

Questioning Conventional Enterprise Wisdom

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DECLARATION

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Signed:

A handwritten signature in black ink that reads "SN Bridge". The letters are cursive and fluidly connected.

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ABBREVIATIONS

ACE	Accelerating Campus Entrepreneurship
DED	Department of Economic Development (NI)
DETI	Department for Enterprise, Trade and Investment (NI)
DfE	Department for the Economy (NI)
DTI	Department of Trade and Industry (UK)
ERDF	European Regional Development Fund
ERINI	Economic Research Institute of Northern Ireland
EU	European Union
GEM	Global Entrepreneurship Monitor
IDB	Industrial Development Board (NI)
URTU	Industrial Research and Technology Unit (NI)
ISBA/ISBE	Institute for Small Business Affairs/and Entrepreneurship (UK)
LEA	Local Enterprise Agency
LEDU	Local Enterprise Development Unit (NI)
LETS	Local Exchange Trading System
NI	Northern Ireland
NICENT	Northern Ireland Centre for Entrepreneurship
NIEC	Northern Ireland Economic Council
NIERC	Northern Ireland Economic Research Centre
NIGC	Northern Ireland Growth Challenge
OECD	Organisation for Economic Co-operation and Development
OFMDFM	Office of the First Minister and Deputy First Minister (NI)
SBS	Small Business Service (UK)
SME	Small and Medium-sized Enterprise
TEA	Total Entrepreneurial Activity
UK	United Kingdom
UKEMRA	United Kingdom Enterprise Management and Research Association
USA	United States of America
UTV	Ulster Television

ABSTRACT

Questioning Conventional Enterprise Wisdom

by Simon Bridge

Government (and academic) interest in enterprise (including entrepreneurs and small businesses) largely emerged in the early 1980s when unemployment was rising and research suggested that small businesses were the main source of new jobs. Therefore there was a desire to know more about enterprise in order to encourage it but, like any emerging subject, its early understanding was based more on myth and supposition than 'scientifically' established facts.

Subsequently much of that understanding appears to have become the conventional wisdom about enterprise which is largely taken on trust and not questioned. But, to those who examine it, problems are apparent, not least because policy apparently based on it does not work. Studies of epistemology suggest that this is to be expected and the review of the links between enterprise research and policy indicates that a disconnect is to be expected there also.

Therefore the purpose of this thesis is to identify the body of 'knowledge' that has formed the basis for received enterprise wisdom and examine the hypothesis that:

- Policy has been informed, guided and/or justified by this conventional wisdom – but the failure of policy raises questions about its veracity.
- This conventional wisdom has not just influenced policy but is also likely to be the foundation for other current thinking about enterprise.
- However the 'conventional wisdom is itself based on, or consistent with, a set of assumptions, often not consciously made and therefore not recorded, but at least some of which may be questionable.

The research identifies a set of assumptions and shows that they could have been and were adopted and do seem to provide a basis for the conventional wisdom but, nevertheless, are wrong. It therefore concludes that if enterprise understanding is to improve, and enterprise budgets not wasted, this paradigm needs to be changed.

Questioning Conventional Enterprise Wisdom

Part I

Introducing the thesis and setting the scene

1 Introduction

Chapter 1 introduces the work by describing the origins of the author's suspicions about the basis for what appears to be the conventional enterprise wisdom shared by many people - and outlines how the thesis seeks to explore its nature and veracity.

2 The context: enterprise and knowledge

Chapter 2 looks at two key aspects the context for this: the way interest in enterprise has emerged and the way knowledge is often created and acquired – both of which lead to conclusions which are consistent with the suspicions.

3 The issue and the methodology

Chapter 3 then considers more aspects of the context: the nature of the link between enterprise research and policy and the enterprise literature. They also support the view that it is reasonable to suspect that in the field of enterprise many people rely largely on 'conventional wisdom' which is unchecked and may be wrong.

1 – INTRODUCTION

'For the great enemy of truth is very often not the lie - deliberate, contrived and dishonest - but the myth - persistent, persuasive, and unrealistic. Too often we hold fast to the clichés of our forebears. ... We enjoy the comfort of opinion without the discomfort of thought.'

John F. Kennedy

Enterprise (including entrepreneurship and small business) is currently a popular field of interest. It is widely advocated and encouraged through enterprise policies and frequently taught in enterprise education courses. Considerable resources are thus spent on promoting it but what is commonly understood about it? Are efforts to promote and/or teach it informed from a basis of scientifically verified research or are they instead based mainly on persuasive myth: essentially aspects of a 'conventional wisdom' about enterprise which may be widely shared but is ultimately founded more on supposition than observed reality? The author's experience has indicated to him that the latter could be the case - so this thesis examines the validity of that suggestion and its possible consequences. It explores the nature of that 'conventional wisdom' and this chapter introduces that exploration.

THE AUTHOR'S INVOLVEMENT IN ENTERPRISE

The author first became involved in the field of enterprise over 35 years ago when he joined the Northern Ireland Government's small business support agency LEDU (the Local Enterprise Development Unit) as its Enterprise Development Director. Before that his exposure to enterprise and small business had been limited to an optional elective on small business which he took when at business school but in his role in LEDU he was required both to manage aspects of the delivery of the existing enterprise policy and to contribute to the development of the policy which the agency was trying to deliver. For this he did not receive any specific training but was expected to supplement what initial understanding of small businesses that he had by learning on the job from his fellow LEDU employees – and this was clearly the normal procedure. However to add to this, when possible, he did attend conferences about enterprise and small business at which academic / research papers were presented some of which appeared to be relevant to the agency's work.

After a few years in LEDU the author was asked to chair a taskforce established by the Northern Ireland Department for Economic Development to see what might be done to raise the level of 'enterprise' in Northern Ireland. A fuller description of where this fitted into the development of Northern Ireland's enterprise policy is included in Chapter 4 but it was not a rushed attempt to devise a policy but instead a period for reflection and enquiry and involved the author in efforts to find out what was known more widely about enterprise and how it might be encouraged and assisted.

