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Understanding Motivations for
Entrepreneurship

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Executive Summary

This research improves our understanding of motivations for starting a business in the UK, helping to fill an important evidence gap.

The recession and subsequent downturn saw an increase in numbers of very small businesses and a rise in the rate of entrepreneurial activity. Despite little change in balance of opportunity-driven and necessity-driven entrepreneurship there was a renewed focus on questions about whether necessity-driven businesses will tend to survive and succeed. It is often assumed that necessity-driven businesses will be less successful than those started to pursue an opportunity and this report establishes evidence to address this.

The data

This study used a re-survey of 1,000 respondents to Global Entrepreneurship Monitor (GEM) surveys to provide reliable evidence on the different motivations for starting a business and to explore how these differences might be related to business performance. This survey was carefully developed based on a rapid evidence assessment summarizing the current knowledge on motivations for entrepreneurship and ten exploratory interviews. The survey findings were further supplemented by in-depth interviews with 40 entrepreneurs.

Key points

- This study shows that motivations for starting a business are complex and that motivations other than the traditional opportunity-driven and necessity-driven distinction are more closely related to business survival and success. These motivations can be best classified in terms of the importance attached to 'autonomy and better work', 'challenge', 'financial' and 'family and legacy' aspects. Across all business types, entrepreneurs say autonomy is their most important motivator.
- Businesses can do well regardless of whether they were started out of opportunity or necessity. Both opportunity-driven businesses and necessity-driven businesses create jobs, innovate and export.
- The most important factor for business success was ambition with those firms starting out with high growth expectations performing most strongly. Indeed, motivations influence business success mainly by driving differences in growth expectations, which in turn drive success.
- Businesses created by autonomy- and family-motivated entrepreneurs have a higher chance of survival.
- Motivations are generally stable through the course of running a business, with a small increase in the importance attributed to 'autonomy and flexibility'. This finding is promising as it suggests that many entrepreneurs' expectations

around autonomy, flexibility and quality of work are being met in their roles as business owner-managers.

- The recession increased entrepreneurs' 'challenge', 'financial' and 'family and legacy' motivations to start a business, while 'Autonomy and flexibility', opportunity and necessity motivations did not change. Many recession-era entrepreneurs saw their redundancy as an opportunity and had a high level of ambition when starting their business.
- Taken together the research shows that regardless of whether originally driven by opportunity or necessity, a business can be successful. Most important is the expectation to grow and so emphasis should be placed on encouraging and supporting that. The expectation to grow is in turn more strongly related to 'challenge', 'financial' and 'family and legacy' motivations than to the opportunity-necessity dichotomy.

Further results

A new taxonomy of motivations for entrepreneurship

- The research revealed that motivations classified along the following four dimensions are better predictors of growth expectations and business survival, and in turn business success, than the traditional opportunity-necessity dichotomy. The four motivations are:
 - 'Autonomy & better work' – The importance attached to seeking freedom and flexibility and better work opportunities as motivations to start a business.
 - 'Challenge & opportunity' – The importance attached to seeking personal challenge, fulfilling a vision, and opportunities to use existing skill and receiving recognition as motivations to start a business.
 - 'Financial motives' – The importance of seeking financial security, larger income and wealth as motivations to start a business.
 - 'Family & legacy' – The importance of seeking to continue or create a family business as motivation to start a business.
- Entrepreneurs say autonomy is their most important motivator, followed by challenge and financial motives. Family and legacy motives were least important across all types of businesses.

From motivation to action: The role of tipping points

- Motivations interact with 'tipping points' which are circumstances that trigger individuals to take action and start the business creation process.
- Based on the survey and in-depth interviews, the following tipping points were most common – and they often interact:
 - Loss of job or dissatisfaction with current job
 - A chance business opportunity

- Changing family circumstance or life stage
- Advice or inspiration from an experienced friend, colleague or advisor
- Realisation that the nature of desired work necessitates self-employment

Motivations and the recession

- Entrepreneurs who started their business during the recession had stronger 'challenge', 'financial' and 'family and legacy' motivations and higher growth expectations. The recession may have acted as a trigger for individuals who were in employment and had long-standing entrepreneurial intentions to act on these intentions. At the same time, a recession also presents genuine opportunities for starting entrepreneurs as closing firms leave behind unsatisfied market demand. Similarly, demand for more efficient and cheaper products and services increase during recessions spurring innovations in these areas.

Correlates of motivations: Demographics and start-up situation

- Motivations for entrepreneurship are most strongly correlated with entrepreneur's socio-demographic characteristics especially education, but also household income, entrepreneurs' age and gender.
- The entrepreneur's personal situation at the time of business start-up, and characteristics of the start-up business also show distinct associations with motivations, in particular the cross-over of the entrepreneur's business with his/her previous job, the availability of role models, whether the business was started alone or together with others and the industry sector show.

Motivations and business survival and success

- The analysis has been able to connect motivations to survival as well as to a range of business outcomes, for those businesses that are still active, such as an expectation in jobs growth as well as actual innovation and exporting activity. Overall, the key motivational influences on business survival were 'autonomy' and 'family and legacy' motivations. The strongest motivational influence on business success were growth expectations, which in turn were closely related to 'challenge', 'financial' and 'family and legacy' motivations, but less so to opportunity and necessity motivations.
- The 'entrepreneurial journey' of opportunity and necessity entrepreneurs was investigated and the results show that underlying these two very broad categories were a wide range of individual circumstances that influence the motivations of individual entrepreneurs to start up a business.
- However, there was no clear route to these business outcomes from a starting motivation simply defined as either opportunity or necessity. There are a small group of active necessity entrepreneurs that do well in terms of growth, innovation and exporting. By contrast, there are a small group of active

opportunity entrepreneurs that are not experiencing growth nor engaging in innovation or overseas markets.

Closed businesses

- There was a group of entrepreneurs who had successfully started but subsequently closed their business (121 businesses). Entrepreneurs of closed businesses attributed the lowest importance to 'challenge', 'financial' and 'family and legacy' motivations compared to all other entrepreneurs in the sample. They also showed low growth expectations compared to other entrepreneurs, but did not differ in terms of opportunity-necessity motivations.
- A significant share of entrepreneurs who had closed their businesses had only intended to run their business for a limited time when starting it. More than half of the closed businesses were up to three years old when closing. Most entrepreneurs returned to paid employment, retired or created another business subsequently.

Conclusion

- The evidence in this report points to a general framework which defines a pathway from the demographics and attributes of entrepreneurs, combined with their individual circumstances, which determine a set of motivations which, in a specific context (i.e., what we call a tipping point), trigger the action to take the first steps towards setting up their new business venture.
- A deeper understanding of entrepreneurial motivation – beyond simplistic opportunity and necessity motives – is important, especially when it comes to predicting entrepreneurs' expectations about growing their business and hiring employees, which are closely linked to business success. In contrast, autonomy and family and legacy motivations impact business survival.
- The framework developed in this report suggests some insights that may be potentially useful for the development of enterprise policy. The analysis of the motivations for starting a business reveals a complex set of interconnections to individual circumstances and business outcomes and thus suggests that enterprise policy should not just focus on the opportunity-necessity dichotomy.
- The findings on the complexity of motivations add to the evidence base that can be used to inform the design and execution of business support products and services. Similarly, the increased understanding of the varying motivations and circumstances leading different individuals into entrepreneurship will be helpful in informing the design of wider policies.

1. Introduction

The overall objective of this report is to develop our understanding of motivations for entrepreneurship¹. When it comes to motivations for entrepreneurship, policy makers and researchers alike often focus on the dichotomy of opportunity and necessity entrepreneurship - differentiating those entrepreneurs that start businesses because they see a business opportunity from those who pursue entrepreneurship for lack of better employment options. Yet individual motivation is rarely so clear cut and individuals may pursue entrepreneurship for a plethora of different reasons and seek a variety of benefits from this career choice.

- The first aim of this report is to explore the *different reasons motivating entrepreneurs* to start a business, their relationships amongst each other and with growth expectations (chapter 3).
- The second aim of this report is to explore whether – and if so how – motivations for entrepreneurship may *change* (chapter 4). Are the motivations the same for starting a business compared to running a business on a daily basis (section 4.1)? And how does change in the economic climate such as the recent recession impact motivations for entrepreneurship (section 4.2)?
- The third aim of this report is to identify *correlates* of motivations for entrepreneurship (chapter 5). This analysis considers standard socio-demographic variables as well as aspects of the entrepreneurs' context (e.g., employment, financial and household situation).
- The fourth aim is to shed light on the *consequences* of the different motivations for the entrepreneurial process and performance. Section 6.1 relates motivations to the entrepreneurial process and answers questions such as: Are entrepreneurs with specific motivations less likely to turn a start-up effort into a sustainable and growing business, or more likely to close a business? Section 6.2 relates motivation to indicators of business dynamism and performance such as innovation, exporting and job creation.

The report concludes with a summary of key findings and conclusions (chapter 7).

Chapter 2 contains an overview of the data and sample on which the analyses in this report are based. The Appendix provides further details on the methodology including the sample and the development of the questionnaire for the Entrepreneurial Motivation Survey. The questionnaire was developed based on a Rapid Evidence Assessment undertaken for BIS in December 2013 (see next page) and using insights from ten exploratory qualitative interviews. Most analyses presented in the report are based on the Entrepreneurial Motivation Survey (EMS)

¹ Within this report we use the term entrepreneurs loosely to refer to individuals who are founders and business-owner managers, who are self-employed, and who are in the process of starting a business (so called nascent entrepreneurs).

conducted in June and July 2014 and supplemented – where appropriate – by insights from 40 additional in-depth qualitative interviews carried out with entrepreneurs' in the autumn of 2014. Some analyses also use information (on growth expectations and socio-demographic variables) collected in the original Global Entrepreneurship Monitor (GEM) Annual Population Surveys (APS) conducted in 2008 -2013 from which the sample of 1,000 entrepreneurs interviewed in the Entrepreneurial Motivation Survey was drawn. More information about GEM Global and UK project is available from www.gemconsortium.org.

What we know already: Insights from existing research on entrepreneurial motivations

At the beginning of this research we conducted a systematic literature review to ensure that our research would build on what is already known about motivations for entrepreneurship in the academic literature (see Stephan, Hart and Drews, 2015, <http://www.enterpriseresearch.ac.uk/our-work/publications/>). We searched for empirical studies on entrepreneurial motivation published over the last five years (2008-2013) and retrieved 51 relevant studies (filtered from over 1,200 search results).

We sought answers to three questions through this systematic review:

- 1) What typologies exist to describe entrepreneurial motivation?
- 2) What influences and shapes entrepreneurial motivation?
- 3) What consequences have different entrepreneurial motivations for entrepreneurial performance?

Most studies contained evidence relevant to the first review question, while the evidence-base for the second and third review questions (drivers and consequences of entrepreneurial motivation) was weaker and still developing.

1) What typologies exist to describe entrepreneurial motivation?

We recommended that future research move beyond the commonly used opportunity-necessity dichotomy and measures entrepreneurial motivation on multiple dimensions. Our review indicated that the following seven dimensions capture entrepreneurial motivation in sufficient breadth and depth:

- Achievement, challenge & learning
- Independence & autonomy
- Income security & financial success
- Recognition & status
- Family & Roles
- Dissatisfaction
- Community & social motivations

Past studies treated growth ambitions largely separate from these seven dimensions, although growth motivations showed relationships with some of these

seven dimensions. We suggested that future research also probe into motivation profiles and differentiates individual from firm-level goals (e.g. personal financial success and firm growth). Research on motivational profiles would take into account a) the relative importance entrepreneurs ascribe to each aspect of motivation and b) that entrepreneurs' motivation is multi-faceted and that certain combinations of motivations (e.g. achievement and financial success vs. achievement and social motivations) are likely to lead to different firm performance outcomes.

2) *What influences and shapes entrepreneurial motivation?*

We differentiated individual drivers of entrepreneurial motivation from contextual drivers. Individual drivers are factors related to the entrepreneur and his/her business, whilst contextual drivers refer to regional and national characteristics including macro-economic variables (GDP), formal institutions (such as welfare systems and property rights), and informal institutions/national culture.

The effects of gender, education and age were most commonly studied, and their effects seemed to be closely intertwined making generalizations difficult. Nevertheless, studies investigating the effects of gender, education and age in isolation suggested that women start businesses for somewhat different reasons than their male counterparts. Autonomy/flexibility and social motives played, relatively speaking, a greater role for women than for men. Evidence on gender and growth ambitions was mixed.

Education appeared to have a positive effect on opportunity, necessity, social entrepreneurship and on growth ambitions. Necessity entrepreneurs tended to be somewhat older than opportunity-motivated entrepreneurs, and age was also related to other motivations although those relationships were also contingent on gender. There was no evidence for a systematic relationship between age and growth ambitions. Evidence linking racial and ethnic background as well as personality traits and values to entrepreneurs' motivation was scarce and too limited to draw general conclusions.

Evidence on how resources may impact motivations was equally scarce and mixed at the individual-level. Two studies suggested links of resource-scarcity to wealth and financial motivations. Evidence from country- and regional level studies was more consistent. It indicated that resource-poor contexts are related to necessity-motivated, increase-wealth opportunity-motivated and socially-motivated early-stage entrepreneurship. Independence-motivated entrepreneurship and growth ambitions tended to be more common in resource-rich context. We found no studies investigating direct impacts of economic recession or the level of unemployment on entrepreneurial motivations, although some descriptive findings suggest that motivations may be sensitive to recession effects.

The effect of government intervention on opportunity- and necessity-motivated entrepreneurship was conflicting. For growth-motivation, the effects of greater government intervention appeared to be negative. With regard to broad institutional quality, including government effectiveness, the rule of law and the protection of property rights, the findings were mixed. Some results suggested positive effects of elements of the rule of law and property rights on opportunity entrepreneurship and

negative effects on necessity entrepreneurship. Findings for growth ambitions were clearer, entrepreneurs develop stronger growth aspirations in countries with a stronger rule of law.

Only very few studies linked informal institutions including national and regional culture to entrepreneurial motivation. These studies suggested that independence-motivated and growth-motivated entrepreneurs thrive in cultures in which social relationships are important (i.e. socially supportive and collectivist cultures). There was also a strong facilitation effect of low levels of corruption for growth motivated entrepreneurship.

3) *What consequences have different entrepreneurial motivations for entrepreneurial performance?*

Collectively, the evidence reviewed on entrepreneurial motivation suggested that motivations matter for firm performance and for entrepreneurs' strategic decisions that shape their business. There was evidence that differences in entrepreneurial motivations link to firm performance, entrepreneurs' investments in their firms, their success in turning start-up efforts into operative businesses, their satisfaction with their business, and for how they exist from entrepreneurship. Although research in this area was still developing, the existing findings suggest that entrepreneurial motivation is important to understand both for researchers and policy makers.

2. Descriptive Statistics

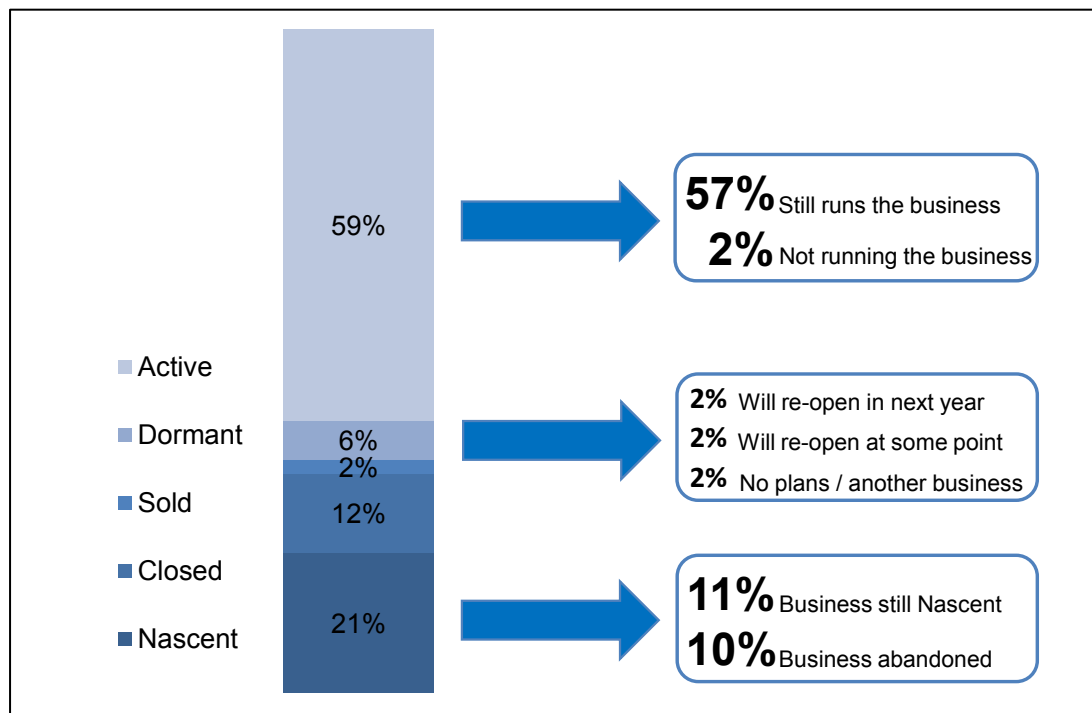
Chapter 2.1 provides background on the sample of 1,000 entrepreneurs interviewed in the Entrepreneurial Motivation Survey in June and July 2014 - the main data source underlying this report. Chapter 2.2 provides details on the sample of 40 entrepreneurs with whom we conducted in-depth interviews in the autumn of 2014. Detailed information on the development of the questionnaire and on the sampling strategy for both the survey and the interviews is included in the Appendix.

2.1 Entrepreneurial Motivation Survey

Figure 1 shows the current status of respondents' businesses; in total six in ten (59 percent) businesses were active at the time of the interview, with 57 percent of businesses still being solely or partly run by the respondent and two percent of businesses still owned by respondents but run by someone else.

A further six percent of respondents had temporarily stopped their business, with the possibility of re-opening it at some point in the future ('Dormant' businesses). This group was divided evenly between three groups of respondents (each comprising two percent of businesses overall): those who intend to re-open their business within the next year; those who have plans to reopen their business, but not within the next year and those who intend to re-open the business but have no firm plans for this (or were engaged in another business).

Figure 1: Current status of entrepreneurs' businesses at the time of the Entrepreneurial Motivation Survey



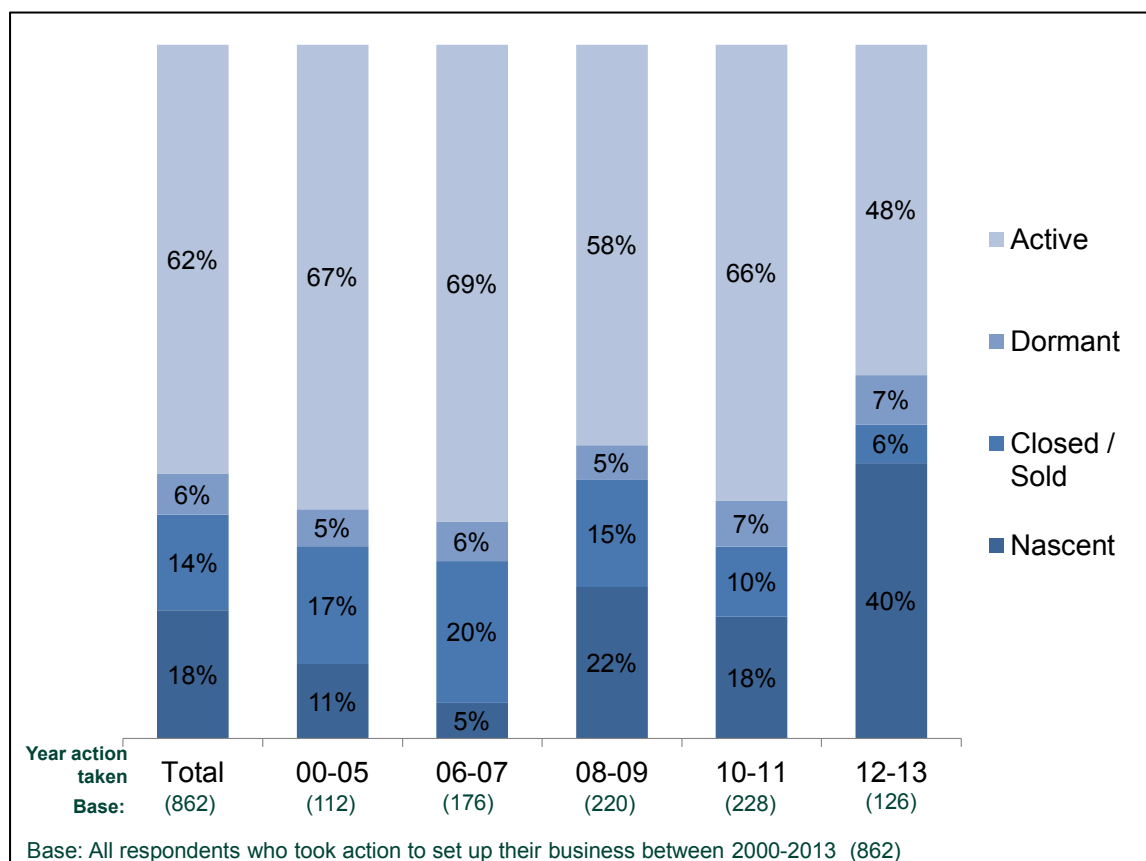
Source: Entrepreneurial Motivation Survey, N=1000, all respondents

Fourteen percent of business had been opened but were no longer active; two percent of respondents had sold their business and 12 percent had closed their business.

In a fifth of cases (21 percent) respondents in the original GEM surveys had not yet reached the stage of opening their business ('Nascent' businesses); in total 11 percent of business ideas were still being progressed and ten percent had been abandoned.

Figure 2 again shows 'Business status' but for the subset of entrepreneurs who took some form of action to launch the business such as looking for equipment or a location, organizing a start-up team, working on a business plan, beginning to save money, etc. between 2000 and 2013. Businesses set up in 2008/09 were less likely to be active at the time of the survey than businesses set up in any other year. They were more likely to be still in the start-up process (i.e. be nascent businesses). The exception was 2012-13 start-ups which were (perhaps unsurprisingly) even less likely to be active but more likely to be nascent.

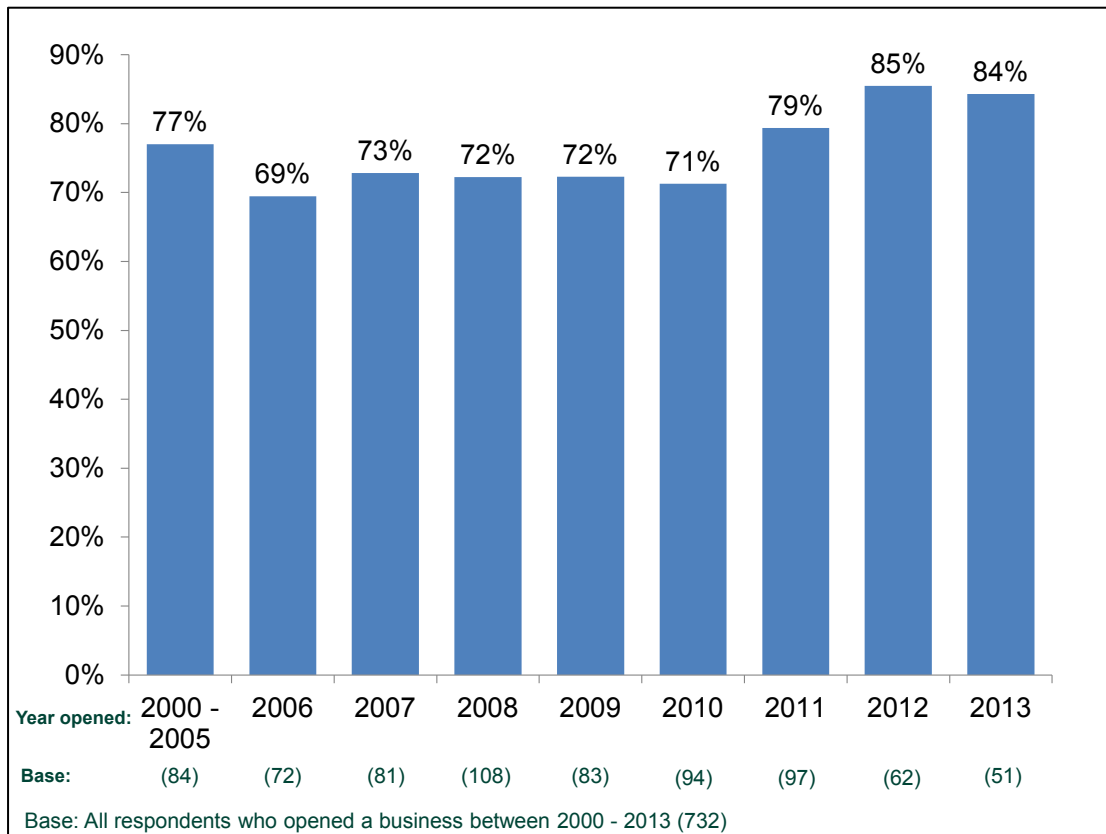
Figure 2: Current status of entrepreneurs' businesses for respondents who took action to set up business from 2000-2013



Source: Entrepreneurial Motivation Survey

Figure 3 shows the proportion of individuals in each year between 2000 and 2013 who had commenced the process of starting a business and that are still active or who continue to be in the process of starting a business (i.e. in the nascent phase). The figure does not include dormant businesses.

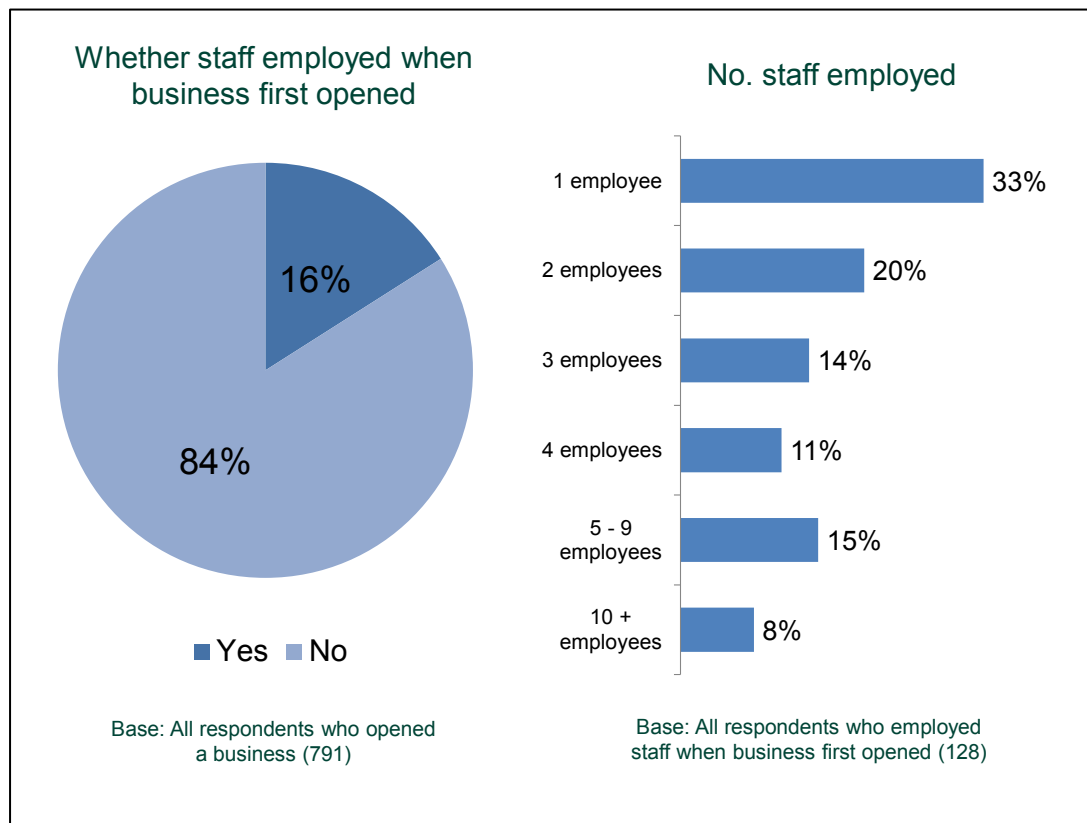
Figure 3: Proportion of businesses opened between 2000-2013 that are still active / nascent



Source: Entrepreneurial Motivation Survey

Figure 4 shows the proportion of businesses that employed any staff at the time the business opened (16 percent) and, of these 16 percent, the proportions employing various numbers of staff. Around 1 in 10 businesses employed 10 or more employees at start-up.

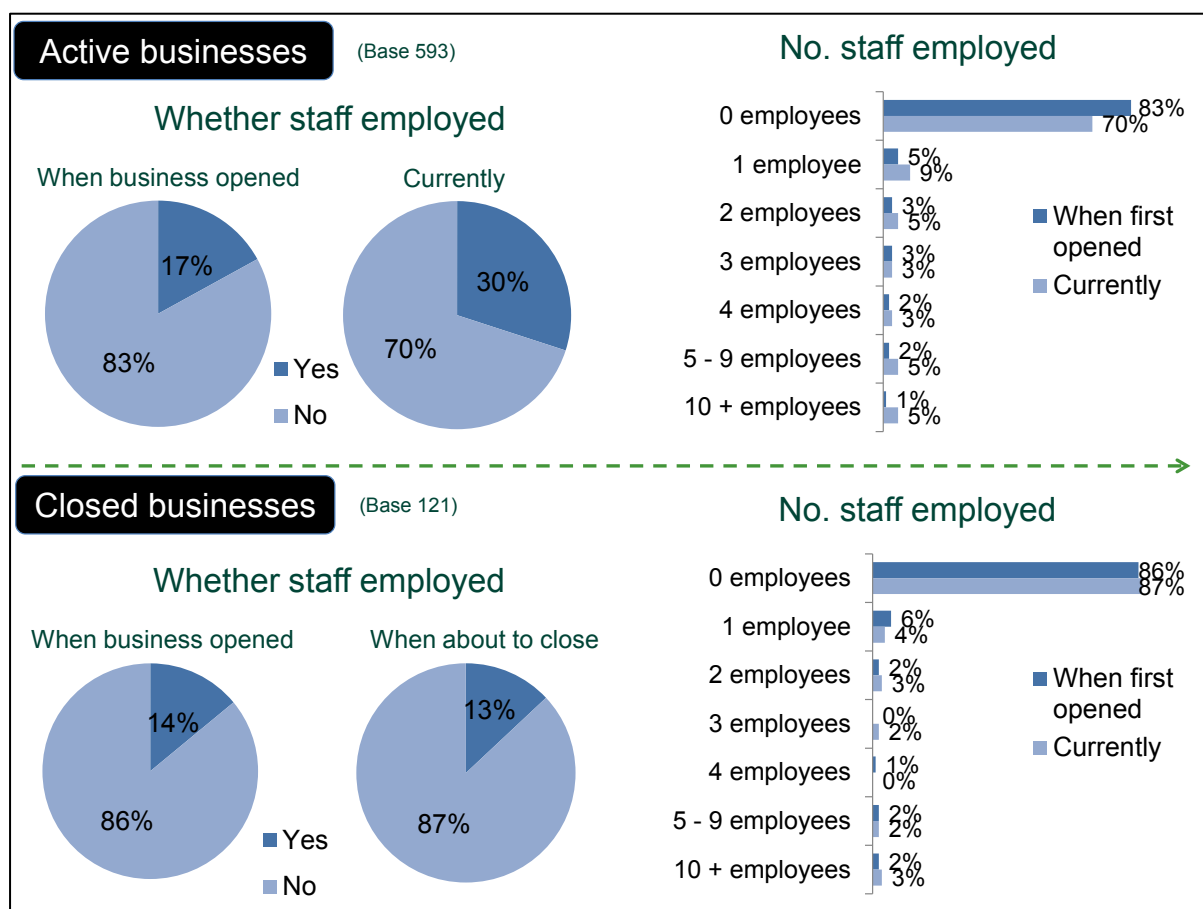
Figure 4: Number of staff employed when business opened



Source: Entrepreneurial Motivation Survey

Figure 5 provides a breakdown of figures between active businesses and closed businesses. For both groups the figure shows the proportion of businesses employing staff when the business opened and the number of staff currently employed (for active businesses) and the number of staff employed before the business closed (for closed businesses) respectively. For both groups of businesses, Figure 5 also shows the proportion of businesses employing different numbers of staff when the business opened and currently / at the time the business closed.

Figure 5: Number of staff employed when business opened and currently / when about to close (among Active and Closed businesses respectively)



Source: Entrepreneurial Motivation Survey Figure 6 and 7 below show the sector of businesses in the survey. Figure 6 shows the breakdown for the entire sample of entrepreneurs, while the sector spread of those who opened their business (as seen in Figure 7) is very similar to that of all entrepreneurs (Figure 6).

Figure 7 provides a breakdown by sector for those entrepreneurs *who opened their business* (i.e. all active, closed, dormant and sold business owners, but excluding nascent business owners).

