

enterprise for all

The Smith Institute

The Smith Institute is an independent think tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

If you would like to know more about the Smith Institute please write to:

The Director
The Smith Institute
3rd Floor
52 Grosvenor Gardens
London
SW1W 0AW

Telephone +44 (0)20 7823 4240
Fax +44 (0)20 7823 4823
Email info@smith-institute.org.uk
Website www.smith-institute.org.uk

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enterprise for all

By Tony Pilch and Ben Shimshon



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THE SMITH INSTITUTE

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By Tony Pilch and Ben Shimshon

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Preface

Wilf Stevenson, Director, Smith Institute

The Smith Institute is an independent think tank which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

The UK economy is in a strong position, with sustained growth and record levels of employment. Despite this, there is a significant gap between the UK and many comparison countries in terms of productivity and enterprise. Central to efforts to close this gap is the issue of skills: skills are a vital determinant of productivity, enterprise and employment and underpin the ability of business and individuals to take advantage of new opportunities.

The Leitch review showed that although the UK's skills base has improved significantly over the last decade, it remains weak by international standards. Unless the UK can make its skills base one of its strengths, UK workers and businesses will find it increasingly difficult to compete. But what types of skills do our people and businesses need? What are the skills that will make our economy more enterprising and productive? Can enterprise be taught?

Enterprise for All argues that because employability and high levels of enterprise will increasingly depend on every individual being entrepreneurial in the workplace – creating new ideas, managing relationships, identifying opportunities, and being creative and adaptable – more needs to be done to ensure that all workers, young and old, are able to develop enterprise skills and capabilities.

The Smith Institute gratefully acknowledges the support of the East Midlands Development Agency towards this publication.

Executive summary

1. The premium on enterprise capabilities

- The British spirit of enterprise that drove the Industrial Revolution is today being accelerated at an unprecedented rate. The last 20 years have seen a dramatic shift towards knowledge-intensive, service-based industries in which patterns of employment are more flexible and individuals live in a more fluid, unpredictable environment. International evidence suggests that these trends will continue.
- Data indicates that the issue of skills is one of the most significant barriers preventing the UK from fulfilling its enterprise potential. Nearly 200,000 16- to 18-year-olds are not in education, employment or training.¹ Some 14% of adults of working age have no qualifications.² Data has consistently shown that those regions of the UK with the highest levels of enterprise and business formation (measured by regional start-up rates) are also the regions with the highest levels of skills (measured by the numbers of people with a degree or equivalent) and the lowest numbers of people with no qualifications.
- Although the government's enterprise strategy is helping to remove barriers to enterprise, evidence suggests that people's enterprise ambitions are not being realised.
- Traditional approaches to enterprise have viewed it as an exercise solely concerned with the setting up of a new business, implying a choice between enterprise and employment. But evidence suggests that employability will increasingly depend on all individuals being entrepreneurial in the workplace: creating new ideas, managing relationships, identifying opportunities, rather than following the rules. In short, enterprise will become a crucial aspect of employability.
- Contrary to the view that enterprise is a characteristic that "you either have or you don't", research indicates that enterprise capabilities *can* be taught. Successful enterprise learning can be used to deliver a wide range of subjects with an emphasis on how students learn, not just what they learn, with effective teaching based on three pillars: an enterprise environment, an enterprise process and enterprise skills.

2. Enterprise education

- The misunderstanding that leads people to consider enterprise something that cannot be taught has grown out of an absence of educational strategies that develop the more general enterprising aptitudes throughout a person's educational career.

¹ Foster, Sir Andrew *Realising the Potential: A Review of the Role of Further Education Colleges* (Department for Education & Skills, 2005), p6.

² Ibid.

Delivering the capabilities that will be valued in an enterprise economy will require clarity on the specific aptitudes and skills that are needed to be enterprising and a programme of policies to deliver those skills.

- The Howard Davies review of enterprise education found that *enterprise capabilities* could be defined as "the capability to handle uncertainty and respond positively to change, to create and implement new ideas and new ways of doing things, to make reasonable risk/reward assessments and act upon them in one's personal and working life". This capability, Davies found, depended on the development of:
 - *knowledge and understanding of concepts* – organisation, innovation, risk, change;
 - *skills* – decision making (particularly under conditions of uncertainty), personal and social, leadership, risk management, presentation;
 - *attitudes* – self-reliance, open-mindedness, respect for evidence, pragmatism, commitment to making a difference; and
 - *qualities* – adaptability, perseverance, determination, flexibility, creativeness, improvisation, confidence, initiative, self-confidence, autonomy, action-orientation.
- It is clear that some aspects of enterprise capability, such as the "knowledge and understanding of concepts" and "skills" represent a specific skills set and, as such, can be referred to as "enterprise skills". The attitudes and qualities of an enterprise capability represent a way of approaching problems and tasks and can be referred to as "enterprise aptitudes". Developing an enterprise capability therefore requires both enterprise skills and enterprise aptitudes.
- Enterprise capabilities are based on a foundation of basic and key skills, the provision of which should ensure that students are taught how to develop enterprising aptitudes in order to be able to use basic and key skills in enterprising ways.
- Having embedded the development of enterprise aptitudes throughout basic and key skills provision, further provision should focus on the development of people's enterprise skills, meaning the specific development of the skills and knowledge of concepts referred to by the Davies review. These skills will be increasingly important to all firms that require independent and enterprising employees.

3. Delivery

- Statistics show that employers and employees increasingly want to develop their entrepreneurial capabilities. Yet the UK has a long-standing problem in providing the skills that employees and employers seek.
- In recent years, government policy has sought to boost basic and key skills, primarily

through the work of the learning and skills councils, and initiatives have been developed to boost enterprise skills such as the UK's Enterprise Week and New Entrepreneur Scholarships. Policy has also focused on giving employers a greater say in the design and delivery of skills programmes.

- The Leitch review of skills recommends that the UK commit to a compelling new vision – to become a world leader in skills by 2020 – underpinned by ambitious new skills targets, to be delivered through a demand-led approach, facilitated by a new culture of learning and an appetite for improved skills among individuals and employers. The review's key recommendations are to strengthen the employer voice on skills through creation of a Commission for Employment & Skills; launching a new "pledge" for employers to voluntarily train more employees at work – if insufficient progress has been made by 2010, a statutory entitlement to workplace training at level 2 will be introduced; and integrating the public employment and skills services to deliver sustainable employment, enabling more disadvantaged people to gain skills and find work, developing employer-led employment and skills boards.
- Yet policies that specifically aim to boost adults' enterprise capabilities are limited in both scope and ambition. Furthermore, provision is often founded upon traditional notions of enterprise – solely focused on setting up a business – with the result that an opportunity to develop an inclusive system that equips all workers with enterprise capabilities is lost. Although schools are beginning to see the value in using enterprise learning as a means to deliver each of the subjects in the curriculum, this opportunity has not been taken across adult provision, meaning that there is an absence of focus on developing people's enterprise aptitudes.
- Without efforts to embed the development of enterprise aptitudes alongside measures to support enterprise skills, the UK's enterprise ambitions will go unmet.

4. Taking enterprise training forward

- Looking to the future, the government's aim should be to design not only a comprehensive training system for the next generation of high-flying entrepreneurs, but also a training system that will equip everybody with the enterprise capabilities – meaning enterprise skills and enterprise aptitudes – required to be enterprising workers. To achieve this, it is recommended that:
 1. As part of their responsibility for the development and accreditation of the curriculum, the Skills for Business Network should review provision to ensure that the development of enterprise capabilities and an enterprise culture is at the heart of the standards and qualifications framework.

2. Consistent with the FE White Paper and the Leitch Review, FE skills providers should sharpen their focus on enterprise. All FE skills providers should seek to develop Enterprise Aptitudes across the curriculum, including extra provision available to focus on the development of enterprise capabilities and skills, to ensure a whole institution approach to developing a culture of enterprise.
3. Existing strategic cross-sector work, including Management and Leadership and Employability, currently led by the SSDA should be expanded to include a focus on the development of enterprise capabilities and skills.
4. The Skills for Business Network, working with FE skills providers at the local and regional level, should put in place measures to ensure that enterprise training is available in each region at level 2 and 3, including through Train to Gain, either as a stand alone accredited module or embedded into courses.
5. Learning and skills councils, working with regional development agencies, should consider the case for integrating and supporting level 3 enterprise skills (such as New Entrepreneurship Scholarships) for all who wish to set up a new business.
6. On the basis of the recommendations of the Leitch Review, the establishment of a new universal adult careers service should ensure that advice on key aspects of enterprise, including the provision of enterprise capabilities, is integrated into its remit and is universally available.

1. Introduction

1.1 The premium on enterprise capabilities

Britain has a rich history of enterprise. From the British spirit of enterprise that drove the Industrial Revolution to the pioneering of free trade, enterprise has long been at the heart of the British economy and society. Today those historic trends are being accelerated at an unprecedented rate. Over the past two decades the number of people who are working in small firms or self-employed has grown sharply, while jobs in the public sector and large firms have been cut back. The number of public-sector jobs has fallen by almost 2 million, offset by 4 million new jobs in the private sector.³ The fastest growth has been among small and medium-sized enterprises, whose dynamism means that they are now responsible for half of all UK employment and GDP.⁴ International experience suggests that these are likely to be the most dynamic areas of the economy in the foreseeable future.

Although the UK has seen a marked resurgence in the number of small businesses being established across the country, rates of entrepreneurial activity in the UK remain only moderate by international standards. In terms of total entrepreneurial activity, the Global Entrepreneurship Monitor also shows a mixed picture since 2000. While entrepreneurship levels increased to 2001, they fell dramatically in 2002, and have yet to recover. They also remain far behind levels seen in a number of other countries, including the US, Canada and Ireland.⁵

The UK also has significant and persistent differences in enterprise levels across the regions. People in London and the South East of England are much more likely to start a business than their counterparts in other regions of the UK, particularly the North East of England, the East Midlands, Scotland and Wales. Figures highlighting the differences in enterprise levels between the UK and our major competitors, as well as persistent differences between the UK's regions, provide the context for the challenge facing government: to ensure that anybody with the talent, potential and drive to succeed in business should have the opportunity and the necessary support to do so, regardless of their background or where they live.