Thus the author was exposed not only to policy making/delivery in Northern Ireland but also to academic teaching, to research results and reflection and to descriptions and assessments of policy elsewhere. However he felt that the knowledge available from the research, reflections and assessments was not systematically being made more widely available, especially to those seeking to make or implement policy. Therefore, when he left the agency and with two friends from the academic field, he wrote a book: *Understanding Enterprise, Entrepreneurship and Small Business* to try to present some of this learning – as they tried to explain in the preface which indicated how they saw the situation in the 1990s:

'For those working in this field ..., there can be considerable confusion about what is involved. The new industry has developed policies, practices, and a language of its own, but often without a clear objective or strategy. For those unfamiliar with it, and even for many who have some familiarity, it is hard to grasp what is being done and why. Nevertheless employment in the industry is already substantial and is still growing and those working in it or close to it need to try to make sense of it.

Comprehensive overviews of the subject have not however been available. There has been considerable research done but it has of necessity been rather specialised, often not very widely published and of a piecemeal nature. Guides in the form of books and pamphlets that are available for enterprise and small business often turn out to be about how to start a small business: a useful subject for those who are doing just that but not for those who seek a wider insight into enterprise and its associated concepts in order better to promote or support it. This book therefore attempts, for the first time, to address their needs.' (Bridge *et al*, 1998: Preface)

After he left the agency the author continued to be involved in enterprise as a consultant and facilitator and continued to attend conferences and to write about it. After a few years the publishers of *Understanding Enterprise* reported that the book was selling well as a text book and suggested a second edition more attuned to this role. This came out in 2003

and further editions followed in 2009, 2013 and 2018. However, during this time, the author had been reflecting on his earlier assumptions as increasingly he found problems with what by then often appeared to be the orthodox view. Therefore, for the fourth edition, the two remaining authors rewrote much of the book in particular to point out areas where what had been said was no longer thought to be valid - as they explained in its preface:

'This is the fourth edition of the book, written some fifteen years after the first edition. In those intervening years there has been much further research into enterprise, entrepreneurship and small business - leading to new conclusions and also so re-assessment of earlier conclusions. Because of that new learning and its implications this edition has been extensively rewritten in order better to reflect the current position and state of knowledge in this area. ...

Readers familiar with the earlier editions will still find, in the new Part I, introductions to the concepts of enterprise, entrepreneurship and small business. ...

Part II introduces relatively new thinking and identifies where it challenges some of what has become received wisdom. It also uses some of this new thinking to suggest alternatives ways of understanding the processes of entrepreneurship and small business formation and growth. ...

Part III looks at this from a government and policy perspective. It considers why and how governments have enterprise policies and intervene to encourage and/or assist enterprise, entrepreneurship and small business. It explores how effective these interventions appear to have been.' (Bridge and O'Neil, 2013)

In addition to thus highlighting challenges to some received wisdom, in every edition the authors of this book have, in Part III, examined the effectiveness of enterprise policies but failed to find convincing evidence that they were working:

'The evidence available does not conclusively prove that, overall, the usual methods of intervention do not work. But it does suggest that there is *prima facie* evidence that at least some schemes haven't worked as they were intended and that there is an absence of the meaningful supportive endorsements which might have been expected if, in general, intervention was effective. ... These conclusions do not question the policy drivers and objectives but they do suggest that those objectives are not being achieved by the current methods. ... That raises a number of questions, including: ... what does this failure say about the assumptions on which policy is based?' (Bridge and O'Neill, 2018: p.336/7)

EMERGING DOUBT - FINDING QUESTIONABLE 'KNOWLEDGE'

The above summary reflects the author's journey of exploration of this area (starting with policy delivery in Northern Ireland but broadening to policy making and exposure to research and academic approaches from a much wider geographical basis). However, in this he started to find that some of the 'knowledge' he had initially acquired about 'enterprise' from a variety of sources, including both agency custom and practice and academic teaching and writing, appeared not to be well founded. It also became increasingly apparent that much enterprise policy, not just in Northern Ireland but in many other places also, was not working and, although policy was subject to a variety of influences, it was presumed (and sometimes claimed) to be based on, or supported by, a shared understanding of enterprise.

If the proof of the pudding is in the eating, then the apparent failure of enterprise policies may be a relevant reflection on the validity of the ideas guiding them. Policy has to be based on something – but, as the policy review in Chapter 3 and examples like the summary presented in Chapter 4 show, it does not often appear to have been informed by appropriate and reliable research. What therefore has been the basis for supposing that the policies applied might have the impact desired? If, despite any appearances to the contrary, policies and practices are not selected at random, then on what are they based? Has there been a shared understanding of enterprise which is apparently credible because it is relatively widely held and promulgated informally - for instance by being learnt from colleagues; but largely unrecorded and consequently not highlighted and questioned? Such 'common knowledge' is also found in other disciplines - as was perceptively described by Galbraith when he referred to 'ideas which are esteemed at any time for their acceptability' as 'the conventional wisdom' (Galbraith, 1958: p.6).

However such 'conventional wisdom' is not necessarily correct. In earlier times it was widely accepted that all swans were white, that the earth was flat and that bleeding was an appropriate cure for a fever - but sufficient evidence has subsequently been found to challenge such views. If the theory behind enterprise policies is suspect that could explain why any policies apparently based on it don't work and, although it could be at best misleading, if it hasn't subsequently been checked it could still be used not least because of inertia and a general reluctance to acknowledge any need to change. Indeed it should not be surprising if at least some of the early enterprise theories were unreliable as the

example of other subjects indicates that much knowledge is not static but evolves as new thinking emerges some of which challenges earlier assumptions.

Because of inputs such as these the author began to suspect that, instead of being informed by theory derived from and/or supported by up-to-date relevant and scientifically directed research, a lot of enterprise policy and teaching was based on a suspect conventional wisdom about enterprise – which could be why the policies have not worked and also means that the teaching may not help. It could be that parts of the ‘wisdom’ found to be misleading are separate instances of misunderstanding, in which case they can be individually identified and corrected, or they could be linked onto a common core of understanding with the consequence that there could be a shared foundation to many people’s ‘knowledge’ about enterprise which could be wrong and thus needs to be identified and corrected because much other thinking could be built on it.

