From ‘Great Expectations’ to ‘Hard Times’:
A Longitudinal Study of Creative Graduate New Ventures

Purpose: This longitudinal study investigates how digital creative graduates develop new businesses on graduating from university, and how their creative, business and personal lives interact until their nascent ventures fail financially.

Approach: Seven digital creative nascent graduate entrepreneurs were followed for up to five years. Although independently assessed as having promise of business success, they were young and lacked business experience. They were followed through six-monthly semi-structured interviews which investigated their business, creative and personal development. The interviews were transcribed and key statements manually coded and extracted for analysis to identify issues, tipping points and outcomes.

Findings: The primary contribution is the finding that, despite a promising beginning and very generous start-up support, all seven nascent ventures failed financially and most were closed down in favour of employment, particularly when personal issues such as parenthood sharpened the need for stable levels of income. The graduates demonstrated weaknesses in their commercial skills, especially selling (human capital) and insufficient utilization of networks (social capital) so that in the mainly mature low entry-barrier markets they were entering they were at a disadvantage from the outset. The research has also demonstrated the value of a real-time longitudinal qualitative approach to investigating businesses from business start-up to eventual exit.

Practical Implications: The insights gained have practical implications for start-up and survival support for creative graduate businesses, as well as raising issues about the effectiveness of postgraduate entrepreneurship education and the cultural policy relating to this economically important sub-sector.

Originality/Value: The longitudinal approach has brought new insights and indicates several areas where more research would be valuable, especially in dealing with the consequences of unsuccessful nascent business ventures.

Keywords: Graduates; creative sector; nascent entrepreneurship; financial performance; business exit; longitudinal research.
Introduction

This study aimed to explore how digital creative graduates develop new businesses on graduating from university by investigating the graduates’ parallel development as individuals, as creative specialists, and as aspiring owners of growth businesses, until their nascent ventures fail financially. Concurrent longitudinal research on nascent entrepreneurs can make unique contributions to our understanding of the start-up process as the researchers are in a much better position to infer causality than from cross-sectional designs (Davidsson, 2006). The unit of analysis was the graduate entrepreneur, and his or her development as a business person was investigated using seven longitudinal case studies (Yin, 2014) to provide some degree of generalizability.

The United Kingdom’s (UK) creative sector is economically important in that it generated about £70bn of Gross Value Added (GVA) in 2012 and accounted for around 5.5% of UK employment (DCMS, 2014, pp. 9, 16). In the North East of England, the location of this study, there were over 2,000 creative businesses in six dominant subsectors in 2007: advertising and design; games & software; film, television and video; performing arts; publishing; and music (ONE, 2007a). The sub-sectors have their own characteristics, challenges and subcultures (Carey et al., 2007) so that, for instance, the crafts sub-sector, which has a strong micro-business ‘lifestyle’ orientation is very different from architecture, which is more like the ‘professions’ with larger businesses and more structured careers. The seven businesses in this study were all providing digital creative services to other businesses, e.g. animation for advertising, digital music for games, and software for large retailers, so the graduates were in creative sector businesses, unlike some graduates who find creative employment in the non-creative sector, in ‘embedded jobs’ (DCMS, 2014, p. 8).

The creative sector tends to exhibit rather different working patterns from other sectors, for instance it is, “characterized by a high level of self-employment, portfolio working, and work of a creative nature combined with evidence of life-long learning” (Rouse, 2010, p. x), with many freelancers, sole traders and small firms (Carey, et al., 2007). Workers in the sector move between different work statuses and many have a lifestyle that they recognize to be short-lived and not to be compatible with raising a family (Gill, 2007). Universities produce many creative graduates (DCMS, 2006) but, given their limited employment opportunities, some decide, with encouragement from government schemes, to try to establish a business in very crowded markets (Ball et al., 2010a). This approach provides daunting challenges (Ball et al., 2010b) at a time when the graduates are also establishing themselves in the wider social world and deciding whether or not they wish to continue as creative practitioners.
Accordingly, the study focuses on the relationships between their business activities, their creative activities and their personal development, as well as their employment choices, until (and after) their nascent ventures fail financially, in order to address the research question:

*What happens to digital creative graduates when they start up and begin implementing their intended growth business?*

As the study progressed, an important new issue emerged in that all the businesses, even those that outwardly appeared to be successful, were financially weak so that most of the graduates soon scaled down their growth ambitions. Some became increasingly in need of secure income, for instance caused by parenthood, and nearly all abandoned self-employment, either fully or partially, and sought employment, sometimes outside the creative sector. After about three years, fewer than half of them believed that they had acquired proper graduate employment and none implemented the growth business which they had aspired to set up.

Although cultural policy in general is beyond the scope of this article, which focuses on the digital sub-sector, the research is nonetheless relevant to some current policy issues. For instance, studies have established a linkage between cultural policy and wellbeing (Oakley et al., 2013), innovation, economic development and the quality of jobs, but Hesmondhalgh et al. (2015) critiqued government policies, and Oakley (2008) questioned whether cultural policymaking is sufficiently evidence-based. The findings from this research have relevance to the critique by Banks and Hesmondhalgh (2009, p. 415) that those formulating cultural policy have “a reluctance to recognize or engage with these manifest problems of creative labour”, leading to a lack of focus on the limitations of working in the creative industries (Ball, et al., 2010a; Carey, 2014) so that government initiatives seem increasingly driven by a narrow focus on the skills and employability agenda (Banks and Hesmondhalgh, 2009).

This paper consists of a theoretical overview relating to creative graduate new ventures, a section on methodology, followed by data analysis and discussion, and, finally, conclusions and recommendations for future research.

