organisation of Young Entrepreneurs Schemes within schools. Run in the form of a local, regional and national competition, the Programme aims to: help young people respond to the employment situation by encouraging initiative; assist in the development of their entrepreneurial skills and self confidence; help create an enterprise culture and stimulate entrepreneurial activity. The Programme has expanded rapidly to involve 33,000 students and become integrated into enterprise modules in school curricula.

YOUNG ENTERPRISE EUROPE: ENCOURAGING LEARNING THROUGH ENTREPRENEURIAL EXPERIENCE

Young Enterprise Europe (YEE) is a membership organisation representing organisations of potential entrepreneurs, in the field of providing business education to students of various ages, backgrounds and cultures. Young people gain entrepreneurial skills through the experience of running their own company over an academic year whilst receiving guidance and support from business and teachers within their national organisation. The companies sell shares, conduct market research and produce and market products. The companies are able to participate in an annual Europe-wide competition, have the opportunity to take the Young Enterprise Europe examination and can participate in an international trading programme.

**THE EUROPEAN AWARDS FOR THE SPIRIT OF ENTERPRISE:
ENABLING SMALL AND MEDIUM ENTERPRISES TO GAIN WIDER
RECOGNITION AND EXPOSURE**

The European Awards for the Spirit of Enterprise for 2000 have been launched by Jeune Entrepreneur Europeen in collaboration with the European Commission, with the aim of giving encouragement and impetus to the growth of new businesses in the 15 member states. Organised at national and European levels, awards are made on the basis of the following categories: Best European Enterprise Concept at School; Best European Small Enterprise Initiative; Best European Young Entrepreneur; Best European Innovative Enterprise. Young entrepreneurs have an opportunity to gain recognition as well as an opportunity to exchange ideas and experiences with their peers. A quarter of the budget for the Awards is provided by the European Commission and funding for the balance is sought from private sector sponsors and regional and national authorities. As well as the exposure and publicity, private companies and public entities will gain access to young entrepreneurs and SMEs, in return for their support.

THE PRINCES YOUTH BUSINESS TRUST (UK)

The Princes Youth Business Trust (PYBT) helps unemployed 18-30 year olds to start a business, including a large percentage from ethnic minorities. It offers a comprehensive package of support including micro-finance. One particular feature of the support that is offered is that each new business is allocated a mentor, who is a volunteer from the local business community. Partly as a result of this mentoring, the average survival rate of businesses after 3 years is 60%, which is slightly above the UK average. Since 1986, over 35,000 young people have started more than 30,000 businesses with PYBT support.

2.8 Summary of key findings

The key issues arising from this analysis of the support system for young entrepreneurs in the EU and 6 CEE countries, together with the views and experiences of organisations supporting or representing young entrepreneurs, and of 13 case study businesses, are as follows:

- Young entrepreneurs constitute a minority of the members or clients of business support and membership organisations across the European Union. Our estimates suggest that just over one third of all businesses related to these organisations are run by people under the age of 40. However, in the 6 CEE countries covered by the study, young entrepreneurs made up over half of all member or client businesses.

- With the exception of organisations that are especially set up to support young entrepreneurs, just over half of the support organisations responding to the survey stated that they had some form of special services, policies or other arrangements catering for young entrepreneurs.
- The types of special arrangements described by support organisations include:
 - links with local or national organisations providing support for young entrepreneurs;
 - special programmes to help young people to start in business;
 - targeted help for young entrepreneurs with business development issues;
 - links with schools and/or higher education institutions;
 - setting up or supporting networks of young entrepreneurs.
- Twenty seven organisations that specialise in representing the interests of, and/or providing support services for, young entrepreneurs responded to the survey. Seven of these organisations are based in Germany, and only two in the CEE countries.
- Specialist support organisations identified a number of key problems faced by young entrepreneurs. In many cases, these problems are typical of those faced by small businesses in general, but support organisations felt that young entrepreneurs are particularly disadvantaged in relation to:
 - access to start up and business development finance;
 - awareness of, and access to appropriate support for start up and business development;
 - limited skills and experience in key areas such as marketing;
 - limited experience in dealing with administrative and regulatory issues.
- The 13 case study businesses run by young entrepreneurs came from a variety of backgrounds, ranging from PhD research to running a family construction business. Discussions with these entrepreneurs revealed a number of problems and issues, particularly relating to finance and marketing, although no clear pattern emerged.

2.9 Support Priorities for Young Entrepreneurs

Encouraging and supporting entrepreneurship among young people is a necessary part of a strategy for developing an enterprise based economy in the medium and long term. Key elements in such a strategy should include promoting and awareness of the opportunities of entrepreneurship, providing opportunities for young people to develop enterprise skills at different levels of the education system, ensuring the interests of young entrepreneurs are represented within key membership and business support organisations, as well as by developing targeted programmes to assist young

entrepreneurs to overcome any disadvantages they face once they are committed to setting and running a business.