THIS THESIS

The purpose of this thesis is to explore those suspicions which affect not just policy but the wider enterprise ‘industry’ including enterprise ‘education’. The origins of the suspicions lie in the author’s involvement in enterprise as a policy implementer, a policy developer, a consultant and facilitator (working as a small business), an author (five books on enterprise subjects, chapters in other books and numerous articles), and an (amateur) academic - through which he came to realise that some of the ‘knowledge’ he had acquired did not stand up well to subsequent scrutiny. Therefore the objectives of the thesis are to examine those suspicions, to see if they are supported by other evidence and consider the implications should they be well founded.

Is it credible that there is a shared understanding about enterprise which is based on questionable and/or unreliable assumptions? To answer that it is necessary to consider both enterprise in particular and how interest in it appears to have developed, as well as knowledge in general and how it develops and is propagated – and that is done in the next chapter. It is also relevant to consider the links between research, policy and practice which it might have been supposed would reduce ignorance and to review the enterprise literature and what it appears to say about this issue – and that is done in Chapter 3. Because all that appears to be consistent with the suppositions they are them explored in more detail in the subsequent chapters.

The Proposition and its Exploration

Therefore the essential proposition behind this thesis is that assumptions were made and passed on as received thinking without testing their validity – and that some are false and/or misleading. Or, more specifically:

- Enterprise thinking has been informed, and policy guided and/or justified, by ‘conventional wisdom’ – and therefore the questioning of some beliefs and the failure of policy raises doubts about that conventional wisdom.
- This conventional wisdom has not just influenced policy but is also likely to be the basis for other thinking about enterprise.
- However the ‘conventional wisdom’ is itself founded on, or consistent with, a set of assumptions, often not consciously made and therefore not recorded, at least some of which are questionable.
- Therefore it will be useful to identify this ‘conventional wisdom’ if it is to be checked and, if relevant, corrected.

Essentially researching these issues will involve identifying the assumptions and then examining whether they have been made and are correct and whether they appear to explain received thinking / conventional wisdom. However this received thinking was not recorded as such and was manifest mainly as a perspective on enterprise which people unconsciously acquired and which influenced their thinking but without them necessarily being aware that it is only assumption-based. Questioning people about the assumptions directly is therefore unlikely to be productive because:

- The early practitioners who may have been responsible for the assumptions are no longer available.
- Other, more recent practitioners are unlikely to have been conscious of acquiring untested assumptions and are unlikely to be able to identify them in their received knowledge.
- If they have acted on unfounded assumptions then, instead of admitting it, they are likely unconsciously to invent reasons that are consistent with their behaviour (McGilchrist, 2010: p.81 – and see the section on the nature of conventional wisdom in Chapter 3).

This means that itemising all such assumptions and constructing a definitive chronology of their adoption will not be practical – or indeed necessary for the purposes of this exploration. What instead it seeks to do is show that assumptions were made, some of which may be questionable, and therefore it looks retrospectively to suggest what some of those assumptions were. Thus the necessary investigations include trying to address questions such as:

- a. Is there an underlying and widely shared ‘conventional wisdom’ about enterprise (i.e. an acquired way of thinking about it) which does not appear to be founded on and/or supported by scientifically valid research?
- b. If so, what is this conventional wisdom? What is the evidence that it exists? Why was this ‘knowledge’ developed and when and how did people acquire it?
- c. How valid is it?
- d. If it is questionable, at least in part, what are the implications? Might this, for instance, even indicate the need for a paradigm change?

Therefore, in order to examine those research issues, this paper attempts to suggest what some of these assumptions may be and to support those suggestions by demonstrating:

- That it is reasonable to suppose that a field of study could be based on a set of assumptions which amount to a questionable paradigm – because there are precedents and relevant analogies in other disciplines.
- That there are credible reasons why the suggested assumptions may have been made.
- That there is evidence that they have been made and have influenced thinking.
- That they are mutually consistent and do appear to underlie what many people think about enterprise.
- That there are nevertheless reasons for thinking the assumptions may be questionable.

Approach and Layout

To provide a framework for examining such questions, and their consequences, this thesis takes the following approach:

Part I introduces the theses and its approach:

Chapter 1 introduces the work by describing how the author's suspicions about received enterprise knowledge arose and outlines how the thesis seeks to address them.

Chapter 2 looks at two key aspects its context: the way interest in enterprise has emerged and the way knowledge is generally is often initially created and acquired – both of which are consistent with the suspicions.

Chapter 3 then considers more aspects of the context: the nature of the link between enterprise research and policy and the enterprise literature. They also support the view that it is reasonable to suspect that in the field of enterprise many people rely largely on 'conventional wisdom'.

In **Part II**, as a form of case study, Chapter 4 presents a review of the development, delivery and results of 40 years of Northern Ireland's enterprise policy as an example of governmental efforts to promote enterprise and the apparent influences upon this. Although enterprise knowledge is also shared by others it can be in policy pronouncements that its application is be most clearly detected – so this review summarises what may be a typical run of policy variations.

Part III then examines the research issues in more detail:

Chapter 5 considers the nature of that 'conventional wisdom' and the problem of identifying it – thus showing why the proposition described above has been suggested. It then develops the proposition by indicating (some of) the assumptions that might have been made about enterprise. These assumptions are the key focus of this thesis - so evidence both for why they might have been made and whether they were made is highlighted.

Chapters 6 then examines the counterarguments which indicate that the suggested core assumptions are not correct – and what might be some of the implications in each case.

Part IV concludes by revisiting the proposition and considering its veracity and implications:

Chapter 7 reviews whether the suggested assumptions could be the basis for, or an explanation of, the conventional wisdom about enterprise – and whether it is therefore also questionable. It also looks at the implications of this for thinking and policy. It thus emphasises the need for change, not just in parts of enterprise thinking, but of the foundations upon which they appear to be based.

Chapter 8 therefore considers what that change might be as it amounts to finding a new paradigm for which the requirement may be clear but the details may take time to establish. Paradigms like this can be 'sticky' in that they are deeply embedded and hard to shift – but the advancement of useful knowledge sometime makes such challenges necessary.