The sector spread of entrepreneurs in the Entrepreneurial Motivation Survey (as seen in Figure 6) is broadly similar to the sector breakdown of all UK businesses (as recorded in Business Population Estimates (BPE) 2014²):

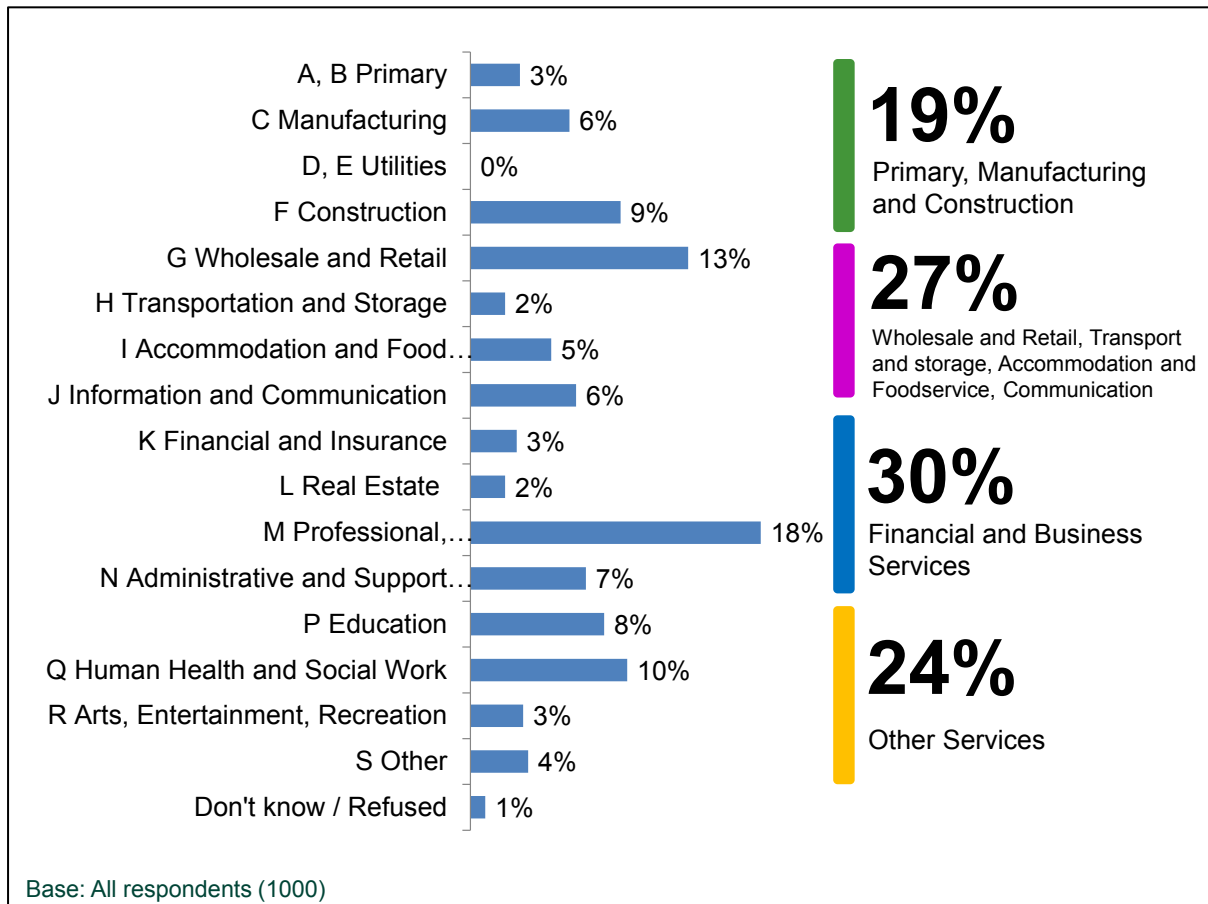
- Wholesale and Retail, Transport and Storage, Accommodation and Food sale, Communication: 27% of entrepreneurs in the Entrepreneurial Motivation Survey versus 25% in the BPE
- Financial and Business Services: 30% of entrepreneurs in the Entrepreneurial Motivation Survey versus 26% in the BPE

² <https://www.gov.uk/government/statistics/business-population-estimates-2014>

- Other Services: 24% of entrepreneurs in the Entrepreneurial Motivation Survey versus 22% in the BPE

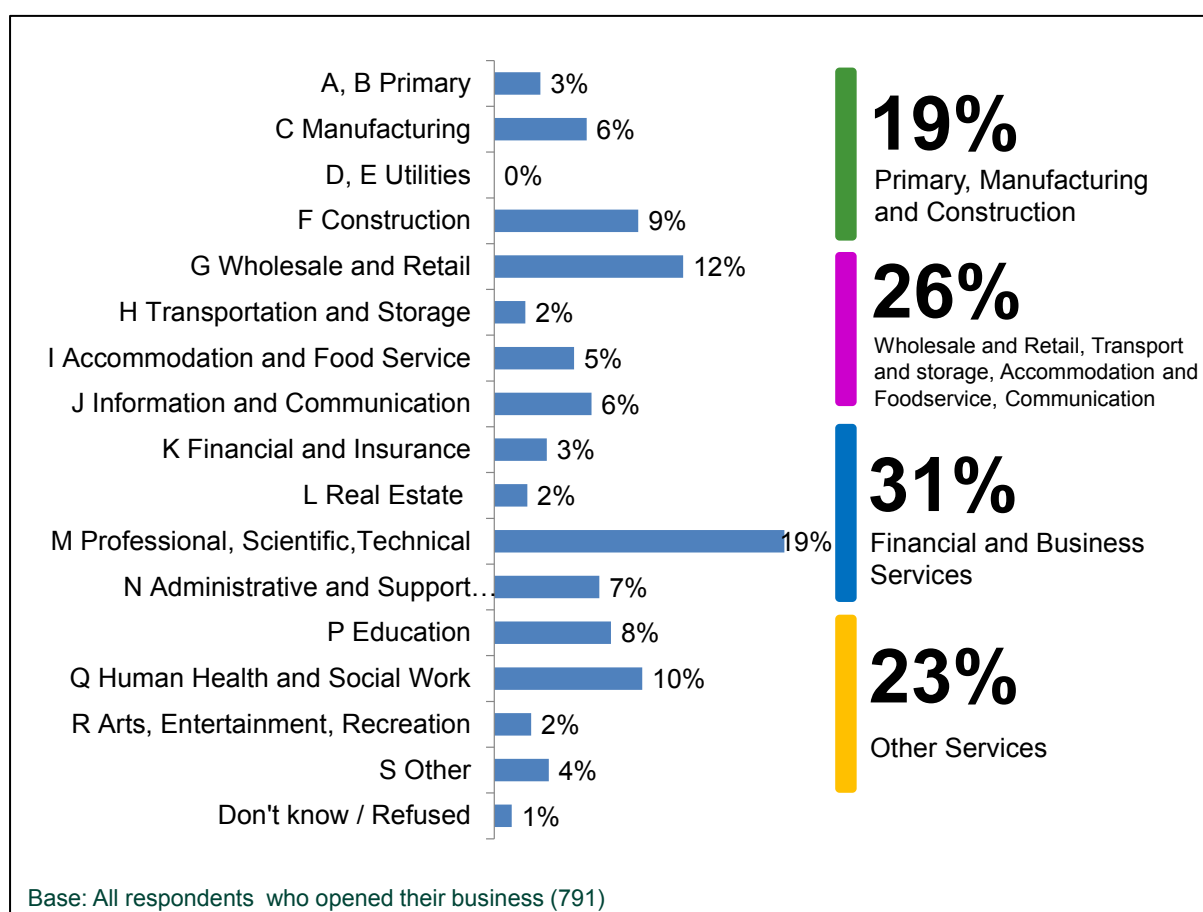
There is some difference within the Primary, Manufacturing and Construction sector: 19% of the entrepreneurs shown in Figure 6 fall into this category, compared to 27% of businesses across the UK as a whole.

Figure 6: Sector of business (all respondents)



Source: Entrepreneurial Motivation Survey

Figure 7: Sector of business for respondents who opened their business



Source: Entrepreneurial Motivation Survey

2.2 In-depth qualitative interviews

After the completion of the Entrepreneurial Motivation Survey, we conducted qualitative interviews with 40 entrepreneurs. These interviews focussed on building a deeper understanding of the steps entrepreneurs took to set up their business, their personal circumstances at that time as well as their experience in running, and in some cases also closing, their business.

Of these 40 businesses, 25 were currently active at the time of the in-depth interview, and 15 were closed. Of the 25 active businesses, around half (13 businesses) employed no staff at all, with most of the remainder employing between 1 and 8 members of staff. Two of the active businesses employed far higher numbers – 42 and 50 employees respectively. Of these active businesses, around half had experienced recent growth in terms of staff numbers, and around half had not.

Considering all 40 entrepreneurs, around two-thirds had started their business prior to the recession, between 2004 and 2008, with a small number starting considerably earlier, in 1995 and 1999.

There was a wide range of industries represented across these 40 businesses, with the most frequent classifications given below³:

- Professional, Scientific and Technical activities (12 businesses)
- Information and Communication (5)
- Education (4)
- Human Health and Social Work (3)
- Manufacturing (3)
- With other businesses falling into categories including *Administrative and Support Services, Construction, Arts, Entertainment and Recreation, Real Estate Activities, Accommodation and Food Services, Electricity, Gas and Air-con Supply, Financial and Insurance Services.*

When analysing the in-depth interviews, a typology of entrepreneurs emerged based on the individual circumstances of the entrepreneurs: their self-employment history, their level of business acumen, their level of experience in their chosen field of business, and their general motivation for becoming self-employed.

We describe the four types of entrepreneurs below. When discussing the qualitative findings in the text (e.g., in sections 3.7, 4.2.6, and 6.2), we refer to these different types of entrepreneurs where relevant.

1. “Older opportunists using existing skills”

- Tend to be older entrepreneurs, perhaps approaching retirement or recently retired
- Their business is not driven by a financial *need* (therefore they have little risk) – they are driven more by remaining occupied, taking advantage of a good opportunity or earning a little extra money
- Some have been self-employed before
- Not intended to be a long-term venture

2. “Consistently self-employed”

- These entrepreneurs have been self-employed for a long time, generally moving from one business to another
- The business tends to be their main source of income
- These entrepreneurs tend to be skilled in their specific area AND in running a business in general
- Intend to maintain the business long term, and grow it in some cases (and generally have a concrete plan in place for doing so)
- Rely on getting clients / projects through the door to maintain income

³ The technical appendix provides further information on the sampling strategy.

3. “Business-from-scratch: competent / experienced”

- Entrepreneurs that have never been self-employed before (though they generally know friends / family that are)
- The business tends to be their main source of income
- They are using skills previously used in employment, and are working in an area that is related but different (e.g. journalist now self-employed as a media consultant)
- Often driven by wanting to be their own boss / flexible working
- Have a reasonable level of business knowledge due to general business-savviness and watching others run their own business, but want help with aspects specific to their chosen area, e.g. advice on legislation or licenses. Due to starting out on their own for the first time they also say access to a business mentor would be very helpful.

4. Business-from-scratch: no experience

- Entrepreneurs that have never been self-employed before (though they generally know friends / family that are)
- The business tends to be their main source of income
- Often driven by wanting to be their own boss / flexible working
- Have no / very little experience in their chosen area, i.e. they are not necessarily using skills from their previous employment but trying something completely new, for example setting up a B&B
- Can struggle with business planning, drive, focus and confidence – a regular mentor in the early months would really help these businesses

3. Multiple motivations underlying entrepreneurship

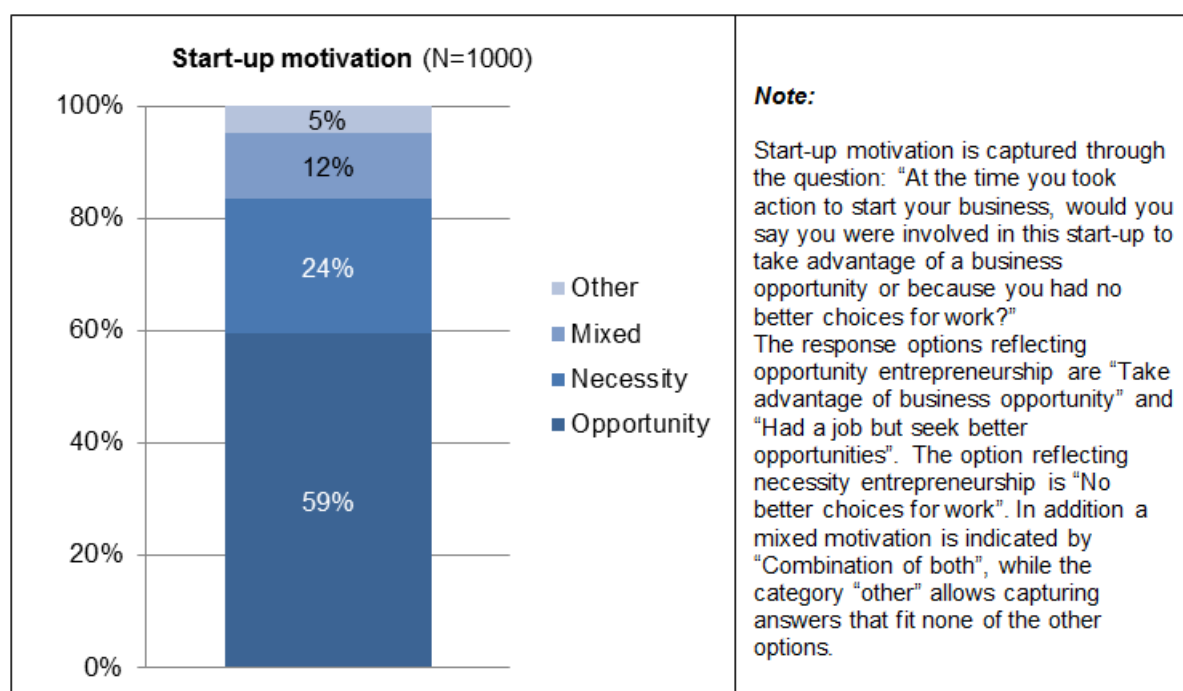
This chapter provides a general overview of the results regarding the different reasons motivating individual entrepreneurs to start a business. We first consider the “classical” differentiation in opportunity and necessity entrepreneurship. Second, we present entrepreneurs’ motivations in their own words thereby gaining insights into the variety of reasons motivating individuals to set up businesses. Third, we move away from considering the mere prevalence of various motivations to understanding the relative importance that entrepreneurs attach to these different reasons. Fourth, we consider the prevalence of growth expectations as a specific motivation. Fifth, we examine the relationships, and thus the overlap, among the various motivation types.

3.1 Opportunity and Necessity Entrepreneurship

The most common question used in surveys, including the GEM Annual Population Surveys, to capture motivations for entrepreneurship is “Are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work?” It seeks to differentiate those who start a business proactively and seeking opportunities, from those who engage in entrepreneurship because they have no alternative employment option. Figure 8 illustrates that in the present sample the majority of entrepreneurs are motivated by opportunity⁴.

⁴ Figure 8 is based on entrepreneurs’ retrospective reporting of their motivation at the time they started their business. We compared their answers to those they gave when they were first interviewed as part of the GEM survey. There is no significant difference in the percentage of opportunity motivated entrepreneurs and those motivated by ‘other’ reasons. However, the percentage of entrepreneurs stating necessity reasons is lower in GEM compared to the Entrepreneurial Motivation Survey (16 percent compared to 24 percent in Figure 8) and the share of entrepreneurs reporting ‘mixed’ motivations higher in the original GEM survey compared to the Entrepreneurial Motivation Survey (15 percent compared to 12 percent in Figure 8).

Figure 8: Opportunity and necessity start-up motivation



Source: Entrepreneurial Motivation Survey

3.2 Reasons to start a business (Prevalence)

Figure 9 summarises the diverse reasons to start a business from the entrepreneurs' perspective. These are reasons that entrepreneurs' mentioned in response to an open-ended qualitative question. Interviewers probed repeatedly for further reasons to ensure that all possible reasons motivating entrepreneurs' to start a business were captured and not only those that were "top of mind".

In particular, Figure 9 presents the frequency with which reasons are mentioned. The most frequently mentioned reasons relate to financial income (47 percent), followed by reasons related to achieving greater independence and autonomy (29 percent and 25 percent) and reasons broadly related to personal achievement, satisfaction and opportunity ('personal interest' 19 percent, 'good idea/opportunity' 16 percent, 'having skills' 15 percent and 'new challenge' 10 percent). Reasons typically related to necessity entrepreneurship (pursuing entrepreneurship for lack of alternative employment options) were mentioned by 10 percent of entrepreneurs ('could not find a job') as were reasons related to social entrepreneurship ('wanted to help others' 10 percent).

Figure 9: Prevalence of reasons to start a business

Source: Entrepreneurial Motivation Survey

3.3 Reasons to start a business: The importance of autonomy, challenge, financial and family motives

The previous sections provided an overview of the range of reasons to pursue entrepreneurship. However, they do not contain any evaluation by the entrepreneurs regarding their importance. Importance ratings reflect the strength with which the various reasons drive entrepreneurs' efforts. For instance, many entrepreneurs mention financial income as one of the reasons motivating them, yet as the results in Table 1 below reveal both 'Autonomy' and 'Challenge' are on average rated as more important (at 3.8 and 3.4 on a 5-point scale compared to 'Financial' which is mid-ranking at 3.1, column 1).

Motivations related to 'Family' and creating a legacy are by contrast less important for entrepreneurs on average (at 1.9 mean importance rating). Column 2 in Table 1

presents the individual questions that entrepreneurs rated for their importance and which underlie the four broader motivation facets (i.e. 'Autonomy & better work', 'Challenge & Opportunity', 'Financial' and 'Family & Legacy')⁵.

Table 1: Importance of reasons to start a business

Motivation Facets	Importance of reasons for starting up a business	Percent rated "important" by entrepreneurs
Autonomy & better work (mean importance 3.8)	• To have considerable freedom to adapt my own approach to work	73%
	• To have greater flexibility for my personal and family life	63%
	• To have better work opportunities	55%
Challenge & Opportunity (mean importance 3.4)	• To make use of an existing skill	72%
	• To challenge myself	71%
	• To fulfil a personal vision	64%
	• To achieve something and get recognition for it (e.g. respect from friends or peers)	50%
	• To make a positive difference to my community, others or the environment	40%
	• To achieve a higher position for myself in society	16%
Financial (mean importance 3.1)	• To give myself, my partner and children financial security	50%
	• To earn a larger personal income	46%
	• To have a chance to build great wealth or a very high income	25%
Family & Legacy (mean importance 1.9)	• To build a business my children can inherit	18%
	• To follow the example of a person that I admire	13%
	• To continue a family tradition	9%

Note. N=1,000, Source: Entrepreneurial Motivation Survey

3.4 Growth expectations

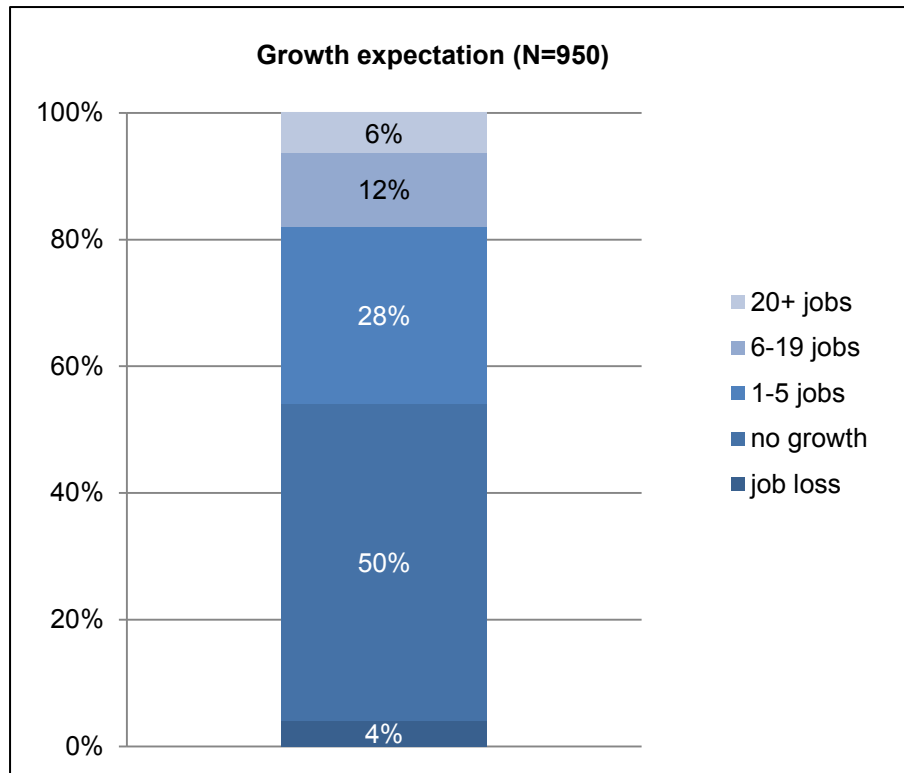
In this research, growth expectations are defined as the entrepreneurs' expectation of how many staff s/he will employ in five years' time relative to the current number of jobs the business provides. Half of the entrepreneurs (50 percent) did not report any growth expectations (Figure 10), while 46 percent expected to add staff in the next five years (upper three blocks combined in Figure 10) and four percent of entrepreneurs expected to have fewer staff in five years' time than they currently employ.

⁵ The individual question were validated in previous research including the UK and the US Panel Study of Entrepreneurial Dynamics (Carter, Gartner, Shaver, & Gatewood, 2003; Reynolds, Hart, & Mickiewicz, 2014). The classification of the individual questions is based on a factor analysis, which we conducted and replicated for reasons to start a business as well as reasons to run a business (see section 4.1). Cronbach's Alpha for the four facets were .68, .76, .80 and .68 indicating good measurement reliability.

In terms of the actual number of jobs this would correspond to:

- Expected net job gain: 10,651 jobs
- “Stable” jobs: 474 jobs
- Expected net job loss: -146 jobs

Figure 10: Growth expectation



Source: GEM data for participants in Entrepreneurial Motivation Survey

3.5 Relationships among different motivations for entrepreneurship: beyond opportunity and necessity

Table 2 reveals that opportunity and necessity motives (and the related ‘mixed’ and ‘other’ motivations, listed in the heading of Table 2) are only weakly related to entrepreneurs’ importance ratings of autonomy, challenge, financial and family motivation facets (listed in the first column of Table 2). Indeed, focussing on opportunity-necessity motivation appears to capture only a small part of relevant motivations for entrepreneurship. For instance, the motivations which entrepreneurs report are most important in driving their actions to start a business (i.e. “autonomy and better work”) do not relate to opportunity or necessity motivation at all. Similarly, the importance attributed to financial motivation maps only poorly on the opportunity-necessity distinction.

The opportunity and necessity motives are also only weakly related to growth expectations, whilst challenge, financial and family motivations show stronger positive relations to growth expectations. These relationships highlight the fact that entrepreneurs may pursue growth for a number of very different reasons. They may

regard increasing the size of their business as a better way to fulfil their vision and demonstrate their ability (related to ‘challenge’ motives). Alternatively, they may see growth as a means to higher income or as a path to build their family business and to create a personal legacy.

Table 2: Summary of relationships among motivations to start a business

Motivation type: Importance:	Opportunity	Necessity	Mixed opportunity- necessity	Other	Growth expectations
Autonomy & Better work	n.s.	n.s.	n.s.	–	n.s.
Challenge & Opportunity	+	–	n.s.	–	++
Financial	n.s.	n.s.	n.s.	–	++
Family & Legacy	+	–	n.s.	–	++
Growth expectations	+	–	n.s.	–	

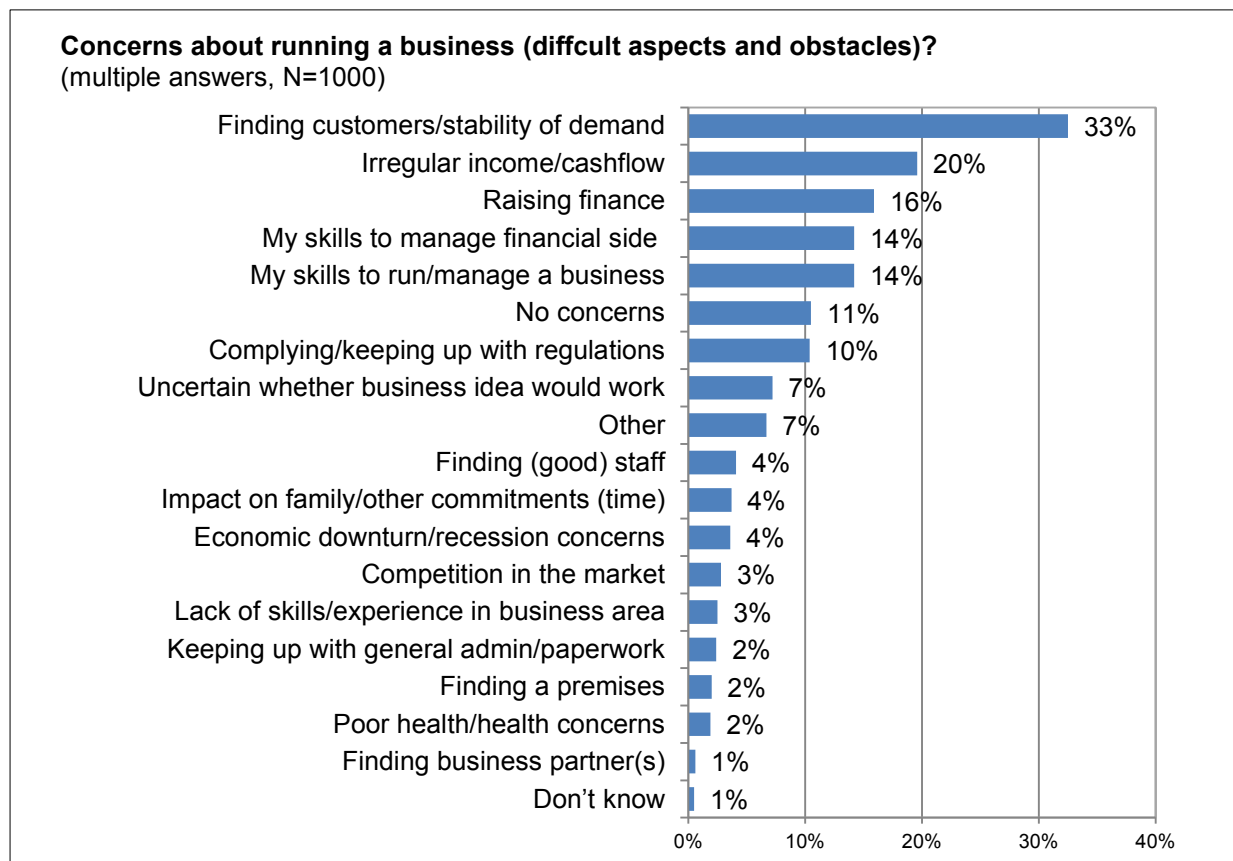
Note. N=1000, “n.s.” - no relationship, “-“/”+” weak negative/positive relationships (correlations around .10), “++” positive relationship (correlations around .20),

Source: Entrepreneurial motivation survey, except for growth expectations GEM survey

Collectively, these results illustrate that a deeper understanding of entrepreneurial motivation – beyond simplistic opportunity and necessity motives – is important, especially when it comes to predicting entrepreneurs’ expectations about growing their business and hiring employees. So, while opportunity and necessity motivations can be useful to gain some insight into the individual circumstances at start-up (see also Chapter 5 on correlates of motivations), they are less helpful in understanding eventual business outcomes. We explore this point more fully in Chapter 6 where we relate motivations to business outcomes (survival and business success).

3.6 Perceived barriers to setting up a business

The previous sections focused on various positive reasons to set up a business; however, entrepreneurs also encounter doubts, have concerns and perceive barriers to setting up a business. We asked entrepreneurs about such concerns that they may have had about running a business at the time they took action to set up their business (see Figure 11). The top two concerns relate to the viability of the business, that is, its ability to sell products/services to customers (33 percent of entrepreneurs) and generate regular cash flow (20 percent). Raising finance is the third most frequently mentioned concern/barrier (16 percent). Figure 11 also indicates that different concerns related to management skills are mentioned relatively frequently: 14 percent doubt their financial management skills, the same proportion of entrepreneurs is unsure about their skills to manage the business in general. Keeping up and complying with regulations is another frequently mentioned barrier (10 percent).

Figure 11: Perceived barriers to running a business

Source: Entrepreneurial Motivation Survey

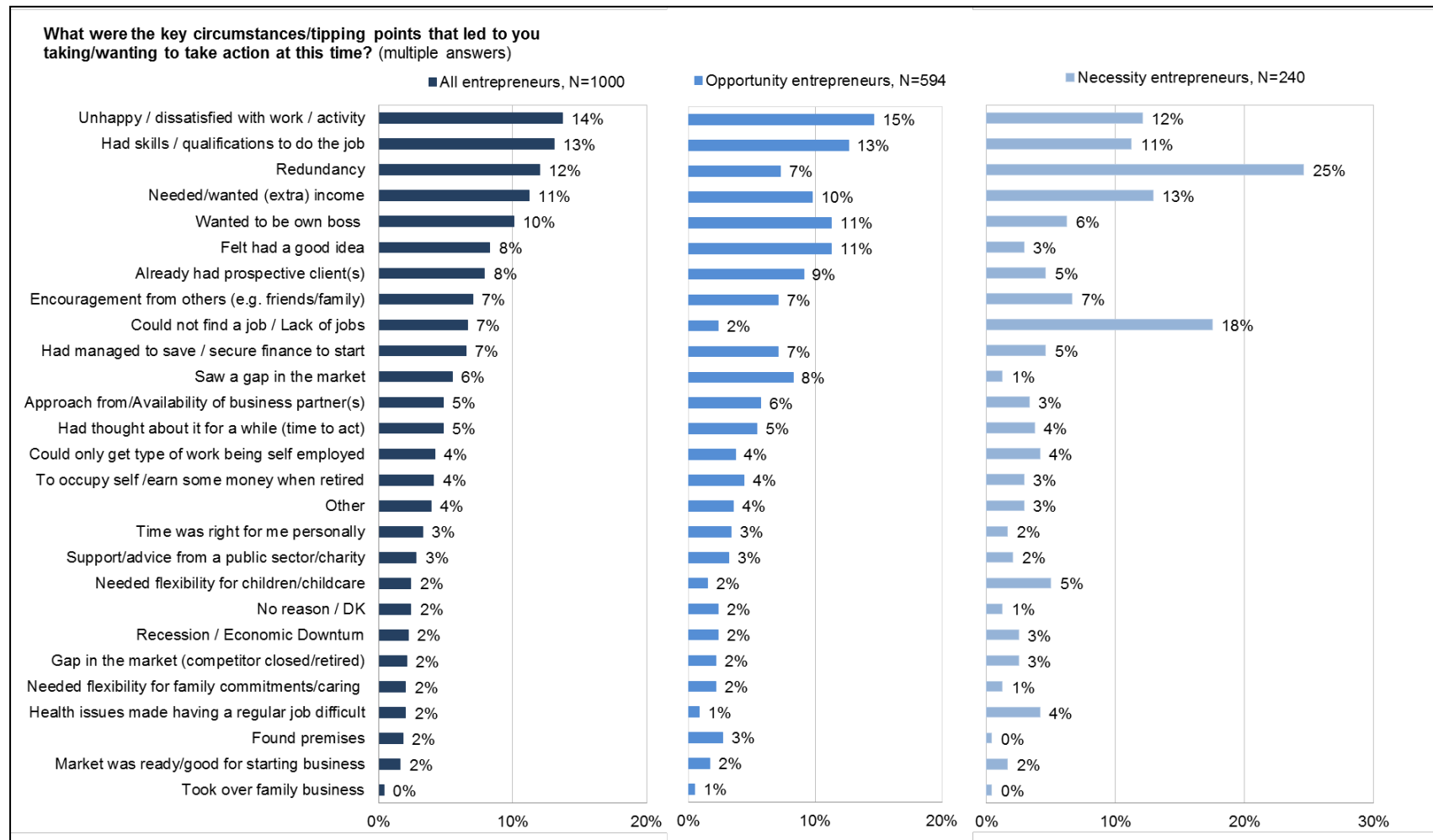
3.7 From motivations to action: Tipping points

Research shows that many individuals are interested in creating a business and find business ownership an appealing career choice, but often they hesitate to take action and actually start a business. So while we may observe a general motivation among some individuals to become an entrepreneur we need to understand more clearly what triggers the first action in setting up their own business. However, we need to recognise that it may not be an easy task for an individual to separate out these triggers from a set of general motivations towards business start-up.

We asked our sample of entrepreneurs what key circumstances or tipping-points had led them to take action, at the time when they did, to start setting up their business. Figure 12 summarises the answers and shows a wide variety of responses, comparing all, opportunity-motivated and necessity-motivated entrepreneurs.

Across all entrepreneurs, among the most frequently mentioned tipping-points were dissatisfaction with the current job the entrepreneur held, the fact that they felt they had the skills to run a business, they were made redundant and saw business ownership as an opportunity to gain (additional) income. The differences between opportunity- and necessity-motivated entrepreneurs are most notable in the frequency with which redundancy and inability to find a job were mentioned.

