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**“DESPERATION AND INSPIRATION” –
THE MOTIVES AND COMPETENCES OF
OLDER ENTREPRENEURS IN THE UK**

© Creagh, M.

Mary Creagh
Lecturer, Entrepreneurship
Cranfield School of Management
Cranfield University
Cranfield
BEDFORD
MK43 0AL
United Kingdom
Tel: 01234 754 496 Fax: 01234 751307

Correspondence regarding this paper should be addressed to Mary Creagh
E-mail: m.creagh@cranfield.ac.uk

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Author Profile

Mary Creagh

Mary Creagh has taught entrepreneurs at Cranfield for 6 years. One of her areas of research is into the training needs of entrepreneurs. In 1999 she conducted a study of entrepreneurs on Cranfield's Business Growth Programme funded by the (then) Department for Education and Employment. This latest work forms part of a European research project which she is directing. 7 countries (Austria, France, the Netherlands, Romania, Slovakia, Spain and Cranfield in the UK) are involved in providing snapshots of the situation for older entrepreneurs in each country. The project consortium then aims to develop an online training course for older entrepreneurs.

“Desperation and Inspiration” – The Motives and Competences of Older Entrepreneurs in the UK

Abstract

The motives for and moves towards encouraging Europe's ageing population to stay longer in employment are reviewed. The UK-focussed literature on the subject of self-employment as a career option for older people is then critically examined. We find that few researchers have studied the experiences of the UK's older entrepreneurs. We describe the exploratory research which we conducted to address this deficit. We develop a typology of older entrepreneurs and divide them into 3 archetypes; employment creation is more associated with one of the 3 archetypes. We discuss the implications of our findings for public policy and expenditure in this area. More cross-sectoral research is needed if we are to fully understand the phenomenon.

Introduction

There has been increasing interest at both national and international level in the contribution that older people can make to a more enterprise focussed economy. Yet there is a paucity of information about them and the challenges they face. The primary purpose of this paper is to begin to address the deficit by presenting the results of exploratory research into these issues in the UK. The UK research was part of a wider LEONARDO project, funded by the European Commission, to look at the training needs of older (40+) would-be entrepreneurs who may be looking to start innovative businesses and to develop internet-based training for them. There are 7 partners in the project - Austria, France, the Netherlands, Romania, Slovakia, Spain and the UK. Our results are based on interviews with older entrepreneurs who have started up businesses in the last two years, supported by a larger scale questionnaire.

The paper aims to be of interest to academics wishing to understand this growing social phenomenon. We also seek to influence policy makers developing policies and training programmes designed to support this group. We also hope to show older entrepreneurs the common barriers and issues they face, in order for them better to meet those challenges.

The subject has increasing importance for several reasons:-

First, the older population is growing. The traditional population pyramid is turning into a population pillar, as people live longer and national birth rates fall. The number of over-60s living in the UK will increase from 11.7m in 1996 to 17.1m in 2026 – an increase of nearly 50% (Wilson 2003). As debates rage about the future of pensions and welfare spending across the EU, policy makers see entrepreneurship as a way of reducing the numbers claiming benefits, or subsisting on inadequate pensions.

Second, EU policy makers wish to increase the employment rates of the over-50s which are low compared to those in the US and Japan (European Commission 2002). The UK government shares this aim, although UK employment rates for the over-50s are higher than the European average.

Third, older workers face numerous obstacles in labour markets. At the micro level of the firms and individuals, older workers are more likely to experience age discrimination than their younger colleagues (Dibden and Hibbett 1993). A new European Directive outlawing age discrimination was adopted in 2000, and will come into force in the UK in 2006. Older workers are disproportionately likely to suffer long-term unemployment (OECD 1998:132-3 and 142) and age- or work-related health problems. Thus, entrepreneurship may be framed by a complex range of factors clustered around a lack of choice and alternative options.

The paper begins by reviewing the relevant literature. We then discuss our research hypotheses and methods. We proceed to a brief overview of the interviews and survey. We then set out a typology of older entrepreneurs and their businesses. The article concludes by identifying areas for future research and identifying the implications of our findings for public policy.

Literature Review

Very little is known about older entrepreneurs. We consider three types of literature: public policy publications, descriptive works and treatments of older entrepreneurs as a sub-set of entrepreneurs generally.