**Theoretical overview**

*Creative sector graduates: entrepreneurial intent and nascent entrepreneurship.*

This study has adopted the Global Entrepreneurship Monitor (GEM, 2007) conception of total early-stage entrepreneurial activity (TEA) and defines nascent creative graduates as graduates who have studied a creative subject at university and are in the process of setting up a business in the creative sector. Whilst the business is partly a vehicle for generating
income, it may also be a mechanism to enable continued personal and creative development and participation in creative sector communities (Spaeth and Kosmala, 2008). Due to overcrowding in the sector, the profit that can be expected is lower than for many other sectors (Ball, 2009), even for entrepreneurial individuals with a strong creative reputation, so the businesses may need to be part of a concurrent portfolio of income-earning activities rather than the single main source (Ball, 2009). A community of other ‘creatives’ in the same situation reduces the pressure to succeed in more conventional financial terms, and available grants may help in the early stages, but with a consequent danger of ‘grant dependency’. There is a potential opportunity for strongly entrepreneurial creative graduates in that, if they focus on the development of viable businesses and make good use of the wide range of resources available to them, they might be able to create successful businesses where others fail.

Entrepreneurial intent has been widely explored, for instance using Ajzen’s (1991) Theory of Planned Behaviour (TPB) as a starting point. Variations on this model, specific to nascent entrepreneurship, were developed (Kolvereid and Isaksen, 2006; Krueger et al., 2000; Luthje and Franke, 2003; Segal et al., 2005) and partly explain entrepreneurial intentions and behaviours. Gatewood et al. (1995), unusually investigating nascent entrepreneurs prospectively (rather than retrospectively), identified reasons given for starting a business including identification of a market need, autonomy/independence, and a desire to make more money. Reynolds et al. (2004) identified two key transition points in business start-up: the first being conception which is the start of the gestation stage (nascent entrepreneurship) and the second being firm birth which is the actual start-up and Davidsson (2006) found that the exploitation process needed to be split into ‘entering’, ‘persisting at’, and ‘succeeding in’ starting a new venture. Other authors have identified further stages: for instance, Mullins and Kosimar (2009) found that only 30% of start-ups implemented ‘Plan A’ and some, especially in innovative fields, pivoted several times, thus suggesting that the start-up process normally involves far more exploration, back-tracking, re-thinking and re-orientation than one might expect. Beaven’s (2012) longitudinal study of ‘musician-entrepreneurs’ found that their journeys were much more complex than the neat box diagrams displayed by many authors (Delmar and Davidsson, 2000; Erikson, 2003; Henley, 2007). She identified three types of journey – backwards, helical and transverse – all of which may be specific to the cultural performance sector (Beaven, 2012), but do illustrate the dangers of ‘uncritical assumptions of the successful transition from HE to graduate entrepreneur pathway being a smooth and straightforward transition’ (Nabi et al., 2010, p. 390).

The issue of necessity entrepreneurship as distinct from opportunity entrepreneurship is also relevant in view of the large number of creative graduates emerging from Universities, and
the lack of job opportunities for them. For instance, Jayawarna et al. (2007) found evidence of ‘tipping points’ caused by constrained household income or job dissatisfaction, which pushed individuals reluctantly into deciding to try to start a business.

Typologies of creative entrepreneurs

Mills (2008) investigated fashion designers and suggested a categorization of entrepreneurs according to their motivation, aspirations and self-identity, which partially mirrors our tripartite categorization of personal, business and creative development threads.

(i) Industry orientation: wants to participate in the fashion industry and be successful in it.
(ii) Business orientation: wants to work for him- or herself and build a successful fashion label.
(iii) Creative orientation: wants to realize his or her creative potential as a well-known designer.

McElwee and Rae (2008) classified creative entrepreneurs in rural areas depending on their business and creative strategic growth orientations. A person who is low in both orientations is probably running a static lifestyle business, whereas someone who is high on both is likely to be pushing the boundaries of business growth and creative development. Carey (2014) identified tensions for creative individuals trying to balance their economic needs with sustaining creative practice. This trend may change over time if the business grows and the individual has to become more of a manager or, conversely, if they come to recognize that their earlier ambitions are unrealisable and they need to step outside the creative sector to make a living. How creative entrepreneurs learn as their business develops through contextual learning, personal and social emergence and negotiated enterprise has also been explored (Rae, 1999, 2004a, 2004b).

Growth and performance: Why do businesses not grow?

Given that the creative graduates in our study all aspired to grow their businesses, we consider possible reasons why they did not succeed. Smith and Beasley (2011) found that their own sample of seven creative graduates perceived constraining factors such as the slow growth of the economy, a lack of business acumen, contradictory and poor support from external agencies, a lack of sector-specific mentors, a lack of finance, and poor experience of familial entrepreneurship. Enabling factors included co-mentoring from business partners, good start-up course content, financial gain, creativity and innovative ideas, and an overarching package of support. The type and quality of support for learning is also very important: for instance; Raffo et al. (2000) found that general support services
were not very relevant to creative businesses and that most learning occurred through experimentation, networking and assistance from sector-specific mentors.

Overall picture and potential contribution:

Overall, the literature suggests a complex sector which is under-researched and in which there is a gulf in mindset and ways of working between the highly creative 'subsidized' organizations and the income-focussed 'commercial' businesses (Fuller et al., 2009; One, 2007b), which suggests that the creative graduates’ journeys will be interesting as they try to make a transition from the creativity of their student years to the realities of trying to generate income. For instance, they might experience shifts of identity (Mills and Pawson, 2006), entrepreneurial learning (Rae, 2004a), diverse sources of income (Ball, et al., 2010a), and a tension between their desire to be creative and to be business-like (Mills, 2008).