³ As of March 2005 there were 5.8 million public-sector employees in the UK. Total public-sector employment peaked at 7.5 million in 1979 (see <http://www.statistics.gov.uk/cci/nugget.asp?id=407> and <http://www.hm-treasury.gov.uk/media/1EB/7C/ACF436.pdf>, p8).

⁴ *The Small Business Service Five Years On: Enabling the Enterprise Revolution*, enterprise brief (CBI, August 2005).

⁵ *Ibid.*

In 2000 the government set itself the ambitious objective of making the UK the best place in the world to start and grow a business by 2005. The Small Business Service was established in 2000, and soon after established seven strategic themes to drive its work:

- building an enterprise culture;
- encouraging a more dynamic start-up market;
- encouraging more enterprise in disadvantaged communities and underrepresented groups;
- improving small businesses' experience of government services;
- developing better regulation and policy;
- improving access to finance for small businesses; and
- building the capability for small business growth.

In recent years evidence has emerged of improvements in the enterprise environment of the UK. The World Bank's study *Doing Business in 2005* places the UK top in the European Union and seventh in the top 20 economies of the world, with the best business conditions – and also ranks the UK fifth in terms of the cost of starting a business, less costly than both France and Germany. But while evidence is emerging that the government's policies are beginning to pay off, there is still, clearly, a long way to go to meet the government's enterprise ambitions.

In reviewing the government's enterprise policies and the seven strategic themes of the Small Business Service, the Confederation of British Industry recently reported that while the government has made progress in a number of areas to encourage enterprise in the UK, such as in improving access to finance for small business and helping to develop a more dynamic start-up market, the government has "clearly missed its targets"⁶ on four of the seven themes. Perhaps most significant is that in reviewing the government's progress on the theme of "building an enterprise culture", the CBI has found that "while people are positive about entrepreneurship, this has not led to more people considering becoming self-employed".

Despite positive signs, such as the 2004 Global Entrepreneurship Monitor reporting that "cultural attitudes are strong", it is clear that this is not translating into increased numbers of people going into business. So in spite of positive policies to encourage entrepreneurship, and improvements in business services, access to finance and start-up markets, barriers continue to prevent people turning their enterprise aspirations into achievements.

6 Ibid.

While the CBI has argued that government-imposed barriers, such as the regulatory burden, have become an obstacle to enterprise growth, evidence suggests that the issue of skills is one of the most significant barriers preventing the UK from fulfilling its enterprise potential. Today nearly 200,000 16- to 18-year-olds are not in education, employment or training.⁷ Some 14% of 16- to 24-year-olds have literacy problems, with literacy skills below level 1.⁸ And 14% of adults of working age have no qualifications.⁹ Over 5 million adults have literacy skills below level 1 and even more have problems with numbers. This poor skills record has a direct impact on levels of enterprise: data has consistently shown that those regions of the UK with the highest levels of enterprise and business formation (measured by regional start-up rates) are also the regions with the highest levels of skills (measured by the numbers of people with a degree or equivalent) and the lowest numbers of people with no qualifications.

Indeed, the 2003 Small Business Service household survey found that the most important distinguishing factor between those who were enterprise “doers” and the enterprise “thinkers” was that the “doers” “feel they ‘have the skills and knowledge to start up a business’”. Of all groups, young people are least likely to think they have the skills to start a business. The Davies review concluded that young people feel they lack the skills and confidence to turn positive attitudes into action during their future careers. As part of the review, MORI reported that few students in the later part of their university careers believed they had acquired the hard commercial skills demanded by today’s employers. Only one in seven claimed to have good business sense, and only one in eight believed they were commercially astute.

The importance of increasing the number of people with the skills required by the new economic challenges is now widely recognised. The Leitch review showed that in the new global economy people’s economic security will not depend on trying to protect particular jobs, holding back the tide of change. In the words of the review:

It is not enough to rely on the traditional model of protecting people from change. Instead, the best form of welfare will be to ensure people can find their next job, staying in the labour market. The best way to do this is to ensure that people have a basic platform of skills that allows flexibility and can update their skills as the economy changes. For people to progress in the modern labour market, they must be able to update

7 Foster, op cit, p6.

8 Ibid.

9 Ibid.

*their skills to adapt to change. Updating skills and retraining will increase in importance as many of us have longer working lives. World-class skills are inexorably tied to world-class employment.*¹⁰

Further, the Institute for Employment Research has shown that the more highly skilled occupational categories, such as managerial, professional and technical, will see the greatest expansion over the next 20 years. Institute projections to 2012 suggest that this trend will continue as employment in lower-level occupations declines and these tasks are replaced by new technology. By 2010, it is forecast that 80% of new jobs will be in higher-level occupations – most likely to be filled by people with higher-level qualifications.¹¹

The issue is not just that the levels of skills needed to succeed will rise; the nature of the skills required to thrive is changing too. The growth of knowledge-based work favours skills such as problem solving, flexibility, communication, innovation and collaboration. These sorts of skills are becoming increasingly important within many occupations as, for example, manufacturing moves beyond an assembly-line approach to a higher value-added team-production style of working. They are not firm- or sector-specific, which means that individuals that acquire them can be employed in many different areas of the economy: if the firm or sector they are working in begins to decline, they are better placed to be able to find work in another firm or sector.

Finally, even for those jobs that do not require a high level of skills, individual enterprise, adaptability and flexibility will become increasingly important. This is because consumers are increasingly demanding personalised and individually tailored products and services. To meet this changing pattern of consumer demand, there will be an increasing premium on all workers – both entrepreneurs and those employed by small and medium-sized enterprises or by large companies – who are able to provide goods and services flexibly and who can adapt to individual consumer needs. As Demos has noted:

The skills, knowledge and attitudes of the new enterprise culture are far broader than entrepreneurship; they are called for at work and in family, social and civic life, where enterprising responses to new challenges and opportunities are also increasingly important. Irrespective of social background or intellectual ability, individuals will not just need a certain set of enterprise skills, they will also need to develop enterprising

¹⁰ *Leitch Review of Skills Final Report* (HM Treasury, December 2006), p9.

¹¹ *Working Futures: National Report 2003-04* (Institute for Employment Research, 2004) and *Education & Skills: The Economic Benefit* (Department for Education & Skills, 2003)

*strategies that help them to manage the increasing uncertainties of life.*¹²

The dramatic shift towards knowledge-intensive, service-based businesses in which patterns of employment are more flexible and unpredictable that has taken place over the past 20 years presents a real challenge to policymakers, given the UK's historically poor skills record. The challenge is twofold: to increase our levels of skills, as well as to change the nature of our skills base. The impact of the skills deficit is significant, compromising our capacity to compete with global economic competitors and limiting the ability of individuals to be enterprising. Having acted to promote an enterprise-friendly environment and to correct market failures, with considerable evidence of success, the next agenda for enterprise policy is to recognise that enterprise capabilities are a key element of future employability for all, and to focus policy on the delivery of training opportunities to develop those skills.

1.2 Is being enterprising being an entrepreneur?

The fundamental changes that are taking place in the economy – the shifts away from large-scale manual production towards flexible small and medium-sized enterprises, as well as the growth in demand for “new” enterprise skills – have significant implications for the way in which government views and approaches enterprise policy. Traditionally, “enterprise” has referred to starting a new business, and this remains an important dimension of the concept. But a growing number of people are starting to see enterprise as a crucial aspect of employability across the economy, in all sectors, going far beyond the exercise of setting up a new business:

*... in today's environment enterprise permeates into very diverse areas of society, and enterprising people emerge through all sorts of routes and backgrounds. Enterprise can also be applied to non-business ideas, and it is as relevant to public and voluntary sector organisations as it is to large corporations and small businesses.*¹³

This view about the centrality of enterprise to all sectors of the economy is gaining currency throughout government and across a wide range of policy makers. The Treasury view on enterprise has developed into one that sees enterprise as a mindset which may be found in all organisations, not just confined to setting up a new business:

Entrepreneurship may be defined as the mindset and process by which an individual or group identifies and successfully exploits a new idea or opportunity. It requires creativity,

¹² Horne, Matthew *Enterprise Learning* (Demos, 2000), p17.

¹³ *The Enterprise Report 2005: Making Ideas Happen* (Enterprise Insight, 2005).

ambition, independence and the willingness to bear the inevitable risks involved. Enterprising behaviour may be found in organisations of all sizes, in both private and public sectors; indeed, it is critical to the task of modernising public services.¹⁴

The Treasury's wider understanding of enterprise is echoed by the East Midlands Development Agency, which sees enterprise, and the skills necessary for it, as integral to both self-employment and the wider workforce. The East Midlands Employment, Skills & Productivity Partnership states that:

... enterprise is about establishing and growing businesses but, more importantly, about establishing an entrepreneurial culture within the existing and future workforce ...

Despite the growing understanding of the broader concept of enterprise, many people continue to see enterprise in its narrowest sense, that of establishing a small business. The implication of this thinking is that there is a choice between enterprise and conventional employment, despite the growing consensus that a knowledge and aptitude in enterprise is central to employment.

Clarity about the nature and scope of enterprise has been provided by the Howard Davies review of enterprise education, which reported in 2002. The review found that challenges of the future global economy suggest that employability and earning power will increasingly depend on initiative and enterprise, regardless of the kinds of work that people are in, when it said that the "distinctive attributes associated with running your own business are relevant to a wide range of occupations and roles".