In public policy publications, older entrepreneurs are simply not mentioned. The UK government set out its policies towards business in the 1998 Competitiveness White Paper (DTI 1998), which focused on taxation, finance, education, innovation and the potential of e-commerce. The report makes no reference to older entrepreneurs. Similarly, the European Commission's recent Green Paper on Entrepreneurship looks at how support and encouragement can be given to future entrepreneurs (European Commission 2003) but does not mention older entrepreneurs. Active labour market policies such as the New Deal for Older People, the PRIME loan fund and Employment Zones are designed to encourage the over-50s to think of self-employment as a viable option (DtEE, 2001). Very little has been done to evaluate the success or otherwise of these initiatives. One report, *Self – Employment as a Route Off Benefit* (Kellard et al., 2002) notes that 9.4% of the participants in the New Deal for 50+ choose the self-employment option compared with just 4.6% of the over- 25s and 1.6% of under-25s. Older entrepreneurs who enter self-employment via this route are noticed but not particularly explained.

The descriptive literature describes the growing trend towards older entrepreneurship. Barclays Bank (2001) found that older entrepreneurs (defined as over 50) are responsible for 50% more start ups in 2001 than ten years previously and now account for 15% of start ups. 35% started because of redundancy, retirement or dissatisfaction with their previous jobs, reinforcing the theory set out in our introduction that a range of “push” factors are relevant. Demos (2003) recently coined the term “elderpreneurship” to describe older entrepreneurs and recommended new micro-credit and venture capital funds aimed specifically at older people (*ibid.*, 60-61). These reports document the social context but do not attempt to explain or analyse it in depth.

The third strand of literature examines older entrepreneurs as sub-sections of a larger population. Cressy and Storey (1995) found that 70% of businesses owned by the over-55s were still in business after 6 years compared with just 19% overall. Here older entrepreneurs are discussed in relation to their younger counterparts in the wider entrepreneurial population. Curran and Blackburn (2001) examined older people's attitudes towards self-employment. They looked at the population as a whole rather than at older entrepreneurs per se. Their postal survey of 1000 people found 182 people retired and not in paid work, of whom only seven said they would like to be self-employed. Anxieties about health, adequate incomes, preferring leisure or voluntary activities were all given as reasons for respondents' reluctance to start a new business. The authors also note that, because of their age,

'Respondents had fewer formal qualifications than the working population as a whole: they had less opportunity to benefit from higher education expansion in the late 1960's' (ibid. p893).

Older entrepreneurs are barely present in the survey, though the article provides insights into potential barriers to choosing self-employment or starting a business. Given their experience and difficulties in finding older entrepreneurs with a mass survey approach we decided to approach older entrepreneurs through organisations that help them.

Harding (2002) expresses concern at the low rate of women of all ages choosing to become entrepreneurs. Her findings showed that the rate of business start up is roughly two enterprises started by men for every one enterprise started by a woman (ibid p25). In the UK, this ratio increases in the 55-65 age group to nearly five businesses for every one started by a woman (ibid. p26). Older entrepreneurs are again present only as part of a larger set of "women entrepreneurs" and are defined by their absence rather than their presence.

Thus, the literature comprises the public policy area where older entrepreneurs are absent, the descriptive literature which does not analyse the trend; and third, the literature on the wider population (be it general or the entrepreneurial population) which mentions older entrepreneurs en passant and begins to discuss our subject.

Research Perspectives and Question

We approach the subject from the perspective of economic sociology rather than a psychological/psychodynamic perspective. We do not adopt the traditional psychodynamic explanations of entrepreneurial behaviour, namely self-realisation, autonomy etc (e.g. Kisfalvi, 2002). We see older entrepreneurs as a social phenomenon emerging from the changes to society described in the introduction. As such, their choices are shaped by the employment conditions in which they find themselves at mid-life. We concur with the views of Hoang and Antoncic (2003) when they describe the shift away from the view that:

"entrepreneurs...were isolated and that the entrepreneurial process was distinct from other social phenomena" (p167) .

We wanted to see if a typology could be drawn of the “older entrepreneur”. By examining age, gender, previous employment and financial profiles we wanted to discover if they perceived themselves as being dis/advantaged by these factors. We also wanted to see if “necessity entrepreneurship” (“push” rather than “pull” factors) played a part in their decision to start a business.