Nabi et al. (2006, p. 373) highlighted the 'lack of in-depth research into the stories, circumstances, context and complexities of graduates on the journey from student to start-up'. Qualitative studies on new businesses in the creative sector have been patchy (Carey, et al., 2007; Matlay, 2000; Rae, 2004a; Spaeth and Kosmala, 2008) and, although Nabi et al. (2010) helped to fill this research gap to some extent, this article goes further by exploring in detail the lived experience of digital creative graduates as they try to start a creative business and subsequently fail. Many authors (Cope, 2011; DeTienne et al., 2015; DeTienne and Wennberg, 2015; Shepherd, 2004; Singh et al., 2007; Singh et al., 2015; Ucbasaran et al., 2013) have pointed out the difficulties of investigating business failures retrospectively, so this real-time longitudinal study has provided an unusual opportunity to gain insights into the failures of the businesses and the graduates’ consequent transition into employment.

Methodology

We chose the case study approach (Yin, 2014) by undertaking and recording in-depth semi-structured interviews with seven participants (codenamed Andrew, Belinda, Colin, David, Edgar, Fiona and George to preserve their anonymity) every six months to explore their creative, business and personal lives and provide new insights into the inter-relationships between these (a novel contribution to the literature). Purposive sampling was used, based on pre-determined criteria and they were chosen to be of a similar age and educational background and to be participating in intensive start-up courses which suggested reasonable prospects of succeeding in their chosen ventures. Access to prior entrepreneurship education was not a criterion for selection and none of the participants had experienced entrepreneurial pedagogy of note during their formal education, except in some cases where their undergraduate projects were based on mock client briefs. The approach was ‘typical
case sampling’ and the small sample size was allowable due to its non-random nature (Saunders et al., 2007). The process provided a very rich in-depth data-set based on fifty-seven long interviews (2-3 hours) which enabled insights into each case, as well as cross-case analysis of areas of interest. The interviewer was an experienced business adviser who very occasionally felt obliged to give guidance to the graduates and his probing questioning inevitably caused them to reflect on their situation and explore new avenues. As these issues detracted from a purely detached role and raised issues about his impact on the graduates, steps were taken to validate the results. The interviewer encouraged regular reflection and feedback from the graduates at each interview and his interpretation was often fed back to the subjects to ensure corroboration, which is referred to as ‘respondent validation’ (Silverman, 2006, p. 291). Additionally, reflexivity was used by the interviewer to check his impact on the results – especially important in this type of study as there is a temptation to bring in one’s own emotions due to increasing familiarity with the subjects (Alvesson and Skoldberg, 2000). Finally, the interviewer transcribed and analysed the interviews himself to ensure that the meaning of the data, and the voice of the graduates, was not lost. The reflexivity and feedback enabled the interviewer to be on the same wavelength as the graduates, creating better rapport and interaction (Alvesson and Skoldberg, 2000) and was especially important as the interviews often involved probing (Noaks and Wincup, 2004). The interviews were guided by an evolving checklist of questions to be covered whilst permitting the graduates freedom to describe their experiences and feelings in their own words.

Key statements were manually coded and extracted using NVivo (Gregorio and Davidson, 2008), ensuring the ‘voice’ of the participants was not lost, and maintaining an audit trail that was linked to the original transcripts. Triangulation (Shook et al., 2003) was conducted using interviewees’ initial business plans, ongoing social media content, and occasional contact outside the interviews. Very few internal inconsistencies were detected, except for occasional re-interpretation of past events by the graduates. Finally, Andrew read in detail (in ‘think-aloud’ mode) a single-case paper based on his journey (Hanage et al., 2014a) and made only a few minor corrections, which gave confidence in the data collection methods being used. Subsequent data analysis involved an iterative process of template analysis (King, 2004), tabulation (Silverman, 2006), visualizations and key-word searches (Gregorio and Davidson, 2008) until well-evidenced themes emerged. The lead author – who also carried out the interviews and data analysis – is an experienced business adviser, and so was in a good position to assess, contextualize, and interpret the information from the participants, as well as identifying possible attribution bias (Rogoff et al., 2004). However, for this reason, he was also in danger of being biased himself, but the longitudinal nature of
the research – and the unexpected outcomes – took him into new territory and so minimized this risk.

Findings and discussion

This section presents findings from the research and, in common with Mills (2008, p. 6), the data contained ‘explanations of motivations and aspirations, expressions of self-identity, accounts of risk-taking and decision-making, and critical incidents’, as well as interactions with customers, suppliers, support organizations and other businesses – indeed, the whole process of planning and negotiating into business (Gibb and Scott, 1985). Space precludes displaying detailed data for all of the graduates, so selections have been made to illustrate the processes used and the conclusions reached.