The sources of information used in the exploration include:

- The author's own experience of working across the 'enterprise' field not just for much of the last 40 years of its evolution but also in different areas as both 'insider' and 'outsider' - including policy formulation and implementation, consultancy, research, writing and teaching. Being close to the subject like this means, of course, that he is liable to view aspects of this work subjectively but, as Gibb once pointed out, insight is needed to understand what is happening as, without it, research might reach the conclusion that revision causes exams. However insight generally comes from involvement and involvement leads to at least a degree of subjectivity.
- The papers and other documents he has collected during that time from his work as a policy implementer/maker and a consultant, from his authorship of books about enterprise and from his attendance at and participation in enterprise conferences.
- His reading in and around this subject over this period including following up relevant references – and not in just one area because an aspect of this thesis is that enterprise understanding has been unnecessarily limited because it has been assigned only to the field of business studies.

2 – THE CONTEXT: ENTERPRISE AND KNOWLEDGE

Chapter I introduces the suggestion that there is a shared core body of understanding and/or knowledge about enterprise which appears to be wrong or at best questionable but nevertheless could be the way many people think about this subject. However, before this thesis proceeds to examine that suggestion in more detail, this chapter considers its context by looking both at aspects of enterprise, such how and why interest in it has developed, and indeed what it is, together with aspects of epistemology and the general way in which knowledge is often acquired.

THE EMERGENCE OF AN ECONOMIC INTEREST IN ‘ENTERPRISE’

In an economic context enterprise is a concept now often associated with business and in particular with entrepreneurs, business starts and small businesses and, as such, receives a lot of attention. However that interpretation of enterprise and the interest in this field have evolved relatively recently. Clearly since the first emergence of ‘business’ activity many businesses had been small and it is large businesses which are a relatively recent phenomenon – so, in historic terms, why has a particular interest in small businesses only emerged very recently?

The Earlier Hegemony of Big Business

To explore the emergence of this interest in enterprise the Industrial Revolution is a convenient starting point as it heralded a lot of changes – including a move in many areas of industry from craft working to mass production. Before the Industrial Revolution it would seem that almost all businesses were small but the Revolution could be said to have started a trend towards bigger businesses which had its apogee in Fordism. This was most apparent from the 1930s to the 1970s and was named after Henry Ford the

American industrialist who was the founder of the Ford Motor Company and developer of the assembly line technique of mass production.

The essence of Fordist production was standardised products, produced on assembly lines using the technology of the day to produce special tools and equipment which could be used by relatively unskilled labourers who were paid good wages to ensure their recruitment and retention. This, combined with a centralised controlling administrative system, enabled manufacturers like Ford to produce relatively complicated products such as cars very cheaply, provided they were produced in standard forms and in sufficiently large quantities to justify the capital investment needed. Some, such as Ford himself, also integrated their businesses vertically thus making them bigger but also giving them greater control over the whole process and further economies. Fordism therefore played a key part in the drive for economies of scale which meant that, for much manufacturing and even some service businesses, bigger was better.

Whyte in his book *The Organization Man* suggests that the American experience of the Depression followed by the military training of the Second World War created a belief in bureaucracies, or at least an obedience to them (Whyte, 1957). America had thus become conditioned to believe in the large corporation as the major, and the preferred, source of employment. In 1967 John Kenneth Galbraith published *The New Industrial State*, in which he highlighted the benefit of economies of scale in production, as evidenced by Henry Ford's assembly lines (Galbraith, 1967). As production organisations become larger, the theory went, greater specialisation of labour and machines was possible, which in turn reduced the unit cost of production. Large firms therefore have lower costs of production than small ones and, as there are no theoretical limits to their size, they will dominate society. Galbraith thus believed that large corporations would work with government and large unions and, based on a shared view of organisation life, they could in effect run the state.

The idea of economies of scale fitted in well with neo-classical economic theory and evidence for their existence appeared to be provided by management information and by plant engineers' calculations. If researchers had difficulty in documenting real examples it did not appear to impinge on mainstream economic thought. Big business ruled, and the dominant perception of entrepreneurs was probably that summed up in the saying that 'entrepreneurs are people who start their own business to avoid getting a job'.

The 1940s – Early reflections on Entrepreneurship

Nevertheless there was academic interest in enterprise and/or entrepreneurship as early as the 1930s with the first course in it apparently delivered in 1938 in Kobe University in Japan (Hannon, 2005). In the USA, where the word entrepreneurship seems to have been coined, a paper by Arthur Cole of Harvard University entitled 'Entrepreneurship as an Area of Research' was published in 1942 and it was five years later in 1947, also in Harvard, that the first entrepreneurship course in the United States was said to have been delivered (Katz, 2003). However for some time it remained a minority interest and, as one commentator put it, even in the 1970s entrepreneurship was 'academically "flaky" and lacking in a scholarly body of knowledge' and 'little research in entrepreneurship [went] on and consequently the literature on it remained thin'. (Plaschka, 1992)

The 1950s and 1960s – Big Business Still Rules

Through the 1950s and 60s big business still ruled. So inevitable did the trend towards bigger businesses seem to have become that there were even worries about the survival of the small business sector – as if those remaining small businesses were like a sort of endangered species. Thus, in the UK in 1969, the Committee of Inquiry on Small Firms was set up under the chairmanship of J E Bolton (the Bolton Committee) and given the following remit:

'To consider the role of small firms in the national economy, the facilities available to them and the problems confronting them; and to make recommendations. For the purpose of the study a small firm might be defined broadly as one with not more than 200 employees, but this should not be regarded as a rigid definition. In the course of the study it will be necessary to examine in particular the profitability of small firms and the availability of finance. Regard should also be paid to the special functions of small firms, for example, as innovators and specialist suppliers.' (Bolton, 1971: p.xv)

The resultant 'Bolton Report' was published in 1971. In its preface it noted that:

'Prior to the appointment of this Committee there had never been a comprehensive study, official or otherwise, of the small firm sector in the United Kingdom. This important area is little researched and poorly documented, and the formulation of industrial policy has inevitably proceeded without adequate knowledge of the functions performed by small firms, of their efficiency and of the likely effects upon them of the actions of government.' (Bolton, 1971: p.xv)

This introduction makes it clear that small business were then still something of an unknown quantity (and quality) as far as economic development considerations were concerned. Nevertheless the report did conclude that:

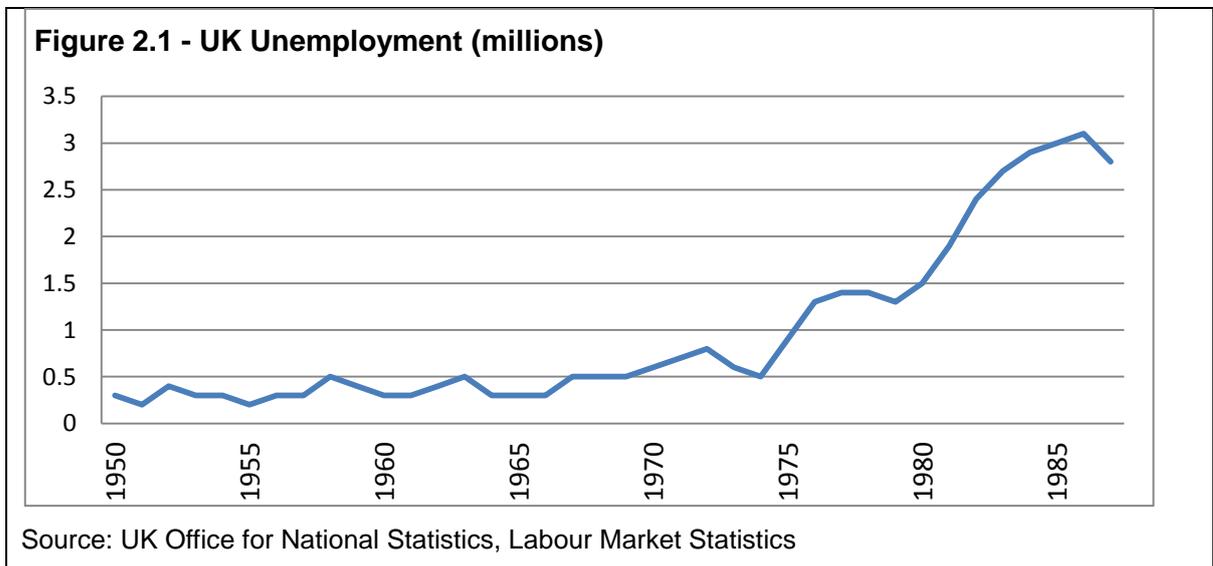
- 'The small firm sector is of substantial importance to the UK economy.
- Despite this it is in a state of long term decline.
- The contribution of small businessmen to the vitality of society is inestimable.'

The Bolton Committee may have been established more because small businesses were then seen as in some way endangered than because they were considered to be central to a thriving economy but, nevertheless, the subsequent report helped to change this view, concluding, as it did, that 'the small firm sector is of substantial importance to the UK economy' (Bolton, 1971: p.344). Although the Bolton Report listed a number of important functions that small businesses provided in an economy this did not include the creation of jobs because that aspect of the contribution of small businesses was not then appreciated. It is also interesting to note that, just as the Bolton Committee was appointed in the UK because of worries about the decline of small businesses, the Small Business Administration was created in the USA in 1953 as a government agency to help to preserve the small business sector there. In both administrations at that time what small business policy there was tended to be preservationist, not expansionist.

Another reflection on the lack of recognition for small businesses in the 1950s and 1960s is provided by the text book for the first management course attended by the author. This course (in 1968) covered 'the environment and organisation of the business enterprise' and the book was entitled *Business Enterprise* (Edwards and Townsend, 1958). Re-visiting this book is interesting, in particular for what it doesn't say. For instance, although the word 'enterprise' appears in the book's title, it does not feature in its index, and neither does 'entrepreneur' or 'entrepreneurship'. There is an index entry for 'small organisations' but only with reference to 'advantages of, ease of co-ordination; ... high morale; ... [and] opportunities for junior executives'. In the text the existence of small firms is acknowledged, for instance in the context of the birth of firms and, when describing the merits of large organisation, where reference is made also to their disadvantages. However nowhere is there a reference to small firms as a separate category of business which have their own distinct features, which made a particular economic contribution, and which are worthy of special study.

The 1970s – Recognition for Small Businesses

Nevertheless interest in enterprise grew and it was observed that, by the end of the 1970s, ‘an entrepreneurial “something” was in the air’, at least in the USA, exemplified by a growth in writing about ‘small business’ and ‘entrepreneurship’ along with associated stirrings in the policy/political arena (Dennis, 2016). Also in the 1970s a number of other factors combined to upset the economic *status quo* and/or to challenge the theory behind the mechanisms which appeared to have controlled it. Among these were the condition known as ‘stagflation’ which seemed to affect economies in the early 1970s and which included a rise in unemployment. This, it eventually became clear, was a new trend and not a minor fluctuation (see, for example, Figure 2.1). It had been thought that, since the war, in the UK and in other economies, the lessons of the earlier depression had been learnt and Keynesian economic policies were being applied, with the result that unemployment had remained relatively low and steady for about 25 years. However, after about 1970, it started to rise and by the end of the decade, when it was clear that this was not just a temporary fluctuation, new approaches were sought as the previously accepted methods for economic control, and especially the maintenance of full employment, no longer appeared to work.