This suggests that employees of large organisations, both public and private, are, and will increasingly be, expected to be entrepreneurial in the workplace: to generate new ideas, to manage external relationships, to act on their own initiative and to seek opportunities to create value, rather than "following the rules". Indeed, it was notable that the prize for winning the BBC's *The Apprentice* was to become part of Sir Alan Sugar's business empire rather than to set up a new small business, running contrary to traditional notions of what it is to be an entrepreneur. In short, "enterprise" refers to a set of aptitudes and skills that represent a means to an end which can be applied in different settings, while "entrepreneurship" refers to the setting up of new businesses and ventures.

¹⁴ *Enterprise Britain: A Modern Approach to Meeting the Enterprise Challenge* (HM Treasury, 2002), p18.

Providing clarity about the true meaning of modern enterprise is not just a matter of semantics. Without a clear and shared understanding across government, the capacity to develop effective programmes to ensure that a ready supply of enterprise skills is available to employers and employees is limited. The implication for government is clear: it must recognise that all workers will have to display enterprising behaviour in order to thrive in the world of work. In this sense, rather than a choice between enterprise and employment, the government must now recognise that individual enterprise is crucial to achieving employment.

1.3 Can enterprise be taught?

Having established the importance of skills for enterprise, the key issue is how these skills can be developed. Clearly, action to raise general levels of education and skills in the UK is a necessary requirement. But improved education and skills levels may not be sufficient in increasing the level of enterprise skills across the country. As Enterprise Insight has put it:

Enterprise is not the same thing as developing academic ability, and learning about business and economics is not the same thing as learning to be enterprising. Developing the enterprising person requires quite distinct forms of learning and experience. Traditional models of education are strong in providing academic and analytical skills but often poor at developing creative talent and practical know-how. "Engineering, not business schools, are better geared to creating entrepreneurs," according to Carl Schramm of the Kauffman Foundation in the USA.

But can enterprise capabilities be developed? While some are of the view that enterprise is one of those natural competences that "you either have or you don't", evidence suggests that the core skills of enterprise can be nurtured. The Durham Foundation for SME Development produces comprehensive enterprise learning materials for schools in England and Wales based on a view of enterprise education that "means developing the qualities needed to be an enterprising person, such as the ability to tackle problems, take initiatives, persevere, be flexible and work in teams. More specifically, it also means taking part in small-scale business and community enterprise projects designed to develop these qualities."¹⁵ In the US, the National Foundation for Teaching Entrepreneurship, founded in 1987, "teaches entrepreneurship to young people from low-income communities to enhance their economic productivity by improving their business, academic and life

15 *Primary Enterprise: A Primary School Approach to Enterprise Education within the National Curriculum – A Manual for In-service Learning* (Durham University).

skills"¹⁶ and, importantly, has a track record of success.¹⁷ In both cases, there is a clear commitment to the belief that enterprise can be taught.

In the UK, the breakthrough in the teaching of enterprise came following the publication of the Howard Davies review. The review, which explored the ways in which enterprise was being taught in schools, found that the most important point about successful enterprise education is that it is concerned primarily with how people learn rather than what people learn. This means moving beyond learning about enterprise to also learning through and for enterprise to embed in people the aptitudes and skills to deal with a variety of situations and challenges in enterprising ways. This model of learning is not restricted to specific areas of the curriculum or certain ability ranges. Nor is it delivered as a separate subject. Instead, the school system adopts enterprise learning as a way of delivering each of the subjects in the curriculum.

The two models that have been found to offer the richest opportunities for developing enterprise skills are mini-company schemes whereby students set up and run their own businesses and make real profits (or losses), and projects whereby students work with a company to design, manufacture, market and sell a new product, or work in teams to deliver a project in the community.

The enterprise learning model

Independent learning

- Student-run group projects
- Uncertainty through independence from teacher/tutor
- Autonomy fosters self-reliance, flexibility and independence

The enterprise process

- Small business tasks
- Student-organised and managed
- Design and implement responses to challenges
- Self-assessment and peer review

Enterprise skills

- Decision making
- Personal and social skills

¹⁶ <http://www.nfte.com/whatwedo/>

¹⁷ http://www.nfte.com/downloads/research_koch_ny.pdf

The schemes recommended by Davies are now up and running (the government has funded 151 pathfinder projects, embracing nearly 400 schools) and although it is too early to judge their impact or their cost-effectiveness, Ofsted has found that "in the most effective schools, there was evidence of pupils being motivated by enterprise learning and developing a good range of relevant skills". In addition, "teaching and learning were characterised by clearly defined aims and objectives, pupils taking responsibility for their own actions and being given significant autonomy to tackle relevant problems. Enterprise learning also involved pupils evaluating the outcomes of their decisions and reflecting on what they had learned."

The test of whether enterprise learning or training is effective is the impact it has on levels of enterprise. Measuring this is difficult, particularly when the premise of this paper is that enterprise – and the indicators used to measure it – need to go beyond the traditional model of enterprise, concerned only with the setting up and running of a business enterprise. However, as things stand, traditional measures of enterprise levels (such as the numbers of new business start-ups) remain the most effective proxy. Using these measures, evidence suggests that the provision of enterprise education or training does have a positive impact on levels of enterprise.

In the US, graduates of the National Foundation for Teaching Entrepreneurship were more likely to have set up their own business than a comparable sample that had not undertaken an NFTE course: 36% of NFTE alumni had started their own course, compared with 9% of non-participants.¹⁸ Consistent with this, in the UK the 2003 Small Business Service household survey found that "relevant background experience in the form of enterprise education, training or work experience makes people more likely to consider starting a business". Among those thinking of becoming an entrepreneur, the "thinkers", 70% have had relevant training or experience, compared with about half (49%) of the general population.

These findings are encouraging for government because they imply, contrary to those who suggest that enterprise is a state of mind you either have or you don't, that core enterprise capabilities can be taught and that when provision is in place, there is a positive impact on levels of enterprise.

¹⁸ http://www.nfte.com/downloads/research_koch_ny.pdf

2. Enterprise education

The notion that the ability to be enterprising is simply something that you either have or you don't is based on a confused understanding of what it is to be enterprising. In the following section we will draw upon the research conducted by the Howard Davies review, to show that being enterprising involves *both* a specific set of knowledge and skills *and* a more abstract group of attitudes or approaches to opportunities, problems and work in general.

The misunderstanding that leads people to consider enterprise something that cannot be taught has grown out of an absence of educational strategies that develop the more general enterprising attitude throughout a person's educational career. The conventional approach in education has been to focus on what students learn, rather than how they learn. In the absence of such a concerted effort to accustom people to thinking in an enterprising way, being enterprising depends on an individual receiving that enterprising attitude from sources other than education (such as parental example or their general social/cultural background). When thinking in an enterprising manner involves such an element of luck, it is easy to assume that it is something you either have or you don't.

Changing economic dynamics mean that the workers of the future, and even of today, will face greater economic uncertainty and more frequent change in their future working lives than did their predecessors. Against this background, everybody will need more enterprising capabilities, not just to set up businesses or enter self-employment, but also to build their own careers and to stay employable, helping break the link between economic uncertainty and social exclusion.

Delivering the capabilities that will be valued in an enterprise economy will require, firstly, clarity on the specific skills and competencies that are needed to be enterprising and, secondly, a programme of policies to deliver those skills. But what are enterprise skills? Are they a set of skills that can only be confined to the setting up and running of a business, or are they transferable? Are they a distinct and specific set of skills that can be identified and taught? Or are they a set of less tangible personal characteristics? Despite a vast literature on the nature, scope and potential of enterprise, there is a general lack of clarity about the extent to which enterprise capabilities are a distinct set of competencies or a broad set of personal characteristics. In the discussion below, we draw on the conclusions of the Howard Davies review in order to build a picture of the skills, characteristics and attitudes of an enterprising individual and the processes by which more people can become enterprising people.

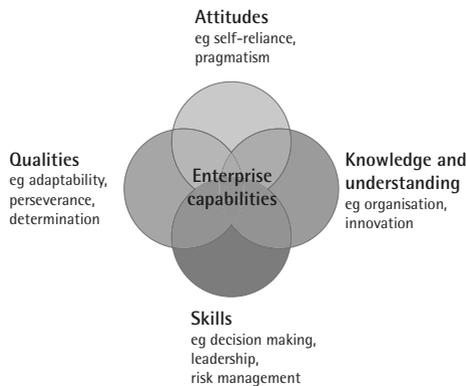
2.1 Enterprise capabilities

In trying to define what it is to be enterprising, the Davies review began by exploring the broader notion of employability, which it described as "the knowledge and understanding, skills, attitudes and qualities that [young] people will need to thrive in their future working lives". It found that employability comprised many different components, which fell into three broad categories: financial literacy; economic and business understanding; and enterprise capability. Therefore, while enterprise capability can be regarded as one aspect of employability, it represents a distinct subset, which Davies has defined as "the capability to handle uncertainty and respond positively to change, to create and implement new ideas and new ways of doing things, to make reasonable risk/reward assessments and act upon them in one's personal and working life".

According to Davies, enterprise capability depended on the development of:

- *knowledge and understanding of concepts* – organisation, innovation, risk, change;
- *skills* – decision making (particularly under conditions of uncertainty), personal and social, leadership, risk management, presentation;
- *attitudes* – self-reliance, open-mindedness, respect for evidence, pragmatism, commitment to making a difference; and
- *qualities* – adaptability, perseverance, determination, flexibility, creativeness, improvisation, confidence, initiative, self-confidence, autonomy, action-orientation.

Figure 1: Elements of enterprise capability as identified by the Davies review



2.2 Knowledge, skills, attitudes and qualities

Davies's definition of enterprise capability allows us to build a multi-layered picture of enterprise and the skills and attributes associated with it. It is clear that while some aspects of enterprise capability involve learning technical and knowledge-based skills and competencies – and may involve a greater focus on *what* a person may learn, such as how to manage risk and the principles of organisation – others are more abstract, place a greater emphasis on *how* somebody may learn and involve a habituated way of working and doing what is second nature to an enterprising individual.