We ask sets of economic-sociological questions:

1. What sort of person wants to set up their own business at the age of 50? Were there any shared characteristics and experiences?
2. What sort of businesses do these entrepreneurs run? Was there a “typical” business run by older entrepreneurs? Were they were operating in, and serving predominantly local, rather than regional, national or international markets?

Methodology

A two-pronged approach was adopted. First, a survey instrument was devised and distributed postally to older entrepreneurs (defined as being over 40 at the time of start-up) who had started a business in the last 2 years. 170 questionnaires were distributed, accompanied by an explanatory covering letter from the organisation and a Freepost envelope. Second, we conducted nine telephone interviews.

The experience of Curran and Blackburn (op. cit) in conducting research with a sample of the general older population where just 0.7% of respondents were self-employed or in business led us to reject a large scale survey approach. We decided to use the entrepreneur who had received investment from bodies set up specifically to support start-ups as our basis for contact. This approach is often used when the sample population is hard to reach and is that used by Mason and Harrison in their studies of the behaviour of ‘business angel’ networks (Mason and Harrison, 2002, Harrison and Mason, 1992:462). They note that this approach is open to sample bias where the representativeness of the sample cannot be tested, as the total population size is unknown. To counter this bias, we drew on three different organisations, funded in different ways and covering different areas, that help entrepreneurs start their business. They are:

- *One London* –a regional enterprise and regeneration agency with a focus on social inclusion based in central London (60 questionnaires, 10 replies - 17%)
- *The Royal British Legion* (RBL), a national charity that provides loans for people leaving the Armed Forces to start their own businesses (50 questionnaires, 21 replies – 42%)
- *PRIME Initiative* (PRIME), a national initiative providing loans to 50+ entrepreneurs who have been refused funding by banks, started by Age Concern and Help the Aged, the two national British charities working for older people. (60 questionnaires 16 replies – 26%)

Two of these 3 organisations (RBL and Prime) are dedicated to older entrepreneurs while One London sorted their investees by age to construct a sample of over 40s. The total number of questionnaires returned was 49, an overall response rate of 35 %, although one was received after the data was analysed making the number of usable

responses 48. Not every respondent answered every question. In our discussion of the data we have used only the valid percentages for each question.

Mason and Harrison also enumerate the difficulties with self-reported data (op.cit.) This bias is present in the response rates of our 3 different samples with a response rate varying from 18% to 42% between the different samples. This self-reporting bias may also have had an impact on the gender balance of respondents. Just two of the 49 respondents were women but whether this is representative or not is unknown. For client confidentiality and data protection reasons we could not check the total sample to analyse the characteristics of non-respondents.

There was evidence of sample bias in two areas, both related to employment. The first was the response to the question asking what the entrepreneur what s/he was doing before they started their business shown in Table 1.

Table 1 –Employment status before start up

Employed	41%
Self-employed	27%
Student	4.5%
Retired	4.5%
Not working	23%

Of the 18 people who said they were employed all but one had received a loan through the Royal British Legion. Obviously they had been employed by the Armed Forces in order to qualify for a loan. Nevertheless 32% of respondents defined themselves as economically inactive (the categories were: student, retired, not working) and a further 27% had been self employed. This suggests that starting a business may have simply formalised what they were already doing.

The second relates to the response to the question “Approximately how many people are employed by your organisation?” Of the fourteen respondents who employed people, one had used the PRIME initiative (6% of the sample population), 4 had used One London (36%) and nine had received a Royal British Legion loan (43%). This suggests that there may be an age factor at work, with RBL loans being made to slightly younger people who want to build a growth oriented business for the next 20 years of their life, rather than a 50+ entrepreneur who may be content with self-employment and an income to supplement their pension. This could demonstrate a difference between those older entrepreneurs who felt positively “pulled” and attracted to self-employment and growing a business and those who may be “pushed” into it through the New Deal or financial hardship.

Nine semi-structured telephone interviews were conducted to explore some of the areas raised in the questionnaire. Three interviews were with RBL respondents, two with One London respondents and four with PRIME respondents. One was a woman. We hoped to dig deeper into their motivations and experiences. The interviewer asked about the background for the business idea, the ease of finding funding, whether age was a barrier and their perceptions of their training needs. The survey provided triangulation for the interview findings.