Creative graduate journeys

Table 1 summarizes the journeys of all the graduates. As well as showing their progress, it indicates whether they have acquired their first proper graduate employment and believe (rightly or wrongly) that they have embarked on a long-term career with financial independence
<table>
<thead>
<tr>
<th>Pseudonym/Degree</th>
<th>Initial business; support scheme</th>
<th>Life of initial business</th>
<th>Snapshot of creative, business and personal life to date</th>
<th>End-point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Website design</td>
<td>Website design for small businesses</td>
<td>3.5yrs</td>
<td>Started the business as he didn’t like his first brief spell in website design employment. No prior evidence of entrepreneurial activities. Technically strong and taught himself good visual design but lacked confidence. He was good in front of potential clients but very poor at finding new sales leads. Income was very low and he was on benefits most of the time. Eventually his brother helped him find a website design job in a transport company, at a reasonable graduate salary. Still actively practising his ‘art’ in his employment, and hopes to be in the job indefinitely.</td>
<td>Creative employee in non-creative business in the NE. (Website/software designer)</td>
</tr>
<tr>
<td>Belinda Graphics and Marketing (plus Design MA)</td>
<td>E-commerce site for products made by graduate designers.</td>
<td>1yr</td>
<td>Started the business as she didn’t like her first brief spell in graphic design employment. Lots of evidence of prior entrepreneurial activities. A very active and lively person. A good communicator who continually found new opportunities and worked hard to exploit them. Perhaps easily distracted, so quickly abandoned her failing business in favour of freelance work. Then found a very well-paid position to support her new family, mortgage and two children. The new role gives her many opportunities to be ‘intrapreneurial’, which she needed to feel fulfilled. She is exploiting her ‘art’ (knowledge of website design) in her employment, rather than actively practising it, and hopes to be in the job indefinitely.</td>
<td>Creative employee in non-creative business in the NE. (E-Marketing Manager)</td>
</tr>
<tr>
<td>Colin Music Design</td>
<td>Music soundtracks for games</td>
<td>3.5yrs</td>
<td>Started the business because he couldn’t get a producer job in the music industry. Lots of evidence of prior entrepreneurial activities. Passionate about music and a very active (paid) DJ. Good prior experience of retail management. Broadened the business to include freelance work, music publishing and record labels but struggled to make enough income to support his new family. Perhaps gets bored too easily, and may speak his mind too often. Moved to London for better business and/or employment opportunities. Presently a learning assistant in a secondary school. Unhappy with this situation, as he is no longer actively practising his ‘art’.</td>
<td>Non-creative employee in non-creative organisation in London (School learning assistant)</td>
</tr>
<tr>
<td>David Animation</td>
<td>Animation</td>
<td>1yr</td>
<td>Started the business (in a team of four) as no longer wanted to do hands-on animation - he was the business manager. Some evidence of prior entrepreneurial activities. The team quickly fell apart due to differing personal objectives. He then tended to drift due to unclear personal objectives – a mix of ad hoc graphic design, retail work etc. Studied PRINCE project management and obtained signage installation work (for the Olympics) which led to full time work in the business. He abandoned his ‘art’ early on. Sees the current employment as an interim step to longer-term continuous employment in project management.</td>
<td>Non-creative employee in non-creative business in London (Signage Installation Manager)</td>
</tr>
<tr>
<td>Edgar</td>
<td>Animation</td>
<td>3yrs on-going</td>
<td>Started the business (as a team of two) as he had always expected to do. No evidence of prior entrepreneurial activities. The team has been very strong. He tends to take the business lead, and although they still aren’t paying themselves much, the business looks sound and likely to grow. Very good networkers. Recently moved into smart new studio in the University. Still actively practising his ‘art’ in his business. Plans to run the business indefinitely, but revenue and profit still very low.</td>
<td>Still in same creative business in the NE (Animation business owner)</td>
</tr>
<tr>
<td>Fiona</td>
<td>Illustration/ Motion graphics</td>
<td>2yrs</td>
<td>Started the business as a natural progression for an illustrator. No evidence of prior entrepreneurial activities. Technically strong and an excellent illustrator. A good learner but lacks confidence to network herself and to sell her products. Initially dependent on income from family on-course betting business and now working for a national betting company. Still actively practising her ‘art’, but more as a hobby. Although she doesn’t enjoy the betting shop work much, she is happy that it finances her creative endeavours and is still seeking fee-paying projects.</td>
<td>Non-creative employee in non-creative business in the NE (Betting Shop Manager)</td>
</tr>
<tr>
<td>George</td>
<td>Retail e-commerce systems, then sales lead finder</td>
<td>Not started</td>
<td>Started the business because he had many ideas he wanted to implement. No evidence of prior entrepreneurial activities. Has many ideas, most of which are ambitious and hard to implement. Very good networker who gets in front of investors but finds it hard to firm up and sell the ideas, and assemble an implementation team. Now a part-time employee in a small chocolate business. Abandoned his ‘art’ early on but taken it up again recently as a hobby. He enjoys the chocolate industry and may seek entrepreneurial opportunities in the sector.</td>
<td>Non-creative employee in non-creative business in the NE (Trainee Chocolatier)</td>
</tr>
</tbody>
</table>

| Table 1: The creative graduates’ journeys |

*Analysis by case: longitudinal threads*

The analysis by creative, personal and business threads is illustrated by the main journey travelled by Andrew (Figure 1), which is structured according to the initial tripartite model.
Andrew’s **creative thread** shows that, although he was a late entrant to web design, his creative skills were a consistently strong feature of his behaviour – and a potential strength.

- [At University] I switched onto the web development degree and that was like lighting the touch-paper, and there has been no looking back from that.
- [I] just generally keep improving my design skills, and keeping myself up to date with new ways of doing something and new design ideas.
- ‘Geek as a badge of honour’ definitely! Still pushing myself as being a geek.

However, the **business thread** demonstrates low levels of prior entrepreneurial behaviour, which was a weak foundation for developing a successful business.

- I don’t have any entrepreneurial background and, with the exception of that GNVQ [General National Vocational Qualification], no other entrepreneurial leanings.
- At school, I didn’t [do any part-time work]; ‘Hometown’ is not a huge place - a lot of those jobs tend to be already taken.
- Once I left [secondary] school, I went down a more academic route and the whole idea of business sort of dropped off.

Andrew’s **personal thread** shows a lack of personal and social confidence

- At University, I was taken from having a circle of friends, which I never strayed out of, to knowing nobody. I had to quickly find a way of introducing myself to people.
His inexperience was especially apparent in his difficulty in seeking new sales leads. Once in front of a potential client, his enthusiasm and skills shone through and he nearly always made a sale – but was unable to find enough opportunities to do so.