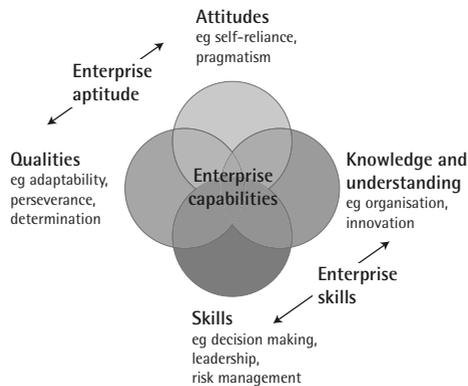
Both the "knowledge and understanding of concepts" and the "skills" that Davies identifies represent a skill set in and of themselves, which we can describe as *enterprise skills* and which are the focus of *what* a person may learn in order to be entrepreneurial. Understanding principles of organisation, innovation, risk management, idea presentation and decision making can be considered a specific curriculum and can be taught as such. Imparting business understanding, financial literacy and theories of leadership, organisation, risk management and strategic planning can take the form of modules that can be offered as one possible path of adult or lifelong learning.

In contrast to enterprise skills, the "attitudes" and "qualities" that Davies includes in his understanding of enterprise capability represent a way of approaching problems and tasks, rather than a specific set of directly teachable practices, theories or programmes. Again, *how* a person learns is as important as *what* they learn. These aptitudes and approaches can therefore be developed through the adoption of the enterprise learning model described in section 1.3, where the emphasis is as much on the learning environment and process as on the skills learned. By working in teams – often acting independently from an instructor – on a project basis, people can develop the generic qualities (improvisation, confidence, initiative, self-confidence, autonomy) and attitudes (self-reliance, open-mindedness, respect for evidence, pragmatism) referred to by the Davies review. We can therefore describe these qualities and attitudes, developed through specific learning approaches, working habits and disciplines, as *enterprise aptitudes*.

By highlighting the distinction between enterprise skills (skills and knowledge of concepts) and enterprise aptitudes (qualities and attitudes), it can be seen that a full enterprise capability requires both a specific set of skills and a series of aptitudes. Many people may be able to develop the generic behaviours and aptitudes that can indicate an entrepreneurial capacity, but without a specific knowledge of key enterprise skills it is

unlikely that their entrepreneurial potential will be realised. In similar fashion, while people may access a conventional business studies or enterprise course (perhaps through Business Link) and be furnished with a knowledge of enterprise skills and concepts, unless they have the attitudes and personal qualities to use these skills in an enterprising way, again, their entrepreneurial potential will be limited. This has important implications for government. An enterprise policy that is aimed to develop people's entrepreneurial potential needs to be holistic, concentrating as much on developing people's enterprise aptitudes as on their entrepreneurial skills.

Figure 2: Interaction of the elements of enterprise capability as identified by the Davies review



2.3 Basic skills, enterprise skills and enterprise aptitudes

It is clear that neither enterprise skills nor enterprise aptitudes can exist in a vacuum and both must be based on a foundation of other skills. Without facility in reading, writing and mathematics, it is unlikely that anybody could be entrepreneurial. The relationship between enterprise skills and aptitudes and basic skills is therefore clear: while possessing basic skills is not a sufficient basis for becoming an enterprising person, a sound grasp of literacy, numeracy and language skills is a necessary foundation.

However, as we have indicated above, the possession of an enterprise capability requires not just a range of skills, but also a way of using those skills in an enterprising way. This applies to basic skills as much as to any other skills. While the scope for using basic skills in an enterprising manner may be limited by the fundamental nature of the subject there is clearly still an opportunity to teach people the basics in ways that, according to

Professor David Kirby from the School of Management at the University of Surrey, are "active rather than passive, [offer] variety, [are] based on experimentation, participatory and fun"¹⁹. This means adopting the enterprise learning model (see box, "The enterprise learning model", above) where the focus is not just on the skill being learned, but on ensuring an appropriate environment and process that foster a wider set of aptitudes (team working, delegation etc).

Not only should people be taught the basics of the three Rs, but they should be taught in ways that nurture the aptitudes – improvisation, confidence, initiative, self-reliance, open-mindedness, pragmatism – valuable both as characteristics of employees and for starting up a new enterprise. Again, the emphasis is as much on *how* the person learns as on *what* they learn. The methods deployed to develop people's basic skills may include: independent learning, group projects, personal education planning and problem-solving exercises. In short, basic skills education, whether in childhood or in later life, should involve methods of learning and teaching that encourage enterprise aptitudes – the qualities and attitudes that the Davies review identified.

Case study 1: Using enterprise learning to teach mathematics

A year 10 GCSE mathematics group decided to establish a school bank in their own time. With headteacher approval, they researched bank functions on the internet and were visited by a high-street bank education adviser who explained day-to-day operations and what they would have to do to set up the project. Students designed simple cheques for internal issue to depositors. Monthly statements were provided. A customer care centre was established to offer advice on personal finance and possible investment. The subject teacher monitored all activity and cash received was banked in a new school account opened specially for this purpose. All students were given the opportunity to work in the bank either in customer service or behind the counter. Students gained knowledge of banking systems and experience of handling money, percentages and calculating balances. Some also learned about the importance of customer service.²⁰

2.4 Key skills, enterprise skills and enterprise aptitudes

While it almost goes without saying that enterprise capabilities are based on a necessary foundation of the basics, it is doubtful that numeracy, language and literacy are a

19 *The Enterprise Report 2005: Making Ideas Happen* (Enterprise Insight, 2005), p87.

20 <http://www.livegroup.co.uk/enterpriseeducation/downloads/files/Case%20Studies/Mathematics.doc>.

sufficient platform to succeed in the enterprise economy of the future. This point was acknowledged in the recent skills white paper, *Getting On in Business, Getting On at Work*, which said:

*Essential as the basics are, they are not enough to equip people with the skills, understanding, competence and knowledge to work productively in a given sector.*²¹

Consistent with this, while the basics are a necessary precondition for enterprise, they are an insufficient platform for being employable or being a successful entrepreneur. Economic change has meant that whereas a generation ago the basics may have been sufficient to secure employment, this is no longer the case. Today the demand for basic and manual skills has, in large part, been replaced by a high demand for what are known as generic or key skills. Employers seek to ensure business success by recruiting and retaining employees who have a variety of skills and personal attributes, as well as technical skills. Put simply, key skills are those that apply across a variety of jobs and life contexts. They are also known by several other names, including generic skills, core skills, essential skills, key competencies, necessary skills, transferable skills and employability skills (for the remainder of this paper, they will be referred to as "key skills"). The focus on key skills reflects evidence from employers that they lack the following types of skills:

- communication – 61%;
- customer handling – 55%;
- team working – 52%;
- problem solving – 47%;
- technical and practical – 43%;
- management – 32%;
- general IT user – 29%;
- literacy – 24%;
- numeracy – 21%;
- IT professional – 13%;
- foreign language – 7%.

The government has long been aware of the importance of key skills and has put in place a policy framework to ensure their delivery. There are six key skills, each of which is available at levels 1 to 4 of the national qualifications framework. That means that level

²¹ *Getting On in Business: Getting On at Work*, skills white paper (Department for Education & Skills, 2005), p17.

1 is roughly the same level as GCSE grade D to G; level 2 is about the same as GCSE A* to C; level 3 is equivalent to two or more A-levels.²² The government has defined key skills as:

- application of numbers;
- communication;
- improving own learning and performance;
- information and communication technology;
- problem solving; and
- working with others.

The government has shown a commitment to enabling the maximum number of people to reach at least level 2 in key (and other) skills, on the basis of evidence showing that level 2 skills bring significant productivity gains along with higher rates of employment, higher self-confidence and greater willingness to undertake more learning.

Level 2 skills clearly provide a good basis for entrepreneurialism. Again, it is difficult to see how an entrepreneur – in either the narrow or the wide sense of the word – could survive without a basic understanding of, for instance, applying numbers, communicating or problem solving. We can therefore say with confidence that both basic *and* key skills are a necessary condition of enterprise capabilities.

However, it is reasonable to conclude again that while employability and key skills may be a necessary condition of an enterprise capability, they may not be sufficient. Enterprise Insight argues that enterprise is distinct from employability in three ways.²³ First, enterprising qualities have similarities with employability, but enterprise requires a deeper quality that is more focused and action oriented. It has, above all, stronger resonance with notions of empowerment and a belief in one's own abilities – not simply the acquisition of a range of employment skills. Second, employability is about getting a job and staying in work, rather than about how you make a difference and achieve success in work. Third, if everyone is employable, that benefits the economy but the currency of employability gets devalued from an individual's perspective. Enterprise, on the other hand, is a generator of future opportunities and different in that the realisation of ideas offers a level of protection through unique propositions and intellectual property rights.

22 <http://www.keyskills4u.com/KS/index.asp?s=what>

23 *The Enterprise Report 2005: Making Ideas Happen* (Enterprise Insight, 2005), p94.

But while enterprise capabilities may differ from key skills, as long as key skills programmes are in place it will be important to ensure that they are taught in a manner that allows people to become accustomed to working in an enterprising way. As with basic skills, key skills education should involve a range of techniques and methods that develop enterprising qualities and attitudes, or enterprise aptitudes, through the process of learning.

Key skills learning clearly offers an opportunity for methods that result in the qualities and aptitudes associated with enterprise. Indeed, this is already happening in those schools that have adopted enterprise learning methods as a means to deliver a wide range of curriculum subjects. For example, the development of IT skills could be accompanied by problem-solving tasks whereby the efficient solution involves utilising the different functions of a range of programmes. Fostering a functional understanding of IT as a set of tools for problem solving, rather than as a series of individual tasks to be repeated, clearly furthers the chance that the learner will develop the attitudes and qualities that we have described as enterprise aptitudes.