Interview Data

PRIME Interviews

Respondent 1 was a Nigerian medical scientist who had set up a medical diagnostic laboratory in Nigeria. He had borrowed £25k from a bank in Nigeria and used his retirement lump sum as well as his PRIME loan (£2600) to finance the business. He had property in Nigeria that he used as his laboratory. He employs five people as lab technologists in Nigeria and could see ways to expand the business. He perceived his age as a barrier to starting up. He identified a training need in word processing. His main barrier to training was living in the English countryside where the nearest town was six miles away and the bus service infrequent. He employed an accountant in Nigeria to do his books.

Barriers to expansion included local barriers such as approval by the Nigerian regulatory agency. He had also experienced discrimination from a German supplier company who did not trust his Nigerian letter headed notepaper and refused to supply him with products. He had overcome this by contacting the UK Institute of Biomedical Sciences of which he was a member. They had given him details of alternative suppliers. He was philosophical about this problem “I can’t blame them – we Nigerians are sceptical as well”.

Respondent 2 was 53 and had begun an innovative niche 3D photography business from a hobby. He had worked for the Inland Revenue, as a shopkeeper, as a self-employed supplier of disco equipment and as a courier driver. A US company that developed 3D film shut down and he reinvented the process and found he could do it quicker. He stated that he was the only person in the UK doing 3D developing and had orders from all over the world. He had put in £33k of his own money and had a £1500 Prime loan. He was turning over about £12k a year and wanted to employ disabled people to help him with processing as the next step to growth. He described his reasons for starting up as “a mixture of desperation and inspiration – nobody wanted me”. He described banks as “a total waste of space”. He needed training in funding, sales and marketing and various software programmes.

Respondent 3 had started his North-East based business by accident, helping a friend who had closed his dress shop to find buyers for remaining stock. His current business was selling sexy underwear and sex toys direct to women and he drove a taxi at the weekend to help finance it. The amount of his own money he had to invest was “negligible”. He described the process of getting start up funding as “a pain in the neck”. He criticised the length of time (six months) it took for his £1500 PRIME loan to come through and said that in that time he lost all his contacts. He described the problems he had experienced obtaining bank finance due to a previous hotel business closing. This suggests that the business closed leaving debts, making the bank unwilling to lend to him again. He had run a shop for four years and was a partner in a bakery with his mother, suggesting a pattern of serial entrepreneurship. His age was “definitely a barrier to getting a job”. The fact that he drove a taxi to support the business suggests a combination of entrepreneurship and self-employment. The business had been operating nine months and he now used 2 self-employed women to sell the products directly.

Respondent 4, an ex-freelance photographer and producer, had set up a digital film production and education company. He was 51 and had been on the New Deal for Older People in the Southwest. He went on a course, graduated and could not find work. He described his quest for funding as “very difficult” and commented “There’s no respect for people on the dole”. He had initially been turned down for a loan by PRIME and had to reapply. This caused him to lose commissions and he then waited ten days for the cheque when it was finally approved. He had also received funding from the South West Investment Group (SWIG), had borrowed from the bank and taken out a personal loan to finance the business. His turnover was “not a lot”. His comment “If it all fails, I’m in trouble” shows the high level of risk he felt he was taking on.

Royal British Legion Interviews

Respondent 5 had started his web hosting and design business in the North West with a £5k RBL loan, £10k from the bank and £15k borrowed from an unidentified source. He left school without any qualifications and entered the Air Force where he qualified in electronics. After leaving the Air Force in 1977 he had worked as a hotel manager and a consultant for NASA. He employs two Ukrainian web developers and one local person recruited through the Jobcentre. His customers include the University of Texas and a large German hospital. He offers his services in Russian, German, Spanish, Italian and French. He started in 1997 and turns over about £230k p.a. He described his reasons for starting up as being “tired of being bossed around”. Asked if his age was a barrier to starting up he replied, “I’ve never thought about it”. He specifically identified his age as a barrier to undertaking further training “If I was 25 I’d go to college 3 nights a week. Now I feel my skills are adequate for my business”.