Figure 12: Key circumstances and tipping points that led entrepreneur to take action



Source: Entrepreneurial Motivation Survey

3.8 Further insights from qualitative interviews

In the in-depth qualitative interviews carried out after the entrepreneurial motivations survey, we further explored the tipping points and key circumstances that led to entrepreneurs taking action to set up their business.

Overall, common tipping points identified in the qualitative research were similar to those identified in the quantitative research and as displayed in Figure 12.

The qualitative research highlighted in particular that there is generally no single tipping point that encourages entrepreneurs to take action, but that the interaction of several factors or tipping points contribute towards the start-up of the business.

Thus, throughout this section we will discuss the key circumstances or tipping points which triggered the start-up of a business, and how these can interact. We will also discuss the influence of what we have called 'catalyst' circumstances, which are factors that are not necessarily singular 'tipping points' in the truest sense of the word, but could include factors such as gradually changing personal circumstances, or more long-standing motivations.

Where relevant, we note where particular tipping points are more relevant to certain types of entrepreneurs (as described in Chapter 2, section 2.2). However, it should be noted that there is substantial cross-over, in that different types of entrepreneurs report similar or the same kinds of tipping points.

3.8.1 Commonly mentioned tipping points

As with the tipping points displayed in Figure 12 entrepreneurs mentioned a wide range of tipping points throughout the qualitative interviews. The most commonly mentioned tipping points were redundancy, and being unhappy in their job at the time. There was slightly more mention of the loss of job than those who were unhappy in their job, however, there was some evidence of interaction between these two tipping points, for example, as expressed in taking voluntary redundancy.

There were a number of other tipping points mentioned in relation to taking action to set up their business. Several entrepreneurs mentioned that some form of opportunity presenting itself triggering them to take action and set up their business. This covered a variety of instances including existing contacts approaching with the need for certain services, a change in legislation or an opportunity to buy an old business from a colleague.

Retirement was also highlighted as a tipping point in some cases as was entrepreneurs being offered freelance work by a previous employer. Similarly, family circumstances, growing older or reaching a certain stage in life were factors cited in several cases. These encompassed events such as relocation, pregnancy and marriage, and a realisation that at that point in their life, for example, they no longer wanted to be commuting such a distance or working in a particular field.

In some cases the nature of the business or area of work the entrepreneurs wanted to go into as a self-employed person or a business owner meant that they had no

choice but to start-up a business. This circumstance then led to the action of setting up their business.

Other important factors included:

- Talking to friends or family who have experience of setting up a business themselves (for some this was extremely important but tended to happen after one of the 'key' tipping points mentioned above)
- Talking to a business advisor, or networking with other individuals in the same field of work (as above, for some this was a very important or necessary step, but was generally not the key thing that first "tipped" them into action)
- A particular passion for the area of business
- A long-standing wish to be their own boss or work more flexibly (sometimes this desire came from the aforementioned lack of satisfaction with their previous job)

It is difficult to establish patterns in terms of tipping point sequences, i.e. which ones tend to happen first. That said, one recurring theme was that where redundancy, or dissatisfaction with the current job, was mentioned as a tipping point, this often happened first and was then followed by other tipping points such as another opportunity arising or receiving self-employment advice etc. This suggests that being made redundant *creates* an opportunity-seeking mind-set in some entrepreneurs. However it should be noted that this was typically the case amongst people who tended to have a long-standing interest in being self-employed (an interest that, while not a 'tipping point' in itself, was in place before the redundancy).

When considering the multitude of other tipping points, there did not seem to be recurring patterns in the qualitative research. This point is highlighted in the 'Family Circumstances' chapter (3.8.5), where we explain that in some cases changes in family circumstances acted as the initial key tipping point, whereas at other times, a change in family circumstances acted as a catalyst, such as a growing wish to spend more time at home with young children (which for some had been a long-standing wish that had only recently helped to prompt action).

We now discuss each of these tipping points in more detail, and explain how they interact with each other and other factors.

3.8.2 Loss of job / Unhappy in current job

A substantial proportion of entrepreneurs stated that the loss of their job, usually due to redundancy triggered the action they took to set up their business. At this point, the options were to get another job or become self-employed. Other catalyst factors often came into play here which contributed to their start-up of a business.

An example of this is "Lizzy", an entrepreneur who was made redundant but was then approached by an old contact who had experienced being self-employed in that particular field.

“I’d left a stable job unexpectedly. I met up with some old contacts and started working with them in a particular industry sector. That gave me a good understanding, a good grounding, in what you need to be to be successful in that sector.”

Manufacturing and product development, active, pre-recession

Being unhappy in the current job was a common tipping point, though the reasons for this unhappiness varied between different entrepreneurs. In some cases it was due to the position of the company in its industry or the economy in general.

One entrepreneur used to work in the newspaper industry but did not enjoy the long hours and nature of working at the weekend, along with the problems in the industry that arose. They were unhappy in this role so pushed for voluntary redundancy. The nature of the job was impacting on their family life, which further influenced the action to set up the business.

“There was a lot of pressure and the effect on my family life was significant – working evenings and weekends and bank holidays ... working for yourself has its own levels of stress but you can to a degree manage your own time.”

Media consultant, active, post-recession

Other entrepreneurs were unhappy with the job role itself, rather than the company, in that they did not feel they suited it. This was often paired with the desire to be their own boss which further underlined the action to set up a new business venture.

“I didn’t like being managed so I guessed I might find myself better emotionally being my own boss rather than being managed so not having to answer to anybody basically.”

Children’s entertainment, closed, pre-recession

So we have seen that losing a job or leaving it voluntarily is an important initial tipping point for many entrepreneurs, however for this to result in self-employment, other factors are often also required such as those mentioned below.

3.8.3 Opportunity to set up a business

There were varying types of opportunities mentioned as the tipping point to taking action to set up a business. These included a demand for a particular product or service that the entrepreneur felt they could meet, usually having had plenty of experience in that area.

“Motivation to start the business was customer demand. I had another business before. I was in the transport side of the product that I now sell. Customers were asking me for the supply of it so we now deal in them.”

Accommodation services, active, pre-recession

Another common example of an opportunity was existing contacts they had in the industry approaching them with a business idea or opportunity. This was often

combined with other factors, for example, one entrepreneur was already self-employed and then was approached with another opportunity in the industry.

“He [business partner], if you like, chose me to be involved with it which I was quite happy to accept.”

CCTV Compliance, active, pre-recession

Changes in policies and legislation by the government were mentioned as a factor which triggered the start-up of a business as this presented an opportunity.

One entrepreneur had just sold a previous business for more money than they expected which provided some additional financial income. They then relocated and decided in order to create further income they needed to set up a new business. This business was completely different in nature to the previous business and they were uncertain about the market and demand for their new product. A particular trigger that set the plan into action was a change in legislation by the government.

“There was one pivotal piece of legislation from the government which was going to make it or break it.”

Biofuels, closed, post-recession

3.8.4 Retirement

Some entrepreneurs had retired, or were approaching retirement, at the point at which they set up their new business. This was often an important tipping point for the business type **opportunists using their existing skills** – who create a new business despite being financially stable. Therefore, their main motivation was not to make money or grow their business but rather something to keep them occupied or earn some extra money while doing something relatively easy. There were several examples of this throughout the qualitative interviews. In most cases, these entrepreneurs did some freelance work after being specifically approached by ex-clients or colleagues. It is rare for these people to be proactive in initiating this work, rather they simply respond to an opportunity suggested by someone else. This in itself (responding to an opportunity) is of course highlighted above as a main trigger, but in this case it necessarily interacts with the entrepreneur's status as retired; this means they have a large amount of free time, few money worries, and are generally looking for something challenging to keep them occupied.

One example was an entrepreneur who retired from working in the civil service. Just after they retired, their previous boss presented them with an opportunity to do some further work in the field on a self-employed basis. They were confident in their ability and had several other contacts that presented more opportunities for work. The money involved in this opportunity was further motivation for accepting the offer.

“Money was the motivation. I retired on a full pension but the idea that you could make a few thousand pounds without doing anything alien and without any great difficulty, it seemed to be me to be a no brainer really and hardly possible to turn it down.”

Admin and support activities, closed, post-recession

3.8.5 Family circumstances

Many entrepreneurs expressed the desire to work more flexibly due to family commitments as a tipping point which made them take action. The family circumstance varied, from relocation of the family home to a pregnancy in the family. In some cases this acted as the key circumstance although in other cases it acted as a catalyst around one of the other tipping points. For example, one entrepreneur mentioned relocating with his family which forced him to leave his previous job. The decision to then become self-employed rather than find another job was influenced by the desire to work more flexibly to spend more time with his family.

“It was a combination of things. We were relocating. It was a chance to start afresh. I’d been used to working in a normal working environment and I wanted to get the life-balance thing changed a little. Going self-employed would allow me to have the flexibility for childcare because my wife was working full time. That’s the main reasons for going into it.”

Software development, active, post-recession

In addition to these factors, the parents of this entrepreneur were self-employed and they were continuing in the field of work they had previously worked in.

3.8.6 Life stage milestones / growing older

The realisation that they were approaching retirement, or were fed up with their current job and routine, was a tipping point mentioned by a few entrepreneurs. This was often combined with other tipping points leading them to set up their own business. For example, in one particular circumstance, becoming fed up of a long commute into work influenced the action to set up own business, alongside the opportunity to work freelance with some already established clients, and some advice from a colleague, triggered the set-up of their own business:

“Kate” explained that she experienced a personal ‘tipping point’ while commuting to work, in that she had a sudden realisation that she hated her commute and did not want to spend any more valuable time making the journey in the future, feeling she was ‘too old’ to continue doing something she didn’t like. She, therefore, planned to leave her job and get another one nearer her home.

“It might sound crazy but my main motivation was that my journey to and from work was horrific.”

Her ‘second’ tipping point was a subsequent discussion with her employer about her unhappiness and plan to move on; her employer suggested that working for herself would suit her well, and she could utilise some of her established client base.

“In a way the inspiration was my old employer, because they were able to give me the opportunity to still work for them but on a sub contract basis, so in a way that gave me the confidence because I knew I at least had one major client. So I wasn’t packing everything in and going it alone.”

Financial consultant, active, pre-recession

3.8.7 Nature of business

There was a specific type of entrepreneur that was consistently self-employed, and these tended to take action to set up their business due to this circumstance. Some lines of work were described as only suitable for being self-employed, such as being a life coach or holistic therapy, as there are very few, if any companies offering these services. Often facilitated by the desire or passion to be in a particular line of work, this was a key tipping point that caused entrepreneurs to take action.

One example was “Jane”, who was passionate about holistic therapy and helping people. Her first tipping point was becoming qualified as a holistic therapist. She did not necessarily want to be self-employed but the particular therapy is not currently established as mainstream and so could not find a company to join. The second tipping point was, therefore, ‘necessity’, as this was the only way to make a living doing what she loved. The necessary third tipping point was the information and support offered from a particular trust that acted as a catalyst to taking this action.

3.8.8 Summary of tipping points

There are a number of tipping points commonly mentioned by entrepreneurs, however exploring individual circumstances during the in-depth interviews shows that it is rare for tipping points to work alone and far more common for two, three or more of the following to interact:

- Loss of job (whether voluntary or not)
- A chance business opportunity
- Changing family circumstance / life stage
- Advice or inspiration from an experienced friend, colleague or advisor
- Realisation that the nature of desired work necessitates self-employment

These tipping points can also interact with longer term motivations such as, for example, an entrepreneur’s desire to be their own boss or work flexibly to their own hours – motivations that are perhaps not fully realised until they are ‘tipped’ by, for instance, becoming truly unhappy in their job, being inspired by a conversation or opportunity, or needing to adapt to changing family circumstance.

4. Changing motivations for entrepreneurship?

This chapter explores whether – and if so how – motivations for entrepreneurship may change. Section 4.1 focusses on change ‘within’ the entrepreneur. It looks at those entrepreneurs who run active businesses and compares their original motivations for starting their business to their current motivations for running this business.

Section 4.2 focusses on change induced by the economic climate and compares the motivations of entrepreneurs who started their business prior to the recession to those who started their business during the recent recession (recession is here broadly defined as a period of difficult macroeconomic conditions). One obvious observation, which is not explored here, is that there was an even greater change in the set of motivations for entrepreneurship for those individuals who are no longer running their business (see Figure 29).

4.1 Changes in motivation over the entrepreneurial process

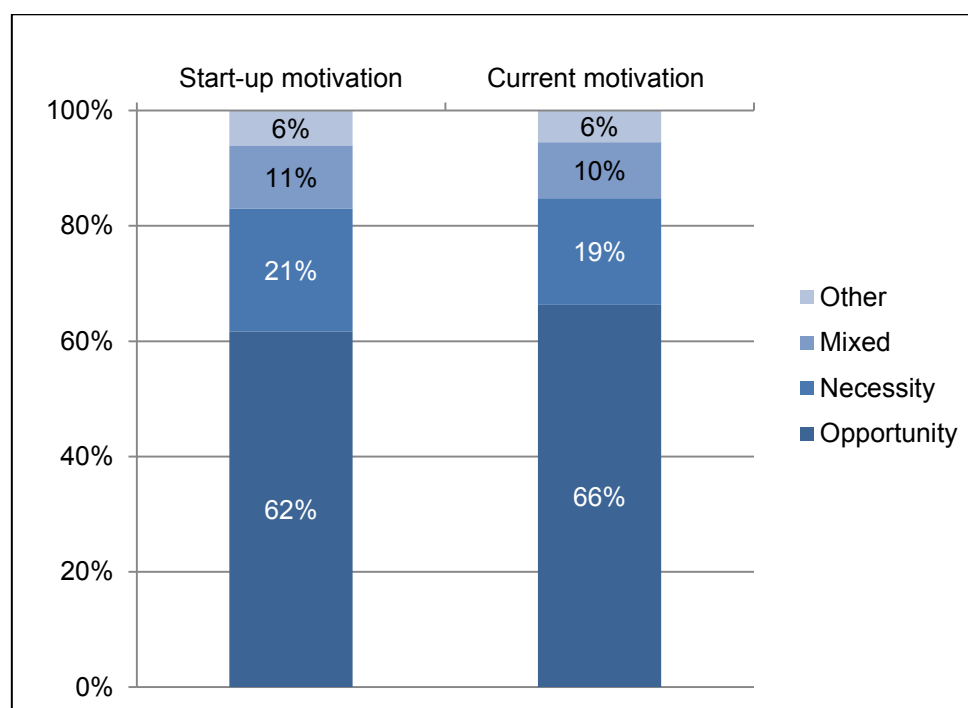
The focus of this section is whether – and if so how – motivations for entrepreneurship might change over the course of the entrepreneurial process. Motivations are expressions of goals entrepreneurs seek to achieve by running a business and the nature and importance of these goals may change over time. Here, we focus on the subset of active entrepreneurs (N=593), that is, those entrepreneurs who currently manage a business. We explore whether their initial reasons that motivated them to start the business may be different to their current motivations for running the business.

Collectively, the results point to only small changes in the motivation for entrepreneurship over time – such as an increasing prevalence of opportunity motivation, upgrading of the importance of autonomy motivations and a slight decline in growth expectations. By and large, however, motivations for entrepreneurship appear stable.

4.1.1 Opportunity and Necessity Motivation

Figure 13 shows the change in opportunity and necessity motivation. At start-up 62 percent of entrepreneurs were opportunity driven, a further 21 percent by necessity, with mixed and other ambitions quoted by 11 percent and six percent respectively. In comparison, 66 percent of entrepreneurs quote opportunity, 19 percent necessity, and 10 percent and six percent quote “mixed motives” and “other” reasons as motivations for currently running their business. Statistical tests reveal that only the increase in opportunity motivation (reported by 62 percent of entrepreneurs as start-up motivation and by 66 percent as the current motivation for running their business) is statistically significant.

Figure 13: Change in opportunity and necessity motivation (active businesses only N=588)



Source: Entrepreneurial Motivation Survey

Table 3 provides more detailed information on the nature of changes in motivation. For instance, with regard to opportunity motivation it indicates that most individual entrepreneurs (52 percent) who were motivated by opportunity to start their business are still motivated by opportunity to run their business currently. Yet four percent of entrepreneurs who started their business as opportunity entrepreneurs indicate as their current motivation necessity, a further four percent now report mixed motivation and one percent indicate ‘other’ motivations for running their business at the moment. Table 3 indicates that the increase in opportunity motivation is due to six percent of entrepreneurs ‘switching’ to opportunity motivation from necessity motivation at start-up and a further six percent from mixed opportunity-necessity motivation at start-up.

The bottom section of Table 3 further re-iterates that the dominant pattern is one of stability of motivation. That is, 70 percent of entrepreneurs report the same motivation for starting their business as for currently running their business.

Table 3: Unpacking Individual change in opportunity and necessity motivation (based on Figure 13, active businesses only, N=588)

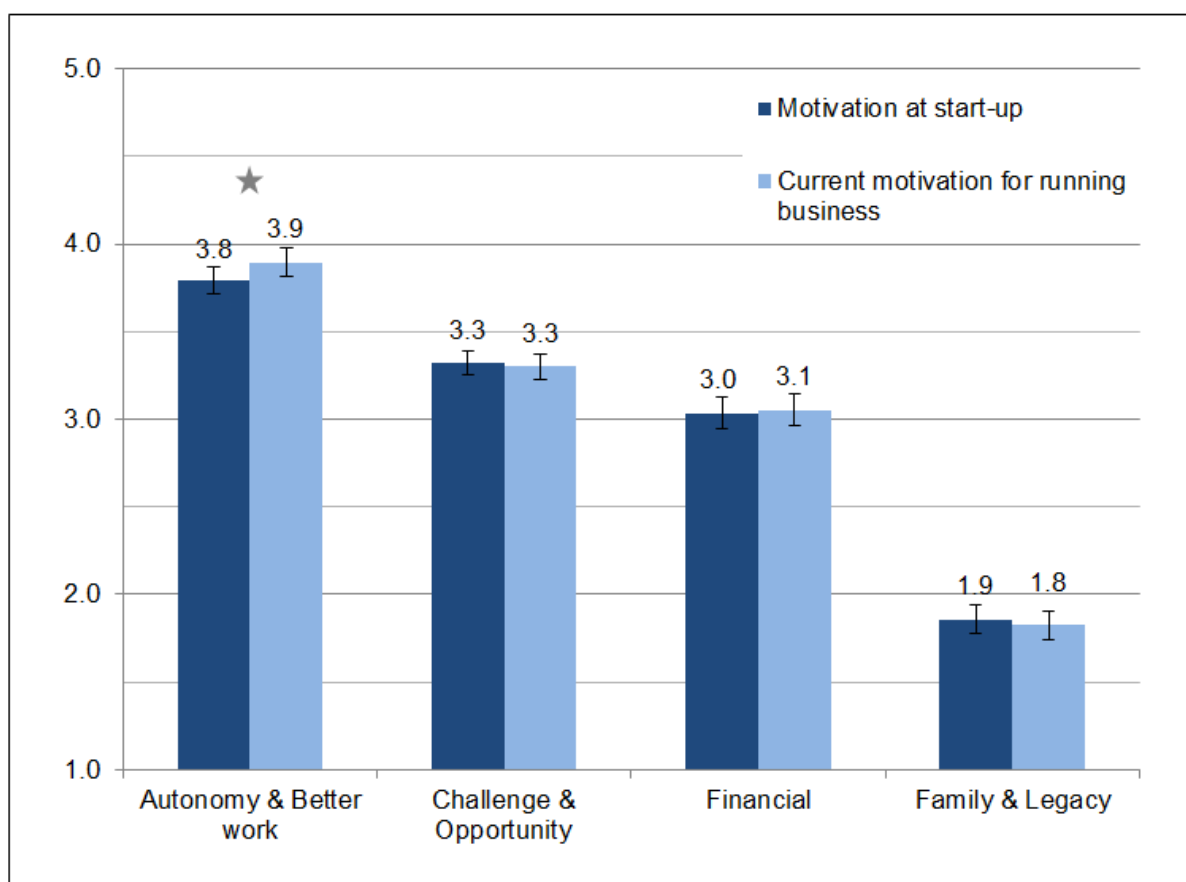
	Motivation for starting business	Current motivation for running business	N	%
Opportunity	62%	66%		
	<i>Opportunity</i>	<i>Opportunity.</i>	307	52%
	Opportunity	Necessity	26	4%
	Opportunity	Mixed	22	4%
	Opportunity	Other	8	1%
Necessity	22%	19%		
	Necessity	Opportunity	35	6%
	<i>Necessity</i>	<i>Necessity</i>	71	12%
	Necessity	Mixed	18	3%
	Necessity	Other	2	0%
Mixed	11%	10%		
	Mixed	Opportunity	36	6%
	Mixed	Necessity	10	2%
	<i>Mixed</i>	<i>Mixed</i>	17	3%
	Mixed	Other	2	0%
Other	6%	6%		
	Other	Opportunity	10	2%
	Other	Necessity	4	1%
	Other	Mixed	1	0%
	<i>Other</i>	<i>Other</i>	19	3%
Total			588	100%
<i>No change</i>			414	70%
Change			174	30%

Note. *Grey italics* – stable motivation, Source: Entrepreneurial Motivation Survey

4.1.2 Reasons to Start a Business: The importance of autonomy, challenge, financial and family motives

Figure 14 presents the entrepreneurs' importance ratings of various reasons to start a business compared to the importance they attach to the same reasons as motivators to continue running their business. The data suggests that motivations are stable. Only the increase in the importance attached to 'autonomy and better work' increases as a motivator for running a business compared to starting it. Considering that autonomy was the most important reason for entrepreneurs to start a business in the first place, this finding is promising. It suggests that entrepreneurs' expectations around autonomy, flexibility and quality of work are met in their roles as business owner-managers.

Figure 14: Change and stability in the ratings of the importance of reasons to start and run a business (active businesses only, N=591)



Source: Entrepreneurial Motivation Survey, ★ indicates statistically significant difference. The error bars show the 95 percent confidence interval.

Table 4 provides more detail on the importance ratings of the individual aspects underlying each aspect of motivation. An examination of the first several rows highlights that the increase in the importance of the autonomy motivation is due to the first two questions ('freedom to adapt my own approach to work' and 'greater flexibility').

Table 4: Change and stability in importance of reasons for entrepreneurship at start-up and currently (active businesses only, N=591)

Motivation Facets	"Importance of ..."	% entrepreneurs rated important	
		Start-up	Currently
Autonomy & better work	• To have considerable freedom to adapt my own approach to work	75%	80%
	• To have greater flexibility for my personal and family life	66%	71%
	• To have better work opportunities	55%	55%
Challenge & opportunity	• To make use of an existing skill	72%	73%
	• To challenge myself	69%	68%
	• To fulfil a personal vision	62%	63%
	• To achieve something and get recognition for it (e.g. respect from friends or peers)	48%	40%
	• To make a positive difference to my community, others or the environment	38%	40%
	• To achieve a higher position for myself in society	13%	15%
Financial	• To give myself, my partner and children financial security	48%	53%
	• To earn a larger personal income	42%	44%
	• To have a chance to build great wealth or a very high income	23%	25%
Family & Legacy	• To build a business my children can inherit	18%	20%
	• To follow the example of a person that I admire	13%	14%
	• To continue a family tradition	10%	9%

Source: Entrepreneurial Motivation Survey

4.1.3 Growth expectations

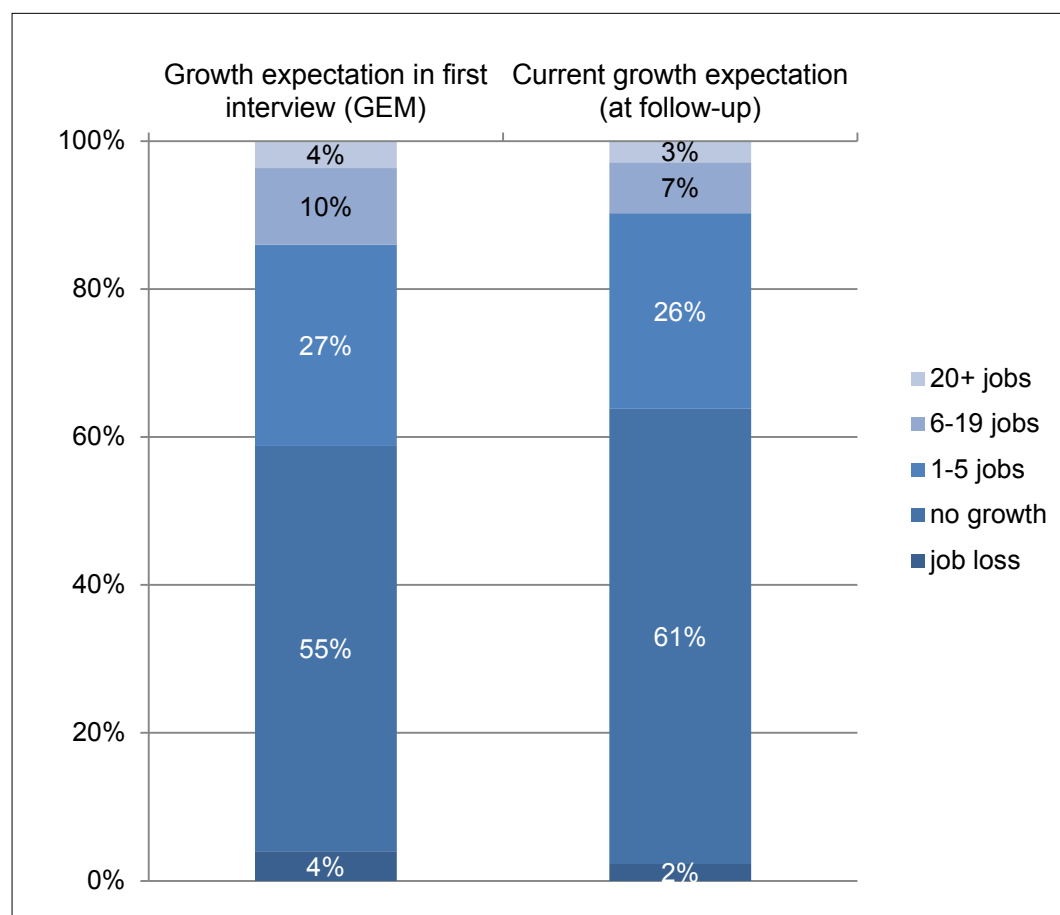
In this research, growth expectations are defined as the expected number of jobs (self-reported) in five years' time relative to the current number of jobs the business provides. Other research understands growth often also as revenue growth, which is not our focus. Growth expectations were captured at the time of the first interview (i.e. in the GEM APS, see Appendix) and in the current interview. Figure 15 provides information on change in entrepreneurs' growth expectations and illustrates that growth expectations declined slightly over time. In particular:

- Over half the entrepreneurs have no expectations to grow their business, and the group of entrepreneurs who do not expect growth, has increased over time (from 55 percent at the time of the first interview, and 61 percent currently),
- A substantial number of entrepreneurs also expect to add staff in the future. While 41 percent of entrepreneurs expected to add staff at the time of the first interview, fewer entrepreneurs currently expect to do so now (36 percent).

Most entrepreneurs, who aspire to add staff, expect to add between one to five jobs.

- A small number of entrepreneurs expect to lose staff, but this group is smaller than at the time of their first interview (four percent at the time of the first interview and two percent currently).⁶

Figure 15: Change and Stability in Growth expectations (active businesses only, N=522)



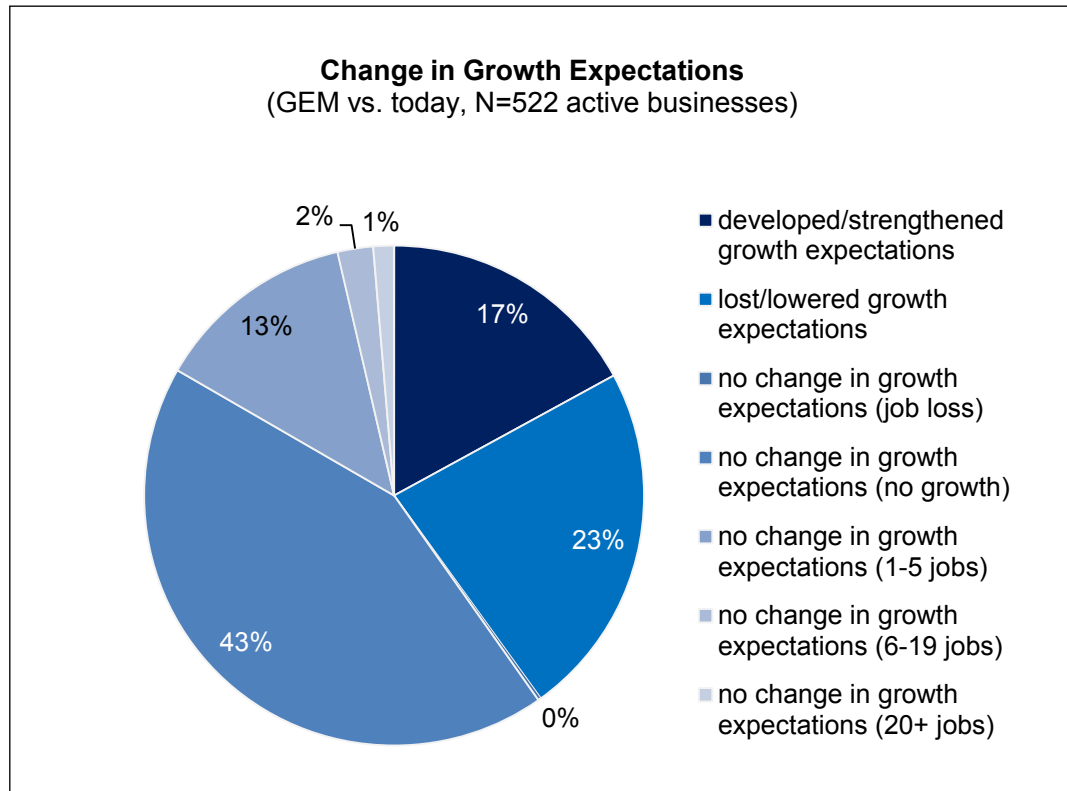
Source: GEM APS data and Entrepreneurial Motivation Survey

Figure 16 provides more detail about how entrepreneurs' growth expectations have changed. It indicates stability in growth expectations for the majority of entrepreneurs: 60 percent of entrepreneurs showed no change in growth expectations (segments in lighter blue in Figure 16), while the remaining 40 percent reported different growth expectations compared to the first interview. In particular, 17 percent showed stronger growth expectations compared to the first interview, but

⁶ The decreasing growth expectations cannot necessarily be attributed to realised growth expectations. It is not necessarily the case that the entrepreneurs' businesses currently employ more staff than at the time of the first interview. Entrepreneurs' businesses provided a total number of 1319 jobs at the time of the entrepreneurial motivation survey compared to 3001 jobs at the time of the first interview. However, if we remove one business which is an outlier (employing 2000 staff) from the first interview the total number of jobs provided is 1001.

23 percent of entrepreneurs now reported more modest growth expectations. In summary, the findings highlight the familiar fact that most entrepreneurs do not want to grow, and they suggest that these expectations change relatively little over time. 43 percent (N=225, Figure 16) of all active businesses indicated that they do not expect to grow in the next five years both when they were first interviewed and in the follow-up interview.

Figure 16: Individual change and stability in growth expectations



Source: GEM data and Entrepreneurial Motivation Survey

4.2 Entrepreneurial Motivation and the Recession

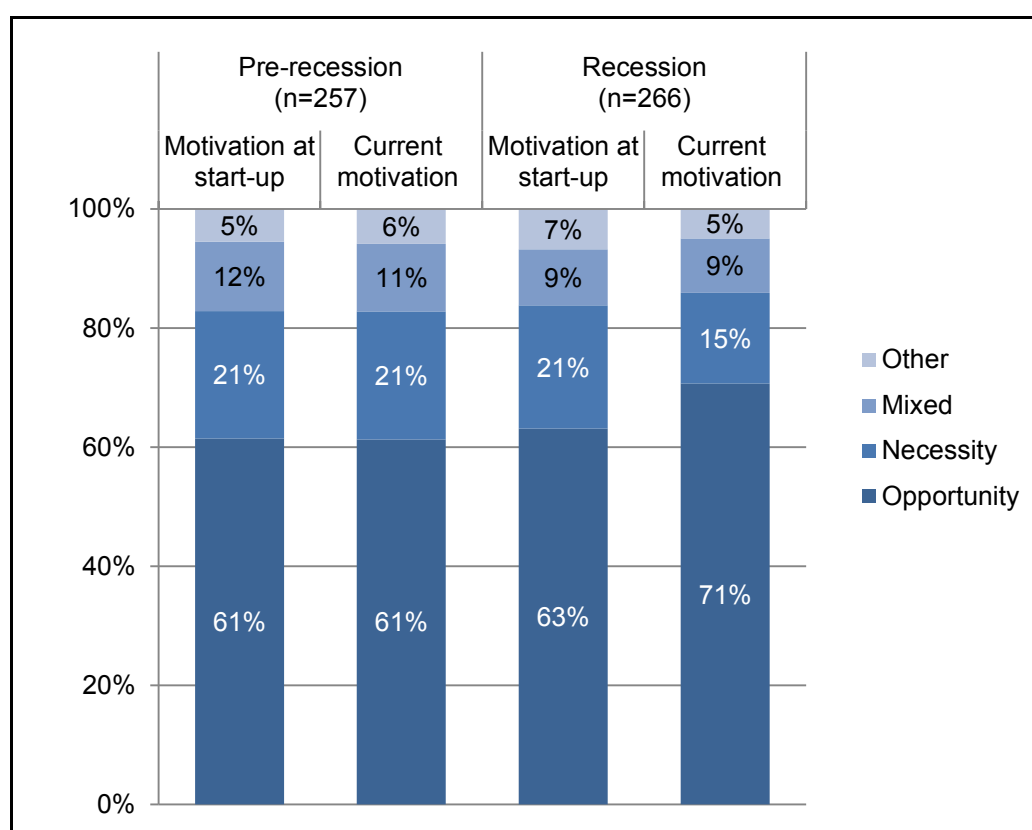
This section explores whether and how the recent recession may have impacted motivations for entrepreneurship. We use a broad understanding of the term ‘recession’ as referring to a period of difficult macroeconomic conditions. For this purpose, we compare entrepreneurs who set up their businesses prior to the recession (“pre-recession” between 2002 and 2008⁷, N=390) to those that started their businesses during the recent recession/economic downturn⁸ (between 2009 and 2013, N=458). We investigate the effects of the recession on the motivation at start-up. We also explore effects the recession may have had on entrepreneurs’ current motivation to run their business.