- The main area to develop is selling skills, and generating leads to build up to the first face-to-face meeting. Once I've got the face-to-face meeting, I can sell my skills perfectly well.
- I went on a confidence building course by YMCA [Young Men’s Christian Association] training and I think that a lot of my shortfall in generating leads came from a lack of confidence. I came out thinking... “I can do this!”

Perhaps he needed to find a partner with good sales skills (which he did not wish to do).

- [A sales partner] is an option but would mean bringing somebody else in, which I’m not prepared to do. I would rather add to my own skills.

He quickly abandoned the idea of taking on employees, and attempted, unsuccessfully, to establish himself as a freelancer. By happy coincidence, an ideal website developer vacancy arose in a small business for which his brother worked and Andrew was appointed to the post, which he feels is the beginning of a stable long-term period of employment.

- I had been applying for retail jobs, and one day, out of the blue, I got a phone call from my brother saying he thought there was a job for me

A further issue emerged as important – the ways that each graduate used the available opportunities to learn to be entrepreneurial – at school, at university, at start-up and as an ongoing business. In Andrew’s case, although he made good use of postgraduate business support while living near the university, once he moved back home he failed to join business support networks, and allowed himself to become increasingly isolated and unable to access customers, collaborators or active support (Raffo, et al., 2000)

- [Start-up programme] was really really really valuable. It reintroduced the concepts done on the GNVQ giving real world examples. They gave me one-on-one sessions so I could talk about my ideas.
- [Now] I feel a little bit on the outside looking in. But at the same time I feel that I am breaking myself into it. But if I become too embedded, it would be too easy to get lost.

It was the Job Centre that proposed he go on a confidence-building course, his family who found about half the few customers he did get, and his brother who found him a job. With the benefit of hindsight, that sequence of behaviours and events seems consistent and suggests that business failure was likely. But could failure have been predicted? After the first interviews, the interviewer wrote in his research notes:

- [Andrew has] strong technical and problem-solving skills, and enjoys technical learning, but a lack of confidence may be causing a reticence about selling. Family are supportive, though not entrepreneurial, but are finding sales leads for him. He seems to hope that his contacts will find him his sales leads – including tutors, who he got on well with. He is not doing much networking or having much involvement in the sector (research notes, 2009).
There were warning signs, but the lead author would still have backed him based on his technical skills, his keenness to learn and the support he had available help him correct some of his personal weaknesses. Perhaps such backing would have been a mistake given that the website design sector is so crowded with suppliers just as competent as Andrew, and perhaps with better selling skills.

Belinda’s case was very different from Andrew’s. She exhibited great perceived self-efficacy (Bandura, 1997) and, after the first interviews, the interviewer wrote:

- [Belinda] has many of the required attributes and skills for entrepreneurial success, including energy, drive, capacity for hard work, and networking skills. She admits to not being particularly clever, but tries to compensate by hard work – and feels this is the route to overcoming obstacles and achieving success. Her family are supportive but have some doubts about the future success of the business, and she herself recognizes the difficulties of getting the amount of website traffic needed for the required levels of sales (research notes, 2009).

Colin was more of a mixed picture:

- Overall a lively and interesting person, deeply committed to music and ambitious for his business. Outspoken (which may be a pro or a con) and perhaps not yet fully focussing on business priorities. He should succeed, but may later find that employment that capitalizes on his managerial skills is a better bet (research notes, 2010).

The longitudinal analysis by the three threads proved to be a very useful way to see trends in behaviour over time and interactions between the different domains of behaviour, and the additional thread relating to the utilization of external support was a useful extension of the model. However, the initial model did not fully do justice to the later problems encountered by the graduates when real-life pressures made them face up to the realities of poor business performance. The next section looks at their pivots and then proposes an extension to the tri-partite model.

**Analysis by case: business/personal development pivots**

It is well established that start-up businesses often pivot, i.e. change direction significantly (Mullins and Komisar, 2009). Figure 2 – although slightly differentiated from the oft-quoted novice, serial and portfolio typology (Westhead et al., 2005b; Westhead and Wright, 1998) – shows how Andrew, Belinda and Colin pivoted, not just in their businesses but also in their personal development and employment choices.
All of the graduates achieved the gestation stage of nascent entrepreneurship (Reynolds, et al., 2004) and all but George went on to some form of business start-up. However, none reached the income needed to achieve the transition out of nascent entrepreneurship as defined by GEM (2007). Andrew did not make a business pivot despite very poor income levels, partly because he was ‘stubbornly’ (his word) determined to make it work, and partly because he could not identify any alternative products to sell. He toyed with some options, such as photography, but did not take them forward to fruition. However, when he finally admitted business defeat, he was able (with family help) to make a ‘personal development pivot’ to employment which capitalized on his strong technical skills. His journey was mainly linear, perhaps partly made possible by living at home and being able to survive on income from Job-seekers Allowance. His journey was consistent with the early indications from the threads, and any optimism that he could be helped to significantly change some of his personal weaknesses turned out to be misplaced.

Belinda had the shortest business duration of all the creative graduates but was continually finding and capitalizing on new opportunities. In particular, she rapidly pivoted to enjoyable and well-paid freelance work and then on to very well paid Marketing Manager employment.
The ability to find opportunities was a key factor, and later the need for income to support her growing new family added urgency to succeed. Her path was serial – based on distinctively different stages, each building on the previous one. Her brief business start-up was consistent with her early concerns about traffic to her website, but her ability to make very positive pivots illustrates her self-efficacy and ability to find and exploit opportunities.