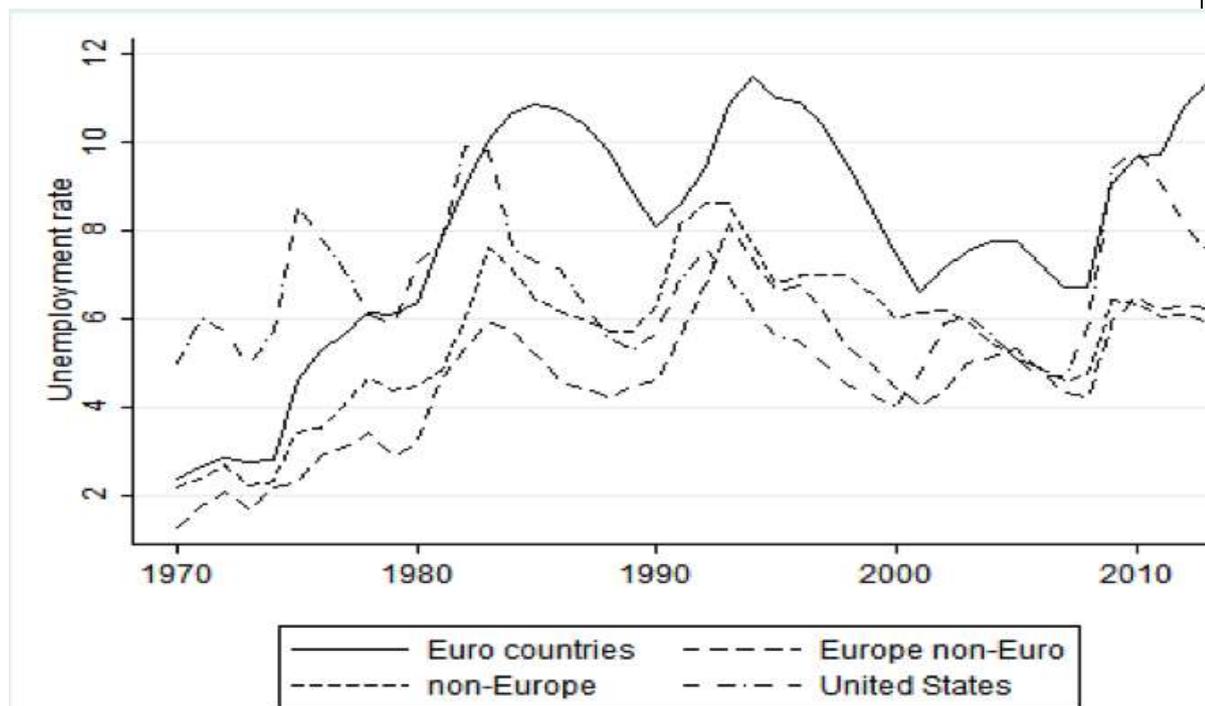


Thus it was reported that on 20 January 1972 Prime Minister Edward Heath faced angry protests in the House of Commons when it was announced that, for the first time since the 1930s, the number of unemployed in the UK had risen to over one million¹. A similar picture was apparent in other countries (see Figure 2.2) where, by the late 1970s, many

¹ Figure 2.1 does not show 1 million in 1972 – probably because it uses adjusted figures rather than first assessments.

governments were looking for solutions to their unemployment problems – and it was in 1979 that David Birch released results of his research into employment in the USA in which he found that it was small firms which created the most jobs (Birch, 1979 – and see Box 2.1):

Figure 2.2 - Some Unemployment trends



Source: <https://voxeu.org/article/great-recession-was-not-so-great> (accessed 5 Jan 2019)

Box 2.1 – What Birch Said

‘Of all the net new jobs created in our sample of 5.6 million businesses between 1969 and 1976, two-thirds were created by firms with twenty or fewer employees and about 80 percent were created by firms with 100 or fewer employees’. (Birch, 1981)

‘There is no such thing as an American economy, at least not in the way the term is usually employed. Rather there are about 7 million companies, close to 90 percent of which employ fewer than 20 workers. Taken together these small companies create more jobs than the giants comprising the *Fortune 500*, grow more rapidly, run greater chances of failure and show more adaptability. This is an important concept requiring elucidation because the facts run contrary to the conventional wisdom.’ (Birch, 1987: p.7)

Birch spoke about ‘net new jobs’ which are the difference between the total of new jobs

created and the total of jobs lost during the same period. Birch found that all areas of the USA were losing jobs at more or less the same rate but that some areas were growing economically because they were creating jobs faster than they were losing them. What distinguished higher growth areas from the others, therefore, was not the rate of job losses but the rate of job replacement by new job creation. As this job creation requires innovation, which involves risk-taking and consequently some failures, he concluded that the most successful areas were those with the highest rates of innovation and failure, not the lowest (Birch, 1981). Net new jobs is sometimes used as a reasonable indicator of economic growth and, because of Birch's finding that it was small firms which were the prime source of this employment creation, the implication was that they were thus responsible for much of the economic growth - at least in the USA. Many people discounted Birch's work when it was first published, as his conclusion was contrary to the perceived wisdom of that time which was still influenced by Fordism and the supposed economic primacy of big corporations. Nevertheless, the issue was important enough to stimulate others to try to replicate his work.

It is clear that this suggestion that it was small businesses which created jobs captured the attention of governments. This, it can be argued, in turn triggered much of the current level of interest in this subject because that government attention led in turn to the availability of budgets for the exploration and encouragement of entrepreneurs, small businesses and all things 'enterprise'.

Questions have been raised both about the methods Birch used to produce his analysis and about the appropriateness of the database he used. Attempts have been made to check and improve Birch's methods and the database, apparently with mixed results. Sixteen years after Birch, Kirchoff (1995) stated that, 'It seems safe to say that, on average, firms with less (sic) than 100 employees create the majority of net new jobs in the US economy.' However the debate still continues – and some suggest that the age of the business, rather than its size, is the key factor. For instance:

- In 2013 Haltiwanger *et al* reported that using data from the US Census Bureau they had found that, once they controlled for firm age, 'there is no systematic relationship between firm size and growth'.
- In 2014 an OECD paper based on a database across 18 countries reported that 'only young businesses - predominately small – create a disproportionate number of jobs' (Criscuolo et al. 2014: p.6).

- In 2018 in *Big is Beautiful*, Atkinson and Lind examined what they call the myth of small business job creation and stated that claims such as ‘small businesses are the front of job creation’ are ‘mostly wrong’ (p.81).

Nevertheless, back in the 1980s, when governments first heard of Birch’s work and its implications, they did not wait for full and final confirmation but, because they were keen to find sources of new jobs, they latched onto small businesses as a possible answer to their economic prayers. As Aldred has put it: ‘in 1983, with US unemployment above 10 per cent, there was an increasingly desperate search for policies which would bring the figure down’ (Aldred, 2019: p.46). Moreover, for some governments, these findings were also welcomed as being supportive of their championing of *laissez-faire* capitalism and ‘*petit bourgeoisie*’ values. Thus they instigated programmes to stimulate the creation of more small businesses: a process which was often labelled as enterprise policy – and they wanted information about enterprise to support that policy.