Respondent 6, age 52, was turning over £270k as a second-hand retailer and cheque cashing business. He had been operating for a year and had got his business idea from a friend who had set up a similar business in a different town. He employs six local people. He used his Army “nest egg” to start, plus £8000 from the RBL and help from the bank. His age was definitely not a barrier to starting up. He identified time as a major barrier to training and felt he needed better management accounts.

Respondent 7 was an “e-tailer” present-buying company based in Dorset. He had set up a shop and etailing business simultaneously and was employing five people. The business was two and a half years old and had been financed from his savings and the RBL loan. Lack of experience, but not age, was identified as a barrier. He needed training in choosing his strategic direction (whether to produce a catalogue for direct mail order or to focus on the website), time management and dealing with emails.

One London Interviews

Respondent 8 was the sole woman interviewee, a potter who sold her ceramic designs for children through a shop run with 5 other designers. Finding funding was quite easy although she had been turned down for a loan by Nat West bank. She had heard from colleagues in the trade that banks don’t trust craftspeople. Her business was nine months old and turnover was about £2-3000 pa. She described herself as “over 45” and while her age “may” have been a barrier, she felt that being a woman was

definitely a barrier. Her future training needs in the areas of branding and marketing. Barriers to training were a “tough business climate” and financial constraints.

Respondent 9 ran a business supplying architects’ designs, advising on town planning issues and helping people plan house extensions. Obtaining funding had been extremely difficult, and he commented “architects are expected to have their own money”. He needed £25k to start up but had obtained a loan of £5k from One London and used his savings. The business was 3 years old and employed five people. He identified general management as a training need; time and money were his main barriers to accessing training opportunities.

Survey Data Analysis

76% of respondents were aged over 45 with 22% being aged over 55. Only two of the 48 respondents were women. In response to the question “At what stage did your formal education finish?” 56% replied that they had finished their education after 5 or more O levels (aged 16) or with no qualifications. 28% had achieved either an undergraduate or postgraduate degree. This is more or less in line with the population (aged 35-69) where the numbers who finished their education without qualifications or with 5 or more “O” levels is 61% (ONS 2004). This pattern of polarised educational attainment confirms Curran and Blackburn’s (op. cit.) hypothesis that older entrepreneurs will be less likely to have had higher education. The polarisation is reproduced in terms of management training. 40% of respondents had received no formal management training in the last three years, yet 38% had received over 8 days formal management training.

95% of respondents had started a business in the previous 2 years. There were wide variations in how individuals had financed their businesses. 25% used a combination of savings and grant; a further 21% used only grants. This raises concerns about the long-term viability of businesses that have no further cash resources to fund growth or act as insulation against economic downturns. Differences in the samples were seen: RBL loan applicants constituted ten of the eleven respondents (23%) who had borrowed from the bank to finance start up. Just 4% of respondents had received investment from a business angel.

Discussion

We set out to answer two clusters of questions:

1. What sort of person wants to set up their own business at the age of 50? Were there any shared characteristics and experiences?
2. What sort of businesses do these entrepreneurs run? Was there a “typical” business run by older entrepreneurs? Were they were operating in, and serving predominantly local, rather than regional, national or international markets?

We discovered a broad range of people with wide variation in the reasons and factors leading them to start businesses.

“Older entrepreneurs” can be grouped into 3 types: -

1. Entrepreneurship as a mid life career change, including the ex-service personnel in our sample. (e.g. Respondents 5, 6, 7 and 9)
2. Self-employment as formalisation or development of activities previously undertaken as a sole trader. (e.g. Respondents 2, 3 and possibly 4)
3. Entrepreneurship as a route out of economic inactivity (students, retired or unemployed people). (e.g. Respondents 1, 4 and 8)

Type 1 were less likely to perceive their age as a barrier and were also more likely to have financed the business not just with a grant but with savings and/or a bank loan. Type 2 were less likely to have received bank finance and also perceived their age as an obstacle, not necessarily to starting a business but certainly to mainstream employment. Of the interviewees from Type 3 one mentioned overt discrimination from suppliers and another referred to sexism from banks approached for finance. Prejudice against women and people from minority communities may well be a major barrier to start-up, compounding the discrimination older people already face in the labour market.

Type 1 is likely to see entrepreneurship as a route to autonomy. They choose entrepreneurship, attracted by this and the opportunity to make money. They are motivated to start by the end of one career and have choices around how and where they invest their money. Entrepreneurship results from “pull” factors creating an exciting and attractive career option.