⁷ We chose 2002 to exclude the effects of the so-called dot.com bubble (1999/2000), which dampened economic output in 2000/2001. Furthermore, a limitation of comparing businesses started prior and during the recession is that fact that businesses founded in the pre-recession period are

4.2.1 Opportunity and Necessity Motivation

Figure 17 depicts opportunity and necessity motivation (at both start-up and currently) separately for entrepreneurs who started their business before and during the recession. Entrepreneurs creating their business during the recession indicate somewhat more frequently that they do so to pursue an opportunity. This may be for a number of reasons such as the closure of many firms leaving unsatisfied demand in many markets as well as increasing demand for products and services that are more efficient and are able to deliver larger cost savings to consumers and businesses. Underlying this is the process of innovation and we know from previous studies that recessions are a time of increased innovation and R&D leading to new opportunities for existing and start-up businesses. However, these differences are not statistically significant.⁹ Thus, the impact of the recession on opportunity-necessity motivation is not substantial in this sample of entrepreneurs.

Figure 17: The recession and opportunity-necessity motivation (active businesses only)



Source: GEM data and Entrepreneurial Motivation Survey

older. Thus our comparison may be affected by survivor bias, i.e. less competitive older businesses are likely underrepresented in our sample.

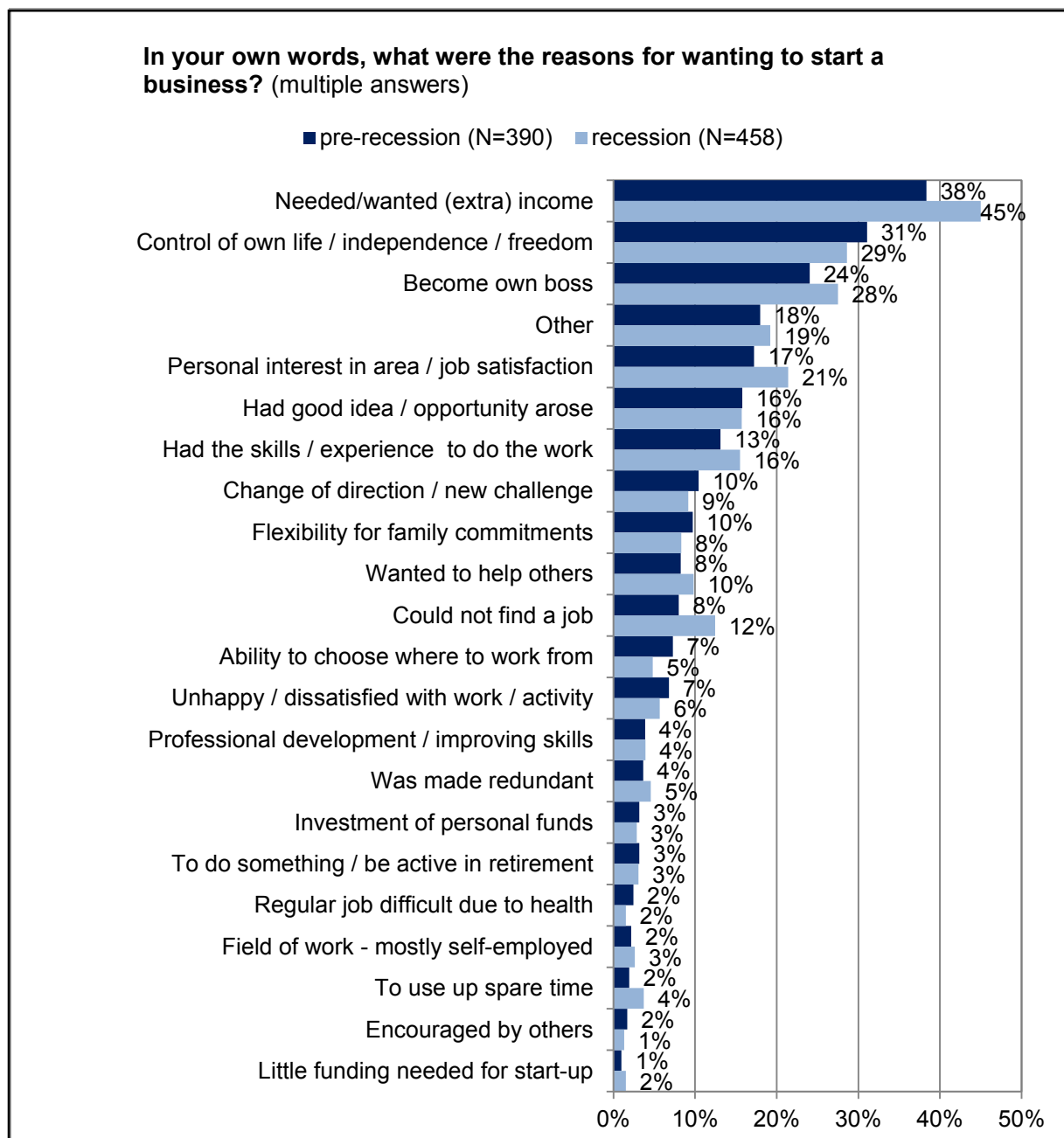
⁸ For note we used the term 'recession' in our survey work with the individual entrepreneurs although for the period in question this is not statistically accurate from an ONS point of view.

⁹ In additional analyses, we explored year-by-year changes in opportunity and necessity motivation and found no statistically significant changes.

4.2.2 Reasons to Start a Business (Prevalence)

The open-ended question asking entrepreneurs about the reasons to start their business provides a more differentiated, yet not dissimilar picture compared to the analysis of opportunity and necessity motivation. Entrepreneurs who started their business before and during the recession differ very little in their motivations. The largest difference is that entrepreneurs who started their business during the recession mention financial reasons ('needed or wanted extra income') more often (45% vs. 38%), and reasons such as "flexibility for family commitments" or "ability to choose where to work from" are mentioned slightly less often (in both cases the difference being only two percentage points).

Figure 18: The recession and prevalence of motivations



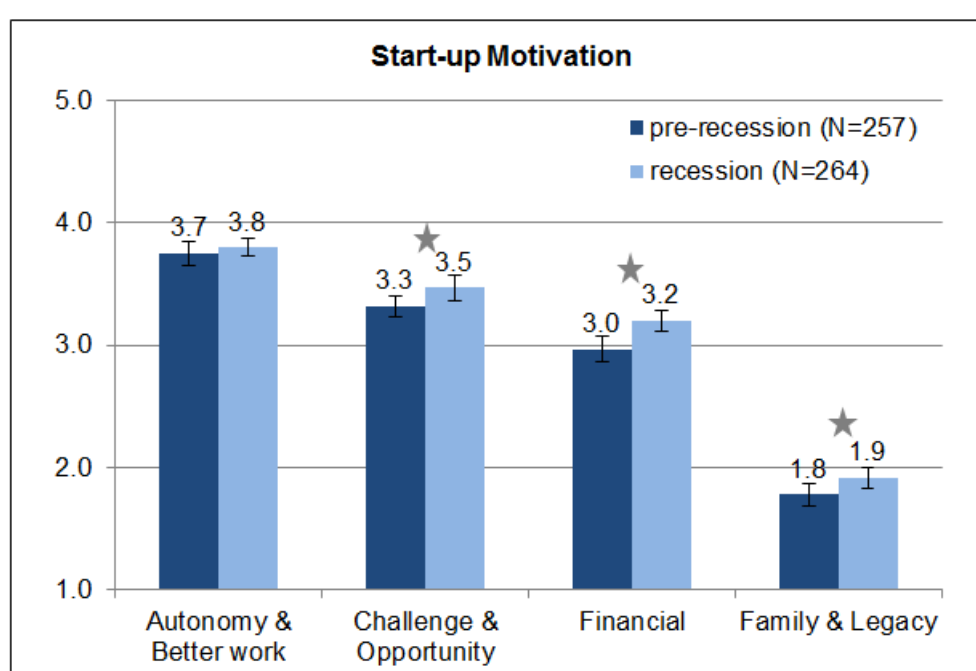
Source: Entrepreneurial Motivation Survey

4.2.3 Reasons to Start a Business: The importance of autonomy, challenge, financial and family motives

We now turn to the importance that entrepreneurs attach to different reasons to start and run a business (Figure 19 and Figure 20).

Statistical tests reveal that entrepreneurs rate 'challenge', 'financial' and 'family' motivations as significantly more important reasons to start their business during the recession, compared to entrepreneurs who started their business in the pre-recession period (Figure 19). Entrepreneurs' evaluations of 'autonomy' motivations were unaffected by the recession – in line with the small changes portrayed in Figure 19.

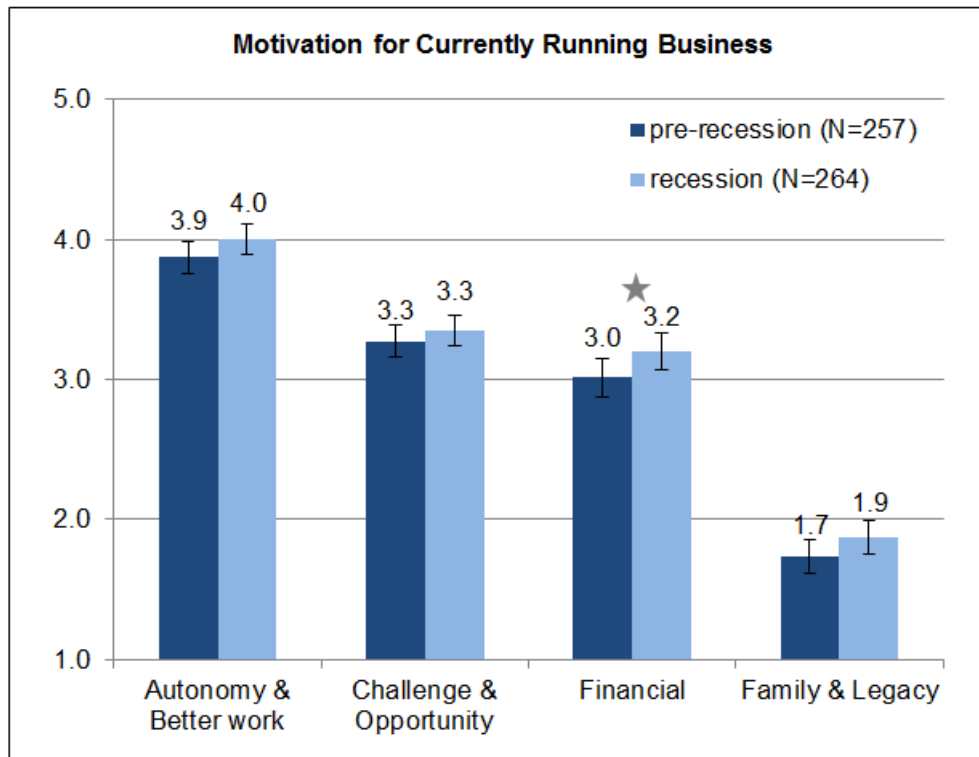
Figure 19: The recession and importance of motivation facets: at start-up



Source: Entrepreneurial Motivation Survey, ★ indicates statistically significant differences. The error bars show the 95 percent confidence interval.

Figure 20 illustrates that the recession did not impact entrepreneurs' current motivation for starting a business – with the exception that entrepreneurs who started their business during the recession rate financial concerns as stronger motivators, compared to entrepreneurs who started in the pre-recession period. This appears to reflect the fact that entrepreneurs arguably face greater financial pressures in the recession as demand for their products and services would decline.

Figure 20: The recession and importance of motivation facets: current motivation



Source: Entrepreneurial Motivation Survey, ★ indicates statistically significant differences. The error bars show the 95 percent confidence interval.

4.2.4 Growth expectations

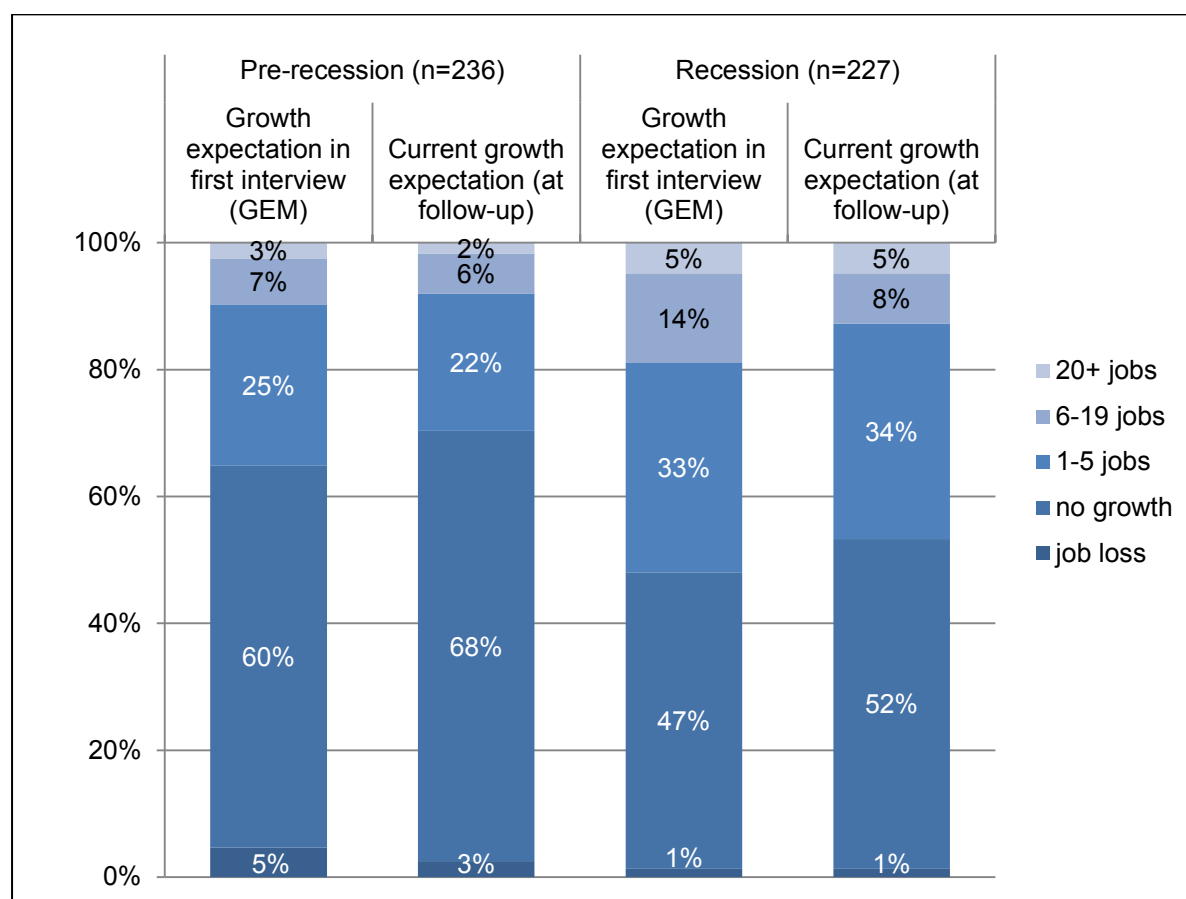
Entrepreneurs who started their business *before* as compared to *during* the recession expressed lower growth expectations and these differences were statistically significant. Thus, it appears entrepreneurs creating their businesses during the recession sought to create larger businesses employing more people. This is true when we examine growth expectations expressed in the first interview as well as entrepreneurs' expectations to grow their current business (comparing the first and second, and the third and fourth column in Figure 21 respectively).

Overall 35 percent of entrepreneurs who started their business prior to the recession expressed growth expectations as opposed to no growth expectations (combining the top three categories of the first column in Figure 21); while 52 percent of entrepreneurs who started their business during the recession (second column) expressed growth expectations. Similarly, only 30 percent of entrepreneurs who started their business prior to the recession currently expect their business to grow, compared to 47 percent of entrepreneurs' who started their business during the recession (comparing the third and fourth columns in Figure 21).

Together with the findings presented in the previous paragraph, these increased expectations during the recession could reflect the fact that entrepreneurs arguably face greater financial pressures in the recession and thus feel they need to grow their businesses to overcome the liability of smallness. Alternatively, as discussed in the introduction to this chapter, starting and surviving entrepreneurs in the recession

may have greater opportunities for growth due to the gaps left by closing businesses. Finally, the pattern may also be a reflection of the fact that the recession acted as a trigger (e.g. through redundancies and increasing pressures at work) for individuals who were in work and had long-standing entrepreneurial intentions to realise these intentions.¹⁰

Figure 21: The recession and growth expectations



Source: GEM data and Entrepreneurial Motivation Survey

4.2.5 Perceived barriers to setting up a business

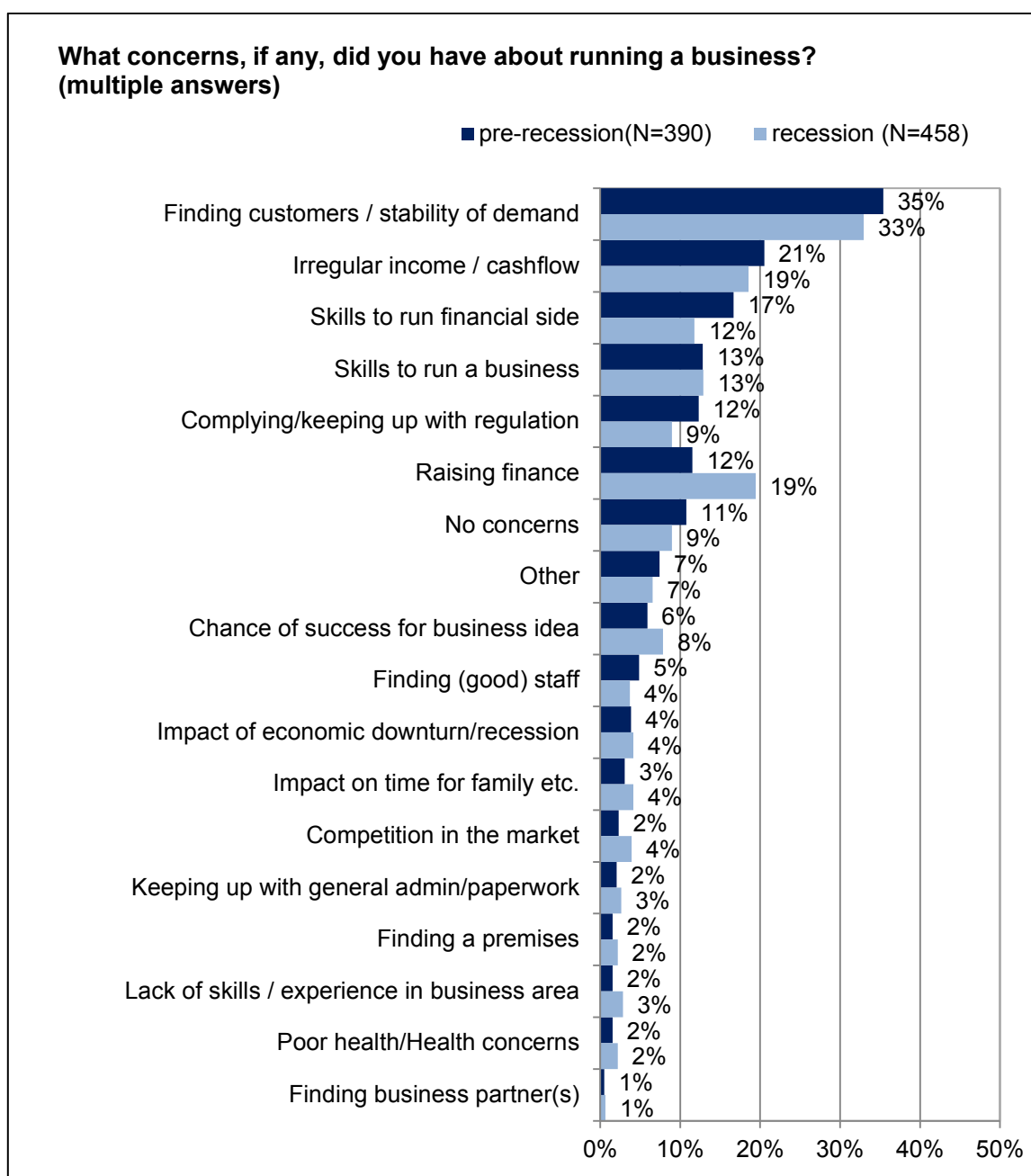
Figure 22 shows the responses to the open-ended question about key concerns entrepreneurs had about running their own business and the barriers they perceived – this refers to the time when they took action to set up their business. We differentiate again between entrepreneurs who started their business prior to the recession and those who started during the recession.

In the following discussion we highlight the largest pre- and during recession differences: 12 percent of entrepreneurs were concerned about raising finance pre-recession, that figure increased to 19 percent for those starting out during the

¹⁰ We also explored whether differences in personal and background factors (such as those explored in Chapter 5) can explain the differences in growth expectations pre- and during the recession. We found no evidence for such an alternative explanation.

recession. This is the biggest difference across categories in Figure 22. Interestingly, at the same time a five percentage point difference (17 versus 12 percent) was recorded for entrepreneurs doubting their financial management skills. Also, entrepreneurs starting out during the recession had fewer concerns about dealing with regulation (12 versus 9 percent). All other categories saw only slight shifts of no more than two percentage points, including a slight rise (6 percent pre-recession compared to 8 percent during recession) in concerns relating to uncertainty about the business idea.

Figure 22: The recession and perceived barriers to running a business



Source: Entrepreneurial Motivation Survey

4.2.6 From motivations to action: Tipping points

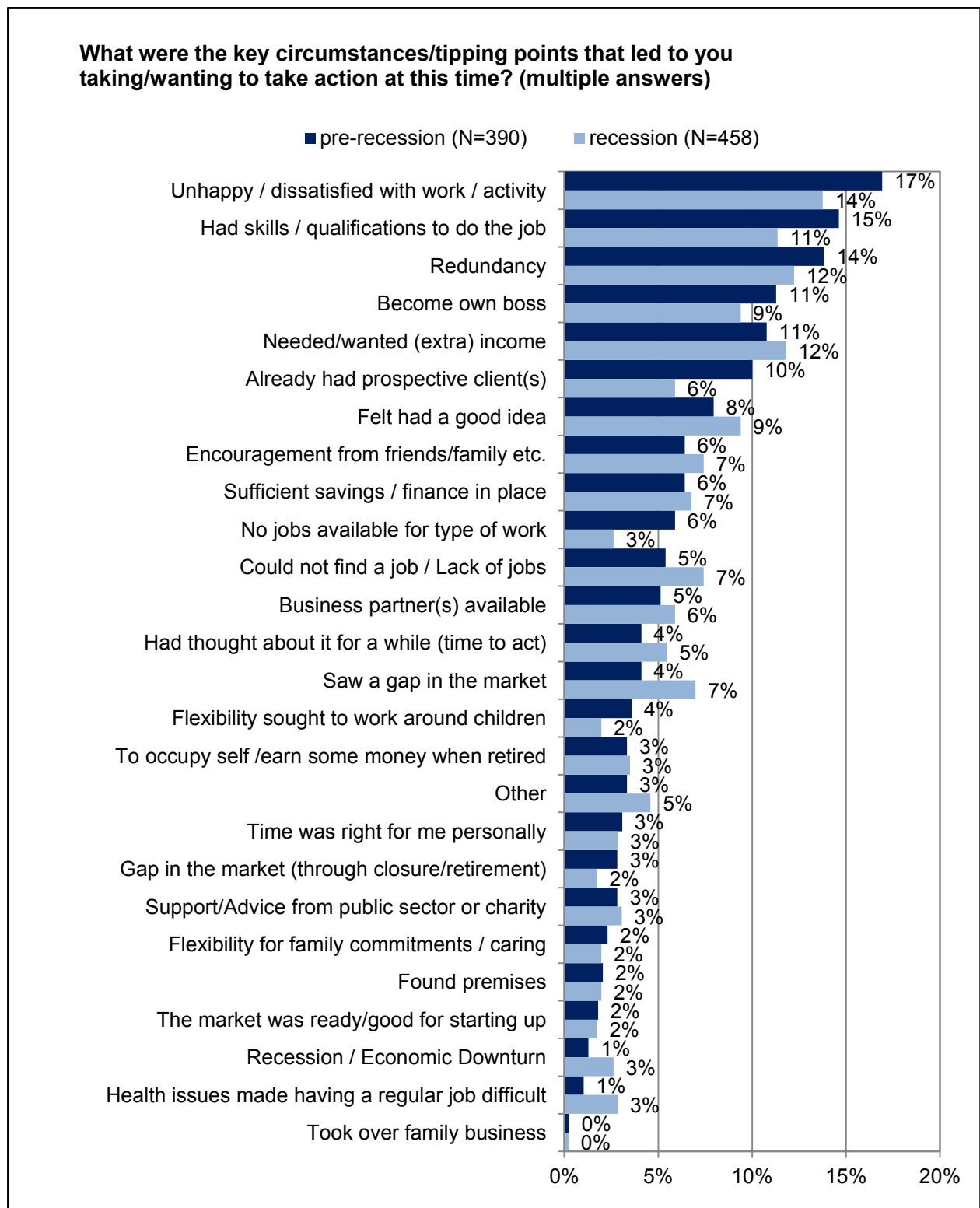
In this section we again compare entrepreneurs who started their business during the recession as opposed to prior the recession and examine the largest differences in the tipping points that entrepreneurs reported. As discussed in section 3.7 tipping points are the key circumstances that led entrepreneurs to act and initiate the process of setting up their business.

Figure 23 shows that the main tipping points reported by entrepreneurs starting pre-recession were less frequently mentioned by entrepreneurs starting during the recession. In particular, job unhappiness was quoted by 17 percent of pre-recession

entrepreneurs but only by 14 percent of those starting during the recession. Having the right skill-set/qualifications was mentioned by 15 percent pre-recession but only by 11 percent of those starting during the recession. Similarly, having prospective clients also differed by four percentage points. Fewer entrepreneurs during the recession were driven by the fact that only self-employment would allow them to conduct a particular kind of work (six percent pre-recession versus three percent during the recession).

There were also tipping points that were more frequently mentioned during the recession as opposed to prior to the recession (Figure 23). In particular, “saw a gap in the market” was mentioned more frequently (mentioned by seven percent during the recession vs. four percent prior to the recession). However, five percent (vs. three percent pre-recession) also quoted their struggle to find employment as a trigger for setting up their business during the recession. For all other categories, the differences pre- versus during recession were no more than two percentage points.

Figure 23: The recession and tipping points for taking action



Source: Entrepreneurial Motivation Survey

4.2.7 Further insights from qualitative interviews

The in-depth interviews carried out with entrepreneurs suggested that there are few differences in terms of tipping points between entrepreneurs who started their business prior to the recession and those who started during the recession.

As discussed previously, there is often more than one tipping point necessary to move an entrepreneur from having an idea to starting a business, and it is also common for tipping points to interact with more general, long-standing motivations. This interaction of different factors, personal circumstances and long-standing motivations means it is difficult to pinpoint specific differences relating to the recession (though the recession did affect some businesses more obviously in other ways once they were more established, such as contributing to a reduced customer base, or a change in the pattern of the value of goods wanted).

The one tipping point mentioned more by entrepreneurs starting their business during the recession, was the loss of their job due to redundancy (generally associated with the recession). That is not to say that entrepreneurs starting their businesses before the recession did not cite job loss or redundancy as a reason, just that there were some recession-specific redundancies mentioned by those starting up in 2009 or afterwards.

These entrepreneurs were not necessarily motivated by necessity however; some considered this just the 'push' they needed, and took advantage of the opportunity to start something new.

"If the recession hadn't come up I wouldn't be able to do this ... I would be sitting behind a desk ... it is probably the best thing that could have happened to me."

Financial consultant, active, post-recession

Similarly, the role of support and advice relating to entrepreneurs' tipping points did not appear to be affected by the recession; as aforementioned, the support received and wanted by entrepreneurs was driven largely by their level of experience of running a business.

5. Correlates of motivations for entrepreneurship

This chapter focusses on correlates of the motivations for entrepreneurship. It explores the extent to which the different motivation types are associated with the entrepreneur's socio-demographic characteristics (section 5.1), aspects of the entrepreneur's personal situation at the time of business start-up (section 5.2), and characteristics of the business (section 5.3). The chapter is based on correlation analyses, the findings of which are summarised in Table 5 below.

Overall socio-demographic characteristics, especially education, but also household income, entrepreneurs' age and gender, show associations with a range of motivations. By comparison, the aspects of the entrepreneur's personal situation at the time of business start-up, and characteristics of the business at start-up exhibit somewhat less consistent patterns of association with the different motivations. Yet entrepreneurial motivations show distinct associations with the cross-over of the entrepreneur's business with his/her previous job, the availability of role models, whether the business was started alone or together with others and the industry sector show.

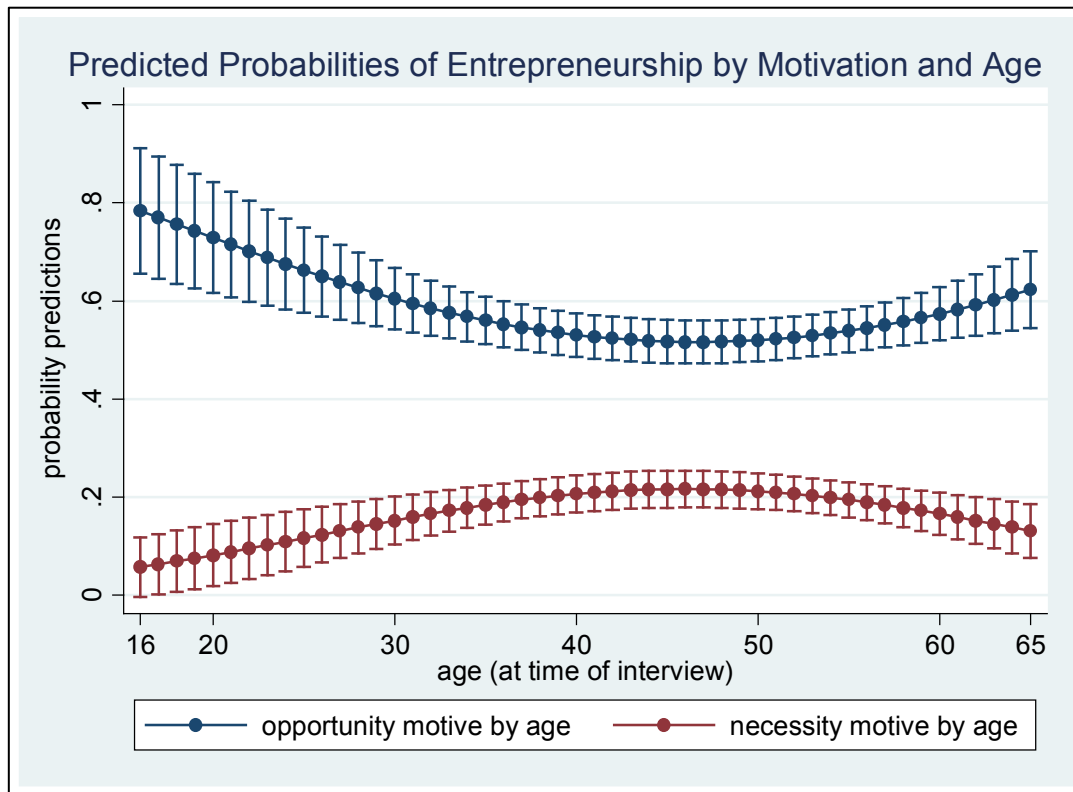
5.1 Socio-demographic characteristics

5.1.1 Entrepreneurs' age

Age is related to opportunity and necessity motivation as well as the importance that entrepreneurs' attribute to autonomy. The association with age and opportunity-necessity motivation is u-shaped but in opposing ways – as illustrated in Figure 24.