The 1980s and 1990s – An ‘Enterprise Culture’ and an ‘Explosion’ of Research

Therefore in the 1980s many governments became very interested in enterprise and this was particularly noticeable in the UK where, following the election in 1979 of a Conservative government under Margaret Thatcher, it was said that ‘a steady stream of measures to assist the small firm sector, turned into a torrent’ (Stanworth and Gray, 1991: p.16). Thatcher became Prime Minister in 1979 at a time when economic policy-makers were searching for new methods of economic control to replace the post-war Keynesian policies that no longer seemed to be working, and new sources of jobs to stem the rising level of unemployment. Thus Birch’s message that small businesses created jobs came at an opportune time and, when this was combined with economic monetarism and an emphasis on neo-liberal conservative ideals such as free markets and self-help, it led to a drive for what was often referred to as an ‘enterprise culture’.

The idea of an enterprise culture seems to have emerged rather than being deliberately created with a single purpose and definition. In the UK, the Thatcher government led what has been described as a ‘radical programme of economic and institutional reform ... couched primarily in the rediscovered language of economic liberalism, with its appeals to the efficiency of markets, the liberty of individuals and the non-interventionist state’ (Keat,

1991: p.1). The Centre for Policy Studies, which had been established in 1974 with official Conservative Party approval, offered the following definition of enterprise culture:

‘Enterprise culture is defined as the full set of conditions that promote high and rising levels of achievement in a country’s economic activity, politics and government, arts and sciences, and also the distinctive private lives of the inhabitants’. (Morris, 1991: p.23)

This government interest was supported by government budgets which funded, not just enterprise programmes, but also associated learning and teaching about enterprise. It would seem, however, that, by the time Birch’s findings began to be circulated, the ground had already, to some extent, been prepared. As Dennis (2016) has reported in the late 1970s there was an exponential growth of listings under the headings of “small business” and “entrepreneurship” in the *Reader’s Guide* and the *Economist’s* 1976 Christmas cover story was titled “The coming entrepreneurial revolution”. Nevertheless Birch’s work gave this interest a significant boost and government budgets undoubtedly helped to stimulate investigations with the result that, as Gibb put it at the turn of the century:

‘Since the 1980s and particularly into the 1990s there has been an explosion of research into entrepreneurship and the small and medium enterprise. This is reflected in a substantial growth in both the academic literature and in the grey literature of the press, journals and consultant reports. Combined with ease of access to information through the new international information technologies the growth in “knowledge” has been exponential.’ (Gibb, 2000)

Thus, by the end of the 20th century, and stimulated by government and associated official interest in enterprise, there was a relatively widespread interest in this field – some examples of which are presented in Box 2.2.

Box 2.2 – The spread of the concept of ‘enterprise (and/or entrepreneurship)

Some pronouncements:

1988 The UK Department of Trade and Industry (DTI) unveiled plans in a White Paper which indicated that one of the major goals was the encouragement of enterprise and that a keynote of DTI policy was to foster business and personal enterprise.

1993 ‘We must have an enterprise culture, not a dependency culture.’ - Lord Young, UK Secretary of State for Employment (Bridge and O’Neill, 2018: p.19/20).

(Because of his key role in the Thatcher Government's approach to enterprise, Lord Young has been described as 'the architect of the enterprise culture' - Morris, 1991: p.28).

1995 'This Budget puts Britain on course to be the enterprise centre of Europe.' - Kenneth Clarke, UK Chancellor of the Exchequer

2004 'Working together we can do more to enhance Britain's great entrepreneurial culture – ensuring that there is no no-go area for enterprise in any part of Britain.' - Gordon Brown, UK Chancellor of the Exchequer

Some organisations and programmes:

1983 In the UK the *Enterprise Allowance Scheme* was launched nationwide by government to give a guaranteed income of £40 per week to unemployed people who set up their own business.¹

1987 The *Enterprise in Higher Education* initiative was launched in the UK.

1990 The first *Training and Enterprise Councils* were launched in England and Wales (and *Local Enterprise Councils* in Scotland) to help stimulate local economies and to administer public funded training programmes.

1991 *Scottish Enterprise* was created (replacing the Scottish Development Agency)

1998 In Ireland *Enterprise Ireland* was established as an agency of the Department of Enterprise, Trade and Employment

Some books:

1991 *Deciphering the Enterprise Culture*, Editor R. Burrows, (London: Routledge)

1997 *Mastering Enterprise*, Editors S. Birley and D. F. Muzyka, (London: Financial Times / Prentice Hall)

1998 *Understanding Enterprise, Entrepreneurship and Small Business*, S. Bridge, K. O'Neill and S. Cromie, (Basingstoke: Macmillan) 1st edition

2000 *The Age of Enterprise*, P. Carr, (Dublin: Blackhall Publishing)

2000 *Enterprise and Small Business*, Editors S. Carter and D. Jones-Evans, (London: Financial Times / Prentice Hall) 1st edition

2001 *Entrepreneurship and Small Business*, P. Burns (Basingstoke: Palgrave) 1st edition

The developments in the UK and Ireland listed in Box 2.2 thus illustrate the interest in 'enterprise' being shown towards the end of the 20th century, in particular by many governments. Those governments may not have been quite sure what it was but they believed that it was a good thing, especially as a way to help flagging economies, and they wanted more of it. Then, to some extent, the label for this switched to 'entrepreneurship', not because it was necessarily seen as something better or different, but probably because it was the fashionable word to use.

The 21st Century

This has continued with more of the same in the 21st century. In 2013 it was reported that, since 1990, the numbers of academic papers published on entrepreneurship had grown from fewer than 100 a year to over 5,000 – an annual growth rate of just over 12 per cent (Meyer et al, 2013). Also this academic interest has been demonstrated in the now widespread provision of enterprise and/or entrepreneurship education. For instance, in 2013, it was noted that in the USA more than 5,000 entrepreneurial courses were being offered by colleges and universities and well over 400,000 students took courses in the subject (Kauffman, 2013).

However there have also been some reflection and instances of questions being raised about some of the things said about parts of enterprise teaching and/or practice. For instance:

- It has been pointed out that small businesses behave very differently than big businesses – for instance by Penrose (1959).
- It has been shown that not all businesses are growth and/or profit driven – for instance by Reijonen and Komppula (2007)
- The value of business plans has been queried – for instance by Brinckmann *et al* (2010).
- Also, from a wider perspective, Bridge and O'Neill (2103) rewrote a lot of the 4th edition of their book *Understanding Enterprise, Entrepreneurship and Small Business* because, they claimed, 'new thinking ... challenges some of what has become received wisdom'.