In this context, the survey suggests the following key areas are priorities for policy support. In many cases, these issues can be dealt with effectively at local or national level, with DG Enterprise playing a supporting or advisory role. However, there are some activities for which direct action by DG Enterprise would be appropriate, and these are elaborated in more detail below.

- Informing and influencing young people and their advisors
- Targeted financial support for young entrepreneurs
- Networking and influencing existing business organisations
- Comprehensive support packages for young entrepreneurs

2.9.1 Informing and influencing young people

It is important to ensuring that young people are fully informed and aware of the possibilities of self employment and the support services that are available to help them, particularly through intensive work in schools, colleges and universities. DG Enterprise might consider sponsoring 'enterprise in education' programmes, based on competitive bidding from local/national public-private partnerships. Other activities in which DG Enterprise might get involved include:

- Ensuring that organisations that support young entrepreneurs are as involved as possible in Europe-wide information and promotion campaigns to highlight the important role of young entrepreneurs.
- Working closely with DG5 in order to ensure that youth training and related programmes provide relevant information, advice and support for those young people who might consider self employment as a career option.
- Ensuring that general literature and other material on entrepreneurship and business support at EU level contains positive images and role models of successful young entrepreneurs. Consultation with relevant support organisations would help to identify such cases.
- Continued sponsorship of young entrepreneur awards on a pan-European level would be an appropriate activity for DG Enterprise.

2.9.2 Targeted financial support

DG Enterprise should encourage the development of targeted financial schemes to ensure that a range of appropriate financing instruments are available to young

entrepreneurs, including small-scale grants and low-cost loans for start up, equity finance for innovative ventures and loan guarantee schemes. In many cases, it is appropriate and desirable that such initiatives are developed and run at the local or regional level. However, DG Enterprise has an important role to play in providing appropriate financial support (e.g. to subsidise administrative costs), encouraging the exchange of experience (e.g. through conferences and exchange visits) and influencing national government policies where appropriate.

We agree that there is a case for supporting financial support packages aimed at young entrepreneurs, given the inherent difficulties faced by this group, particularly at start up. However, it should be noted that such support, in general, should be relatively small scale and used wherever possible to lever out funding from conventional sources. Moreover, young entrepreneurs should be encouraged to reduce their reliance on subsidised sources of finance as soon as possible and helped to make effective use of mainstream financial provision. Finally, it is desirable that targeted financial support should be linked to training and advice provision, as part of an integrated package of support, that aims to overcome a key disadvantage suffered by young entrepreneurs, namely limited experience (see section 2.9.4 below).

2.9.3 *Networking*

In our view, it is of key importance to assure that young entrepreneurs have an effective voice in existing business organisations, in the light of the finding that young entrepreneurs appear to be under-represented in such bodies. In addition, there needs to be wider encouragement for them to get involved in a range of formal and informal networks, particularly those concerned with specific sectors or localities. In some cases this might involve establishing or supporting young entrepreneurs' organisations as separate entities or as sub-groups of existing business organisations.

Once again, it is clear that much networking activity does, and should, occur on a local and/or sectoral basis. Our research has highlighted some examples of successful networking between support and/or representative organisations on a transnational basis. We feel that there is particular scope for encouraging contacts between young entrepreneurs in different countries, given the increasingly international outlook of young people in general. A Europe-wide Website for young entrepreneurs, supported by DG Enterprise, would be a positive move. Other possible initiatives might include exchange arrangements between young people interested in entrepreneurship, along the lines of programmes such as Leonardo.

2.9.4 Comprehensive support packages

Our evidence suggests that one of the key disadvantages suffered by young entrepreneurs, particularly those below the age of around 30, relates to their lack of practical experience in business, limited track record and restricted range of business contacts. Limited availability of collateral and discrimination (overt and unintended) on the part of finance providers play some part in reducing the access of young entrepreneurs to funds. However, we suggest that ensuring a link between finance provision and effective business support and training in an integrated package of support would help to address these issues. The activities of the Princes Youth Business Trust (PYBT) in the UK and the IG, 'Investing in People to Create Entrepreneurs' programmes (Italy) seek to incorporate this principle.

DG Enterprise should support and encourage comprehensive support packages, which seek to integrate appropriate finance with training and advisory support. Mentoring programmes which provide ongoing access to management/business experience is a particular priority in view of the fact that such experience is typically lacking in businesses owned and run by young entrepreneurs. Training and support in key business areas such as marketing are also of particular importance for young entrepreneurs.

Organisations that specialise in supporting young entrepreneurs have an important role to play in such activities, particularly at the start up and early development stage. However, it is important to ensure that such organisations work closely with 'mainstream' providers, and that young entrepreneurs are encouraged to utilise mainstream services where appropriate.

There is also a case for mainstream providers and business representative organisations to be helped to become more aware of the specific issues facing young entrepreneurs. DG Enterprise may have a role to play in encouraging such learning activities through general awareness raising and support for exchanges of experience between specialist providers and general organisations.