Colin, who specialized in digital music design, also soon needed extra income for a growing family, but his response was different. He was passionate about music and broadened his range of music-related activities into freelance work, record labels and extra disc jockeying (DJ-ing), making good use of his networks to find opportunities and to recruit work-placement students to help him to implement them. However, it proved very hard to make a living as each activity was poorly paid due to other young graduates entering the market, to digital music being increasingly available on line, and to new bands being reluctant to pay agents’ fees. Finally, loss of the freelance work was a big blow so he and his family moved to be near his parents in London to seek work and he reluctantly accepted a job as a school learning assistant. His business path was an attempt to develop a portfolio of activities with increasing urgency as the family financial pressures increased. Colin’s journey illustrates well his total commitment to music but, despite him seeming to have the passion and skills to succeed, his progress was insufficient in a sector that he found to be crowded with new entrants against whom he had not been able to establish a strong competitive advantage.

These three cases illustrate the wide range of development patterns that can occur in the creative sector (and perhaps in other sectors too). The participants had similar starting points on paper: creatively strong, keen to start a business and very well supported, but all were selling into very crowded markets and lacking business experience. Apart from George who never managed to start a business, the additional three graduates followed similar paths – David (serial); Edgar (portfolio); Fiona (linear) – and for broadly similar reasons, though with varying degrees of success. The portfolio approach has been identified by Ball (2009) as being common in the creative sector and the ‘tipping points’ identified by Jayawarna et al. (2007) seem to be replicated by graduates reaching a realization that they needed to move on to employment. Within these paths, although Belinda ran freelance workshops in schools for a while, none of the others have taken up teaching in the way that was observed in musicians by Mason et al. (2012). Some pondered the idea (Andrew, Colin) and Belinda reports that half her graphic design degree contemporaries are teaching.

These different types of pivot – taking the creative graduates beyond trying to be a creative entrepreneur and into further employment steps, perhaps along an entrepreneurial path –
suggest an extension to the initial model, shown earlier in Figure 1, to encompass this second transition, as explained later in this section.

**Why did they start and why did they fail?**

All but Edgar and George started their businesses because they could not find employment in the creative sector, or could only find unfulfilling jobs, as also found by Hussain et al. (2008). Hence they were probably much nearer to being ‘necessity entrepreneurs’ than ‘opportunity entrepreneurs’. The literature on entrepreneurial intent (Ajzen, 1991); and others) seems less relevant in this situation in which the main ‘attitude to the behaviour’ is avoidance of the alternative rather than a positive ‘pull’ to entrepreneurship. Their reasons for start-up are also similar to the findings of Ball et al. (2010a, pp. 196-197) including making full use of, and continuing to improve, their knowledge and skills, having a stable source of income and being able to pursue their creative practice. Their failure to achieve a stable income was the main reason for seeking employment, but only David completely abandoned his creative skill (animation). Even George (fine artist) has recently bought a set of paints, after a four year lapse. Most creative graduates appear to find running a business in the creative sector to be daunting (Ball, et al., 2010a) and all the businesses were financial failures as none of them consistently paid their owners the minimum wage – not even Edgar who is still just in business and looks to be doing the right things to survive. Statistically, only about 30% of start-ups survive beyond three years, which would be two out the seven businesses. Thus having only one surviving venture is not particularly surprising, except that it could be argued that the high levels of support (costing around £20,000 per graduate) should lead to a higher level of success.

Their approaches to the business were mainly through effectuation (Sarasvathy, 2008), as found to be common for other start-ups (Fisher, 2012). They had a saleable resource (their creative skills) and were looking for ways to capitalize on it. Once the generous start-up support ended, bricolage was more evident as they were ‘making do by applying combinations of the resources at hand to new problems and opportunities’ (ibid). However, George, who was trying to develop business pans for very innovative ideas, took a more causal approach (Chandler et al., 2011) from the outset, and Edgar noticeably shifted in this direction as the business developed and he needed to plan more strategically.

Although there was some reference to having to switch identity from being a creative to being ‘businesssy’ (Belinda), this identity shift was not identified by any of them as a major issue. They had committed to making the switch, were well supported in making it, and were initially in a community of others making the same journey. If their failed businesses were
stepping stones to a fulfilling job, and they have learned from the experience, then it can be regarded as a valid step in their development, as suggested by Spaeth and Komsala (2008). Table 2 shows the lead author’s assessment of the outcomes. Overall, a good outcome for four graduates now well placed in employment – Andrew, Belinda, David and Edgar – but the other three are under-employed and may have difficulty moving on from this unsatisfactory position.

Table 2: Researcher’s assessment of the creative graduate personal development outcomes

<table>
<thead>
<tr>
<th>Creative graduate</th>
<th>Current personal development outcome</th>
<th>Desirability (as reported by the graduates)</th>
<th>Contribution of entrepreneurial learning to the outcome (from transcript analysis)</th>
<th>Possible reasons for business failure. (from transcript analysis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew</td>
<td>Website design job</td>
<td>Good outcome: plays on technical strengths</td>
<td>Medium</td>
<td>Low personal confidence. Not able to find sales leads</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cushioned by ‘Jobseekers’</td>
</tr>
<tr>
<td>Belinda</td>
<td>Marketing manager job</td>
<td>Good outcome: intrapreneurial freedom</td>
<td>High</td>
<td>Low website traffic</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Idea not researched enough</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Easy alternative found</td>
</tr>
<tr>
<td>Colin</td>
<td>Learning assistant job</td>
<td>Poor outcome: under-employed; not in music.</td>
<td>Low</td>
<td>Difficult sub-sector (music)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Spread too widely</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Got bored with selling</td>
</tr>
<tr>
<td>David</td>
<td>Signage manager job</td>
<td>Good outcome: employment matches skills</td>
<td>Medium</td>
<td>Team fell apart</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not embedded in the industry</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not excited by animation</td>
</tr>
<tr>
<td>Edgar</td>
<td>Still in business.</td>
<td>Good outcome: still running the business</td>
<td>High</td>
<td>Very price competitive sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Hard to build reputation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>High cost of hardware/software</td>
</tr>
<tr>
<td>Fiona</td>
<td>Betting shop manager job</td>
<td>Medium outcome: job finances her art.</td>
<td>Low</td>
<td>Low personal confidence.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not good at selling products</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Cushioned by p/t family work</td>
</tr>
<tr>
<td>George</td>
<td>Food industry job</td>
<td>Poor outcome: under-employed.</td>
<td>Low</td>
<td>Ideas very too ambitious</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not good at selling his ideas</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not good at implementation</td>
</tr>
</tbody>
</table>