The Figure suggests that young entrepreneurs are particularly likely to start a business driven by opportunity motives at the beginning of their career. *Opportunity motivation* becomes a less strong driver of entrepreneurship in middle age – being lowest for entrepreneurs in their mid-40s. Older entrepreneurs (50+) show an increasing interest in pursuing entrepreneurship to take advantage of an opportunity. It may be that younger individuals are experimenting in search of a good career and given relatively low levels of other commitments (such as family or financial commitments) can be open to a range of opportunities. The negative relationship of age with autonomy motivation seems to fit this pattern. Autonomy motivation is especially prevalent among younger entrepreneurs (and declining from the mid-30s onwards), suggesting that they are more likely to see entrepreneurship as a means of self-realisation. In older age, family and especially childcare obligations tend to become less time intensive and thus an individual may, again, turn its attention to seeking out opportunities through entrepreneurship. Although it is clear that older entrepreneurs do not necessarily seek to run large businesses with many staff (growth expectation shows a negative relationship with age, Table 5).

Figure 24: The relationship of opportunity (top) and necessity (bottom) motivation with the entrepreneur's age



Source: Entrepreneurial Motivation Survey

For *necessity motivation* we observe the opposite pattern – necessity motivated entrepreneurship is lowest for entrepreneurs at the beginning of their career, highest for entrepreneurs in their mid-40s and then declining again for older age groups. This may reflect the fact that by these individuals often have family responsibilities and a range of financial obligations (such as mortgages), and thus may only engage in entrepreneurship if another attractive employment option is not available.

5.1.2 Entrepreneurs' education

Education, defined as the highest degree obtained, shows distinct associations with all aspects of entrepreneurial motivation (Table 5). Education is positively related to opportunity and challenge motivation, suggesting that relatively more highly educated individuals pursue entrepreneurship to take advantage of an opportunity and to challenge and develop themselves. Highly educated entrepreneurs also tend to report higher growth expectations. Education has the opposite relationship with necessity, autonomy, financial and family entrepreneurial motivation. These motives seem to drive entrepreneurial behaviour especially for entrepreneurs with lower education.

5.1.3 Entrepreneurs' gender

Compared to the effect of entrepreneurs' age and education, the associations of entrepreneurial motivations with entrepreneurs' gender are weaker (Table 5). Male and female entrepreneurs appear to be equally likely to pursue opportunity and necessity entrepreneurship. Female entrepreneurs tend to be somewhat more likely

to endorse autonomy and challenge motivations compared to male entrepreneurs; while male entrepreneurs seem to value financial and family motivations more than female entrepreneurs. Male entrepreneurs are also more likely to expect their businesses to grow.

5.1.4 Household income

Entrepreneurs from households with high income are more likely to pursue opportunity entrepreneurship, whilst those from poorer households are more likely to be necessity motivated (Table 5). Presumably, high income households provide entrepreneurs with financial resources allowing them to seek out opportunities. Such opportunity seeking may also underlie the higher growth expectations by those from richer households. By contrast, those from low-income households have to worry about contributing money to the household.

Table 5: Individual circumstances influencing motivations for entrepreneurship

<i>Motivation type</i>	Opportunity	Necessity	Autonomy & Better work	Challenge & Opportunity	Financial	Family & Legacy	Growth expectations
<i>Individual circumstances:</i>							
<i>Socio-demographic characteristics</i>							
Age	u-shaped	inverse u-shape	—	No relationship	No relationship	No relationship	—
Education	++	—	—	+	—	--	+
Gender	No relationship	No relationship	Weak relationship (somewhat more likely if female)	Weak relationship (somewhat more likely if female)	More likely if male	More likely if male	More likely if male
Household income	++	—	No relationship	No relationship	No relationship	No relationship	+
<i>Entrepreneur's Personal Situation at the Time of Start-up</i>							
Employment status when starting-up	More likely to be in employment, education or retired	More likely to be unemployed	No relationship	No relationship	More likely to be in employment, education or retired	More likely to be in employment, education or retired	No relationship
Cross-over with previous job	No relationship	No relationship	More likely if cross-over	More likely to be cross-over	More likely to be exactly the same as previous job	Somewhat more likely if cross-over	No relationship
Family commitments when starting-up	No clear pattern, (Entrepreneurs with and without commitments equally likely; entrepreneurs with children less likely to be opportunity motivated compared to those with no commitments.)	No relationships	No clear pattern, (Those supporting children, partner or multiple relatives are equally likely to demonstrate the various motivations compared to those who have no commitments)	No clear pattern, (Those supporting children, partner or multiple relatives are equally likely to demonstrate the various motivations compared to those who have no commitments)	No clear pattern, (Those supporting children, partner or multiple relatives are equally likely to demonstrate the various motivations compared to those who have no commitments)	No clear pattern, (Those supporting children, partner or multiple relatives are equally likely to demonstrate the various motivations compared to those who have no commitments)	More likely if supporting partner or multiple family members

Motivation type	Opportunity	Necessity	Autonomy & Better work	Challenge & Opportunity	Financial	Family & Legacy	Growth expectations
Role models (know other entrepreneur)	+	–	+	(+ if multiple role models)	No relationship	(+ if multiple role models)	(+ if multiple role models)
Characteristics of the business at start-up							
Starting alone or with others	More likely if started with others (both business partner and family member)	More likely if started alone	More likely alone, least likely with business partner (with family in between)	Somewhat more likely together with business partner (as opposed to alone or with family member)	More likely with family member as opposed to alone (business partner in between)	Most likely with other family member, least likely alone (business partner in between)	More likely if started with others (both business partner and family member)
Sector	+ wholesale, accommodation & communication sector; - human and social services	No clear pattern	No clear pattern	+ human and social services	- human and social services	+ manufacturing, constructing & primary sector - in financial and business services	+ in financial and business services; - in human and social services

Notes. ++ positive relationship, + weak positive relationship, -- negative relationship, - weak negative relationship, Ethnicity shows no significant relationships as the sample is predominantly white, Source: Entrepreneurial motivation survey

5.2 Entrepreneur's Personal Situation at the Time of Start-up

5.2.1 Employment status and prior job

Entrepreneurs that were at the time of starting their business in employment, in education or were retired – as opposed to unemployed – are more likely to be driven by opportunity, financial or family motivation. Conversely, those leaving unemployment to start a business are – as expected – more likely to pursue necessity entrepreneurship but this is not true in all cases. There is no clear relationship with the other motivation types.

However, beyond the general employment status autonomy, challenge, financial and family motivations are related to how similar the entrepreneurial activity is to previous jobs that the entrepreneur held. The more cross-over between the previous job and the business activity, the more entrepreneurs are driven by these motivations. Interestingly, financial motivations are especially important for entrepreneurs' for whom the entrepreneurial activity matches exactly their prior job. It may be that these are entrepreneurs in sectors where self-employment is a common career trajectory and thus a means of earning more money. Entrepreneurs motivated by autonomy and challenge especially may seek to put their skills and knowledge to new and productive use, which is why they seek some (but not exact) overlap with their prior job.

5.2.2 Family financial commitments

We captured family financial commitments, by asking whether at the time the entrepreneur starting his/her business, s/he had children, a partner, parents or other relatives to support. Thus an entrepreneur can also have multiple such commitments, supporting for instance children and his/her partner. Surprisingly, there was no clear pattern of existing family commitments with most aspects of motivation including necessity, greater autonomy, a challenge, financial security and leaving a legacy. There was a tendency that opportunity motivation was less common amongst entrepreneurs who had children to support (as opposed to those entrepreneurs who had no commitment), whilst there was no pattern that entrepreneurs with other family commitments were more likely to engage in opportunity entrepreneurship.

Growth expectations were higher amongst entrepreneurs, who were supporting their partner or multiple family members. This suggests that growing once business may be seen by entrepreneurs as instrumental to earning more income.

5.2.3 Role models

In line with past research, we captured role models by asking whether the entrepreneur knew anyone who had set up their own business or who was self-employed (at the time entrepreneur started his/her business). Role model effects on the propensity to start a business are well-established in extant research, but effects of role models on motivations for entrepreneurship are less well researched. More than three-quarters of all entrepreneurs reported having role models (78 percent of the sample). We found that the presence of role models was positively associated with opportunity entrepreneurship and autonomy motivation, while the lack of role models tended to be more common among necessity entrepreneurs. There was an

additional positive effect of having multiple role models for opportunity entrepreneurs.

We observed that challenge and family motivation as well as growth expectations were stronger when the entrepreneur indicated that they knew multiple role models (as opposed to the mere existence of one role model) at the time of start-up.

The specific type of role model (e.g. friend, relative, colleague or teacher) did not seem to influence motivations, but this may be due to the fact that role models were quite diverse and categories thus relatively small.

5.3 Characteristics of the Start-up

5.3.1 Starting alone or with others

We asked entrepreneurs whether they started their business all by themselves, or whether they started it together with family members or with business partners. All motivation aspects are related to this characteristic of the starting business. Necessity and autonomy motivations are common amongst entrepreneurs who start on their own (see Table 5). Opportunity motivation is most common amongst those who start with others (independent of whether the others are family members or business partners). Similarly growth expectations are more common amongst those who start their business together with others.

Challenge motivated entrepreneurs appear especially likely to start their business together with business partners – presumably as these provide complementary expertise that helps them to achieve their vision and realise their idea. Conversely, financial aspects and family motivated entrepreneurs who start their business together with a family member.

5.3.2 Industry sector

A detailed analysis by sector did not reveal clear patterns of association with the various motivations for entrepreneurship. This was likely due to sample size limitations (e.g., only two percent of all entrepreneurs worked in real estate). Once we grouped sectors into larger sector groups, patterns started to emerge. We differentiated a first sector group comprising of manufacturing, construction and agriculture/fishery, a second group contained wholesale and retail, accommodation, communication, transport and food services, a third group financial and business services including real estate, and a fourth group contained human and social services including education, arts, social work and other services (see chapter 2 for details).

Opportunity motivation was somewhat more likely in the combined sector of wholesale, transport, accommodation and communication; somewhat less likely in human and social service/culture sectors. Challenge motivation was endorsed by entrepreneurs working in the human and social services sector, while entrepreneurs in this sector tended to value financial motivations less. Family motivations were more strongly endorsed by entrepreneurs in the manufacturing, construction and primary sectors, while entrepreneurs working in financial and business services tended to value family motivation less.

Entrepreneurs working in financial and business services expressed stronger growth motivations compared to the remaining sectors; while the growth expectations of entrepreneurs in the human and social services tended to be lower.

6. Consequences of motivations

This chapter explores the consequences of different motivations for entrepreneurial outcomes such as the business' survival chances and its performance.

Table 6 summarises the relationships of motivations with three key outcomes (survival, job growth, innovation and exporting) based on correlation analyses. These analyses highlight a relatively distinct pattern of relationships for each outcome. Opportunity-necessity motivation as well as autonomy, challenge and family motivations are associated with the survival of businesses. Autonomy motivations are not associated with job growth, innovation or exporting. Opportunity motivation also relates positively to job growth and exporting.

Growth expectations show no relationship with business survival but a close association with the achieved job growth of active businesses. Entrepreneurs with higher growth expectations also tend to lead more innovative and exporting businesses, although the relationship is less pronounced than for job growth.

Table 6: Associations of motivations for entrepreneurship with outcomes

Motivations at start-up:	Survival (comparing closed to active businesses)	Performance: Job Growth (active businesses only)	Performance: Innovation (active businesses only)	Performance: Exporting (active businesses only)
Opportunity	+	+	n.s.	+
Necessity	–	n.s.	n.s.	–
Autonomy & better work	+	n.s.	n.s.	n.s.
Challenge & opportunity	+	n.s.	+	n.s.
Financial	n.s.	+	–	n.s.
Family & legacy	+	+	n.s.	n.s.
Growth expectations	n.s.	++	+	+

Note: n.s. – no statistically significant relationship, +/- weak positive relationship (correlations around .10), ++ positive relationship (correlations around .30)

Interestingly, financial motivations are positively associated with job growth, but negatively with innovation activity. This suggests that entrepreneurs regard growth to be a more viable route to achieve financial goals compared to innovation.

Section 6.1 provides more detailed analyses of various entrepreneurial outcomes. In section 6.2 we provide a more in-depth examination of closed businesses. Section 6.3 focusses on the performance of the subsample of active businesses in particular on achieved job growth, their innovation and exporting activity.

Figure 25 and Figure 26 provide a descriptive overview of the “entrepreneurial journey” of opportunity and necessity motivated entrepreneurs and their entrepreneurial outcomes. They provide an overview of the broad categorical breakdown of job growth, innovation and exporting for active businesses.

One of the obvious points to observe is that there are a small group of active necessity entrepreneurs that do well in terms of growth, innovation and exporting (Figure 25). By contrast, there are a small group of active opportunity entrepreneurs that are not experiencing growth nor engaging in innovation or overseas markets (Figure 26). Further, both opportunity and necessity entrepreneurs were just as likely to have closed or sold their business by the time of the follow-up interview and similar proportions in both categories were still at the nascent stage.

Figure 25: “Entrepreneurial Journey” of the 240 necessity-driven entrepreneurs in the Entrepreneurial Motivation Survey (N=126 of these led active businesses at the time of the interview)

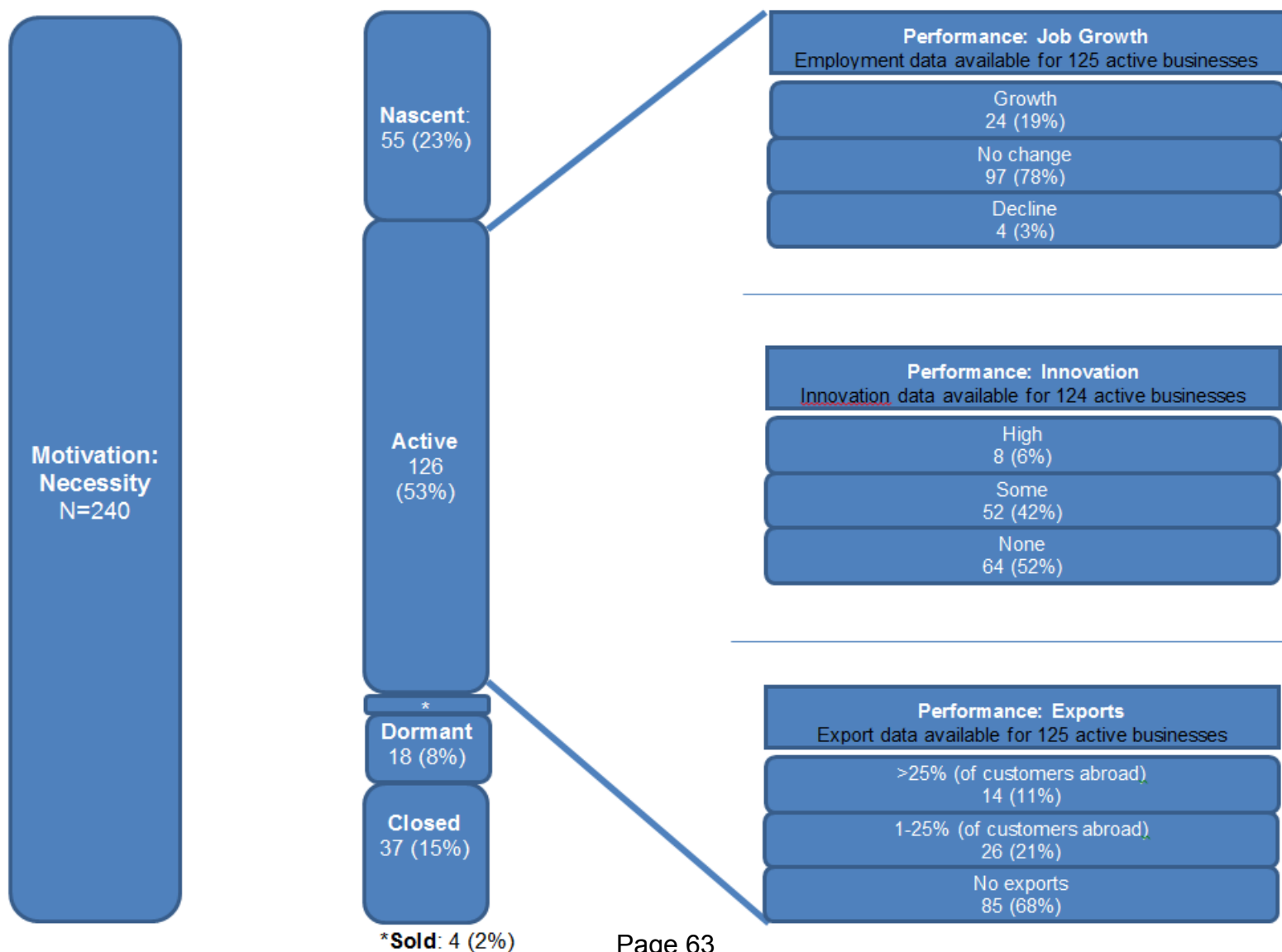
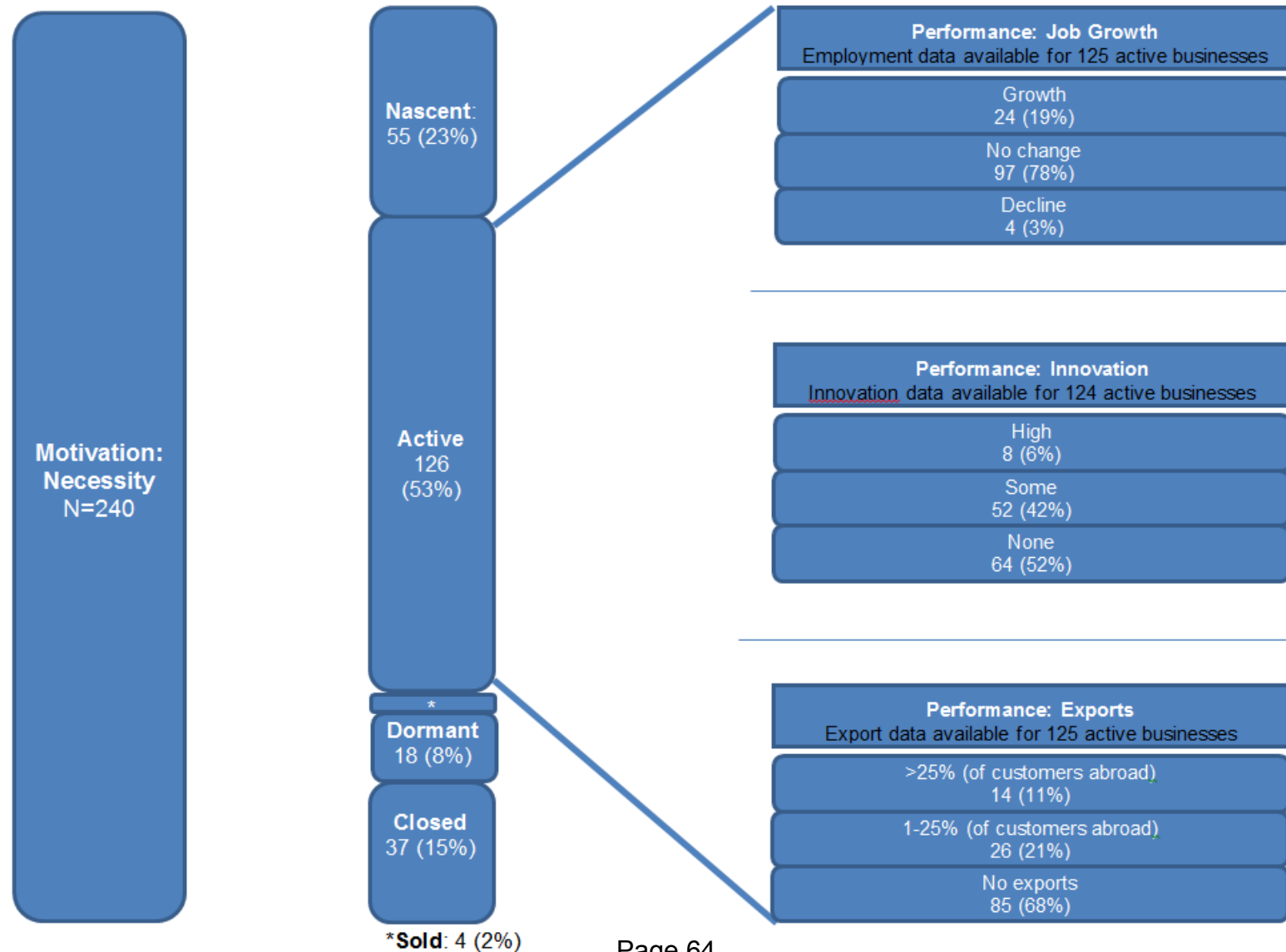


Figure 26: “Entrepreneurial Journey” of the 594 opportunity-driven entrepreneurs in the Entrepreneurial Motivation Survey (N=366 of these led active businesses at the time of the interview)



6.1 Entrepreneurial motivations and entrepreneurial outcomes

Business start-up effort can lead to a variety of outcomes. Ideally businesses are successfully created and survive (i.e. identified as 'active' businesses in the Entrepreneurial Motivation Survey). They can also be successfully created and be subsequently closed (what we call hereafter 'closed' business), or the business start-up effort can simply take a long time and be still ongoing (i.e. identified as so-called 'nascent' businesses in the Entrepreneurial Motivation Survey). Most entrepreneurs in the survey fell into these groups (593 were active business, 121 closed and 209 nascent businesses). The remaining entrepreneurs had either, successfully run their business and sold it (N=18), or the business was operational at one point, but it is currently dormant (N=59).

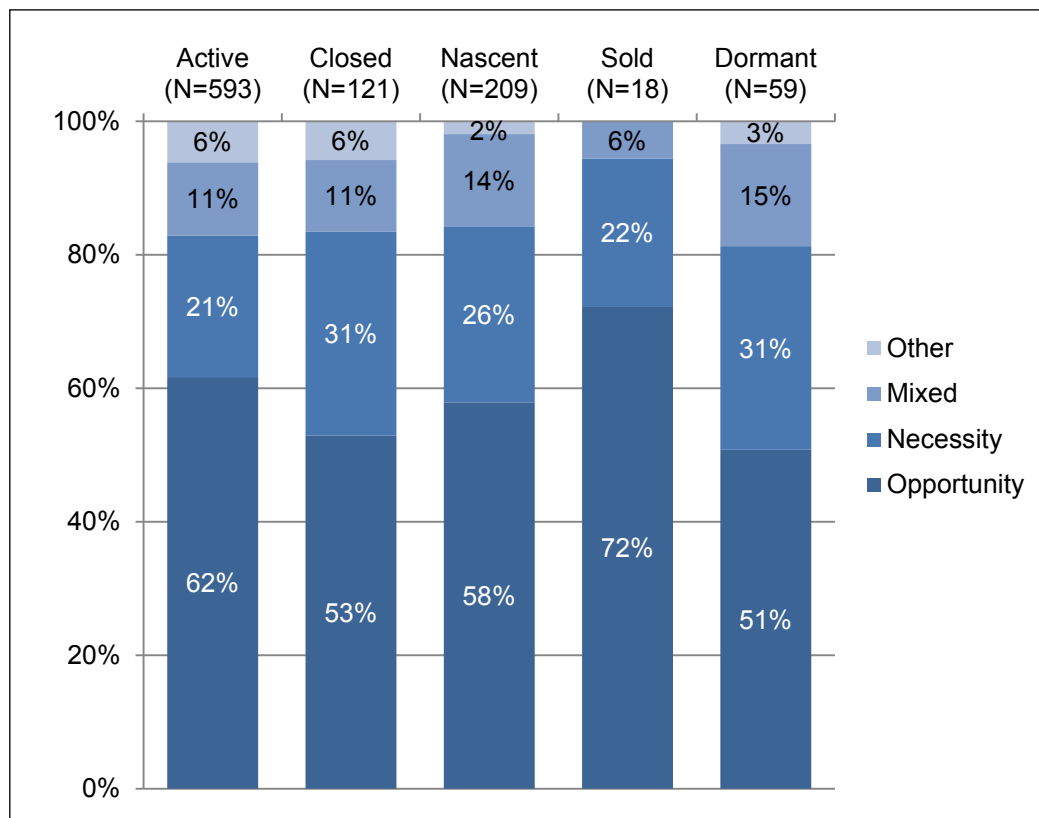
The following section focusses on differences in motivation among these five groups of entrepreneurs. Some analyses compare only the first three groups as the number of entrepreneurs who sold their business or whose business is currently dormant is very small, which renders comparisons of small categories of answers to open-ended questions meaningless (e.g. on reasons to start a business, worries about starting up a business and tipping points).

6.1.1 Opportunity and Necessity Motivation

Figure 27 depicts the percentage within each of the five entrepreneurial groups against the four broad groups of motivation. Active entrepreneurs and those who sold their business, report more frequently opportunity-motives, while entrepreneurs of closed and dormant businesses report more often necessity motives. However, these trends should be interpreted with caution as the differences are not statistically significant.

The key points to note are:

- Those entrepreneurs who have sold their business were more likely to have been motivated to start their business by an opportunity.
- Entrepreneurs who had either closed their business or reported that it was currently dormant were more likely to have been motivated out of necessity.

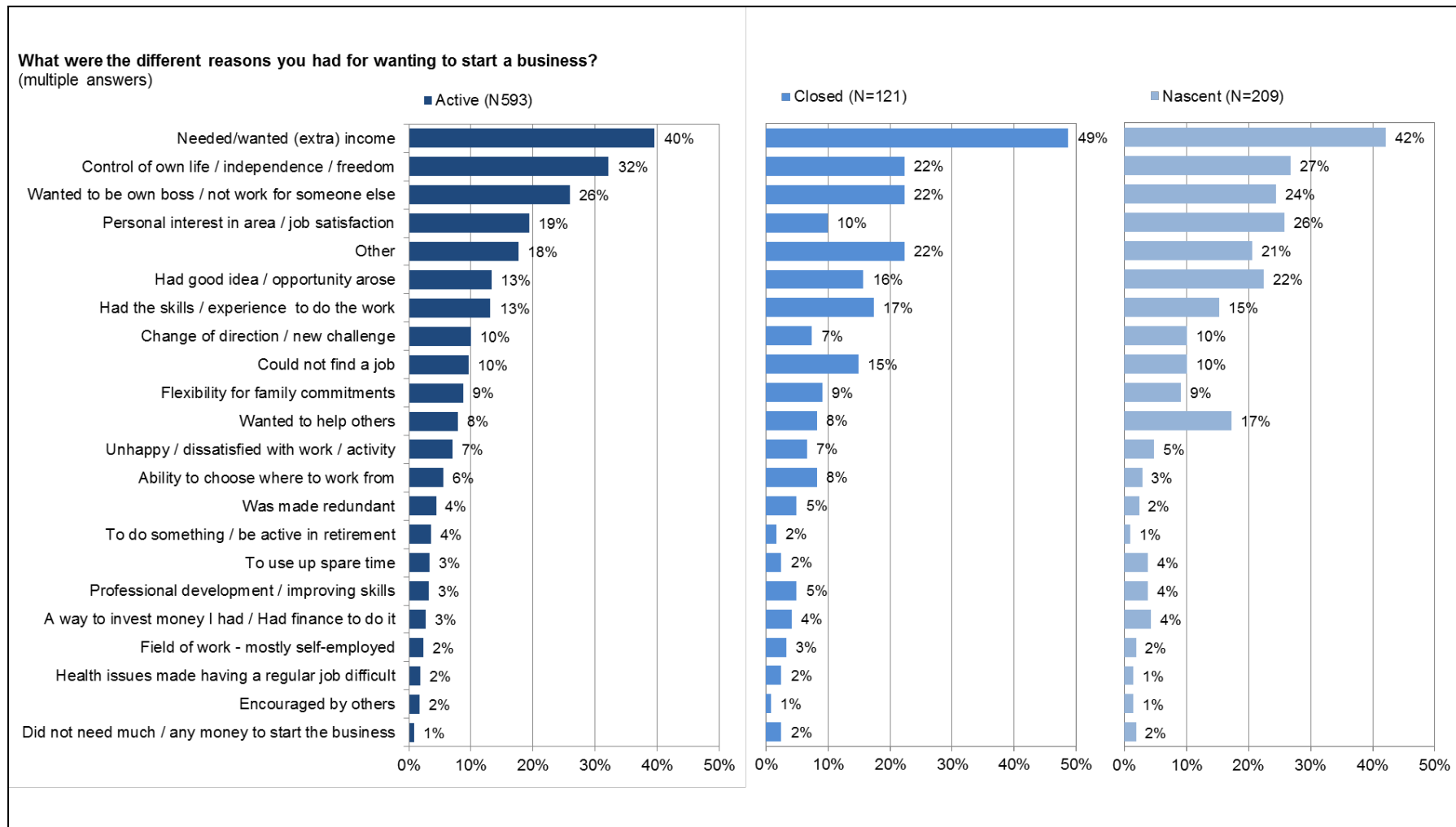
Figure 27: Entrepreneurial Groups and Opportunity and Necessity Motivation

Source: Entrepreneurial Motivation Survey

6.1.2 Reasons to Start a Business (Prevalence)

The reasons for wanting to start a business also show some variation by current business status. Figure 28 shows how the most popular driver regardless of business status was (extra) income. However, the percentage of entrepreneurs quoting this as a start-up driver is 40 percent for active businesses, 49 percent for closed and 42 percent for nascent ones. Independence related reasons were cited by 32 percent of active businesses, but only 22 percent of closed businesses (and 27% by nascent ones). Those respondents with closed businesses were far less driven by personal interest and job satisfaction (10%), with nearly double the proportion of active entrepreneurs indicating so (19%), and 26 percent of nascent businesses. Nascent entrepreneurs are considerably more often driven by a good idea/good opportunity (22 percent, vs. 13 percent for active and 16 percent for closed) and/or the desire to help others (17% vs. 8% for active and closed businesses). Closed business entrepreneurs most often cited the lack of other employment opportunities for their original reason to set up a business (“could not find a job”), at 15 percent higher than for both active and nascent entrepreneurs (10%).

Figure 28: Reasons to start a business by business status – by entrepreneurial status (multiple answers)



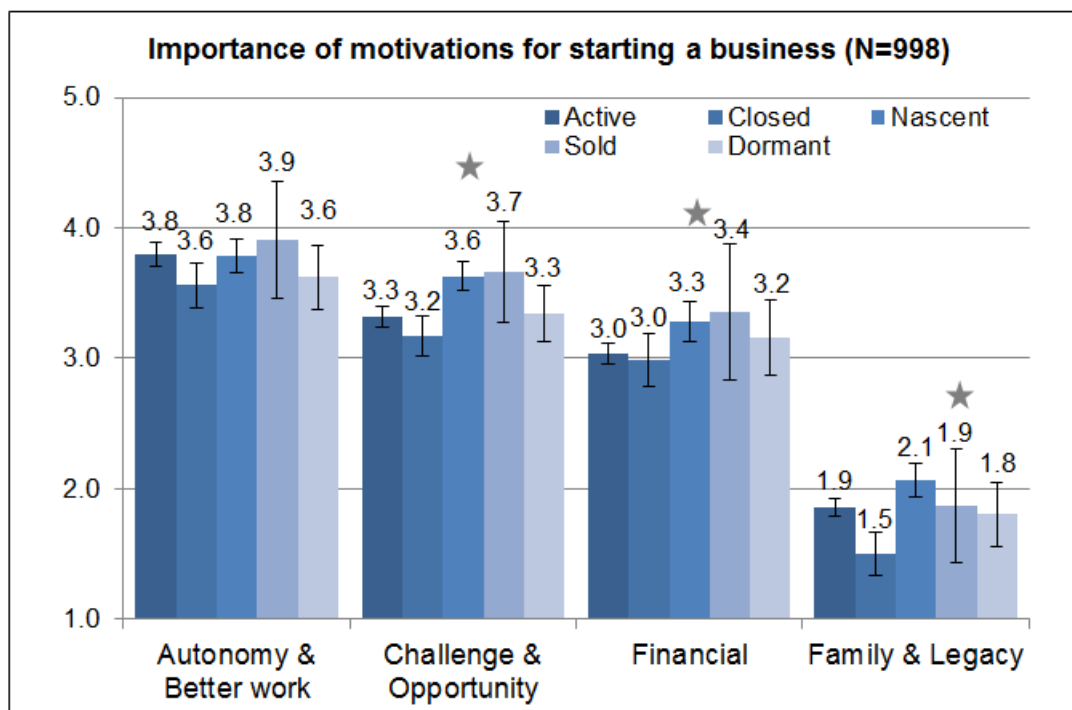
Source: Entrepreneurial Motivation Survey

6.1.3 Reasons to Start a Business: The importance of autonomy, challenge, financial and family motives

The entrepreneurial groups differ significantly in all motivation types except for autonomy motivation (see Figure 29 and Table 7). This indicates that autonomy was a similarly strong driver for all entrepreneurs to start their business – independent of the outcome of this start-up effort (i.e. whether the business is still active, has been closed, is still nascent, was sold or is currently dormant).

Entrepreneurs of closed businesses attribute significantly less importance to challenge, financial and family motives, especially when compared to nascent entrepreneurs and those who sold their business. The latter two groups attribute most importance to all three motives amongst the five groups of entrepreneurs. Entrepreneurs of active and dormant businesses fall in between the other groups. It is possible to conclude that entrepreneurs whose businesses closed were perhaps not as committed to an entrepreneurial career as the other groups of entrepreneurs. However, since motivations were reported retrospectively, we cannot rule out the possibility that the owners of closed businesses may, with hindsight, now feel more detached from their business.

