

Scotland's Birth Strategy: Entrepreneurial culture and attitudes, Entrepreneurship policy delivery¹

(by Charlie Woods, Scotland)

Description of the approach (aims, delivery, budget etc)

In 1993 Scotland Enterprise (SEn) –the government's economic development agency for lowland Scotland— launched the Business Birthrate Strategy. It set an ambitious target to close the gap in the business birth rate between Scotland and the rest of the UK by the year 2000.

The Strategy had six priorities:

- **Unlocking the Potential:** persuading more people in Scotland to set up businesses – including building enterprise into the education system, at both school and university levels
- **Improving the Environment:** making Scotland a more encouraging place for entrepreneurs by improving formal and informal support networks
- **Improving Access to Finance:** helping potential entrepreneurs gain access to appropriate funding to develop their businesses – including venture capital, business angel capital, and bank finance
- **Widening the Entrepreneurial Base:** unlocking the untapped potential among women, the under-35s and non-home owners – all under-represented among Scotland's entrepreneurs
- **Increasing Start-ups in Key Sectors:** obtaining more new starts in key industries, such as manufacturing, high-tech and business services
- **Increasing the Number of Fast-Growing New Starts:** increasing the number of starts that achieve substantial growth, across all sectors.

The implementation of the strategy led to the development of a variety of initiatives by SEn and its partners to address the priorities. These included: Personal Enterprise Shows to encourage more people consider starting a businesses, new materials to support enterprise education in schools, the Princes Scottish Youth Business Trust, the Higher Education Entrepreneurship Programme, new business network groups and easier access to improved advisory services and finance. SEn expenditure on the strategy was in the order of £20mn per year.

After a major review of the strategy, the SEn adopted a more focussed approach to entrepreneurship in February 2002. The new approach had three main priorities:

- **Encouraging innovative high-growth new starts** increasing the number and value of high-growth start-ups, including start-ups in technology-based sectors; this involved the establishment of a new, specialist unit to support 'high growth' start-ups
- **Encouraging more people to start businesses,** by providing quality 'volume' business support services, mainly through the Business Gateway (including specific support and targets for more start-ups by women, the young and individuals from socially excluded groups)
- **Increasing the contribution of education to the development of entrepreneurship:** developing enterprise among young people, school and university students, and socially excluded groups.

The establishment of a High Growth Start-Up Unit (HGU) was at the core of the focus on those start-ups with the greatest potential. It focussed on technology based starts with potential to reach a £5m

¹ Source: Discussion Paper "Entrepreneurship in the Districts Uckermark (Brandenburg) and Parchim (Mecklenburg-Western Pomerania)", in: *OECD LEED Local Entrepreneurship Series*, October 2006.

valuation after three years. It offered intense, high-value support, with a focus on IP, fund-raising, leadership, routes to market. It is closely linked to external networks. Over recent years Scottish Enterprise has developed a suite of investment programmes (and an investment readiness programme) in conjunction with private sector providers.

In addition to the high growth focus there has been a continued effort to encourage more people to start businesses. This is a major component of the work of the revamped Business Gateway, which provides an easy point of access for existing and potential businesses.

Why the approach is relevant to the two districts/to East Germany?

There are many elements of Scotland's economic history where parallels can be drawn with East Germany, e.g. industrial base, large-scale employers etc. In particular Scotland has traditionally been an exporter of people with net out-migration of over 40,000 people a year in the mid-1960s. In recent years this trend has reversed and currently there is net in-migration of around 20,000 a year. In the context of stimulating greater entrepreneurialism this is potentially very significant, with in-migrants four times more likely to start a business than life long residents (GEM).

Therefore the context in which Scotland has developed is in many respects similar to that of East Germany. Although as the GEM report highlight above points out "entrepreneurship programs must be adapted and tailored to prevailing national circumstances."

Reasons for the success of the approach

The Fraser of Allender Review concluded that the original ambitious target for the strategy (of matching the UK average start up rate in seven years) was unrealistic. However, it estimated that by 1999 it had already resulted in a 3% increase in the business birth rate over what would otherwise been achieved.

In addition to this broad macro impact the review also drew attention to some of the other impacts of the strategy that were important in their own right as well as contributing to the wider impact, these included: more positive attitudes to enterprise (particularly within education and among young people); evidence of an increase in the quality of new starts; the development of new business networks such as the *Entrepreneurial Exchange* (which among other things raised the profile of successful entrepreneurs); and an improvement in the availability for funding for new business.

A key feature of all these achievements is that they can't be considered in isolation they all feed off each other and generated a dynamic, virtuous cycle of development. As such they require a joined up programme of action to achieve sustained impact, the successes achieved to date have been in large part due to the fact that a wide range of partners working alongside SEn have contributed to the implementation of the strategy.

The obstacles that were faced and the quality of the response taken

The biggest obstacle for any strategy that tries to influence something as fundamental as the underlying culture of a region or country is that it has to embrace a wide variety of players with different agendas to try to get as much alignment as possible. The Business Birthrate Strategy was no exception.

The way in which the original enquiry on which the strategy was founded was undertaken was a key element in addressing this. It was designed to be very inclusive to try and capture all relevant issues and secure as wide a buy in to the resulting agenda as possible. This success of this approach has been reflected in the wide range of institutions that have continued to embrace the overall objectives of the strategy and contribute to the development of the various initiatives that are needed to implement the strategy. Without this sort of broad-based action any strategy that needs to have an impact on how an economic system functions is unlikely to be successful.

Considerations for adoption of this type of approach in the two districts and in East Germany

The stimulation of a more entrepreneurial culture is a long-term business. This is perhaps not surprising given that existing attitudes have been built up over many generations. Scotland took a major step to putting entrepreneurship high up its economic development agenda with the launch of the Business Birthrate Strategy in 1993. This approach has begun to show evidence of progress and has evolved since it started and will continue to do so as a result of the evaluation of activities and learning from initiatives elsewhere.

Broad conclusions that can be drawn from experience to date and that should be taken into account by other places, such as East Germany, thinking of adopting a similar approach include:

- Look for untapped entrepreneurial potential e.g. women, young people and focus investment accordingly
- Recognise the respective roles of programmes to boost total business start-ups and business 'churn' and those that are aimed more at faster growth. The former are critical to ensuring a more enterprising culture, but generate a lot of displacement of activity. While the latter will be low volume but can have a more targeted impact of those sectors with most potential
- Recognise that there is no 'silver bullet' i.e. no one thing that will guarantee success. What is needed is a systematic approach to stimulating entrepreneurship that also links to other important components of the economic development agenda, such as the development of a vibrant innovation system
- Be flexible in the deliver of any strategy. Adapt to change and chance and design programmes that are flexible enough to recognise local circumstances
- Recognise that success requires the joined up actions of a wide range of players in the public, private and voluntary sectors. An economic development agency can be a catalyst, but it can't deliver success on its own. Effective collaboration is vital.

Contact details and website for further information

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