The reasons for failure reflect many of those found in the literature: competition and inexperience (Cox, 2006), difficult markets, unavailability or poor use of specialist mentors, little familial entrepreneurship (Smith and Beasley, 2011), and limited entrepreneurial maturity (Nabi, et al., 2010). Some of the reasons other authors have identified, for instance lack of finance or of support, were not relevant as each graduate received generous financial and mentoring support. Only Edgar looks as if he might successfully combine high ‘business’ and ‘creative’ strategic growth orientations (McElwee and Rae, 2008) but even for him it is taking much longer than he expected.

Rae’s (2004a) ‘practical model of entrepreneurial learning’ is not fully relevant at this early stage of the graduates’ business progress, except for one element that seems to explain some of the shortfalls between expectations and achievement. David, Andrew and Fiona were all very weakly embedded in the business community and so lost opportunities to learn from networks of customers, suppliers, competitors, collaborators and support agencies. George was also weak in this area in that, although he was well embedded in the start-up
and business finance community, he was not so well linked to the markets that his services would operate in, so his ideas were not well grounded. None of Beaven's (2012) strangely shaped 'nascent journeys' were evident in the graduates, except perhaps that Belinda and Colin had conducted a few informal projects before committing to start-up. They were all probably influenced (or even constrained) by the business start-up programmes they were on, which steered them through the conventional routes of ideas generation, business planning and start-up. The ‘messiness’ came later when they tried to implement the business plans and discovered it to be much harder in real-life. It is possible that a ‘lean start-up’ approach (Ries, 2011) might have been more suitable, especially for George and his very innovative ideas, but we have no evidence to support this speculation and believe that the business plan approach is sufficient for ‘me-too’ businesses.

The ultimate causes of business failure are usually financial and are often the result of one of three problems: low sales volume, low selling prices, and high business costs. Poor sales and prices can be caused by external factors such as a weak economy, or internal reasons such as poor selling skills. All of the graduates were starting their business at a time of economic weakness but (except for George) they were small-scale ‘me-too’ suppliers entering markets with many successful firms already in operation. There was, therefore, expectation of a market for their products so long as they could match the competition on price and quality. Given their low cost base (due to financial support), they could easily compete on price but the barriers to sales proved to be achieving truly professional product quality¹ (Colin, David), insufficient personal confidence to sell (Andrew, Fiona), a general client resistance to paying realistic prices (Edgar) and misconceived products (Belinda, George). Their response to these business difficulties was, for nearly all of them, a gradual realization that they needed to make a second transition to a more financially stable situation – an escape from entrepreneurship and into employment, as illustrated in Figure 3.

¹ Perhaps they could compete on price due to financial support, but they might incur additional start-up costs such as set-up costs, learning costs, and marketing, so could they really they afford the low prices?
It would be interesting to follow them all for longer to see how they progress and whether they are on an entrepreneurial journey or settle for long-term employment.

**Conclusions, implications, limitations and future research**

*Longitudinal research into the three threads*

The research has demonstrated the value of a longitudinal qualitative approach to investigating the three parallel business, creative, and personal threads of graduate entrepreneurs and has identified how their attempts to start a business was part of their longer term development. The six-monthly semi-structured interviews worked well and permitted the interviewer to remain fairly detached from the participants. The amount of data collected was large and rich in detail, as the research question was deliberately open-ended; a more focussed approach may have saved time, but might also have missed some of the illuminating detail and unexpected nuances in the graduate journeys.

The three threads helped in structuring and analysing the interview material and also enabled effective visual presentation of the data. In the **business thread**, it was shown that it is difficult for young inexperienced graduates to establish a successful creative business, especially if measured in financial terms. Events in their **personal threads**, especially acquiring a family, had a big impact on their business/personal development decisions, as might have been expected for people in their early twenties. Their **creative thread** often took
second place to personal and business issues and was completely abandoned in some cases. In others, it became a hobby rather than a source of income. For young graduates, the interaction between creative, personal and business issues can be a major problem. They may be losing touch with their creative specialism, developing new long-term personal relationships and struggling to make an income. Each aspect – e.g. work/life balance, creative/business identity and critical personal decisions - is not novel, but the interaction of all three may prove to be so.

An unexpected outcome of the research was a wealth of data about business failure and exit from nascent entrepreneurship – its causes and its consequences – which is an area that most scholars find hard to research due to the difficulty of finding cases, and the retrospective nature of the data collection (Cope, 2011; Headd, 2003; Ucbasaran et al., 2010). The study unexpectedly followed six real-time business financial failures from inception to closure, and we will be researching this aspect further including, for instance, how well they developed and leveraged their networks, and social and cultural capital.