Figure 29: The importance attributed to motivation types by entrepreneurial group



Note: Groups differ significantly in all motivation facets, except for autonomy motivation. ★ indicates statistically significant differences. The error bars show the 95 percent confidence interval. Source: Entrepreneurial Motivation Survey.

Table 7 provides a more detailed breakdown of the motivation types, supplementing the summary data presented in Figure 29.

Table 7: Breakdown of motivation types by entrepreneurial group

Motivation Types	Importance of ...	Entrepreneurial status				
		active N=593	nascent N=209	closed N=121	sold N=18	dormant N=59
Autonomy & better work	• To have considerable freedom to adapt my own approach to work	75%	72%	68%	78%	71%
	• To have greater flexibility for my personal and family life	66%	62%	61%	44%	54%
	• To have better work opportunities	55%	56%	48%	72%	64%
Challenge	• To make use of an existing skill	72%	74%	69%	78%	76%
	• To challenge myself	69%	75%	67%	83%	69%
	• To fulfil a personal vision	62%	74%	55%	67%	58%
	• To achieve something and get recognition for it (e.g. respect from friends or peers)	48%	56%	40%	72%	58%
	• To make a positive difference to my community, others or the environment	38%	48%	36%	44%	41%
	• To achieve a higher position for myself in society	13%	23%	16%	17%	17%
Financial	• To give myself, my partner and children financial security	48%	56%	47%	67%	51%
	• To earn a larger personal income	42%	54%	49%	50%	53%
	• To have a chance to build great wealth or a very high income	23%	30%	24%	39%	22%
Family & Legacy	• To build a business my children can inherit	18%	25%	8%	11%	15%
	• To follow the example of a person that I admire	13%	18%	6%	22%	12%
	• To continue a family tradition	10%	10%	6%	6%	5%

Source: Entrepreneurial Motivation Survey

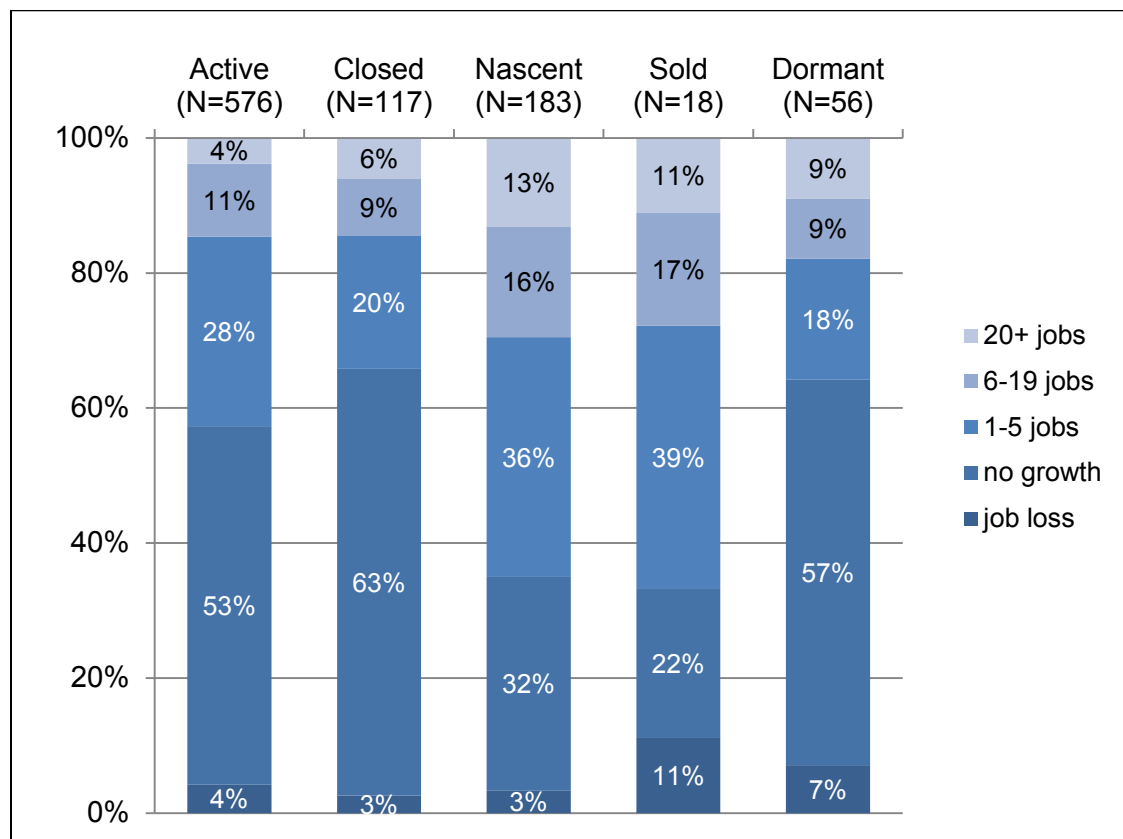
6.1.4 Growth expectations by entrepreneurial status

The five groups of entrepreneurs differ significantly in their growth expectations that they expressed at the time of the first interview (the GEM interview). The growth expectations of the entrepreneurs who subsequently sold their business and those of nascent entrepreneurs were highest. Overall 67 percent of entrepreneurs who sold their business and 65 percent of the entrepreneurs who are currently still in the start-

up process had originally expected to grow their business at the time of the GEM interview. This compares with 43 percent of the entrepreneurs who currently run active businesses. Entrepreneurs who closed their business or whose business is currently dormant had initially the lowest growth expectations when they were first interviewed (with 34 percent and 36 percent respectively expecting to add employees). Figure 30 provides a more detailed breakdown of entrepreneurs' growth expectations. It differentiates (in shades of blue the strength of growth expectation).

The pattern of results seems to suggest that entrepreneurs who sold their business owned viable, dynamic businesses. Such businesses may also have taken longer to set up. This suggests one potential reason for the high growth expectations of nascent entrepreneurs; they may be creating such dynamic business. At the same time however, the group of entrepreneurs who had sold their business also reported a higher rate of expected job loss at the time of the first interview.

Figure 30: Growth expectations by entrepreneurial group



Source: GEM data and Entrepreneurial Motivation Survey

6.1.5 Perceived barriers to setting up a business

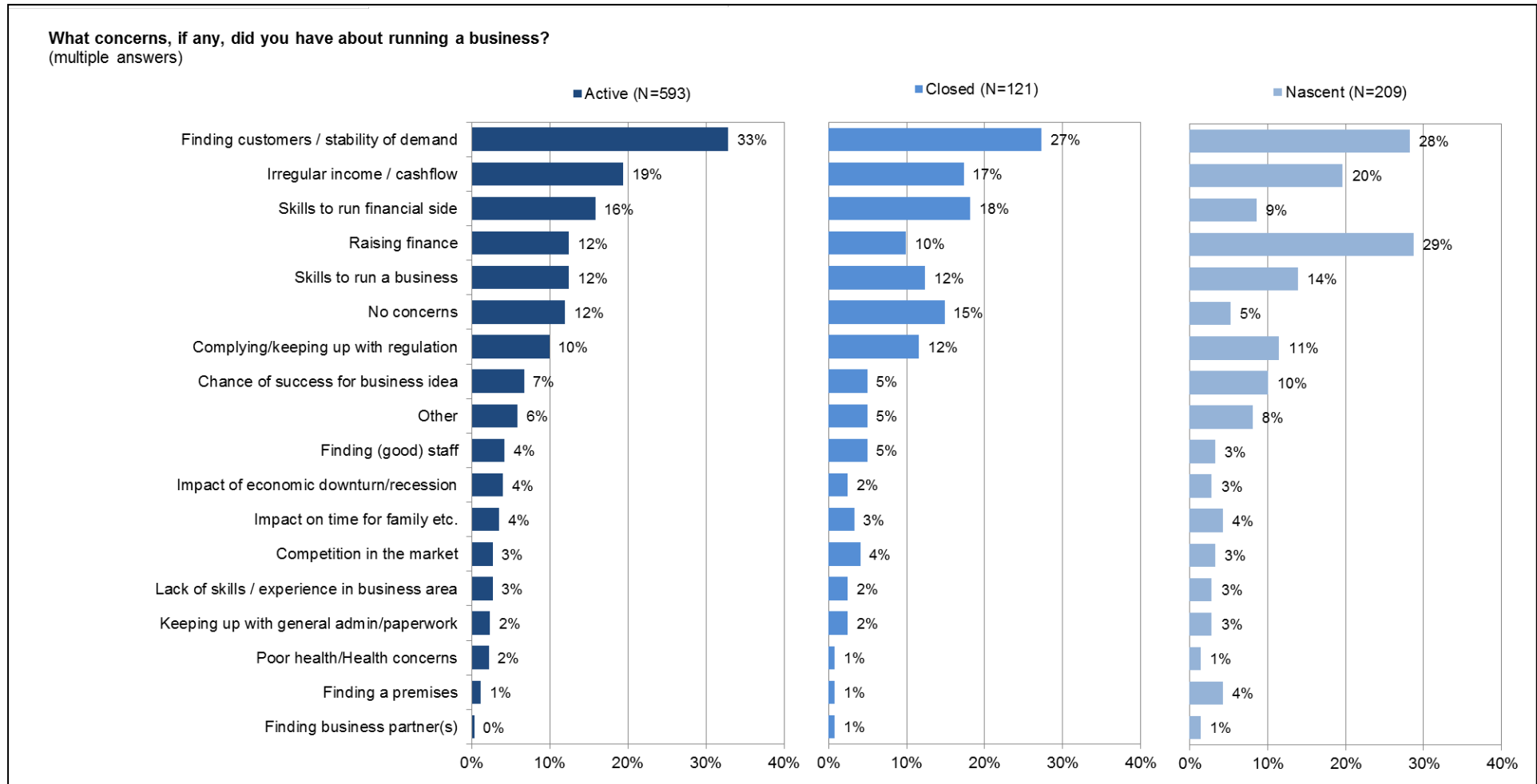
Some considerable differences between the perceived barriers to setting up a business are observed by business status (Figure 31). The most common response among active businesses (33 percent) and closed businesses (27 percent) was “finding customers / stability of demand”. This was also a concern for nascent (28 percent) businesses, although for these entrepreneurs “raising finance” was a similarly important concern (29 percent of answers). The second most common

response, “irregular cash flow” was mentioned roughly equally often across the three groups of entrepreneurs.

The third most frequently mentioned concern was entrepreneurs’ perceived skills to manage the financial side of the business, which was more often quoted by active (16 percent) and closed (18 percent) businesses than by nascent businesses (9 percent). This is likely a consequence of their nascent status, just as their considerably higher concern about raising finance.

Overall, Figure 31 indicates that along with their concerns about their financial management skills, concerns relating to personal management skills and experience are mentioned relatively frequently, with little difference between active, nascent and closed businesses (except for the aforementioned difference by nascent businesses and their concerns about their financial planning skills).

As mentioned above, 29 percent of nascent entrepreneurs were worried about raising finance, compared to only 12 percent for active businesses and 10 percent for closed businesses. The smallest proportion of businesses with no concerns were also nascent entrepreneurs (five percent), whilst 12 percent of active and 15 percent of now closed businesses reported no concerns.

Figure 31: Concerns about running a business – by entrepreneurial status (multiple answers)

Source: Entrepreneurial Motivation Survey

6.1.6 From motivations to action: Tipping points

The surviving entrepreneurs, when asked about the trigger point for setting up their business, most frequently mentioned (i.e. 10 percent or more of all answers) dissatisfaction with the job/work they held, redundancy, the fact that they felt they had the skills to run a business, that they wanted to be their own boss and that they saw business ownership as a means to gain (additional) income (see first panel in Figure 32).

The tipping-points for the entrepreneurs who closed their business (second panel in Figure 32) show some similarity but also differences to the group of active entrepreneurs. These entrepreneurs most frequently mentioned (10 percent or more of all answers) that they felt they had the relevant skills to run a business, redundancy and the business as an opportunity to gain (additional) income, but also emphasised that they had prospective clients for their products/services, that they had a good idea and that self-employment was common in this line of work.

Finally, the most frequently mentioned tipping-points by nascent entrepreneurs (third panel in Figure 32) are most similar to the pattern of the entrepreneurs who had closed their business. The most frequently mentioned tipping points for nascent entrepreneurs relate to having the relevant skills, seeking (additional) income, feeling that they had a good idea, wanting to be their own boss and being dissatisfied with their current work.

It is striking that across the different types of entrepreneurs redundancy plays a seemingly important role (frequently mentioned by active, closed and also by nascent entrepreneurs). The most frequently mentioned tipping point that led the still active entrepreneurs to start their business (being dissatisfied with their current work/job) was somewhat less frequently mentioned by the 'closed' and nascent entrepreneurs. It is also notable that in some respects the entrepreneurs that closed their business and the nascent entrepreneurs highlight characteristics of opportunity entrepreneurs (e.g., good idea, having clients) more than the surviving, still active entrepreneurs.

6.1.7 Further insights from qualitative interviews

The in-depth interviews conducted with entrepreneurs showed that the same types of start-up tipping points were mentioned by businesses that were active and businesses that had closed (no in-depth interviews were conducted with nascent businesses). Business of both types mentioned, for instance, redundancy or job loss, dissatisfaction with their previous job or role, taking advantage of an opportunity such as spontaneous client demand or change in legislation, or a change in family circumstances.

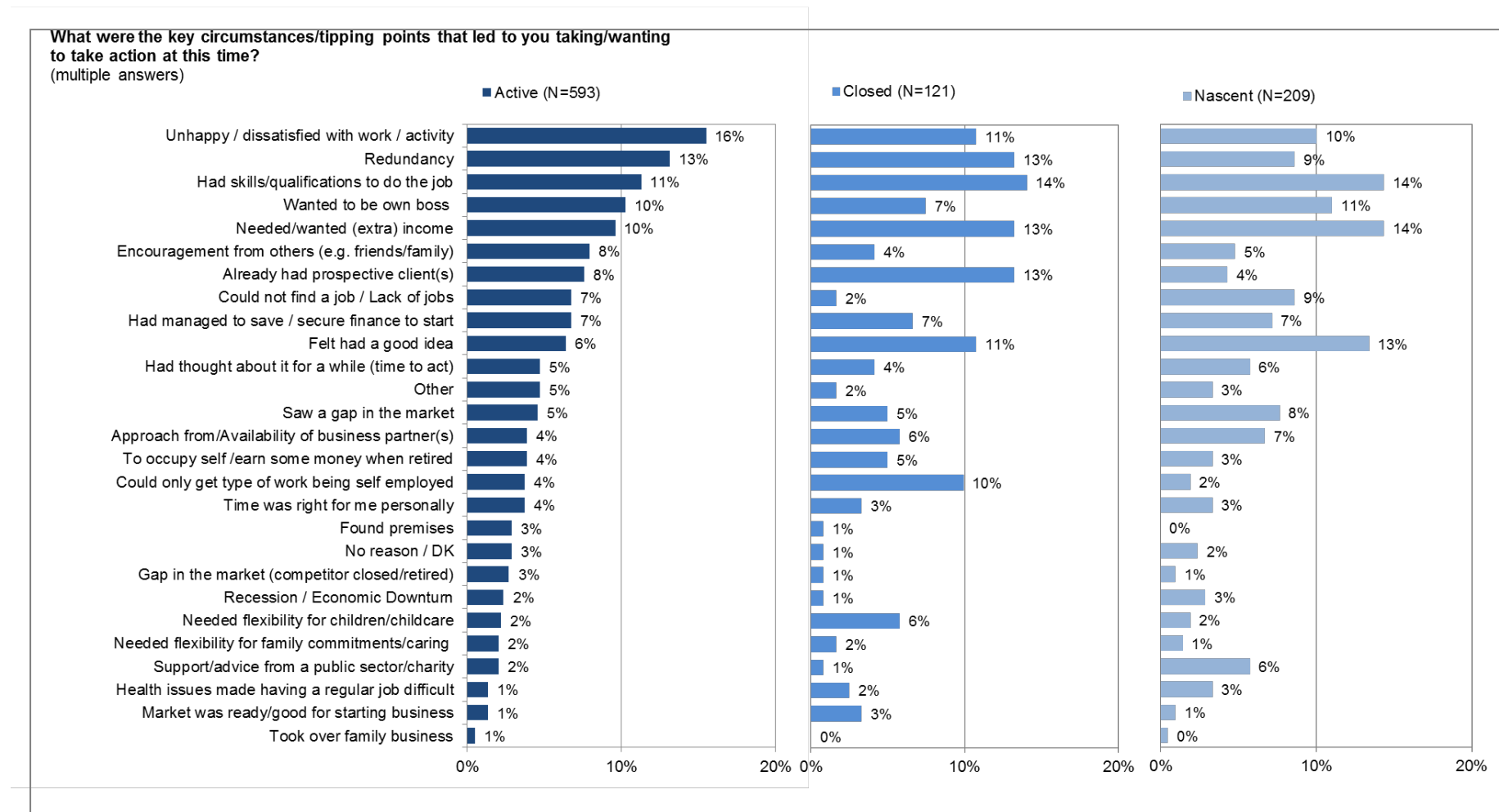
There did seem to be a difference between active and closed businesses with regards the support wanted or received, though it is difficult to disentangle the 'open versus closed' factor, from other factors such as the entrepreneur's overall experience of running a business and their expertise in their chosen area.

Several of those whose business had closed mentioned that support from an experienced business advisor could have helped them to better understand and plan

their business, and as a result their business may have remained active. However, this type of support was also mentioned by active businesses as something that they would have found very valuable in their business's earliest days as it could have helped them to stabilise more quickly, save money, make fewer mistakes and feel more confident in general. The 'types' of businesses that value this advice, therefore, seem to be those with little previous experience of running their own business, regardless of their status as active or closed.

These entrepreneurs would have most valued a free, experienced business mentor who would have 'sat down with them' face-to-face, learned about the business and what they wanted to do, and given tailored, practical advice about all aspects of getting started and getting through the earliest months. Ideally, there would be a number of sessions over the first 3-6 months to help the entrepreneur 'stay on track' and to check their progress.

Figure 32: Key circumstances and tipping points that led entrepreneur to take action – by entrepreneurial status (multiple answers)



Source: Entrepreneurial motivation survey

6.2 Closed Businesses

In this section we focus on closed businesses to derive insights on what types of individual circumstances and motivations may correlate with the survival of a business.

In section 6.2.1, we compare active with closed businesses in our survival analyses. Section 6.2.2 summarises insights on the motivations that had originally led the entrepreneurs of closed businesses to start their business. In the remaining sections (6.2.5 to 6.2.8) we turn to a more in-depth analysis of the subsample of closed businesses in terms of their original plans for starting the business, the factors that contributed to business closure and the jobs that entrepreneurs pursued after closing their business. In these latter sections we also provide insights from the in-depth interviews conducted with entrepreneurs.

6.2.1 Survival Analysis: Closed vs. Active Businesses

We conducted a logistic regression contrasting closed and active businesses. The results are presented in a summary fashion in Table 8 (column “survival”). Due to missing values these analyses are based on the comparison of 460 active and 91 closed businesses. With regards to motivations for entrepreneurship, the estimation suggests that entrepreneurs driven by autonomy and family motives to start their business have a greater likelihood of survival. Similarly, more educated entrepreneurs are more likely to run surviving businesses. Household income has a negative effect. Although this seems unusual at first, recent research suggest that entrepreneurs from particularly wealthy backgrounds may put less effort into their businesses. This may explain why we see here that their businesses are less likely to survive.

By comparison, there is no significant impact of characteristics of the entrepreneurs, such as age or gender and of the entrepreneur’s personal situation at start-up, on whether a business has closed or is still active. Similarly, business characteristics (sector, age of the business, start-up team) are also not significantly related to survival.

Table 8: Predictors of Business Survival and Performance

Predictors	Survival (comparing closed and active businesses)		Business Performance Job Growth		Business Performance Innovation		Business Performance Exporting	
Age	n.s.	n.s.	More likely for 25 to 34 year olds	More likely for 25 to 34 year olds	n.s.	n.s.	n.s.	n.s.
Education	++	++	n.s.	n.s.	+++	++	n.s.	n.s.
Gender (men=0/women =1)	n.s.	n.s.	--	n.s.	-	-	n.s.	n.s.
Household income	---	---	n.s.	n.s.	-	-	n.s.	n.s.
Employment status at start-up (working vs. non-working)	+	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Cross-over with previous job	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	-
Family commitments at start-up	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Role models (know other entrepreneurs)	n.s.	n.s.	n.s.	+	n.s.	n.s.	n.s.	n.s.
Starting alone or with others	n.s.	n.s.	++ with family, +++ with business partners	++ with family, ++ with business partners	n.s.	n.s.	+ with family	+ with family
Sector	n.s.	n.s.	n.s.	n.s.	+++ Human & social services	++ Human & social services	+ Retail sector	+ Retail sector, - Human & social services
Age of business	n.s.	n.s.	n.s.	n.s.	--	--	+++	+++
Motivations at start-up								
Opportunity vs. necessity		n.s.		n.s.		n.s.		n.s.
Autonomy & better work		+		n.s.		n.s.		n.s.
Challenge & opportunity		n.s.		n.s.		n.s.		n.s.
Financial		n.s.		n.s.		-		n.s.
Family & legacy		++		n.s.		n.s.		n.s.
Growth expectation		n.s.		+++		+		+++
Variance explained - by motivations	7.2%	11.3% 4.1%	13.1%	23.0% 9.9%	9%	11.2% 2.2%	13.6%	16.7% 3.1%
N for analysis	460 active and 91 closed businesses		460 active businesses		451 active businesses		458 active businesses	

Notes. The first column for each analyses (survival analysis, growth analysis etc.) shows results for the background factors as predictors only, the second column shows results with motivations added. n.s. – not statistically significant, +/- weak positive/negative effect (significant at 10 percent level), ++/-- positive/negative effect (significant at five percent level), +++/-- stronger positive/negative effect (significant at one percent level). The measure of explained variance is Nagelkerke's Pseudo R².

6.2.2 Motivations for Entrepreneurship and Closed Businesses

In this section we focus in more detail on those entrepreneurs who after successfully starting their business closed it subsequently. First, we provide a bullet-point summary of information from the previous sections to profile the sample of these closed businesses.

- Of the 1,000 entrepreneurs interviewed in the Entrepreneurial Motivation Survey 12.1 percent had closed their business at the time of our follow-up survey (dormant and sold businesses are not considered here).
- As reported in section 6.1.1, 31 percent of entrepreneurs who closed their business cited necessity as the motivation for starting their business in the first place. This is larger than the share of necessity-motivated entrepreneurs among the other groups of active, nascent and sold businesses, but identical to the share amongst the dormant businesses. Correspondingly, entrepreneurs who led closed businesses reported to be less often driven by opportunity motivation (53%). This is a similar proportion to entrepreneurs whose businesses are currently dormant (51%).
- In section 6.1.3 we observed that entrepreneurs who closed their businesses attribute significantly less importance to challenge, financial and family motives, especially when compared to nascent entrepreneurs and entrepreneurs who sold their businesses. However, it is unclear whether this lower motivation and commitment led to closure, or whether ex-owners of closed businesses report lower levels of motivation because they feel more detached from their venture following closure.
- Original growth expectations (discussed in section 6.1.4) were lowest among closed (and dormant) businesses – only 34 percent of entrepreneurs of closed businesses expected to grow at all when they were first interviewed as part of the GEM survey. At the same time, these entrepreneurs of closed businesses were least likely to expect job losses (three percent of closed businesses expected job losses, the same proportion as for nascent businesses). This was marginally less often than for active businesses (four percent).
- Section 6.1.5 explored the perceived barriers to setting up a business. Overall, there was little difference in the barriers perceived by the entrepreneurs of closed versus active businesses. For instance, the most common response among active (33%) and closed businesses (27%) was “finding customers / stability of demand”. Similarly, the second most common response, “irregular cash flow” was mentioned equally as often. The third most frequently mentioned concern were entrepreneurs’ perceived skills to manage the financial side of the business - again mentioned similarly often by active (16%) and closed (18%) businesses. Overall, along with concerns about their financial management skills, concerns relating to personal management skills and experience are mentioned relatively frequently, with little difference between active and closed businesses. However, entrepreneurs of closed businesses had least concern about raising finance and also reported to have “no concerns” more often than active and nascent

businesses, however the difference to active businesses is marginal and much more pronounced when compared to nascent businesses.

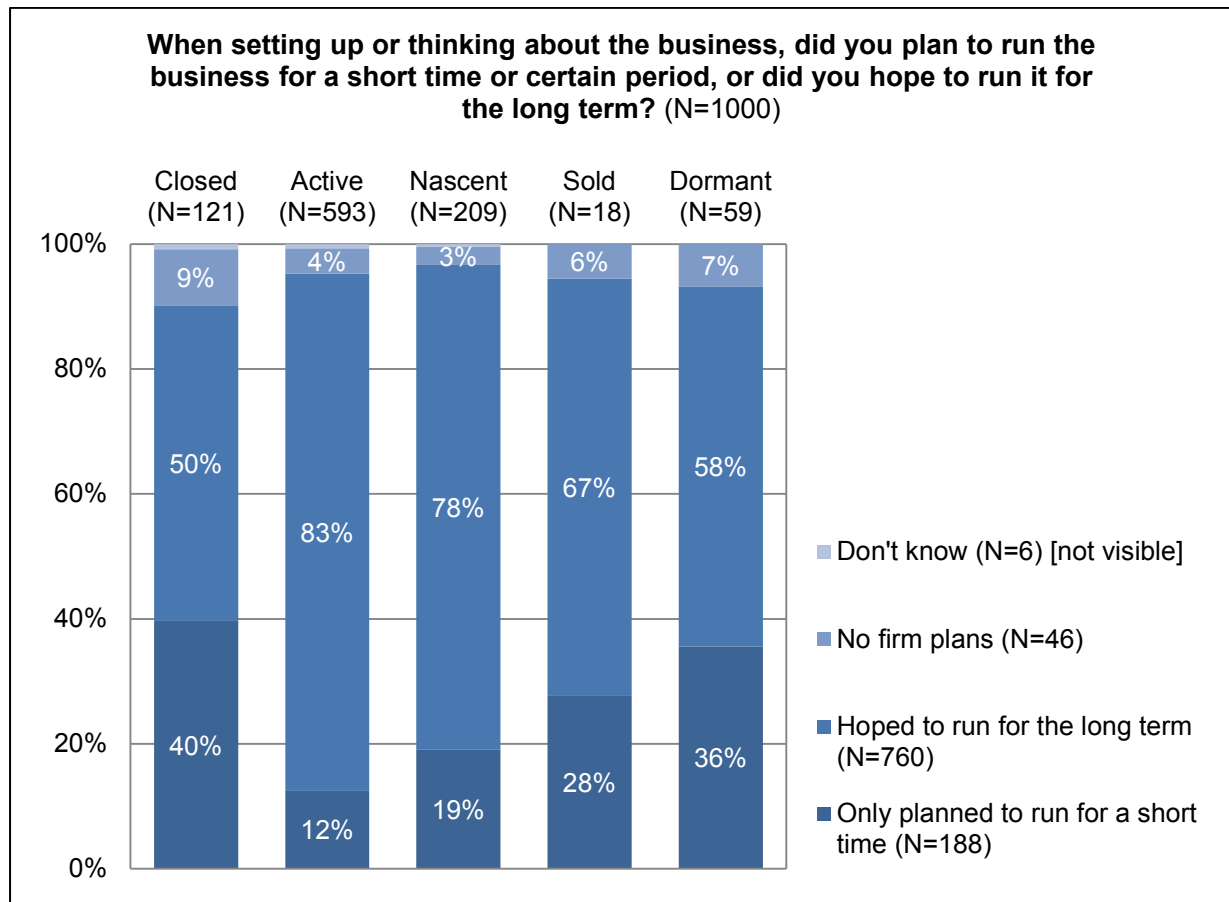
- The tipping points that drove the entrepreneurs of (now) closed businesses to set up their business in the first place (discussed in section 6.1.6) differed in several aspects to those of active and nascent businesses (with sold and dormant businesses excluded from comparison due to the small size of these subsamples). Most frequently (>10% of all answers) the entrepreneurs of now closed businesses reported being triggered into setting up their business by a sense of having the relevant skills to run a business, being made redundant, and taking advantage of an opportunity to gain (additional) income. They also frequently indicated that they had prospective clients for their products/services, that they had a good idea, and that self-employment was common in this line of work. The perception that their setting up their own business to work in their desired area of employment is considerably higher (10%) among closed business entrepreneurs (compared to four percent for active businesses, and two percent for nascent ones)

6.2.3 Original development intentions of closed businesses

The development intentions of entrepreneurs of closed businesses (at the time of start-up) provide a stark contrast to those of the entrepreneurs leading currently active, nascent or dormant businesses and those who sold their business (Figure 33). Closed businesses have the highest share (40%) of entrepreneurs who only intended to run their business for a short time and accordingly the lowest proportion of entrepreneurs hoping to run their business for the long run (50%). Even though this is the lowest proportion it still corresponds to half of all entrepreneurs of closed businesses.

What this suggests is that many business closures may actually not have come as a surprise to the entrepreneur him/herself. In fact, many closed businesses appear to have been set up to have a relatively short-term life. Closed businesses were also those where the highest proportion of entrepreneurs (nine percent) with no firm plans.

Overall, it is interesting to note that there appears to be some association between the original intentions of the entrepreneur and the outcome.

Figure 33: Development intentions by business status

Source: Entrepreneurial Motivation Survey

6.2.4 Further insights from qualitative interviews

The in-depth interviews with the entrepreneurs of closed businesses highlighted equally instances where the entrepreneurs had not envisaged their business being a long-term option, and instances where entrepreneurs had hoped to run their business for longer.

Thinking back to the qualitative ‘business types’, the entrepreneurs who did not originally intend to run their business for a long time tended to fall into the **Opportunists using existing skills** group. These tended to be those nearer (or entering) retirement, who treated their business less as a necessary income-earner and more of a hobby to keep them busy, or a project to earn them a little extra money.

An example of this sort of entrepreneur was “David”, who had previously been employed by the Civil Service. When he retired he was offered a freelance position carrying out investigations into grievances and reporting on them. He had a comfortable pension and did not need the extra money, but felt the opportunity to increase his income doing something familiar to him was “too good to pass up”. He did not expect it to be a particularly long term venture however, as he felt the freelance offer was based on his well-known position in the Civil Service and the extensive contacts he had throughout the service. He was aware that as his

contacts left, he and his expertise would become less well known and he would be given fewer projects (as did eventually happen)

“I knew that I had a shelf life in all this; as a Manager with plenty of contacts I was well known and trusted as many of the people doing the commissioning had been my colleagues and that is how you start off. But the rate of turnover in any part of the Civil Service is so high in terms of Managers in positions that count that you know; you know that within a period your knowledge and contacts will be watered down.”

Civil Service freelancer, closed, post-recession

Another example was “George” who had previously owned an electronics business and then retired. His solicitor then contacted him and put him in touch with a pair of entrepreneurs starting out in business for the first time, and he became their chairman and looked after their finances. George invested his own money in the company and intended to run the business for a few years and then sell his share.

“I originally said I would do it for 3 years, and by the time I resigned as director in 2014 it was going on for 6 years.”

Engineering, closed, pre-recession

However, as mentioned, many entrepreneurs with closed businesses that we interviewed in depth had hoped to run their business for longer. In terms of ‘types’, these tended to fall into the **Business from scratch** groups – those who had never been self-employed before. Within this group, there are those who:

- Have **little / no experience** in their chosen business area, and
- Are **competent / experienced** in their chosen area

Whereas both of these types of **business from scratch** entrepreneurs did intend to keep their business going, those in the former group (with little experience of their chosen area) had often done little to *plan* for this continuation, and instead simply said they ‘hoped’ it would be a long-term venture while doing little in practical terms to ensure this became the case.