As we have seen above, being enterprising is increasingly becoming a requirement for all workers. While the specific skill set (enterprise skills) that furnishes people with the ability to set up their own companies or hold positions of responsibility is clearly different from the basic and key skills, possessing and utilising enterprising aptitude when deploying whichever skills one possesses will be a highly valued characteristic for any individual entering the modern workforce. Adult and lifelong learning opportunities, at both basic and key levels, should therefore seek to develop those aspects of enterprise capability that we have identified as enterprise aptitude.

Case study 2: Using enterprise learning to teach ICT

Students worked in small teams and used the internet to research the market for home computers. They were given the task of deciding which computers were the market leaders and which offered best value for money. The manager of the local IT shop was invited to the school and interviewed about the ways in which he helped customers who wanted to purchase or upgrade their computers. He also gave them feedback on their previous work. Each team was given a different make of computer to research and was expected to work to tight deadlines. Students researched *Which?* guides to decide on appropriate layout and content when producing a consumer guide for their machine, using desktop publishing and incorporating images as appropriate, and detailing the

range of options available. A display of the students' finished work was judged by their peers and by the head of IT. The students developed a greater understanding of work in the retail sector and had the opportunity to project manage a task within a competitive environment.²⁴

In the process of acquiring basic and key skills, and indeed in the development of further skill sets such as enterprise skills or management skills, learning should be conducted in a manner that nurtures the enterprise aptitudes that we have drawn from the Davies review's definition of enterprise capability – self-reliance, open-mindedness, respect for evidence, pragmatism, commitment, adaptability, perseverance, determination, creativity, autonomy, co-operation etc.

2.5 Enterprise skills and enterprise aptitudes

Adopting new enterprise learning models to help deliver basic and key skills will not only play a major part in providing people with the skills that virtually all workers will need to thrive, but also help in equipping adults with the enterprise aptitudes to improve their enterprise capabilities. Teaching basic and key skills in an independent environment with a focus on an enterprising process can help develop qualities such as autonomy, self-confidence and flexibility, which will equip people to be more enterprising. But as Howard Davies has implied, an enterprise capability requires more than just a set of attitudes and personal qualities: it also requires a specific, distinct set of enterprise skills. An enterprise skills course would furnish the individual with the assets identified by Howard Davies:

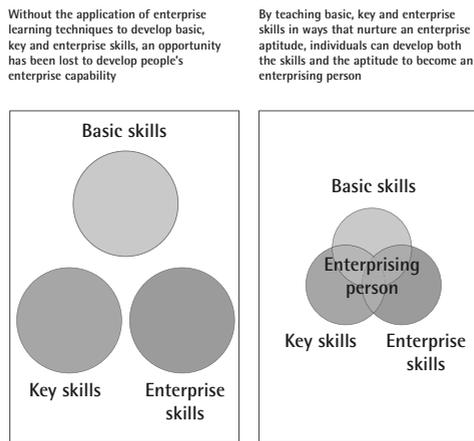
- *knowledge and understanding of concepts* – organisation, innovation, risk, change; and
- *skills* – decision making (particularly under conditions of uncertainty), personal and social, leadership, risk management, presentational.

In contrast to delivering the qualities and attitudes described here as enterprise aptitudes, where the focus is on how a student learns, delivering enterprise skills may require a sharper focus on what the student learns. However, it remains the case that although delivering enterprise skills requires an emphasis on the theoretical understanding of these skills, the mode of learning must be accompanied by a continued education in the attitudes and qualities that Davies also recognises to be crucial.

24 www.qca.org.uk/14-19/6th-form-schools/68_1997.htm

The danger with existing provision is that although the provision of basic, key and enterprise skills (such as New Entrepreneur Scholarships) has been improved in recent years, insufficient attention has been paid to developing the knowledge and attitudes, or enterprise aptitude, that will allow people to use their newly acquired basic, key and enterprise skills in enterprising ways. The result is that the opportunity to embed the attitudes and qualities of successful entrepreneurship is lost (see figure 3). The crux of helping to develop people's enterprise capability is not just to ensure that they have a stock of basic, key and enterprise skills but to ensure that those skills are learned in ways that develop the qualities and attitudes of self-reliance, pragmatism, adaptability and determination associated with being a successful entrepreneur.

Figure 3: The effect of "how you learn": nurturing enterprise aptitudes at every educational stage



The teaching methods, based on enterprise learning, that have been called for in basic and key skills education should therefore be continued if and when an individual chooses to develop enterprise skills.

Fostering enterprise aptitudes must be embedded in all skills education, regardless of level, if specific enterprise skills courses are to deliver the enterprising people that our economy requires. By attempting to ensure that people view the skills that they possess as tools rather than rules to be learned by rote, we can increase the chance that a well-

skilled individual will approach opportunities, problems and work in general in an enterprising manner.

Definitions

Enterprise involves both *enterprise aptitudes* – a way of using more generalised basic skills and key skills – and *enterprise skills* – a discrete skill set that can be taught independently.

Enterprise aptitudes

- Enterprise aptitudes are the "attitudes and qualities" that Davies identifies as a component of "enterprise capability".
- Enterprise aptitudes are developed in people through the use of "enterprising methods of teaching and working" at every skill level. These may include group projects, problem solving, individual planning and organisation tasks, etc.
- The basic skills of literacy, language and numeracy provide the bedrock for effective enterprise. An individual who has enterprise aptitudes will not only possess a high degree of literacy and numeracy but also will be able to deploy those skills in an enterprising manner, using them to solve problems, take decisions etc.
- Similarly, being enterprising involves the use of key skills. These involve skills that are of value to all workers in the economy, and include communication skills, IT skills and other generic skills. Once again, an individual with enterprise aptitudes will be able to use these key skills in an enterprising manner.

Enterprise skills

- Specific enterprise skills represent a distinct further subset of key skills, and may comprise decision-making skills, personal and social skills, management, leadership and risk-management skills. These skills will be increasingly important to all firms that require independent and enterprising employees, regardless of whether an individual worker is considering setting up a business.
- Enterprise skills can be taught as a distinct curriculum, but their effective deployment will depend upon the individual having the attitudes and qualities that we have described as "skills for enterprise".

Enterprising people

- Enterprising people will bring their skills for enterprise to bear on all aspects of their work, whether using basic, key or enterprise skills.

3. Delivery

3.1 Demand and supply

Statistics show that employers consistently demand employees who have a solid foundation of basic skills as well as a good grasp of the key skills for employability – ie, generic skills such as communication and IT along with financial literacy and an economic and business understanding. Evidence also exists to show that employers increasingly want their workers to be more enterprising. In a Smith Institute seminar on enterprise in schools held in summer 2004, James Reed (chief executive of Reed Executive) highlighted the findings of a survey carried out by Reed Executive on enterprise. The survey revealed the following:²⁵

- 65% of all companies said they wanted all or most of their employees to be enterprising;
- 59% of companies said that it was now much more important to have enterprising workers than it was 10 years ago;
- 84% of companies surveyed said that initiative was the most important personal attribute they looked for in employees;
- 74% of respondents in the public sector said that it was more important now for their organisations to have enterprising workers than it was 10 years ago.

These findings mirror the findings of Scottish Enterprise. In a recent survey, 20,000 employers were asked what they most found lacking in new recruits. Oral or communication skills was the most common response (57%), along with customer-handling, problem-solving and team-working skills (52%, 50% and 43%, respectively). By contrast, written communication, literacy skills and using numbers (30%, 29% and 24% respectively) were still important gaps in job applicants, but they came bottom of the list in terms of priorities – almost the opposite ranking from government policy.

The demand for enterprise capabilities comes as much from employees as it does from employers. The Davies review found that “there is a strong demand from young people for enterprise learning opportunities, greatly in excess of the current level of supply” and that young people “have strongly positive attitudes to business and entrepreneurship but also that they lacked some of the important skills, expectations and behaviours which are vital for developing enterprise capability”. Similarly, the National Council for Graduate

²⁵ Taken from the transcript of a Smith Institute seminar, *Creating a Culture of Enterprise For All* (summer 2004).

Entrepreneurship has recorded the growth in demand among aspirant graduates for enterprise courses. The Small Business Service's general household survey continues to record high percentages of people who aspire to be entrepreneurs.

Although employers and employees increasingly demand the skills to help them be more enterprising, it is a long-standing concern that many employers cannot recruit people with the skills and attributes they seek. Around 7.8 million people of working age in the UK do not have a level 2 qualification, equivalent to 33% of the working-age population (compared with 19% in Germany and 15% in France). This is particularly worrying when international trends are considered. With around 20 million new graduates in China and 2 million new graduates each year in India, a growing number of countries are competing on the basis of expertise rather than cost, placing even greater importance on the UK raising its game.

Failure to improve its skills performance will also have a detrimental impact on enterprise levels in the UK, because we know that skills drive enterprise. Data shows that those regions of the UK with the highest levels of enterprise and business formation (measured by regional start-up rates) are also the regions with the highest levels of skills (measured by the numbers of people with a degree or equivalent) and the lowest numbers of people with no qualifications. Therefore, in order both for the poorest regions of the UK to catch up with the richest, and for the UK to catch up with its competitors in terms of enterprise levels, action needs to be taken on skills.

3.2 Government policy

The government has said that it has a vision of an "enterprise society where people with the initiative, skills, and drive also have the opportunity to start and run a successful business" and has put in place a comprehensive package of measures to promote an enterprise culture through seven core strategies: building an enterprise culture; encouraging a more dynamic start-up market; building the capability for small business growth; improving access to finance for small business; encouraging more enterprise in disadvantaged communities and underrepresented groups; improving small businesses' experience of government services; and developing better regulation and policy.