Transition into and out of nascent entrepreneurship

The findings suggest that they are significant barriers to the transition from full-time students to nascent entrepreneurs, especially due to having to make decisions with limited assistance and being unprepared for entering a competitive marketplace. Whilst they continued to hone their creative skills, they found it far harder to secure a commercial niche that would assure repeat business, mainly through lack of marketing skills, insufficient professional experience, and weak selling skills. They were slow to understand what was needed to run a successful growth business, especially when the task of securing regular income streams became all the more pertinent. The reality was that running a creative enterprise successfully requires strong management skills: creative expertise alone is not sufficient to assure success. The first transition from ‘creative student’ to ‘creative entrepreneur’ was therefore followed by a more painful transition towards financial stability usually based on employment. Their struggles with the initial business were often a useful learning experience which was a positive help in moving forward in their further development, as illustrated in Figure 3. Their employability skills were enhanced and consequently some were able to acquire very satisfactory and stable graduate employment. Taking a longer view, the agencies supporting creative graduates perhaps ought to think of the business start-up as the first exploratory step in a longer personal development journey (which might or might not be entrepreneurial), rather than an end in itself.

Entrepreneurship education and survival support
Many studies have been done on enterprise education within the curriculum (e.g. Jones et al., 2014; Matlay, 2010) and on entrepreneurship support for creative graduates (Ball, 2002; Beaven, 2012; Carey, 2014; Carey and Matlay, 2010; Lucas et al., 2011; Penaluna and Penaluna, 2009), and these may shed more light on how to increase the prospects of success in the future. For instance access to undergraduate entrepreneurship education might have alerted the graduates to survival issues earlier so that they could have started to address them, or even realised that entrepreneurship was not a viable route for them. There may therefore be scope for research into the potential complementarity of undergraduate and postgraduate entrepreneurship education – the former alerting the students to issues relating to the decision to start a business, as well as possible personal skills gaps, and the latter focussing on sector-specific practical support during nascent entrepreneurship. On the evidence of our findings the duration and focus of start-up and survival support for digital creative graduates may need rethinking to improve their prospects of success and of making a positive contribution to the economy. Starting a business proved to be a traumatic process for the graduates with their minimal previous experience of work, let alone personal life-skills, which suggests that these should be incorporated into learning about setting up new ventures. Poor selling skills, insufficient use of networks, and poor access to sector-specific mentors were significant constraints that should be addressed. In addition, it might be valuable to use unsuccessful graduates on start-up courses to illustrate what can go wrong and to provide an additional perspective on the entrepreneurial journey.

**Social, human and cultural capital**

Whilst the reasons for business exit are complex on a general level (Cope, 2011; Shepherd, 2004; Singh, et al., 2015; Ucbasaran, et al., 2013), it is crucial not to only attribute the reasons for the graduates’ problems to lack of human capital or entrepreneurial-managerial expertise. In fact, there was a more complex interplay of the market-oriented aspects of the venture, personal life stage choices (employment versus self-employment), and how creative work is valued by the individual and society. However, we are particularly concerned about the weakness of the social capital (and, therefore, utilisation of support resources such as mentors), as emphasized by previous authors (e.g. Raffo, et al., 2000; Smith and Beasley, 2011). Future research could explore the nascent entrepreneurial journey from a perspective that acknowledges the importance of social capital not just as an isolated phenomenon, but also as a means of leveraging financial capital and human capital to obtain funding and support to establish more scaleable and potentially successful businesses. Similarly, by converting their social capital (Bourdieu, 1983) into human capital they may be able to improve their entrepreneurial expertise and chances of survival. There were clear contextual weaknesses in the sample of graduates relating to the relatively weaker market in
their geographic location (i.e. North East England) and in their demographics (i.e. young and starting a family), nonetheless social capital proved to be of critical importance to them.

*Cultural policy*

This discussion leads us on to a more general critique of creative entrepreneurship based on some of the earlier cited work on cultural policy (Banks and Hesmondhalgh, 2009, p. 415; Hesmondhalgh, et al., 2015; Leadbeater and Oakley, 1999; Oakley, 2008; Oakley, et al., 2013). Whilst policy-makers have encouraged creative graduates to establish businesses, through expensive support programmes, these policy initiatives do not tend to consider the challenges, paradoxes and insecure nature of creative sector self-employment and entrepreneurship more generally.

*Limitations*

The small sample size limits the generalizability of the results and so does the selection criteria. The graduates were deliberately chosen as representatives of a very specific group – young and inexperienced digital creative graduates who would have the steepest learning curves to climb. A more experienced, more mature, or more business-oriented group might have had very different outcomes, as might also a group who had experienced more entrepreneurship education at University. The results are thus not to be taken as typical of digital creative graduates as a whole but they do raise important issues that may have wider applicability.

*Further research*

We suggest that further research be conducted on the second transition and its implications for graduate businesses, employability skills, and support for ongoing business development. Some graduates might learn entrepreneurially from their failure, building their human capital reserves as they progress from being novices to becoming more expert and might, at some point in the future, establish successful ventures (Westhead et al., 2005a). Further work is already in progress to explore how the models of entrepreneurial intent (Kolvereid and Isaksen, 2006; Krueger, et al., 2000; Luthje and Franke, 2003; Segal, et al., 2005) respond to being extended into the start-up and closure of the businesses, leading to a proposed composite framework of influences on entrepreneurial intent (Hanage, et al., 2014a; Hanage et al., 2014b). There may also be scope for exploring the data for implications for the design of postgraduate entrepreneurship education, for business support, and for regional/national policy which currently puts great store in supporting young graduates to establish ventures as novice entrepreneurs even before they have gained
industry experience. Future research might include whether any of the businesses could have been salvaged with more interventions from mentors after the start-up programmes.

References