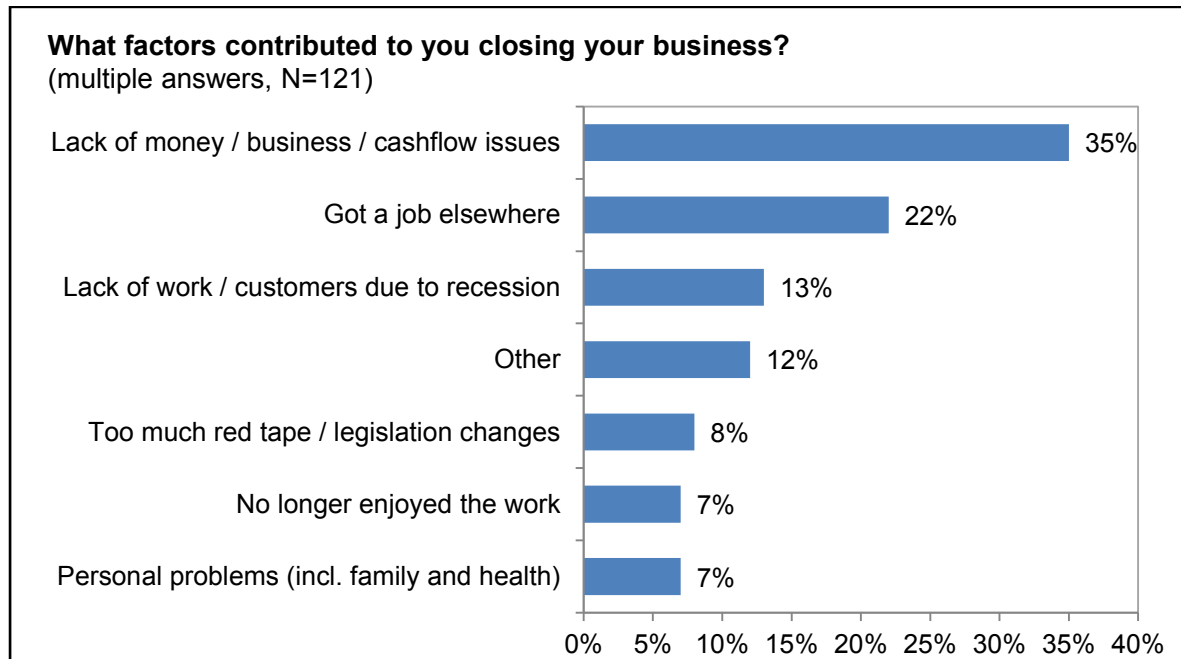
An example was “Lynn” who previously worked in HR in a large business but wanted to use her skills to help people more, and after doing a coaching course, decided to set up a business as a life coach. Her intention was to keep the business going indefinitely but reported that, looking back, she was not very good at focusing on the business’s long term plans, and her ambition amounted to more of a hope / that it would work.

Those in the latter group (with considerable existing skill in their chosen area) tended to show a greater ability / inclination to create a genuine plan for their business’s future: setting out longer-term plans, for example, for budgets, forecasting and marketing.

6.2.5 Reasons for business closure

Financial considerations are by far the most commonly cited reason for business closure, 35 percent of closed businesses were closed due to lack of funds or cash flow (Figure 34). Twenty-two percent of entrepreneurs indicated that they closed their business to take another job (as an employee), and 13 percent referred to difficulties related to the recession. Red tape, a lack of enjoyment of the work as an entrepreneur and personal problems were less often cited, and account for a combined 22 percent of responses.

Figure 34: Reasons for business closure



Source: Entrepreneurial Motivation Survey

6.2.6 Further insights from qualitative interviews

The in-depth interviews conducted with entrepreneurs highlighted similar main reasons for business closure. Of note were:

- Cash flow / finance issues
- Difficulties with general business acumen and planning

Other reasons were cited by smaller numbers:

- Lack of necessary skills and expertise (which often interacted with a lack of confidence)
- Reduced / absent demand in the market

We will now explore these experiences in a little more detail.

Cash flow / financial issues

Entrepreneurs of closed businesses commonly mentioned this as a main reason for the business ending. In terms of business 'type', several of these entrepreneurs fell into the **business from scratch** group, particularly those with **little / no experience** in their business area. They often had limited initial money behind them and experienced early cash flow problems. Some took out loans but this was generally to cover large outgoings rather than to build up a cash surplus, so cash flow issues remained. These businesses were often slow to earn money but had high upfront costs to cover basics such as premises, equipment and overheads:

"The biggest problem for me was finding a bit of upfront capital for getting myself a sufficiently decent bit of IT kit ... I knew I would need a better, faster whizzier computer ... a lump sum became available near the start but the biggest problem is you buy your computer but then it is getting all the software and the expense of those packages to go with it."

Management consultant, closed, pre-recession

Other entrepreneurs explained that their lack of money led to problems with staffing, as they were not able to attract the skills that could have really benefited the business, be it in terms of technical skills, or overall management.

"Having enough money to recruit the right type of people ... there was a tendency to stick with people we knew weren't good enough because they were taken on at a lower price. [For example] we could have had better engineers which work."

Engineering, closed, pre-recession

"We needed someone to sit at the top and keep track of all the comings and goings, and take a really high level view – an overall manager of operations to keep track of everything and plan how we could work more efficiently. We were just running around struggling with the workload day to day. We wouldn't have been able to afford them though."

Recycling, closed, post-recession

Difficulties with business acumen or planning

Several business in the **business from scratch type** lacked more general knowledge about what was required to set up a business and keep it running through its early stages. These entrepreneurs explained they had underestimated the planning that a business needed; many did not have a business plan in place and could become a bit 'stuck' in terms of how to move forward in terms of networking, making contact with new customers or financial forecasting.

"I just got carried away with the idea of being self-employed whilst I didn't do any research on what was needed in the area, I didn't do any planning about how much it would cost or what I needed to do to run the business, so I was leading a bit of an airy fairy life. It was all a bit shambolic really."

Life coach, closed, pre-recession

Other entrepreneurs described that while they were able to start their business and see it through its early stages without too much difficulty, they ran into problems when the business began to grow (sometimes unexpectedly quickly). Often under-resourced, these entrepreneurs described that as their level of work increased, they became particularly focussed on the day to day aspects that were stretching them and so spent less time planning and thinking longer term.

It is these sorts of businesses – those that struggled from the outset due to a lack of knowledge of what running a business entailed, and those that were perhaps a little more aware but ran into difficulties as they became more stretched – that would benefit most from basic business start-up advice and mentoring. Many of these entrepreneurs said during the in-depth interviews that while it may not have saved their business, this sort of advice would have really helped them to stay 'on track'.

Some of these businesses had received this sort of advice (though they often reported it came too late), though few of them had sought and found it proactively. Often, advisors that had been used were recommended by others; friends, colleagues, members of networking groups.

Others said they had not considered seeking advice on business planning or strategy. Some of these had self-employed friends or relatives that offered informal advice and support, which perhaps resulted in the feeling that extra, more "official" support was not necessary. Others, however, simply did not even consider approaching an advisor, and said that they would not know where to find good quality, impartial, free advice on the basics of running a business.

Face-to-face business advice was considered to be the most useful by these entrepreneurs, received on a regular (perhaps monthly) basis; this would allow for setting goals and follow-up sessions to check on progress throughout the potentially challenging start-up period, or any specific period of difficulty.

Lack of specific skills or expertise

Other entrepreneurs explained their business had closed largely because they themselves had specific gaps in their "business skills" that held them back. These tended to be **business from scratch** (i.e. those who had never been self-employed before), but those with a high level of experience or competence in their chosen area from years honing their skills in paid employment. These entrepreneurs tended to be strong in *some* business skill areas such as marketing, or IT, or finance, or networking (the skills that related most closely to their previous employment), but weak in others.

Other entrepreneurs mentioned that it was a lack of certain personal technical skills, or within their small team, that contributed to the business closing.

Reduced or absent demand

Some entrepreneurs explained that their business had hardly 'got off the ground' due to a miscalculation of demand in the market for their chosen product or service. This tended to be those entrepreneurs who had no previous experience of running their

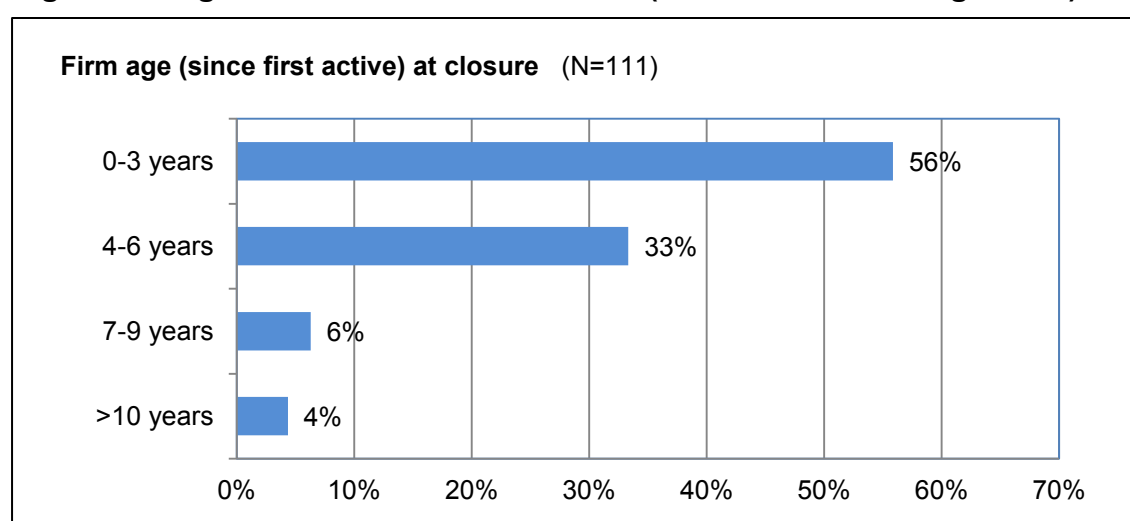
own business, and was sometimes related to a lack of initial research, but in some cases appeared to be simply “bad luck”.

One example was “Peter” who decided to start a local business manufacturing and distributing wood pellets for use in wood burning boilers. The key reason for this was a Labour government initiative called the renewable heat incentive (RHI), whereby those using renewable fuel to heat their houses and hot water would be paid a certain amount per kilowatt hour generated. The legislation was due to be introduced in 2008 and so Peter anticipated an increase in wood pellet demand, however when it wasn’t introduced by the coalition, the demand for his product simply was not there. Similar legislation has since been introduced, but too late for this particular business.

6.2.7 Age of closed businesses

The median age of the businesses at closure was three years (Figure 35). More than half of the closed businesses were up to three years old when closed. A third of businesses survived for four to six years, six percent seven to nine years and only four percent more than 10 years. This is in line with expectations as young businesses having a higher likelihood of being discontinued.

Figure 35: Age of the business at closure (since first becoming active)



Source: Entrepreneurial Motivation Survey

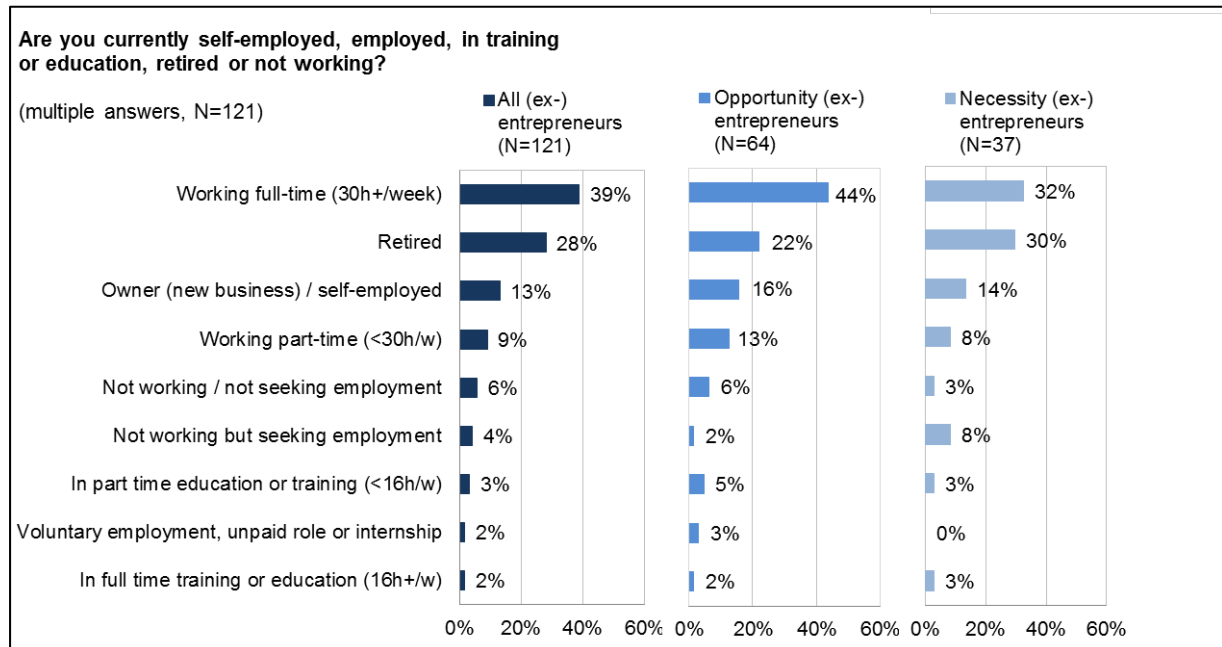
6.2.8 After closure – what was next?

Most frequently entrepreneurs who closed their business moved into full-time paid employment (39% of [ex-] entrepreneurs, Figure 36). More than a quarter of business closures (28%) were followed by the entrepreneurs’ retirement. Interestingly, a notable proportion of entrepreneurs remain business owners: every eighth entrepreneur – having closed their venture – became (or remained) an owner of another venture. 10 percent of (ex-) entrepreneurs reported to be “not working” at the time of our survey.

There were few differences with regard to the original motivations to start a business (Figure 36). Opportunity-motivated entrepreneurs may seem somewhat more likely

to return to paid employment and less likely to retire compared to necessity entrepreneurs. However, the sample for this comparison is very small so this can only be very tentative conclusions.

Figure 36: Employment situation following business closure



Source: Entrepreneurial Motivation Survey

Notably of the subsample of entrepreneurs who are in charge of another business or self-employed following closure (13% in Figure 36), more than two-thirds (69% of N=16) had hoped for their closed business to develop (and endure) in the longer term. As reported above, this figure was 50 percent across the sample of all closed businesses. This may point to a certain level of resilience of entrepreneurs who are driven by long term ambitions. Some differences can also be seen between the responses of opportunity and necessity entrepreneurs. However, these can only be very tentative conclusions given the small sample size of closed businesses¹¹.

6.2.9 Further insights from qualitative interviews

The in-depth interviews also explored the routes taken by entrepreneurs after the close of their business.

Several became employed and said this suited them better than self-employment due to the steadier income, benefits, regular hours and reduced responsibility and stress. In terms of business type, these tended to be **Businesses from scratch**, that is, those that had not been self-employed before.

¹¹ Based on these very small numbers, double (N=10) the number of entrepreneurs that continue to be self-employed following their closure were driven by opportunity for their closed businesses, compared to those driven by necessity (N=5). Given the small numbers here this may be worthwhile to explore in future studies when the underlying sample size may be larger.

“I then worked for Age Concern, helping people over 50 get back into work, so it was related to the life coaching I was doing on my own. I was also going into businesses to find out what kind of people they wanted. It was exactly what I needed to do at that time and it was with a bunch of people; that is when I realised that I needed to be with other people working together on something.”

Life coach, closed, pre-recession

Several others retired – these tended to be the **Opportunists using existing skills** who had planned for this particular end point.

Entrepreneurs that we described as **Consistently self-employed**, that is, those who had run their own business for a number of years, often switched to a different self-employed venture (in many cases in a similar line of work). Sometimes this was a business they had run simultaneously that became more lucrative, easier to manage, or better fit their lifestyle.

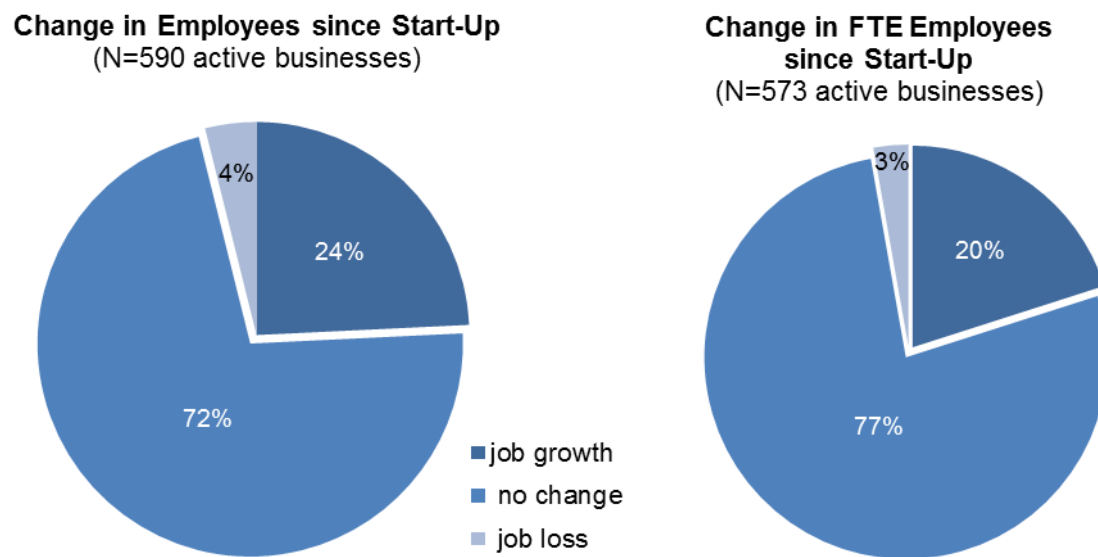
6.3 Entrepreneurial motivations and performance

This section focusses on the sub-sample of active businesses. It explores the motivations that may predict entrepreneurial performance in terms of job creation, and indicators of business dynamism including innovation and exporting. These performance indicators capture distinct aspects of business performance. They are not significantly correlated with each other except for a weak positive relationship of innovation with exporting. This means that the businesses creating most jobs are *not* necessarily also those that are also most innovative or with significant exporting activity.

6.3.1 Realised job growth since start-up

We calculated job creation as the number of jobs that the entrepreneur reported to have had when his/her business first opened compared to the current number of employees. Figure 37 (left hand side) illustrates that the number of employees remained stable and did not change for the majority of businesses. The same is true when we examine the number of full-time equivalent (FTEs), that is, taking differences between part- and full-time employed staff into account (Figure 37, right hand side). Only a small number of businesses had to reduce their number of employees; whilst 24 percent of businesses added staff (20 percent in terms of FTEs).

This corresponds to a net job gain of 1,067 jobs for the 590 active businesses that reported changes in their employment, and to 820 FTE jobs for the 573 active businesses that reported FTEs.

Figure 37: Job growth since start-up among active businesses

Source: GEM data and Entrepreneurial Motivation Survey

Table 8 (second column) summarises the results of ordered probit regression analyses that examine potential drivers underlying the different job growth trajectories. With regards to motivation, growth expectations have a clear and strong effect on job growth, which – considering the relationships in Table 6 – appears to override the effect of other motivations for entrepreneurship. Younger entrepreneurs and those starting together with others (as opposed to alone) are also more likely to lead growing businesses.

6.3.2 Innovative businesses

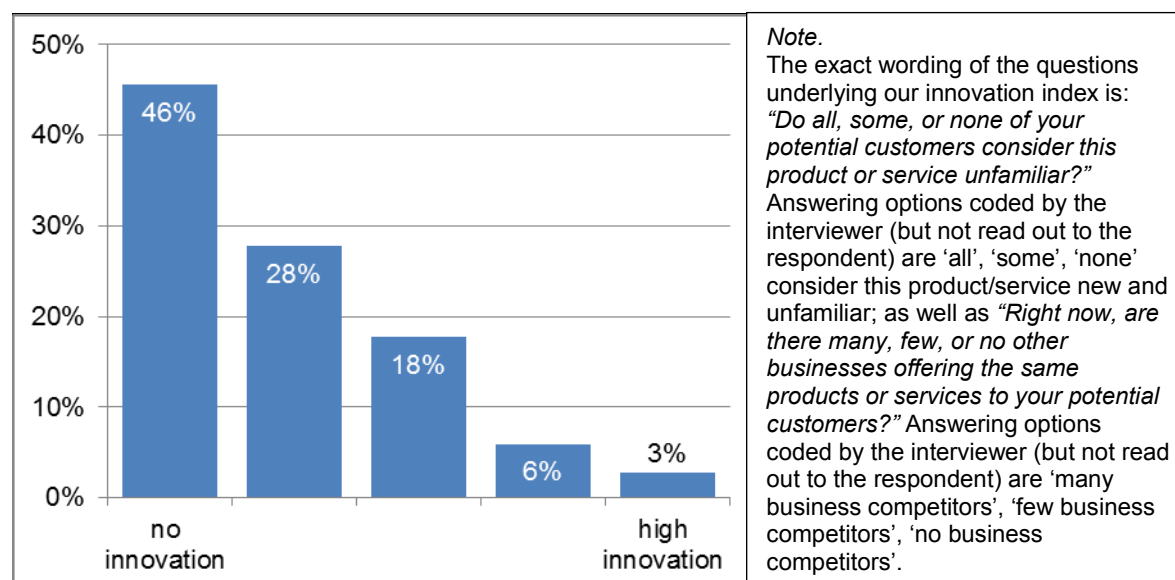
Innovative businesses introduce novel products or services in the market place (product/service innovation) and open up entirely new markets where they face no competition (market innovation). Correspondingly, and in line with the GEM methodology, we defined as innovative businesses those that indicated that ‘all’ or ‘some’ (as opposed to ‘none’) of the business’ potential customers consider its product or service new and unfamiliar, as well as, those that reported only ‘no’ or ‘few’ (as opposed to ‘many’) other businesses are offering the same products and services to the business’ potential customers. It should be noted, therefore, that process innovations are not explicitly captured and hence are likely to be underrepresented in the present research.

Combining the answer to these two questions led to a 5-point scale, where ‘1’ indicates no innovation (all potential customers are familiar with the business’ product or service and many other businesses are offering the same product and services), and ‘5’ indicates high innovation (all potential customers consider the business’ product or service to be new and unfamiliar and no other businesses are offering the same product and service).

Figure 38 illustrates that nearly half (46%) of all businesses do not innovate while only a small minority (3%) can be classified as highly innovative and six percent as

considerably innovative (they combine moderate product/service innovation with strong market innovation or vice versa). 28 percent of businesses show only very modest innovation efforts (with either some product/service innovation but no market innovation or vice versa).

Figure 38: Share of innovative businesses (among active businesses N=578)

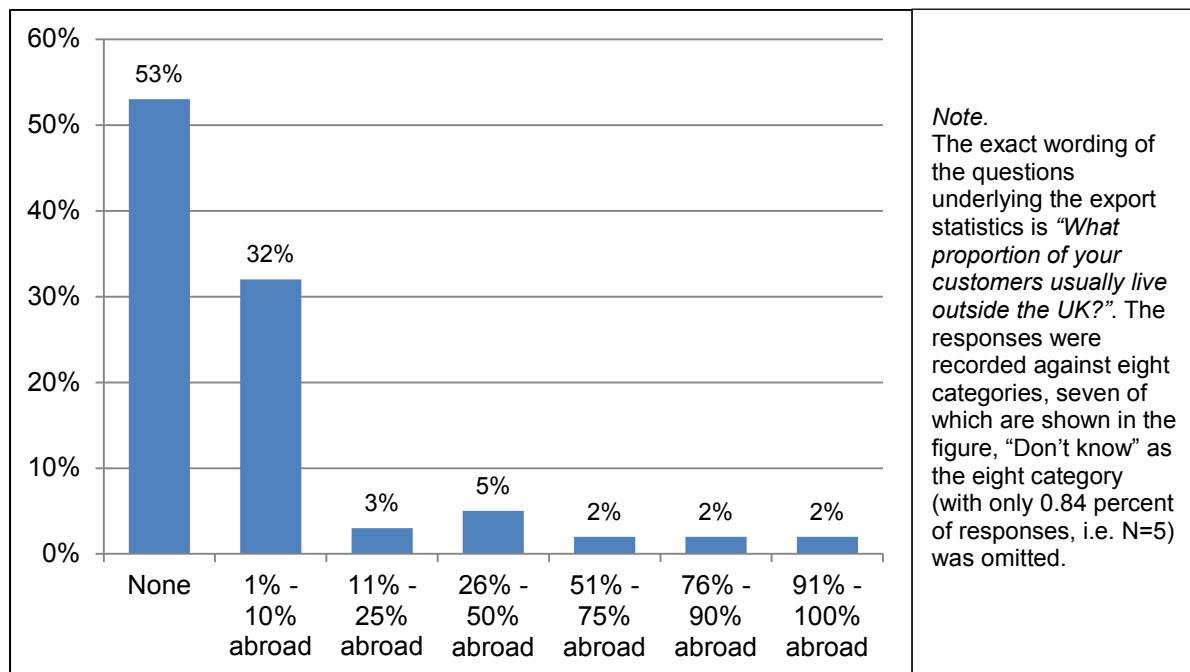


Source: Entrepreneurial Motivation Survey

Table 8 (third column) summarises the results of probit regression analyses examining potential drivers of such innovation activity. With regards to motivation, growth expectations have a positive effect on innovation activity, whilst financial motivation has a negative effect. We speculate that the focus on financial outcomes might inhibit experimentation that is necessary for innovation, but which requires investment without clear financial returns. More highly educated entrepreneurs and men lead more innovative businesses, whilst entrepreneurs from richer households are less likely to innovate. Innovation activity also declines for older businesses. Businesses in the human and social services (such as education, health, social work, arts, and entertainment) are more likely to innovate compared to businesses in other sectors.

6.3.3 Exporting businesses

In line with the GEM methodology, exporting businesses are identified by their share of customers usually living outside the UK, as a proxy for sales to non-UK countries. Figure 39 shows that the majority of active businesses (53%) focus entirely on the domestic market. However, 35 percent of active businesses have up to a quarter of their customers abroad, another five percent have up to a half of their customers based abroad. Finally, a minority of active businesses (6%) serve predominantly international customers, including two percent of businesses who reported to have more than 90 percent of their customers abroad.

Figure 39: Share of exporting businesses (among active businesses N=593)

Source: Entrepreneurial Motivation Survey

Table 8 (fourth column) summarises the results of ordered probit regression analyses examining potential drivers of exporting activity. For this purpose we classify businesses as either exporting or not based on their responses in the GEM surveys and estimate logistic regression analyses. With regards to motivations at start-up, growth expectations, as measured through the original GEM surveys, have a positive effect on exporting activity. Again and considering the relationships in Table 6 it is likely that growth expectations override the effect of other motivations for entrepreneurship. In addition, entrepreneurs whose prior job crossed over with their entrepreneurial activity are somewhat less likely to engage in exporting, while those who started their business together with family members (as opposed to alone or with business partners) are more likely to export. Finally, entrepreneurs in the retail sector are more likely to export, whilst those operating in the human and social services sector are less likely to export. Business age has a clear positive effect – older businesses are more likely to export.

7. Summary of key findings and conclusions

The chapter summarises the key findings from the analysis and draws together conclusions with the aim of informing the enterprise policy debate. The overall objective of this study is to develop our understanding of motivations for entrepreneurship and to build on what we already know. Our Rapid Evidence Assessment, which we undertook for BIS in December 2013, confirmed that entrepreneurial motivation is important to understand both for researchers and policy makers. In particular, we sought to move beyond the simplistic dichotomy of opportunity and necessity entrepreneurship which has been rehearsed in many studies to date. We know that individual motivation is rarely so clear cut and individuals may pursue entrepreneurship for a wide range of reasons.

The study is based on a dedicated survey of 1,000 entrepreneurs conducted in June and July 2014 supplemented by in-depth interviews carried out with 40 entrepreneurs in the autumn of 2014.

7.1 Key Findings

A new taxonomy of motivations for entrepreneurship

Guided by the Rapid Evidence Assessment, we explored the nature of entrepreneurial motives for starting a business through a dedicated questionnaire. We categorized motives into four broad groups (beyond opportunity and necessity motivations):

- ‘Autonomy & better work’ – The importance attached to seeking freedom and flexibility and better work opportunities as motivations to start a business.
- ‘Challenge & opportunity’ – The importance attached to seeking personal challenge, fulfilling a vision, and opportunities to use existing skill and receiving recognition as motivations to start a business.
- ‘Financial motives’ – The importance of seeking financial security, larger income and wealth as motivations to start a business.
- ‘Family & legacy’ – The importance of seeking to continue or create a family business as motivation to start a business.

Autonomy was a strong driver for all entrepreneurs to start their business – independent of the outcome of this start-up effort (i.e. whether the business is still active, closed, nascent, was sold or is currently dormant). Motivations related to ‘family’ and creating a legacy are less important for entrepreneurs on average than ‘autonomy’, ‘challenge’ and ‘financial’. Further, financial income is mentioned the most frequently by entrepreneurs in open-ended questions about their motivation, yet the results show that they rate ‘autonomy’ and ‘challenge’ as more important.

Motivations and business survival and success

The 'entrepreneurial journey' of opportunity and necessity entrepreneurs was investigated and the results show that underlying these two very broad categories were a wide range of individual circumstances that influence the motivations of individual entrepreneurs to start up a business. Opportunity-necessity motivations do not clearly map on the new taxonomy of motivations, and they are not at all related to the most important start-up motivation 'autonomy'. The opportunity-necessity dichotomy may actually capture motives intermixed with individual circumstances such as those related to tipping points and the entrepreneurs' personal background and situation at the time of business start-up.

The analysis has been able to connected motivations to a range of business outcomes, for those businesses that are still active, such as an expectation in jobs growth as well as actual innovation and exporting activity. However, there was no clear route to these business outcomes from a starting motivation simple defined as either opportunity or necessity. There are a small group of active necessity entrepreneurs that do well in terms of growth, innovation and exporting. By contrast, there are a small group of active opportunity entrepreneurs that are not experiencing growth nor engaging in innovation or overseas markets. Thus, businesses can do well regardless of whether they were started out of opportunity or necessity. Both opportunity driven businesses and necessity-driven businesses create jobs, innovate and export.

Overall, the new taxonomy of motivations was a better predictor of growth expectations, business survival and success than the traditional opportunity-necessity dichotomy. 'Autonomy' and 'family and legacy' motivations were the only motivations that directly and positively linked to business survival. By contrast, business success (job creation, innovation and exporting) was mainly predicted by growth expectations which in turn were influenced by 'challenge', 'financial' and 'family and legacy' motivations – but less so by opportunity and necessity motivations.

Tipping points

One of the things we examined was the relationship between an individual's interest in becoming an entrepreneurs and the nature of the 'tipping points' that led them to take the first steps in setting up their own business. However, we need to recognise that it may not be an easy task for an individual to separate out these triggers from a set of general motivations towards business start-up.

There are a number of tipping points commonly mentioned by entrepreneurs, however exploring individual circumstances during the in-depth interviews shows that it is rare for tipping points to work alone and far more common for two, three or more of the following to interact:

- Loss of job (whether voluntary or not)
- A chance business opportunity
- Changing family circumstance / life stage
- Advice or inspiration from an experienced friend, colleague or advisor

- Realisation that the nature of desired work necessitates self-employment

These tipping points can also interact with longer term motivations such as, for example, an entrepreneur's desire to be their own boss or work flexibly to their own hours – motivations that are perhaps not fully realised until they are 'tipped' by, for instance, becoming truly unhappy in their job, being inspired by a conversation or opportunity, or needing to adapt to changing family circumstance.

Correlates of entrepreneurial motivation: Do different personal backgrounds result in different motivations?

Motivations for entrepreneurship relate most clearly to entrepreneurs demographics (age, gender, education, household income), with fewer systematic relations to the entrepreneurs' personal situation at start-up (employment status, cross-over with previous job, family commitments, role models) and characteristics of the start-up business itself (starting alone versus with others, industry sector of start-up).

More highly educated entrepreneurship and those from households with high income are more likely to pursue opportunity entrepreneurship, whilst those with less education and from poorer households are more likely to be necessity motivated. Both younger and older entrepreneurs are more likely to be opportunity motivated, while the reverse pattern holds for necessity motivation. Opportunity and necessity entrepreneurs do not differ with regard to gender. Opportunity as opposed to necessity entrepreneurs are more likely to be in employment, in education or retired as opposed to unemployed when starting their business. They are also more likely to know other entrepreneurs, while necessity entrepreneurs are less likely to know other entrepreneurs. .

Growth expectations are reported by those with higher education, higher household income, men, and those who know multiple other entrepreneurs. The pattern of associations is more complex for the taxonomy of motivations. Autonomy motivations are reported by younger and less well educated entrepreneurs who know other entrepreneurs. Similarly, financial as well as family and legacy motivations are less common amongst those with higher education. Challenge motivations were reported by more highly educated entrepreneurs and those who knew multiple other entrepreneurs.

Change in motivations over the course of running a business

Overall, the results point to only small changes in the motivation for entrepreneurship – such as slight increases in the prevalence of opportunity motivation, upgrading of the importance of autonomy motivations and a slight decline in growth expectations. By and large however, motivations for entrepreneurship appear stable.

Only the importance attached to 'autonomy and better work' increases as a motivator for running a business compared to starting it. Considering that autonomy was the most important reason for entrepreneurs to start a business in the first place, this finding is promising. It suggests that entrepreneurs' expectations around autonomy, flexibility and quality of work are met in their roles as business owner-managers.

Motivations, tipping points and the recession

Entrepreneurs who started their business during the recession had stronger 'challenge', 'financial' and 'family and legacy' motivations and higher growth expectations. The recession may have acted as a trigger for individuals who were in employment and had long-standing entrepreneurial intentions to act on these intentions. At the same time, a recession also presents genuine opportunities for starting entrepreneurs as the closure of many firms leaving unsatisfied demand in many markets as well as increasing demand for products and services that are more efficient and are able to deliver larger cost savings to consumers and businesses. Underlying this is the process of innovation and we know from previous studies that recessions are a time of increased innovation and R&D leading to new opportunities for existing and start-up businesses.

The one tipping point mentioned more by entrepreneurs starting their business during the recession, was the loss of their job due to redundancy (generally seeming to be a direct result of the recession). That is not to say that entrepreneurs starting their businesses before the recession did not cite job loss or redundancy as a reason, just that there were some recession-specific redundancies mentioned by those starting up in 2009 or afterwards. These entrepreneurs were not necessarily motivated by necessity however; some considered this just the 'push' they needed, and took advantage of the opportunity to start something new.

