



Entrepreneurship Policy and Practice Insights

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Educate, Innovate, Empower

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Executive summary

For many years, Governments around the world have been trying to harness the power of entrepreneurship to create a virtuous circle that nurtures the entrepreneurial mindset, stimulates innovation, and leads to economic growth. It is not uncommon to see entrepreneurship and innovation coupled, but it is a little less common to see them linked with empowerment and yet economic empowerment is often a reason given by would-be entrepreneurs as the motivation for their decision to start a new venture, particularly for women and ethnic minority groups.

At the heart of the IBSE philosophy and network is the desire to bring small business, research, policy, and education together and to understanding what's worked and what has not and why it matters. In this briefing, I will highlight some of the initiatives, the motivations, and outcomes of successive government initiatives. Are they always successful? No. Does it stop them trying? No. Should they keep going regardless? Yes. Are there lessons to be learned? Yes.

Economic growth: It's a noble aim

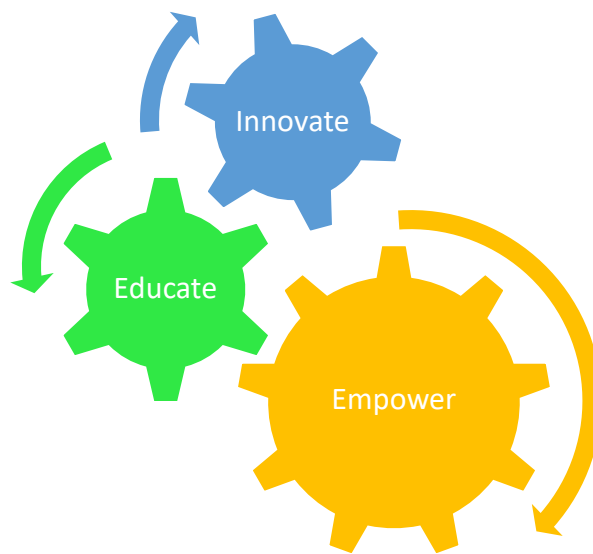
In his first speech as Prime Minister, Rishi Sunak (25th October 2022) referred to economic growth as a 'noble aim'. While it is acknowledged that growth can come from many sources, productivity is highlighted as a central theme. In December 2022, the All Party Parliamentary Group (APPG) on Entrepreneurship, published a report entitled "Supporting SMEs Successfully" (Ives, 2022). Its opening statement reads:

"Britain's small- and medium-sized enterprises have long underperformed on productivity measures – and addressing this fact will be vital to raising productivity overall. Closing the gap between even just the least productive SMEs and those with average rates of productivity would pay large dividends for the UK economy."

The conclusion drawn from this report is that the UK is less dynamic and less competitive than other G7 countries as a consequence of poor productivity. The reason stated for this is that our business owners lack the core skills needed to start and run 'successful' and 'productive' businesses. So, what core skills does it stipulate? The core skills are 1) how to work with other people, 2) how to solve problems, 3) how to communicate effectively, 4) how to keep going in the face of challenges. Those of us who have been involved in enterprise and entrepreneurship

education for any time at all consider these as EntEd 101. So, what have we been doing wrong all these years?

Background



Successive governments have attempted to address the productivity decline with a range of measures, including: The 15-point productivity plan (2015), the Industrial Strategy (2017), the Build Back Better white paper (2021), The Innovation Strategy (2021) and finally, the Growth Plan (2022). The productivity gap, as you might expect, varies from region to region across the UK. While we don't have the space to explore the details here, it does draw us back to the conclusion of the APPG report, that overall SMEs could do better. What appears to be missing, according to the report, is digital and management literacy. Initiatives such

as the *Help to Grow* programmes and *Business Basics* are aiming to fill these gaps.

While this is the UK position, other governments are taking steps and bringing education more overtly into the mix. The success of small and medium sized enterprises (SMEs) and the growth of a culture of entrepreneurship are seen as key factors in the growth strategies of many emerging economies. This has been achieved through mandating that entrepreneurship education is in the national education system; the aim being to inculcate the very skills seen as lacking in academic programmes of study. After all, if the condition can be treated at source, why would you choose not to do it?

Educate

As an advocate of enterprise and entrepreneurship education, you would assume that I would promote its inclusion in all aspects of our education system. If you nurture an entrepreneurial mindset from an early age, you can build in the characteristics and attributes you might want to see evidenced in the management of our SME to ensure that they are as productive as possible. Sarasvathy and Venkataraman (2010) challenged if we should not teach entrepreneurship as we teach maths, English or sciences. If it's of societal value, why is it not part of the national curriculum? The attributes needed are well documented and have been subject to a wide-ranging critique from a number of quarters. An OECD report (2021) on inclusive entrepreneurship entitled "The Missing Entrepreneurs" (Fletcher, 2021) encapsulates much of the thinking that underpins approaches to policy driven entrepreneurship education. Inclusive entrepreneurship policy aims to ensure that all disadvantaged groups, no matter the nature of the disadvantage, are aware of the transformative potential that "entrepreneurship may have for them as a labour market activity



and to build motivations for pursuing them” (OECD, 2021, p 46). While you may ask how this is linked to productivity, the answer is in ensuring that new ventures created by graduates or graduates employed by SMEs may well bring with them the skills need to create highly productive businesses or enhance the productivity in existing SMEs.

Some countries have taken the bold step of mandating entrepreneurship education in tertiary and other level of education as part of their national strategies to improve their potential for economic growth by ensuring some exposure to concepts such as mindset and innovation as part of the national psyche. Just by way of comparison, China, Nigeria, South Africa made entrepreneurship education compulsory many years ago, respectively 2015, 2006 and 2013. This has met with varying degrees of success as on the whole they have failed to fully contextualise the education to the needs of the culture of the region. The lesson for me is that one size fits all approaches are really not as beneficial as one might hope.

