

Phoenix founders: one in three business owners admit their first business was a failure

- 16% of entrepreneurs have had multiple business failures
- Almost half (47%) of business owners say their previous experience of starting a business has helped make their current one a success

Almost a third (31%) of business owners admit to having at least one failed business, according to research from Charles Stanley.

Of those who have had their business fail in the past, 16% stated they've had more than one business failure. However, while an entrepreneur may have set up a business that didn't survive before, this doesn't mean they're set up for constant failure. Rather it provides a distinct learning opportunity and can make entrepreneurs stronger, turning them into 'Phoenix founders' who find success in another business venture.

This resilience is highlighted in Charles Stanley's research, which found that almost half (47%) of business owners say their previous experience of starting a business has helped make their current one a success.

Business owners have had to contend with a tough economic climate, with firms across the UK managing higher interest rates, energy, and staff wage bills, in addition to falling consumer confidence. Indeed, the Government's Insolvency Service said that 1,769 companies were declared insolvent in January 2024, up 5% year on year.¹ But there is also reason for optimism, with Companies House claiming there are more entrepreneurs in the UK than ever, seeing registrations for new companies climb to more than 900,000 in 2023.²

Charles Stanley also looked at the reasons behind business owners' and entrepreneurs' business failures. Almost a third (31%) closed the business because it wasn't successful, while a quarter (24%) just sold it. Almost one in five (18%) business owners merged their failing business with their current one, and 15% ceased trading completely. 13% said that they passed it on to a relative.

Entrepreneurs and business founders are vital in driving innovation and growth in the UK. According to separate research commissioned by Charles Stanley with Beauhurst, there are 44,700 founders of active, high growth businesses in the UK. 2,942 of them have founded multiple businesses, and of those, there are 669 phoenix founders. Phoenix founders are distinct in having experienced a failure of one business prior to their current venture, in which they often find greater success.

The importance of entrepreneurs cannot be underestimated. They are responsible for creating small and medium enterprises (SMEs), which make up 98% of the UK's private sector firms.

Andrew Meigh, Managing Director of Financial Planning at Charles Stanley, said: *"The UK has long been a top location globally for entrepreneurship. But having a successful business doesn't come without its challenges. Entrepreneurs have to navigate a fluctuating economy, regulation, competition, and access to capital. All of these factors do not make it easy to start a business and many entrepreneurs have experienced a failed business.*

¹ <https://www.gov.uk/government/statistics/monthly-insolvency-statistics-january-2024/commentary-monthly-insolvency-statistics-january-2024>

² <https://www.thisismoney.co.uk/money/smallbusiness/article-12996023/Record-number-start-ups-registered-UK-year-official-figures-show.html>

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However, success often only comes after failure, and for those who go on to become Phoenix founders, they can play a significant role in creating employment opportunities, boosting productivity and foster innovation throughout the UK's economy.

“An entrepreneur's path is rarely linear, and for many the experiences had during the running of a failed business can provide a learning opportunity. Starting a business is no small feat and can require a lot of dedication, planning, and investment to make it successful. It's important that any entrepreneur looking to take on a new venture, whether seasoned or doing so for the first time, understands what is required and that appropriate plans are in place to support their business aspirations and themselves personally.”

Charles Stanley is on hand to provide a financial planning perspective to business owners and their advisers at every step of their business journey. It works with legal, tax, and accountancy teams to help owners structure and manage owner wealth outside their business, and ensures that a wealth plan aligns with a holistic plan for life including philanthropy, new business causes, personal life and retirement.

Top considerations when planning to start a business:**1. Understand your income and expenses.**

Particularly for startups, where a salary, or minimal salary is taken at outset, a thorough understanding of your income and expenses is incredibly important. Can you cut costs, will there be a deficit and if so, are you keeping enough cash back to last you until you expect to have enough income to cover your costs? Don't commit all of your cash into the business and run out of money to cover your everyday needs.

2. Are you protected against risks?

Death and disability can provide issues personally, particularly if there is a family to support, so it's important to ensure that appropriate insurance is in place. However, it's also important understand what would happen to the business in the event of a death or disability. Having the right insurance is vital to ensure that the ownership of the business is secure and has the resources to replace a key member of staff. A cross option agreement can also be useful, as it can give current shareholders the option to buy out the deceased shareholder. This can minimise business disruption whilst ensuring the deceased's beneficiaries are adequately compensated.

3. Surround yourself with a great team of experts.

Whether it's financial planning, tax advice, legal or business advisory – surrounding yourself with the right experts can help you plan your personal and business finances and map out your strategy. It's hard to achieve a plan if there isn't something to aim for and a financial planner can help you build a team of experts to help you on your journey. Mentoring and advice from other successful business owners is also a fantastic resource. Many entrepreneurs are very happy to provide their time and guidance to new founders, so always seek the advice of those who have gone before you. They may also become your investors of the future, if you're looking to expand.

ENDS**Methodology**

Research was carried out for Charles Stanley by Censuswide. It surveyed 503 UK Business Owners and entrepreneurs - with a household income of at least £100k – between 02.08.2023 and 07.08.2023.

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