It is striking that across the different types of entrepreneurs in our survey redundancy plays a seemingly important role and is frequently mentioned by active, closed and also by nascent entrepreneurs. However, our findings runs counter to the notion that such circumstances for business creation are more likely to be associated with business closure or a lengthier start-up process.

7.2 Conclusions

Overall the evidence in this report points to a general framework which defines a pathway from the demographics and attributes of entrepreneurs, combined with their individual circumstances, which determine a set of motivations which, in a specific context (i.e., what we call a tipping point), trigger the action to take the first steps towards setting up their new business venture.

Collectively, these results illustrate that a deeper understanding of entrepreneurial motivation – beyond simplistic opportunity and necessity motives – is important, especially when it comes to predicting entrepreneurs' expectations about growing their business and hiring employees, which are closely linked to business success. In addition, 'autonomy' and 'family and legacy' motivations – but not opportunity-necessity motivations relate to business survival.

The framework developed in this study suggests some insights for the development of enterprise policy. The analysis of the motivations for starting a business reveals a complex set of interconnections to individual circumstances and business outcomes and thus suggests that enterprise policy should not focus on the opportunity-necessity dichotomy.

The design and execution of business support products and services may benefit from paying attention to the greater complexity of motivations to develop tailored support for businesses at various stages of their development. At the same time, the findings in this report provide further evidence for the importance of supporting the development of growth ambitions among entrepreneurs – as growth ambitions are directly linked to business success.

However, the findings also demonstrate that the drivers of growth ambitions are perhaps more complex than expected. The relationships of growth ambitions with 'challenge', 'financial' and 'family and legacy' motives suggest that entrepreneurs may see growth as something that helps them to grow and challenge themselves, as something that helps them to earn more income (either to accumulate wealth or because they seek financial security), and, finally, as something that helps them to establish a (family) legacy. Showcasing that growth can be a means to a range of different goals may help to develop growth ambitions across different types of entrepreneurs.

The inclusivity of policy aimed at increasing entrepreneurship could be maximised by recognising and emphasising the varying motivations and circumstances leading different individuals into entrepreneurship. For instance, knowing other entrepreneurs has implications for motivation, which suggests that increasing contact and networking opportunities with entrepreneurs could be a useful way of enhancing a range of entrepreneurial motivation.

Finally, one commonality across all types of entrepreneurs seems worth emphasising: Autonomy is a key driver of entrepreneurship and it is a motivation that entrepreneurs experience as continually gratifying and motivating even years after they started their business; and it positively impacts on business survival. Thus, stressing autonomy as a benefit of entrepreneurship may make those who value it perhaps more likely to turn their attention to entrepreneurship as opposed to alternative career choices. The findings in this report suggest that they would enjoy being an entrepreneur in the longer run.

Technical Appendix

This chapter summarises the sampling approach and methodology employed for the research and provides information on the response rate.

Sampling approach

The sample for the research was sourced from the Global Entrepreneurship Monitor (GEM) survey series, specifically from waves conducted from 2008 to 2013.

This timeframe reflected a need to balance the aim of interviewing the owners of well established businesses, including some started pre-recession businesses, with concerns over the clarity of recall among those who operated businesses much further in the past.

The selection criteria were that GEM participants had agreed to be recontacted for future research and had been identified, during the course of completing the GEM survey, as being:

- In the process of trying to establish a business (a 'Nascent' entrepreneur);
- The sole or part owner of a business that is currently active (A 'Current' entrepreneur); or
- Someone who had previously been the sole or part owner of a business, but who had closed this business within in 12 months prior to taking part in the GEM research¹.

As shown in Table 9, in total 3,929 records were available for this stage of the research, with a small quantity of the original sample having been 'ruled out' during the piloting stage due to either the contact refusing to participate in the study or their telephone number no longer being valid.

¹ Most respondents were active business owners and nascent entrepreneurs when they were first interviewed as part of the GEM surveys. Only two entrepreneurs fell into the last category as owners of closed businesses.

Table 9: Sample available for this stage of the research split by year participated in GEM

Year participated in GEM	Quantity	Percent of total sample
2008	1091	28%
2009	979	25%
2010	405	10%
2011	505	13%
2012	563	14%
2013	386	10%
Total	3929	

Research methodology

Prior to this stage of the research three development stages were conducted to inform the design of the questionnaire. At each stage of the research survey materials were designed jointly by the Department for Business, Innovation and Skills, Aston Business School and IFF Research.

First, a Rapid Evidence Assessment (REA)² was conducted by Aston Business School and the Enterprise Research Centre to review recent studies published on the subject of entrepreneurial motivations, with the aim of exploring:

- The typologies that already exist to describe entrepreneurial motivations;
- What influences and shapes entrepreneurial motivation; and
- The consequences differing motivations have on business performance.

In itself the REA has also added to the literature published on entrepreneurial motivations by highlighting gaps in focus of previous studies and making recommendations as to where and how the current study should focus to improve understanding on the area.

² Stephan, U., Hart, M. & Drews, C.-C. (2015). *Understanding Motivations for Entrepreneurship A Review of Recent Research Evidence*. Birmingham: Enterprise Research Centre Rapid Evidence Assessment Paper. The REA can be downloaded here <http://www.enterpriseresearch.ac.uk/our-work/publications/>

Second and following the REA, a cognitive testing phase was conducted in February 2014 among ten respondents sourced from the GEM sample which took the form of telephone interviews lasting around 30-45 minutes. The aim of this stage was to inform the development of a quantitative questionnaire by exploring different 'entrepreneur journeys', understanding what language respondents used to describe their motivations and also testing respondents' level of recall of the initial set up phase of their business.

Third the quantitative questionnaire was developed and a CATI quantitative pilot was conducted in April 2014 among 44 respondents (again sourced from the GEM sample) to thoroughly test the questionnaire in terms of clarity, flow and length and to aid in the development of pre-code lists. This resulted only in minor changes with some questions being dropped, for example, due to lack of clarity.

The survey was then conducted between 10th June and 11th July 2014. The fieldwork was conducted using a census approach and comprised 966 CATI interviews which lasted 22 minutes on average. The final dataset analysed for this report combines these 966 interviews and the 44 pilot interviews conducted during the pilot stage.

- Table 10 shows the achieved sample split by country whilst

Table 11 shows the achieved sample split by 'business status' (i.e. whether the respondents business had not progressed past the nascent stage, whether it was currently active/trading, whether it was dormant, or whether it had been sold or closed).

Table 10: Achieved sample by country

Country	No.
England	548
Wales	207
Scotland	126
NI	119
Total	1000

Table 11: Achieved sample by GEM year and current business status

Business status	Total		GEM 2008	GEM 2009	GEM 2010	GEM 2011	GEM 2012	GEM 2013
	n=	%	%	%	%	%	%	%
	Base	(1000)	(204)	(208)	(95)	(170)	(194)	(129)
Nascent	209	21%	16%	17%	20%	28%	24%	22%
Active	593	59%	52%	60%	65%	54%	62%	69%
Dormant	59	6%	7%	6%	5%	5%	5%	7%
Closed	121	12%	22%	15%	8%	12%	7%	2%
Sold	18	2%	3%	2%	1%	1%	2%	0%
Total	1000	100%	100%	100%	100%	100%	100%	100%

Response rates

Table 12 shows the final outcomes for the sample drawn for the main stage of the research (outcome by GEM survey year is shown in Table 13). Outcomes are shown expressed both as a proportion of the total sample and as a proportion of the total 'usable' sample. The blue row ('completed') in the table shows the overall response rate.

Table 12: Overall response rate for entrepreneurial motivation survey

Outcome	n=	Percent of total sample	Percent of usable sample
Unobtainable (telephone number not valid)	895	23%	
Screened out (not known at address)	394	10%	N/A
Total unusable	1289	33%	
Appointment to call back	25	1%	1%
'Soft' call back (general call back at a later date requested)	190	5%	7%
No direct contact made with respondent	724	18%	27%
Refused	701	18%	27%
Completed	1000	25%	38%
Total usable	2640	67%	100%
Total sample	3929	100%	n/a

Table 13 shows the final outcomes for the sample drawn for the telephone survey split out by the GEM year in which respondents originally participated (alongside final outcomes for the sample overall). As shown in the table, there was some variance by GEM year surveyed in terms of the proportion of usable records that were converted into completed interviews. As might be expected potential contacts from further in the past were more difficult to contact in the first place (29 percent of all sample in 2008 was 'unobtainable' compared with 12 percent in 2013); they were also more likely to refuse to participate (31 percent of 'usable' contacts refused to participate in 2008 compared with 21 percent in 2013)

Table 13: Response rate split by GEM year sampled

	2008		2009		2010		2011		2012		2013		TOTAL	
Outcome	% total sample	% usable sample	% total sample	% usable sample	% total sample	% usable sample	% total sample	% usable sample	% total sample	% usable sample	% total sample	% usable sample	% total sample	% usable sample
Unobtainable	29%		28%		24%		14%		16%		12%		23%	
Screened out	14%	N/A	10%	N/A	13%	N/A	7%	N/A	6%	N/A	4%	N/A	10%	N/A
Total unusable	43%		38%		37%		21%		22%		16%		33%	
Appointment to call back	0%	1%	1%	2%	0%	1%	0%	0%	1%	1%	1%	1%	1%	1%
'Soft' call back	4%	7%	4%	6%	5%	8%	7%	9%	4%	5%	8%	9%	5%	7%
No direct contact	16%	28%	17%	28%	19%	29%	18%	23%	21%	27%	25%	29%	18%	27%
Refused	18%	31%	18%	29%	16%	25%	20%	25%	18%	23%	18%	21%	18%	27%
Completed	19%	33%	21%	34%	23%	37%	34%	43%	34%	44%	33%	40%	25%	38%
Total usable	57%	100%	62%	100%	63%	100%	79%	100%	78%	100%	84%	100%	67%	100%
Total sample	100%	n/a	100%	n/a	100%	n/a	100%	n/a	100%	n/a	100%	n/a	100%	n/a

Representativeness of Motivations for Entrepreneurship Survey Sample

The following figures show how the region split of this survey compares with that of all those entrepreneurs who were eligible to take part in the survey, both at an overall level and a more detailed level by GEM survey year. Figure 40, shows the data obtained from this survey by GEM year in which respondents originally participated in, and Figure 41 shows the data from the eligible sample for each GEM year as obtained in the original GEM survey.

The country split in the Motivations survey at an overall level is broadly similar to that from the eligible sample, with over a half of respondents based in England (55 percent and 59 percent respectively), around a quarter in Wales (21 percent and 19 percent) and, of the remainder, a roughly equal split by Scotland and Northern Ireland. The more detailed breakdowns by GEM Year also compare favourably between the eligible sample and those who took part in the Motivations survey which adds credence to the Motivations survey being representative of all entrepreneurs.

Figure 40: UK Country businesses are based in (in Motivations survey dataset at an overall level and by GEM year, and in eligible Motivations Survey population at an overall level)

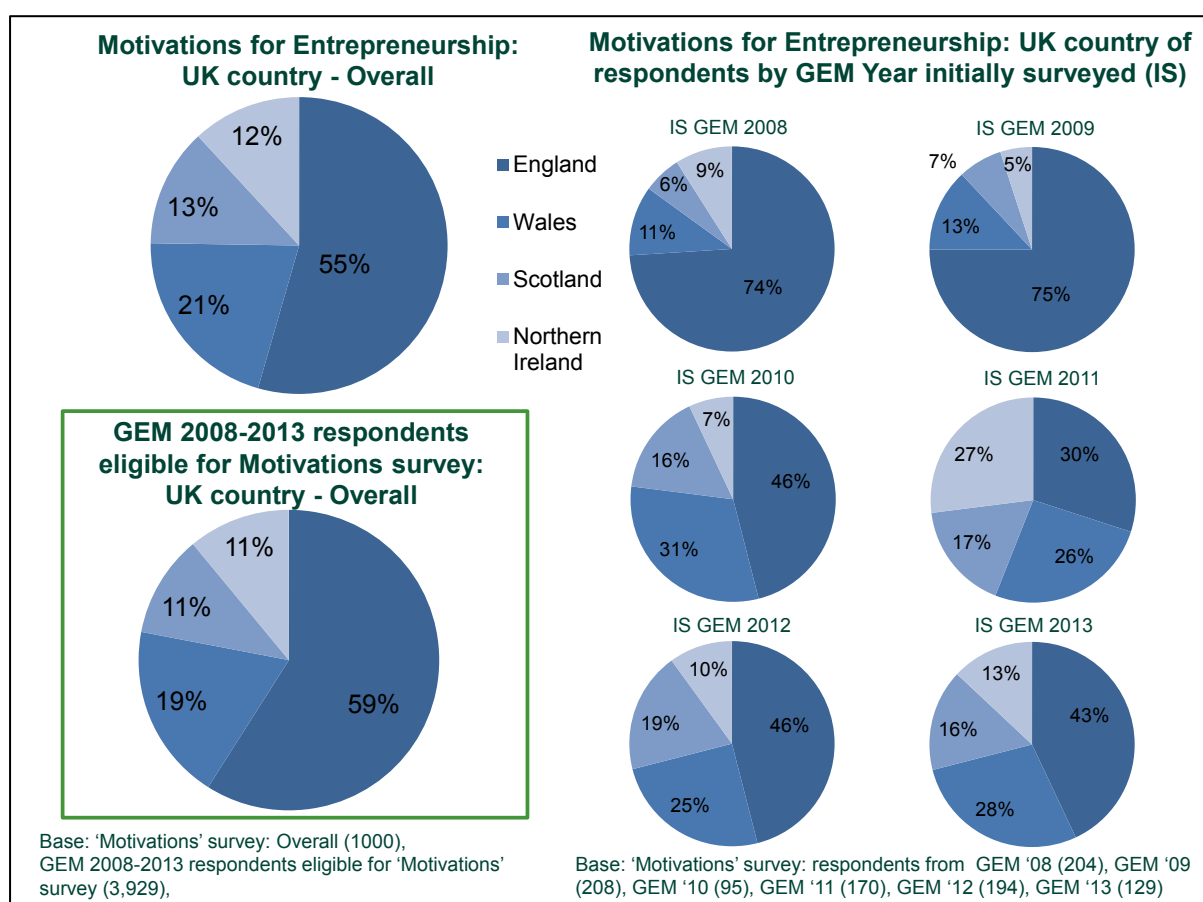
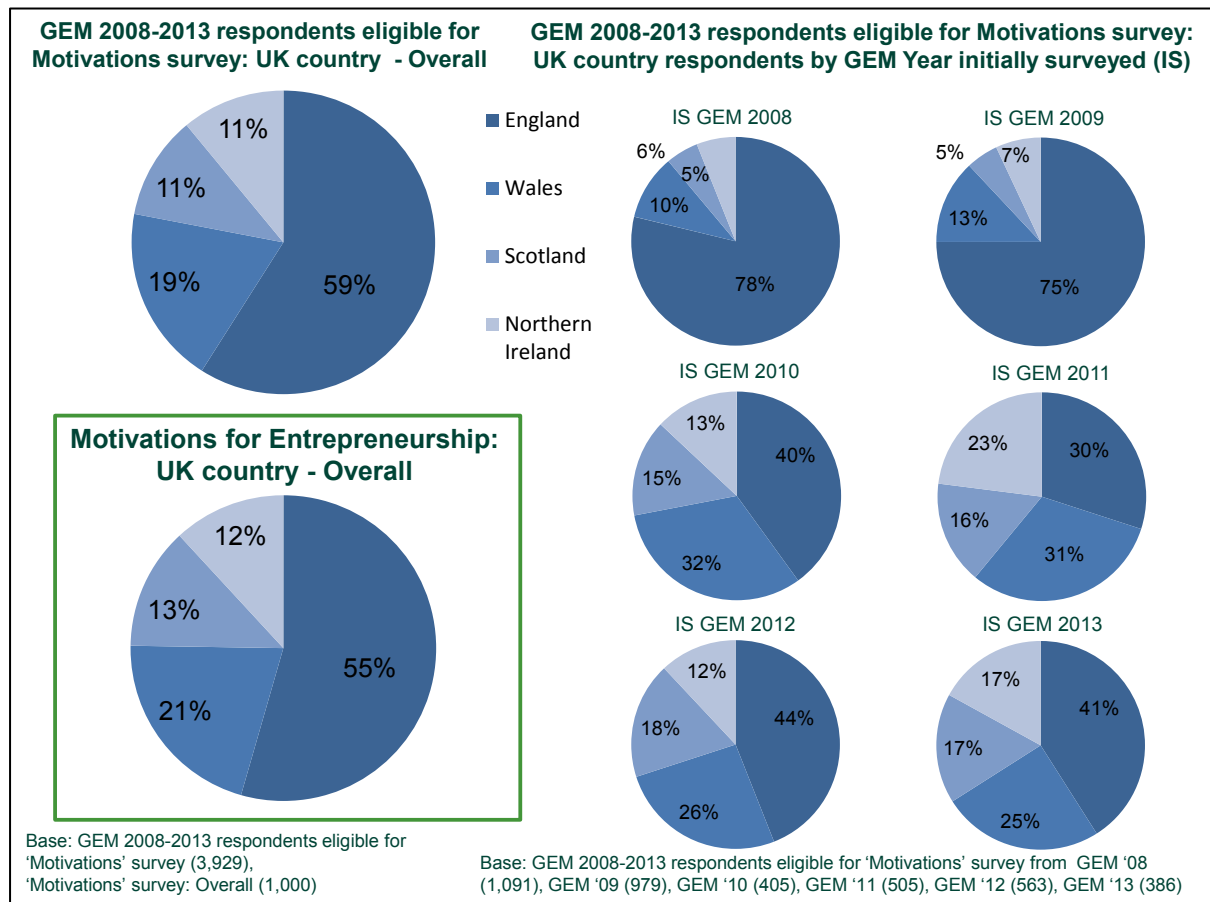


Figure 41: UK Country businesses are based in (in eligible Motivations survey population at an overall level and by GEM year, and in Motivations survey dataset at an overall level)



The following figures show how the gender split of this survey compares with that of all those who were eligible to take part in the survey, both at an overall level and a more detailed level of GEM Year.

Figure 42 shows the Motivations Survey data by GEM year in which respondents originally participated in, and Figure 43 shows the data from the eligible sample for each GEM year as obtained in the original GEM survey.

The gender split of the Motivations survey was very similar to that of all those eligible for the survey, both at an overall level (62% vs. 61% respectively) and by year of GEM survey.

Figure 42: Gender of respondents (in Motivations survey dataset at an overall level and by GEM year, and in eligible Motivations survey population at an overall level)

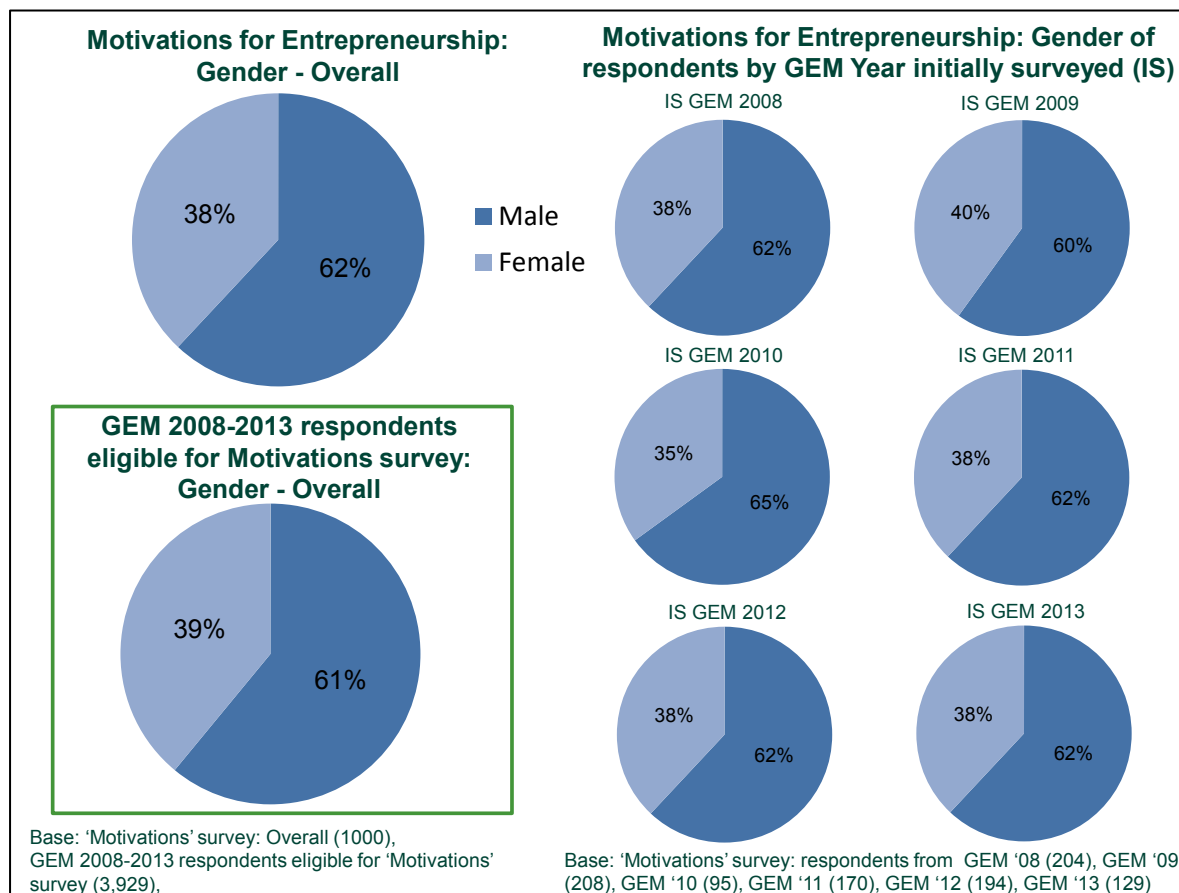


Figure 43: Gender of respondents (in eligible Motivations survey population at an overall level and by GEM year, and in Motivations survey dataset at an overall level)

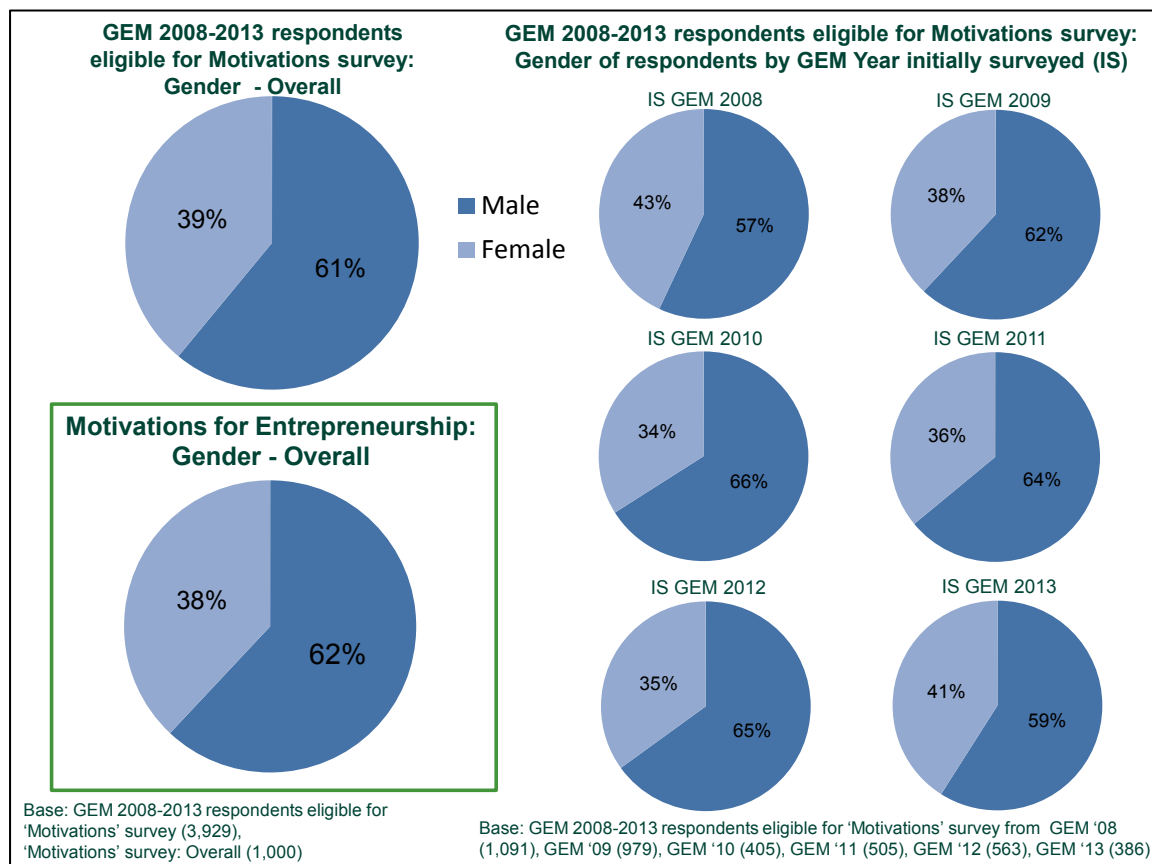


Figure 44 shows that the education status of those who took part in the Motivations survey and those who were eligible for the survey, at an overall level, were broadly similar.

Figure 44: Education status of respondents (in Motivations survey dataset and in eligible Motivations survey population at an overall level)

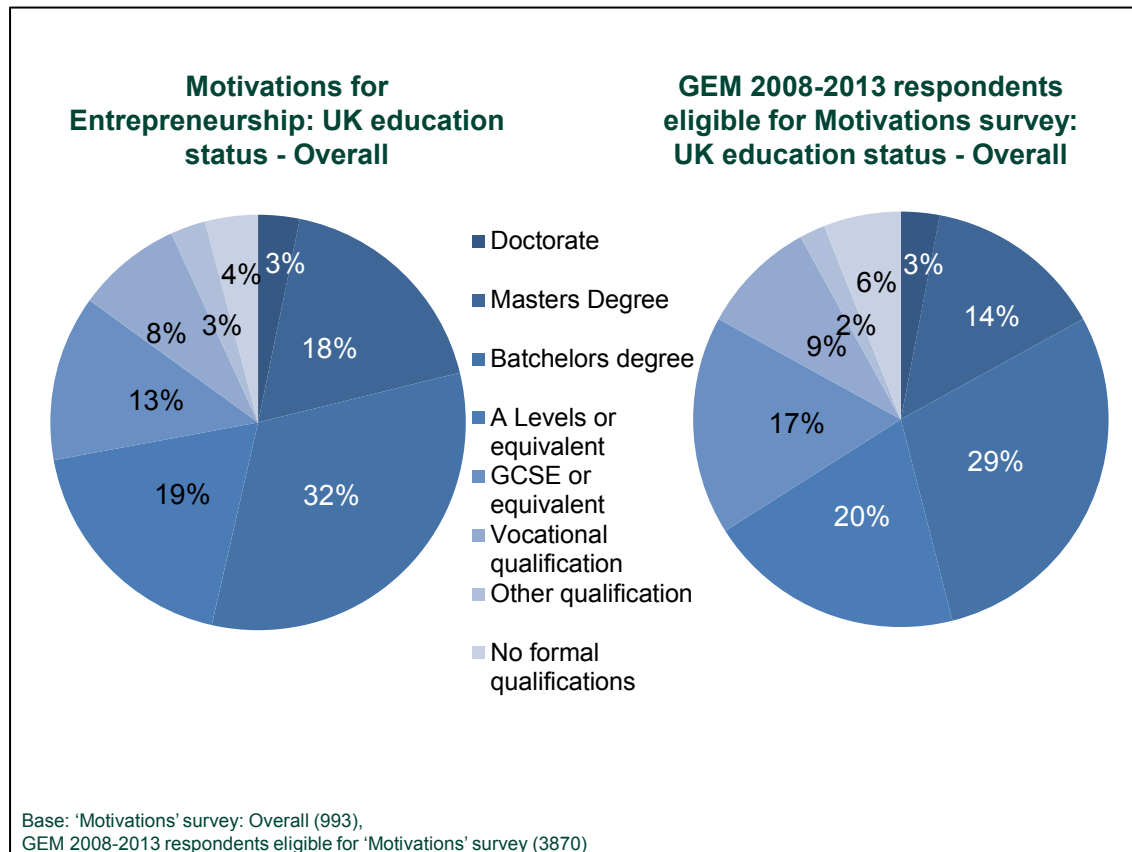
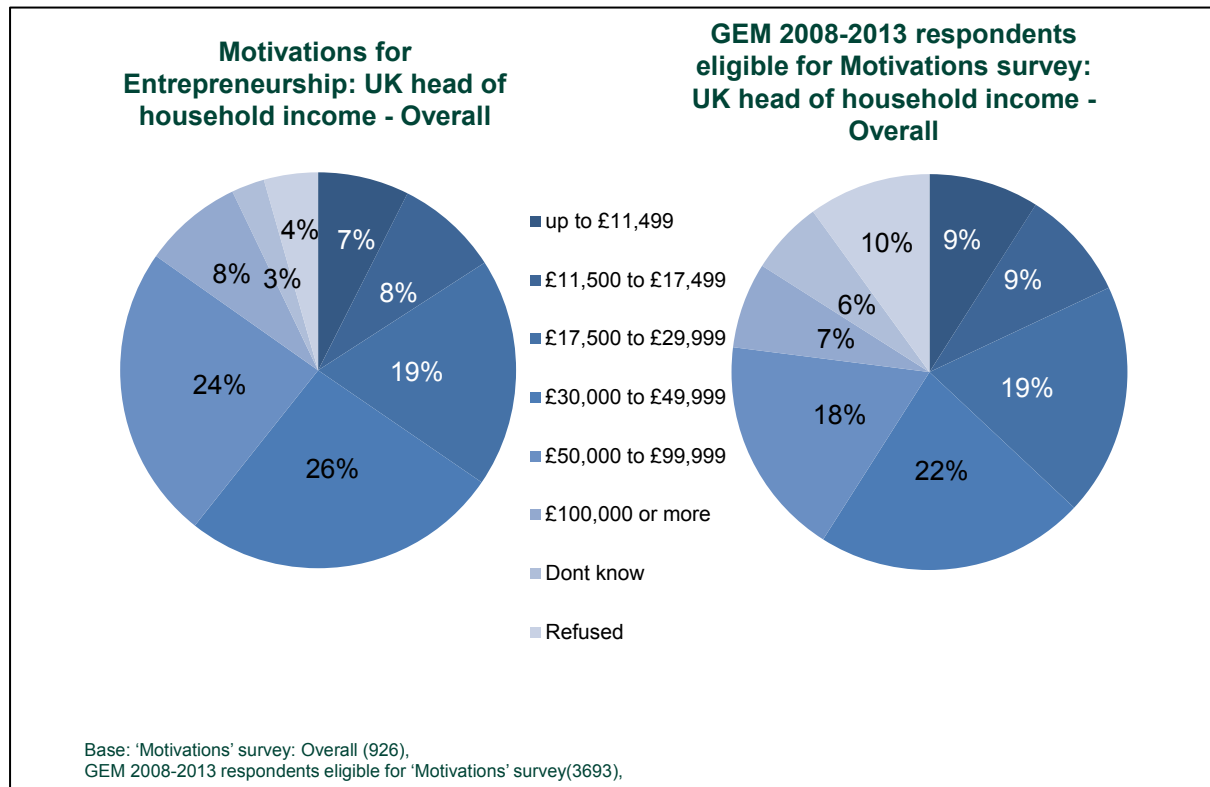


Figure 45 shows that the household income of those who took part in the Motivations survey and those who were eligible for the survey were very similar at an overall level.

Figure 45: Head of household income of respondents (in Motivations survey dataset and in eligible Motivations survey population at an overall level)



The vast majority of respondents were white – a similarly high proportion in both the Motivational survey (94 percent) and the eligible sample (92 percent) which suggests that the Motivational Survey is a representative sub-population of the entire GEM dataset.

Qualitative sampling and methodology

The qualitative research was carried out in late 2014, around 6 months after the quantitative fieldwork had finished. The aim of the qualitative element of the research was to explore in more depth some of the topics covered in the quantitative research.

The original qualitative sample was drawn from the 1000 businesses that had completed quantitative interviews, and had agreed to be re-contacted for further research.

The qualitative research consisted of 40 in-depth interviews with entrepreneurs, that each lasted approximately an hour. Of these 40 interviews (as planned), 25 were with active businesses and 15 were with those that had closed.

To ensure a good mix of business type and experience among active businesses, we interviewed a mixture of those that were actively growing (13) and those that were not (12) – this was information given by businesses at the quantitative stage.

We also ensured we spoke to some businesses that started before the recession (in 2008 or before: 30 businesses) and some that started during the recession (from 2009 onwards: 10 businesses).

Ideally this latter split would have been more even, however the time-poor nature of this audience meant that it was difficult to get interviews with the necessary numbers of business in the required timeframe; even though these entrepreneurs had agreed to participate in further research, the reality of finding a convenient time for an interview, and then sticking to it, was challenging. This simply meant that it was sometimes necessary to relax the ideal quotas in order to speak to sufficient numbers.

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