Alongside this enterprise strategy has been an extensive skills package to ensure that employers and employees have the skills they need to help them thrive. At the centre of the delivery infrastructure for skills is the Learning & Skills Council, which has replaced the Further Education Funding Council and brings together in a single body the responsibility

for planning and funding post-16 education and training. A great deal is being done to promote basic and key skills. The Skills for Life programme on adult basic skills has been strengthened by a target to help 2.25 million adults achieve recognised literacy and numeracy skills by 2010. The government has also provided an entitlement for any low-skilled adult to get free training to achieve their first full level 2 qualification.

Given that enterprise capabilities are based on a foundation of basic and key skills, the success of these measures will have an impact on the development of enterprise skills. Yet in terms of specific initiatives to boost the nation's enterprise capability, it can be seen that far less is being done. Although the government has put in place a series of enterprise education measures in schools, provision for adults is, to say the least, limited.

The Learning & Skills Council has supported the UK's Enterprise Week and has sponsored the LionHeart Challenge, a programme comprising a one-day enterprise experience whereby young people from all geographical areas and from varied social, ethnic and economic backgrounds come together with a dedicated business facilitator (such as an entrepreneur or company director) to undertake a demanding business challenge.

Budget 2005 announced the expansion of New Entrepreneur Scholarships, with an extra £2 million a year in both 2006/07 and 2007/08 to help people living in disadvantaged areas to start up in business. Funded by the Learning & Skills Council and managed by the National Federation of Enterprise Agencies, the Prince's Trust and the Association of Business Schools, the programme is tailored to individuals' needs, breaking down the barriers to business start-up by offering flexible long-term support and financial assistance to targeted groups across the country. Alongside financial assistance, a core element of the programme is developing enterprise skills, with the programme providing a minimum of 90 hours of part-time business and personal skills training to be completed over four to six months. Although the session content is flexible, with a variety of teaching methods, the course covers essential business skills such as marketing, business planning and bookkeeping, as well as motivation, presentation and selling abilities. Research has shown that, since its establishment, just over 90% of people concluding the programme have either successfully established a business or are actively engaged in doing so, with 2,350 people having completed the course over the past three years.

Looking further at mainstream provision, there is scope for the further-education system to provide a far greater focus on enterprise capabilities, particularly when evidence shows that the correlation between vocational training and enterprise is becoming increasingly

strong. Enterprise Insight has concluded, on the basis of evidence from the Global Entrepreneurship Monitor's 2004 UK report, that individuals with vocational training are now just as likely to become entrepreneurs as are those with higher qualifications. Over 3 million learners attend further education annually and colleges offer a rich opportunity for supplying the skills that both individuals and the economy need.

However, the recent report by Sir Andrew Foster on the future role of colleges²⁶ found that "the FE sector is not performing to its full potential and could make a greater contribution". The review's "most crucial recommendation" was "that colleges should sharpen their focus and direct the main force of their effort towards improving employability and supplying economically valuable skills". The review also recognised the potential for the further-education system to do more to promote enterprise:

*FE colleges can also strengthen their links with employers through the enterprise agenda, working closely with schools and universities who are also promoting enterprise in education. Practical suggestions include getting students to take enterprise projects, engaging entrepreneurs as practitioner lecturers, and establishing entrepreneur clubs for their students.*²⁷

A marked shift in skills policy in recent months has been the new focus on shaping skills delivery around the needs and priorities of employers. The main mechanism is the range of Sector Skills Councils working with the Sector Skills Development Agency. These are led by employers in each sector, to speak for employers in identifying the skills needed to sustain and improve productivity, and then work with partners to achieve the right supply of skills. Sector Skills Councils are therefore central to shaping the design of training for adults. So far, 22 have been established, covering a wide variety of different sectors of the economy, from the automotive sector to energy and utilities. The Sector Skills Development Agency has also recognised that there are many occupations, functions and skills that are common to several or all sectors and have therefore established a number of cross-sector programmes – in management and leadership, IT skills, employability and sustainability. Yet to date, a programme has not been established to explore the development of enterprise skills.

In parallel with shaping skills programmes around employers, the emphasis has been on devolving skills delivery to local and regional agencies that have been empowered to

²⁶ Foster, op cit

²⁷ Ibid, p45

deal with local and regional economic challenges. Central to this are regional skills partnerships, which were announced in July 2003 and aim to bring together the work of a number of bodies, including regional development agencies and learning and skills councils, on skills, training and business support. Detailed work is under way in some regions on "dual key" arrangements for planning and funding adult skills, which will enable the regional development agencies and regional learning and skills councils directors to align regional skills budgets better with regional economic strategies.

There is now little doubt that the government has made real progress in establishing a skills strategy designed around the needs of employers and employees. Policy has been developed to plug the UK's long-standing gaps in basic skills, as well as to increase the number of people with the cognitive transferable skills that will become increasingly important. However, despite real progress since 2002, policies that are specifically aimed to develop enterprise skills for adults are limited in scope and ambition. Those schemes that are available are often restricted rather than comprehensive, with relatively insignificant resources compared with the resources devoted to developing enterprise capabilities in the education system.

Although improvements on key skills will mean that more workers will have some of the generic transferable skills – communication, IT, organisational skills – that will allow workers to be more productive, there is a lack of focus on developing the methods and skills associated with enterprise that are now being implemented in schools. The key skills delivery body, the Learning & Skills Council, has limited its enterprise skills activity to supporting the UK's Enterprise Week and funding the implementation of enterprise advisers in secondary schools. The further-education system, as Sir Andrew Foster has recently concluded, could do far more to encourage the development of enterprise capabilities in adults. Although the government has successfully established a network of Sector Skills Councils, recognising that employers should have a far greater say in the design and delivery of key skills provision, there is no Sector Skills Council, or equivalent, in place to help shape increased provision of enterprise skills.

4. Taking enterprise training forward

There is clearly considerable scope across the education and skill system to provide a much more enhanced focus on the delivery of enterprise capabilities. Much has been done in schools already, and this is to be welcomed. However, the scale of the enterprise and productivity gaps between the UK and its competitors, as well as the speed of economic change, suggest that a much more systematic, widespread framework of measures that go beyond schools needs to be in place. For many regions of England, levels of enterprise are so low today that regional economies simply cannot afford to wait for children to pass through the school system in the faint – but growing – hope that a large number of entrepreneurs will emerge.

Evidence shows that 80% of the working population we will have in 2010 are already in or about to join employment today. This means that today's adults need to be given the opportunity to develop the enterprise capabilities currently available in schools. Although business and enterprise training programmes may be available in some parts of the country, the Foster review has recognised that provision is often patchy. Where available, it is often isolated and marginalised, rather than being embedded across the adult system.

Instead, the government should seek to develop an adult training system that rests on the notion that enterprise is a crucial aspect of employability for all. Having acknowledged this principle, the government should formulate a holistic strategy focused on the development of people's enterprise capabilities through nurturing specific aptitudes and skills. This requires the introduction of new enterprise learning models, based on best practice (set out in section 1.3), whereby an enterprising environment and process is used to deliver enterprising aptitudes within adult learners. It also requires a new approach to the provision of enterprise skills, which emphasises that such skills are not just for those wishing to establish a new business but are for all who wish to progress either in the workplace or when considering a new venture.

The Davies review was an explicit acknowledgement on the part of the government that enterprise capabilities are becoming increasingly important and that government has a responsibility to ensure that adequate provision is in place within schools to ensure their delivery. The way in which the government has responded to the Davies review is a clear indication that it has accepted the principle that action needs to be taken to improve the UK's enterprise capability. The government's primary response was to ensure that enterprise skills provision was available in schools. But having accepted the principle

that enterprise skills need to be developed, the government now has an opportunity to extend the logic of the principle and extend provision beyond the classroom. Given the imperative on enterprise skills today, the government cannot afford to wait for today's schoolchildren to enter the workplace.

This suggests that action needs to be taken to ensure that today's workforce have the opportunity to access the enterprise skills increasingly valued by employers. This means, first of all, understanding that enterprise is not only concerned with those wishing to set up their own business and, second, establishing a series of measures to ensure that all adults have the opportunity to develop the skills that the enterprise economy demands.

4.1 Diagnosis and recommendations

Welcome though the government's efforts to widen the provision of enterprise capabilities in schools are, the scale of the enterprise and skills challenge in the UK suggests that far more needs to be done to develop a comprehensive system that can deliver the skills and aptitudes that will become so valuable. Looking to the future, the government's aim should be to design a comprehensive training system, not only for the next generation of high-flying entrepreneurs but also to equip everybody with the tools required to be enterprising workers.

This means designing a system based on an acknowledgement that enterprise is a crucial aspect of employability for all and that in order to become capable of being an effective entrepreneur, people need both enterprising skills and aptitudes. Embedding enterprise across the adult skills curriculum, through the adoption of enterprise learning techniques, will be an important step in equipping all with the enterprising qualities and attitudes. In parallel, the provision of enterprise skills needs to be widened so that all those who seek to become more entrepreneurial, either in the workplace or to set up a new business, can access the skills to assist them in so doing.

This also means that policy makers at national, regional and local level need to take a joined-up view of policy so that enterprise and skills are no longer seen as separate areas of policy but are seen instead as dependent on each other, with policies that recognise that an enterprising economy requires a stock of enterprising skills. This point has been recognised in terms of the education system, with the positive implementation of the key recommendations of the Davies review. But given the demographics of the UK, action is needed now to ensure that adults possess the skills for enterprise. In 1995, the majority of those of working age were under 40. By 2015, that position will be reversed, with

around 55% of those of working age being over 40. It will not be possible to depend on the inflow of young people to meet the skills needs of the economy. Instead efforts need to be made to up-skill and re-skill the economy's older workers.