Innovate

According to the Global Innovation Index (2022), the UK is ranked 3rd in the European economic region, after Switzerland and Sweden and 4th in the global index. So, we are doing something right. The focus of the 2022 report is the future of innovation-driven growth, and it identifies two innovation trends – the digital age and deep science. However, innovation pessimists feel that “innovations that make a truly transformative impact on productivity...are too hard to find these days” (GII, 2022, p. 21), where the innovation optimists predict a new economic and social era, with a spurt of innovation that will foster a productivity uplift.

While all agree that there is no one size fit all, when it comes to the concept of the SME, innovation aside for a moment, it is a little troubling that there is a tendency to cluster them all under one heading, which seems to make little sense. In terms of targeting specific type of support to foster more innovation in SME, a little more nuance is needed. There are many types of innovation and many types of SME and one of the biggest challenges for many of them is accessing the finances needed to innovate. The SME links between the *Building Back Better* strategy and the *Innovation Strategy* are there but seem to focus on scale-ups as the group most likely to have the capacity to embrace transformative innovation.

SME are often lauded for their capacity to be innovative and agile, able to respond quickly and efficiently to changing market conditions. Indeed, we saw a great deal of this evidenced through the pandemic. However, many are likely to benefit from micro-innovations, relatively small changes to business practices and processes that might improve efficiency and productivity. This takes us back to the APPG (2022) report and the types of support that Government might provide to make these incremental improvement to business performance. While it acknowledges that there is a lot going on, they also recognise that “there is a paucity of knowledge in terms of what works, in what circumstances and how it is delivered” (Ibid, p. 18).

However, what we do know, is that if you have innovative people and entrepreneurially minded people working together, (they may or may not be the same person), magic happens.



Empower

Empowerment is the third cog in the machine as one of the key benefits sought from helping people to be more entrepreneurial is empowerment. The United Nations Sustainable Development Goal (SDG) 5, which sets out clearly to promote women's rights to economic resources and the empowerment of all women and girls, is already behind its target. As noted by Ewerling, et al., (2020), empowerment only happens when women believe that they can create a different life from what they are currently experiencing and are conscious of their ability to make such a decision to foster their desired change. In her ISBE Policy Insights "Women and Self Employment - Why?" (January 2023) Sue Marlow makes a powerful case for policy interventions targeting women, so I won't repeat that again here. However, we can link education, innovation, enterprise, and empowerment. For example, far too few women are entering STEM subjects globally and we must question why this is. When it comes to innovation, capacity building around STEM, for all demographics, has powerful implication for business growth. For women specifically, in some counties the problems are structural, cultural, and systemic. However, many female owned businesses here and elsewhere failed during the pandemic as they did not have the technology skills to pivot their businesses online. Poor digital literacy (for men and women) is also linked with low productivity (OECD, 2021). While UK Government policy recognises this need, it seems a little unclear as yet on how to address it.

If we are to encourage people to move from entrepreneurial intention (thinking about starting a business) to action (actually doing it), we need to empower them with the knowledge, skills, and self-efficacy (confidence) needed to take the first step. The OECD (2021) report talks of inclusive entrepreneurship, to better support the untapped potential of women, migrants, ethnic minorities, youth, seniors, and people with disabilities. The Build Back Better (2021) strategies talk of innovation, skills development and levelling-up, amongst other things. The aim, implicitly and explicitly, is to create better opportunities for disadvantaged regions and people, thinking about how to level up with inclusive entrepreneurship isn't a bad place to start.

Conclusion

Productivity was described as "the challenge of our time" in the Governments *Fixing the Foundations* paper in 2015. It is still considered to be so. Numerous policy initiatives continue to try to remedy the situation and SMEs are clearly in the frame as the target for improvement. The initiatives all refer at some point to innovation and skills as being lacking. The 2022 report on *Supporting SMEs Successfully* concludes that despite their efforts, successive governments are at a loss when it comes to solving Britain's SME productivity puzzle. Perhaps ISBE members can help them with this?

What we do know is that the skills that seem to be lacking are linked to innovation and entrepreneurship. Some counties have gone down the route of embedding entrepreneurship in education at all levels and in some cases making it mandatory. The aim being to nurture a spirit and a mindset that sees entrepreneurship as second nature. Having seen the challenges that this poses, it would not be one I would recommend without adequate resourcing and a clear target for



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contextualising the learning. We have many excellent entrepreneurial universities producing talented people whose knowledge could be brought to bear on the SME sector to support the reduction of the productivity gap.

In the spirit of levelling up and building back better, attention should be paid to the 'missing entrepreneurs', to ensure that policies are fully inclusive and targeted.

Policy and Practice recommendations

According to the National Institute of Economic and Social Research (NIESR), productivity has been a problem since 2008, at levels unparalleled in the UK's economic history (Samiri and Millard, 2022). They describe productivity loosely as a measure of how smart we work as opposed to how hard, which takes us back to innovation and thinking 'out of the box'. Businesses large and small have taken a beating since the economic crash of 2008 and self-efficacy for many business owners is at an all-time low. Being willing, prepared and confident enough to take chances and bold business decision does not always start with additional funding but with capacity building and resilience training. Perhaps these are the missing links in the failed government strategies when it comes to encouraging SME to take advantage of programmes like *Help to Grow*; the take up of which is described in the Supporting SME's Successfully report as 'underwhelming' (2022, p 5). Policy churn and initiative overload are hampering the ability to capture data on what is working and what is not. Whilst it is not my gift to give, long term planning and consistency would seem to be the best remedies for economic growth and improved productivity.



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