Type 2 are likely to be skilled trades people or freelancers with a long track record in entrepreneurship, perhaps forced on them by the downsizing and outsourcing practised by many companies in the 1980's. Accessing finance was a significant barrier to starting up and entrepreneurship was definitely spurred by “push” factors. There is a significant element of “necessity entrepreneurship” present here. Entrepreneurship may be the only route for marketing their skills.

Type 3 are also likely to have been motivated by push factors such as unemployment. They turn hobbies into businesses, motivated by the necessity to earn a living. A subset of Type 3 is the bored retiree seeking stimulation and financial reward for their skills (e.g. respondent 1).

Our second research question concerned the types of business started by older people. A high proportion (50%) relied on the use of new technology. 34% employed staff. These findings challenge the stereotype of the older person as a technology-phobe. Our typology may also be applied as follows to the types of businesses established.

Type 1 tended to set up businesses drawing on their training (defence, fire, health and safety or IT consultancy) or moved to the service sector (retail, restaurant, chiropody, recruitment). Of these 19 people, 12 (63%) were employing staff.

Type 2 entrepreneurs were mainly active in the construction/manufacturing/building related sectors. Taxi driving, selling lingerie, and arts and education were also represented. Of these ten people, three were employing others (30%) and one had

established his business with two partners. Type 3 entrepreneurs had a wider range of activities. Some were trying to convert hobbies into businesses (music, sailing, 3D photography, beauty treatments, bookkeeping). Some were in the services to industry sector (waste recycling, supply of nursery equipment). Five of the eighteen people were employing another person (27%).

Type 1 entrepreneurs seem to be twice as likely to employ other people than either type 2 or 3 entrepreneurs whose rates of employing others were similar. This suggests that for type 1, business growth was their aim while for types 2 and 3, the main motive for setting up was to provide employment for themselves.

There was a broad spread of markets with respondents 1, 2 and 5 active internationally, respondent 4 active nationally and respondent 3 active regionally and respondents 6, 8, and 9 active locally. Respondent 7 had a shop and website and was therefore active in all four types of market. The surprise here is, perhaps, the large number of entrepreneurs who are active internationally. As with the technology issue this finding is counter intuitive to stereotypes of older entrepreneurs.

Implications of findings for public policy

This study has shown the huge diversity among older entrepreneurs. The entrepreneurs themselves are a heterogeneous group with varying degrees of educational attainment and management experience. They have varying degrees of ambition for their enterprise, depending on their background, lifestyle and age. They are running innovative, niche, web-based companies, importing buildings, running consultancy firms, restaurants and beauty salons. No one area is specific to them and no two older entrepreneurs are alike.

Our research has shown that the UK has a mixed record of support for older entrepreneurs. Their absence from the public policy literature is regrettable. "Joined-up" working across departments is needed to provide adequate support. There is encouragement at the macro level with loans and high-level commitments to make entrepreneurship accessible, and for entrepreneurs to exploit new technologies. Yet at the micro level, the impression from entrepreneurs is of indifference from banks, bureaucratic approaches from loan administrators and covert and overt prejudice from lenders and suppliers.

The fact that just 2 respondents were women raises questions about equality of opportunity and access to funding. In the UK, women reach state pension age at 60, whereas for men it is 65. This could mean that New Deal and Small Business Service advisers are less encouraging to older women entrepreneurs as they will drop out of the statistics earlier. If this were true, it would be ironic, as women have longer life spans than men and are more likely to be in poverty as pensioners, so the social and economic benefits of them starting up would be greater. A possible alternative explanation is that caring responsibilities are a barrier to older women starting their own business. Alternatively, the barriers that prevent older women from starting up could be more cultural. Our research failed to uncover this rare species and we therefore are no further forward in answering these questions. More data in this area would be useful.

needed to develop further qualitative and quantitative analysis in this area. It is instructive that so little work has been done in this area, falling as it does between entrepreneurship, social policy and sociology. More cross-sector research is clearly needed if academics and policy makers alike are truly to understand and effectively respond to the challenges older entrepreneurs face. We hope our findings and comments will be taken note of by the people who develop economic and social policies for older entrepreneurs.

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