Establishing a system where all are equipped with the enterprise capabilities to allow them to thrive will mean learning the key lessons of the Howard Davies review and applying them to the adult training system. The first step is for the government to broaden its understanding of enterprise as well as the skills that are associated with it. Once this step is taken, a number of policy implications arise:

1. The government will need to provide clarity for training and skills providers about its understanding of enterprise, to ensure that all providers act with shared purpose to develop initiatives to equip everybody with the tools to become enterprising workers.
2. As has been the case in schools, all adult provision – regardless of the course being undertaken – should use enterprise learning techniques in order to embed and deliver the personal qualities and attitudes, or enterprise aptitudes, associated with successful entrepreneurship, in order to unlock the entrepreneurial potential of a wide number of people.
3. For adults who specifically seek to increase their entrepreneurial potential, either to progress in the workplace or to set up a new business, enterprise skills courses should be made available to boost their enterprise capabilities.

4.2 Promoting clarity

Although there is now a widespread consensus about the changing world of work and the changing nature of skills required to thrive in that world, there appears to be less clarity across government about enterprise and the capabilities and skills associated with it. Some parts of government take a traditional view of enterprise, with enterprise seen as the act of setting up and running a business. Other departments in Whitehall take the wider view that enterprise embraces a set of competences that are applicable to a wide range of employment contexts.

Since having begun to implement the findings of the Davies review, Ofsted found that "only half of the schools had an explicit and commonly understood definition of enterprise learning." This lack of understanding, according to Ofsted, has been "impeding progress"²⁸ and has the potential to restrict the ability of providers, brokers and businesses

28 <http://www.ofsted.gov.uk/publications/index.cfm?fuseaction=pubs.displayfile&id=3714&etype=pdf>

to work together effectively to deliver consistent-quality enterprise skills provision for adults too. In the context of these findings, it is vital that policy makers develop and base policy on a settled view of the meaning of enterprise and the development of enterprise capabilities.

A key priority is to ensure that those charged with developing skills standards and qualifications are able to develop provision that responds to the needs of the economy. The Skills for Business Network, which has a vital role in mapping the needs of the economy and which helps shape the standards and qualifications framework, has a vital contribution to make. The network will need to make sure that the current standards and qualifications system is based on an understanding of enterprise as being crucial to all aspects of employability.

Recommendation 1:

As part of their responsibility for the development and accreditation of the curriculum, the Skills for Business Network should review provision to ensure that the development of enterprise capabilities and an enterprise culture is at the heart of the standards and qualifications framework.

4.3 Embedding enterprise through further education

As has previously been noted, business studies courses and other initiatives that teach the basics of traditional enterprise have long been available in the UK, often through further-education colleges. But the effectiveness of traditional provision has been compromised because the primary focus has been on directing provision at those wishing to set up their own businesses, concentrating on traditional forms of enterprise "skills" rather than the development of enterprise "aptitudes".

In the context of the recommendations of the Foster review on further-education colleges, there is now a real opportunity to improve the contribution of further education to the development of enterprise capabilities. The review found that a core role for further-education colleges – that of "supplying economically valuable skills" – should be articulated. It also concluded that the further-education system should do more to promote enterprise by working closely with schools and universities, getting students to take on enterprise projects, engaging entrepreneurs as practitioner lecturers and establishing entrepreneur clubs for their students.²⁹

²⁹ Foster, op cit, p45.

This paper suggests that further-education colleges can go further to promote enterprise by focusing on the development of students' enterprise capabilities as a core part of their business. In order to do this, the emphasis should be as much about *how* students learn as on *what* they learn, with three conditions in place:

- an *environment* where the emphasis is on learner autonomy;
- a *process* that encourages students to implement their own ideas, adapt to challenges and review their effectiveness;
- assistance in developing a set of *skills* that equips individuals with the means of grasping the opportunities available in the enterprise economy.

This approach should be adopted in all areas of the further-education system. It can help to equip all learners with the generic skills for enterprise needed to survive in the enterprise culture, while allowing individuals to develop knowledge of the subject matter most appropriate to their interests.

Recommendation 2:

Consistent with the FE White Paper and the Leitch Review, FE skills providers should sharpen their focus on enterprise. All FE skills providers should seek to develop Enterprise Aptitudes across the curriculum, including extra provision available to focus on the development of enterprise capabilities and skills, and ensure a whole institution approach to developing a culture of enterprise.

It is important that the responsibility for developing such a programme lies not just with government. In order to ensure that employers' needs are met, it is important that employers have a role in the design and delivery of training, including enterprise training. The key mechanisms are the Sector Skills Councils and the Sector Skills Development Agency, which is responsible for establishing the network of Sector Skills Councils and for assessing proposals put forward by employers in each sector against defined standards.

So far a number of Sector Skills Councils have been established, from the automotive sector to energy and utilities, although there is no specific one for enterprise. But while there may be an understandable logic in proposing the establishment of a separate Sector Skills Council for enterprise, the danger of such a proposal would be that it would reinforce traditional thinking that entrepreneurship and enterprise form a distinct sector of the economy that embraces the setting up and running of small or medium-sized enterprises.

Instead, to signal that enterprise capabilities are cross-cutting and integral to all sectors of the economy, the Sector Skills Development Agency should develop a cross-sector programme that looks at how enterprise skills can be embedded through existing cross-cutting activity. This would be consistent with the current "cross-sector programmes" of the agency, which "recognises that there are many occupations, functions and key issues that are common to several or all sectors, and the strengths and benefits of a strategic approach being taken by members of the network working collaboratively are clear". Today, the agency's cross-sector work focuses on four key strands: management and leadership; IT users; employability; and sustainability. In order to embed a focus on the development of enterprise capabilities within current activity, future cross-sector work focusing on employability and sustainability should be expanded to include the delivery of enterprise capabilities.

Recommendation 3:

Existing strategic cross-sector work, including Management and Leadership and Employability, currently led by the SSDA should be expanded to include a focus on the development of enterprise capabilities and skills.

4.4 Building enterprise skills to level 2

Embedding enterprise training throughout the adult skills system will, in the long term, help to ensure that all those who pass through training are equipped with the enterprise aptitudes that will help them to survive in the enterprise culture. But for those adults who want to improve their entrepreneurial potential still further, either to progress in the workplace or to set up their own business, provision should be widened to enable them to do so. An effective enterprise skills course would furnish the individual with the means to elevate their position within a company, taking on more responsibility and so on, or with the skills that are needed to set up a new business.

Enterprise skills education would seek to develop people who have the skills and knowledge that the Howard Davies review identified as part of enterprise capability:

- *knowledge and understanding of concepts* – organisation, innovation, risk, change;
- *skills* – decision making (particularly under conditions of uncertainty), personal and social, leadership, risk management, presentational.

Such provision should exist alongside the enterprise learning that would be embedded throughout the adult skills system and would be a distinct course intended to develop

enterprise skills. This would be a departure from current practice, where enterprise schemes (such as the New Entrepreneur Scholarships programme) are targeted only at those wishing to set up their own business. Instead, courses should be available in each region of the UK to ensure that people can access a dedicated course and acquire the skills to allow them to be more entrepreneurial. Although the Sector Skills Development Agency and employers should be responsible for shaping enterprise skills provision, such provision should be based on best practice as identified by both Howard Davies and Ofsted and would embrace the three pillars of effective enterprise education – environment, process and skills – described above. Given the findings of the Foster review on further-education colleges, it is appropriate that enterprise skills provision should be expanded throughout the further-education system.

An enterprise skills course would be a step up from the basic and key skills and would typically be of level 2 standard, providing participants with a core knowledge and understanding of key enterprise concepts such as organisation and innovation, as well as enterprise skills like decision making (particularly under conditions of uncertainty), leadership and risk management.

Three reasons provide a rationale for targeting basic provision at level 2. First, it means that, for the first time, enterprise skills would be available to those near the foot of the skills ladder. Second, there are significant market failures operating at level 2, and the market signals for low-skilled adults to gain full level 2 qualifications are weak. Third, the potential benefits from gaining a level 2 qualification go beyond higher wage returns and include higher employability as well as a greater likelihood that employers will invest in further training and qualifications for those who already have some qualifications. The government has announced that from 2006/07 it will fully fund the costs of training for employees undertaking basic skills and first full level 2 qualifications. For adults not in work, or wanting to train outside work, the level 2 entitlement provides a parallel route for the individual that allows for both part-time and full-time study.

The point of ensuring that level 2 enterprise skills provision is available to all is to fill the void within the adult training system of enterprise skills schemes available to those who, while possessing a core of basic skills, remain near the bottom of the skills ladder. The potential effect is that, for the first time, basic enterprise skills provision would exist in the mainstream rather than the margins, allowing a much wider group of people to fulfill their entrepreneurial potential.

Recommendation 4:

The Skills for Business Network, working with FE skills providers at the local and regional level, should put in place measures to ensure that enterprise training is available in each region at level 2 and 3, including through Train to Gain, either as a stand alone accredited module or embedded into courses.

4.5 Supporting start-ups: level 3

This paper's emphasis on broadening the concept of enterprise beyond those wishing to set up their own businesses does not mean that those who wish to follow the traditional pattern of entrepreneurship should go without help. On the contrary, the returns to small and medium-sized enterprise growth, including half of UK employment and GDP provided by this sector,³⁰ suggest that efforts to support those who want to start up their own businesses should be sustained. The key point is that the government needs to take a holistic, inclusive approach to enterprise, so that the entrepreneurial potential of all is realised, not just of those who want to establish new firms.

For those who do want to set up a new business, and who may already possess basic and key skills and may have undergone enterprise training, support should be made available that goes beyond level 2. The government is committed to developing the national employer training programme so that low-skilled adults who want to progress direct to a first level 3 qualification can do so (with their employers' support), rather than being limited to level 2. This means that, for both the level 2 entitlement and the national employer training programme, the same level of public funding will be available as for level 2 programmes, but where learners and employers wish to do so, they can use that funding to support progression direct to level 3 for low-skilled adults.

The government's original skills strategy also said that level 3 programmes would be targeted on areas of sectoral and regional priority, with regional skills partnerships asked to agree what regional level 3 priorities are and ensuring that provision is in place. Given both the importance of enterprise skills to regional economic growth and the relatively low levels of enterprise found in particular regional economies, such as the East Midlands, Yorkshire, the North East and the North West, increasing regional levels of enterprise skills is likely to be a key priority for many regional skills partnerships.

30 *The Small Business Service Five Years On: Enabling the Enterprise Revolution*, enterprise brief (CBI, August 2005).

Therefore, while the government is right to concentrate resources on those with the lowest levels of skills, there is a strong case for ensuring that people can progress easily up the skills ladder, to level 3 if necessary. This approach is being piloted in the North East and the South East, but given that the South East already has the second-highest levels of enterprise in the UK (using the traditional proxy measure of business start-up rates), there is, at worst, a considerable case to suggest that other regions of the UK with far lower levels of enterprise (such as the East Midlands, Yorkshire and the Humber, and the North West) are given the same support to allow low-skilled adults to progress to developing level 3 enterprise skills.

One possible model for the level 3 enterprise skills provision needed is the New Entrepreneur Scholarships, which offer 90 hours of enterprise skills training for people in deprived areas. The programme has been well received and the 2005 Budget announced the programme's expansion, with an extra £2 million a year in both 2006/07 and 2007/08. There are a number of other schemes in existence, and it is not yet clear what provision works best in different circumstances. Further work is needed to determine best practice. Where consistent with Regional Economic Strategies, this best practice provision could then be expanded through regional skills partnerships in order to provide level 3 enterprise skills training to all who wished to establish their own businesses.

Recommendation 5:

Learning and skills councils, working with regional development agencies, should consider the case for integrating and supporting level 3 enterprise skills (such as New Entrepreneurship Scholarships) for all who wish to set up a new business.

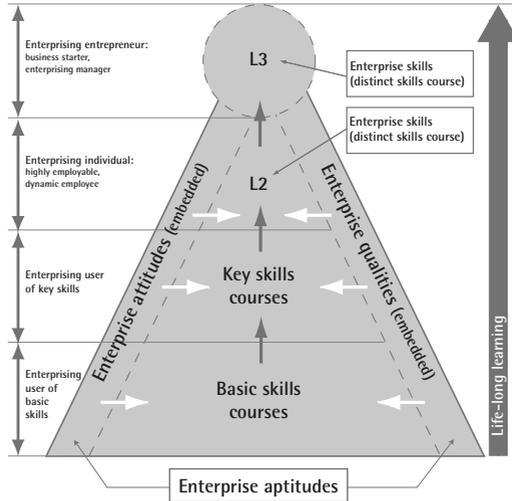
The Leitch review found that economic security would, in the future, come from ensuring that people have the support they need to stay in employment, taking new opportunities as they arise. Supporting people to acquire enterprise capabilities will become increasingly important in this, as employers across all sectors shift their demand towards the key competencies of enterprise, innovation, flexibility and creativity. But for people to consider improving their enterprise capabilities, they need to be aware of, and have access to, good-quality advice and information. The Leitch review recommended that a universal careers service be established to give people the advice they need to progress in the modern labour market and to adapt to change.

Recommendation 6:

On the basis of the recommendations of the Leitch Review, the establishment of a new

universal adult careers service should ensure that advice on key aspects of enterprise, including the importance of enterprise skills in maintaining individual employability provision of enterprise capabilities, is integrated into its remit and is universally available.

Figure 4: Lifelong education structure for an enterprising population



Conclusion

Ed Balls MP, Economic Secretary to the Treasury, and
John Healey MP, Financial Secretary to the Treasury

Small firms employ 12 million people, create more than half our national output, and generate nine out of 10 of all new business ideas. Since 1997, the government has continuously sought to tackle barriers to new business creation and improve the business environment to allow the UK to enhance its competitive position in the global economy. We have cut small business taxation, cut capital gains tax and introduced a new tax credit for research and development. Better regulation has also been a priority; following the publication at Budget 2005 of Philip Hampton's report on reducing administrative burdens, the government launched a Better Regulation action plan, which is now being taken forward. Access to business finance has also been improved, and the newly enhanced small firms loan guarantee will ensure a greater focus on those businesses that face greatest difficulty in accessing finance. Already we have seen over 600,000 new businesses created since we came to power.

Enterprise culture

At the heart of a strong business environment is enterprise. As we wrote in a previous Smith Institute publication, *Starting Them Young: Creating a Culture of Enterprise for All*, building long-term and local economic success means encouraging today's and tomorrow's entrepreneurs. While our policies for economic development have to date given priority to tackling both the regulatory barriers to opportunity and the market failures in investment, skills, competition, planning, innovation and business support that hold people back, the challenge is cultural too. After all, measures to remove barriers to business and enterprise will have only a limited impact if there is a shortage of business and entrepreneurial talent to take advantage of new opportunities. So removing the barriers to business growth alone will not be sufficient if we are to meet our economic goals: we must do more to build an entrepreneurial culture open to all, ensuring that each has the desire, skills, capabilities and aptitude to thrive in the business world.

This is why the government has been so keen to develop an enterprise culture in the UK, where positive attitudes towards entrepreneurship prevail across individuals in each and every part of the UK. As well as finding business leaders of tomorrow, our task in building an enterprise culture is to give all people a "can do" confidence, a creative questioning approach and a readiness to take risks. In today's rapidly changing global economy, such an outlook is important for all citizens and all employees, whether in the private, public

or voluntary sector.

The review of enterprise education commissioned in 2001 from Howard Davies by the Chancellor of the Exchequer and the Secretaries of State for Education and Skills and Trade and Industry came to a similar conclusion. Davies proposed that our aim should be to foster "enterprise capability" among young people, which he defines as "the capability to handle uncertainty and respond positively to change, to create and implement new ideas and new ways of doing things, to make reasonable risk/reward assessments and act upon them in one's personal and working life".

This broad definition of an enterprise capability is critical. As this report emphasises, enterprise capability needs to be defined as something valuable not only to future entrepreneurs but also to any person entering a labour market that is increasingly likely to require them to work in small firms, learn new skills, change roles or move jobs during their career. Enterprising individuals will be better placed to manage greater uncertainty in a rapidly changing world and workplace, and also to manage more flexible working patterns and careers.

Since the publication of the Davies report, a great deal has been achieved in helping young people develop the enterprise skills and aspirations necessary to start up and grow their own business, or to bring a more innovative approach to the workplace through the rollout of enterprise education in our schools. Budget 2006 also set out a number of new steps to ensure that young people in the UK continue to experience the world of enterprise, including:

- creating a Schools Enterprise Education Network, as part of the £60 million rollout of enterprise education to all pupils at key stage four;
- creating 23 enterprise summer school pathfinders to be delivered by Young Enterprise to 1,000 pupils across the UK in summer 2006; and
- launching a US enterprise scholarship scheme for UK university students in 2006.

Enterprise skills for all

This report by the Smith institute represents a welcome call for a greater focus on delivering an enterprise culture not just in schools, but for all. Just as our approach to enterprise has evolved from the removal of barriers to business creation and growth to building an enterprise culture among our children in schools, the next step must be to build a deeper and wider enterprise culture. As a government, we know that in today's

increasingly competitive global economy, where skills are at a premium and when new challenges and opportunities are emerging quicker than ever before, we simply cannot afford to wait for today's children to become the entrepreneurs and business leaders of tomorrow. Businesses say to us that in order to seize the opportunities of the global economy, they need workers to have the drive, desire, flexibility and enterprise *today*. This is highlighted in the 2005 national employer skills survey, where employers cite a lack of key skills in their workforce in areas such as practical skills, team working, customer handling, oral communication and problem solving. These are the skills that this report argues are vital to those of an enterprising worker.

The recently published final report from the Leitch review of skills confirmed that nearly a third of adults aged 19 and above do not hold the equivalent of a basic school-leaving qualification. Today in Britain 5 million adults lack functional literacy and 7 million are not functionally numerate. When over 70% of our 2020 workforce have already completed their compulsory education, we know, as the Leitch report finds, that we need a step change in skills training. Half of the working-age population in 2020 are already over 25 years old, beyond the age when people are likely to participate in the traditional educational route from school through to university. The case for action to ensure that today's workers can develop their enterprise skills is, therefore, compelling.

Of course, ensuring that adults can develop the aptitudes and capabilities identified in this report has significant implications for our skills and training systems, and the Leitch review marks a significant step forward by offering in its final report a compelling vision to position the UK as a world leader in skills by 2020 and a set of key principles that underpin delivery of a higher ambition on skills, including the need for a shared responsibility between employers, individuals and government.

This ambition is challenging – it means doubling attainment at most skill levels and establishing stretching targets for improving the basic, intermediate and higher-level skills of the workforce by 2020. But the prize for achieving this will be great in terms of productivity, employment and social justice. Already – and as the Leitch review makes clear – we have seen real progress since 1997 in our skills profile. For example, the proportion with a degree has increased from a fifth to over a quarter of the population. The proportion of people with no qualifications has fallen from 18% in 1997 to 13%. But we know that we can and must do more across the skills and training sector. Taking forward the findings of the Leitch review, which was welcomed by the government, will be central to this, as will pushing ahead with the existing programme of reforms to the

further-education sector to make it more responsive to the needs of employers and individuals. Andrew Foster's report on the future of further education was welcomed by the government, not least for its recommendation that further-education colleges should do more in terms of the provision of core and employability skills.

We have the opportunity and responsibility to secure our economic strength and stability for the future, which means bringing on the next generation of Britain's entrepreneurs, scientists, professionals and skilled workers and making sure the generations to come have a stronger entrepreneurial spirit, with enterprise open to all and not just a few. Building long-term economic and local economic success means not just encouraging the creation of more businesses – and every working day 700 new businesses are starting up – but also ensuring that existing businesses can rise to the enterprise challenge and be more creative, innovative and flexible to ensure our future growth and prosperity.