A Plethora of Enterprise Policies

Starting in the 1980s and 1990s the government interest stimulated by Birch expanded. Often in pursuit of the jobs which Birch seemed to suggest small businesses would create, many governments adopted and pursued enterprise policies. Thus Mallett and Wapshott (2020: p.2), in their history of enterprise policy, refer to 'the huge number of enterprise policy schemes and initiatives' which now exist and government budgets were made available to support these promotion efforts. That in turn stimulated the emergence of an enterprise industry extending not just to agencies which help to deliver policy by promoting and/or supporting enterprise but also to academics, and others, who research and/or teach it. Those government policies may subsequently have been modified, to a greater or lesser extent, but in general enterprise and/or entrepreneurship policies are still pursued, as the following examples indicate:

- 'The policy programme for employment, entrepreneurship and worklife supports the (Finnish) Government's goals of securing ... economic growth, employment and the financial basis of the welfare society.' (Finnish Government, 2007)
- 'For ten years enterprise has been one of the five core drivers of the [UK] Government's strategy to lift the productivity of the economy.' (BERR, 2008: p.3)
- 'Following the spirit of the Lisbon objective, the Danish government has set an ambitious goal in the area of entrepreneurship; Denmark is to be a part of the European entrepreneurship elite by the year 2010 and among the countries with the highest share of high-growth start-ups by the year 2015.' (Hoffmann and Gabr, 2006)
- 'We laid out our long-term economic plan in *Advantage Canada*. It identified five Canadian objectives – related to tax-reduction, debt reduction, entrepreneurship, knowledge in the workforce, and infrastructure – that will help Canadians improve their quality of life and succeed on the world stage.' (Industry Canada, 2008)
- 'Small and medium-sized enterprises (SMEs) are the backbone of Europe's economy. They represent 99% of all businesses in the EU. In the past five years, they have created around 85% of new jobs and provided two-thirds of the total private sector employment in the EU. The European Commission considers SMEs and entrepreneurship as key to ensuring economic growth, innovation, job creation, and social integration in the EU.' (European Commission, 2016)

And often these policies are not cheap. As Storey and Potter (2020) report: 'expenditures on entrepreneurship policy, in developed countries at least, are very substantial' (p.60) –

although 'public expenditure in support of entrepreneurship is rarely documented in full' in part because it 'is incurred by a wide range of ministries and agencies' (p.47). Therefore it might have been presumed that there would be a strong financial incentive for ensuring that the policies were well founded.

But have they worked?

Without undertaking direct evaluations, preferably using Storey's six steps (Storey, 2000), assessing the effectiveness of policies is not easy, especially when that is done from the evidence of what other evaluators have said about them. Most policy or programme evaluations are carried out by or for those responsible for the policies or programmes and, as Box 2.3 indicates, there is a strong incentive to produce positive reports and a strong disincentive to publish any which are nevertheless negative. Therefore those dependent evaluations that are published must be treated as suspect and discounted – but independently conducted evaluations are rarer and only available in a few cases. However, if the policies were working, it might be expected that there would be more impartial evidence to attest to that - but independent assessments generally suggest failure.

Box 2.3 - He who pays the piper

According to Curran (2000), the evaluation of small business policies in the UK has been of two main kinds:

- 'Evaluations sponsored by government funding departments and/or agencies delivering the policy, conducted by private sector for-profit bodies. Most small business support evaluations in the UK are probably of this type and often the results never enter the public domain.
- Evaluations by independent (usually academic) researchers on a not-for-profit basis, sponsored by others than those funding or delivering the initiative. ... The results are normally made public with the aim of promoting constructive discussion' (Curran, 2000)

Wilful blindness is a term used in legal circles under which 'you are responsible if you could have known, and should have known, something which instead you strove not to see' (Heffernan, 2012: p.1). As most evaluations are funded by those responsible for funding or running the policies or programmes in question, there is a strong temptation,

consciously or unconsciously felt, for the evaluators to avoid seeing negative evidence. Therefore, because it is human nature often to succumb to such weakness, positive evaluations can be inherently suspect.

It is natural that funders or implementers would wish to see a positive verdict on their efforts but this often means that, instead of wanting to be told whether an initiative has worked or not, they want to be told that it has worked, and that desire for positive feedback, even if not overtly expressed, can influence evaluators who might hope for repeat business. Also if, despite their wishes, an evaluation is still negative it may not be published – which is a further reason why published reports are likely to provide a positive bias.

The distinction between Curran's two kinds of evaluation is important. The first kind is much more likely to be favourable to the policy or programme than the second kind. Where those conducting the evaluation are dependent on the initiator or deliverer for their fees and future similar work, there will be pressures to be less critical. This is less likely if evaluation is by researchers not reliant on policy-makers or deliverers for their funding and the results are open to peer scrutiny. One result of these pressures is that small business initiatives in general probably receive more favourable recognition than they merit. It is not always obvious where there might be bias as authors of such reports do not have to indicate the extent of their interest(s) in the subject. (Bridge and O'Neill, 2018: p.327)

There are some supposed evaluations of programmes which are positive but they are generally done by or for those responsible for running the programmes. In Chapter 4 there is a review of 40 years of enterprise policy in Northern Ireland which shows that consistently any aims which were set there were not achieved and independent evaluations of programmes elsewhere provide no good evidence that their policies have worked either, as the following quotes indicate:

- 'Despite efforts to increase the quantity and quality of women-owned businesses, enterprise policy has enjoyed only modest success.' (Arshed et al, 2019)
- 'Apart from some short-lived, limited positive effects, we do not find the EAP [Wales Entrepreneurship Action Plan] reached its business formation targets and made no long-run progress towards Wales becoming more entrepreneurial' (Fotopoulos and Storey, 2018).

- ‘Reviewing established evidence we find that most Western world policies [to encourage individuals to become entrepreneurs] do not greatly reduce or solve any market failures but instead waste taxpayers’ money (Acs et al, 2016).
- Using Global Entrepreneurship Monitor (GEM) data Reynolds has examined the extent to which rates of ‘entrepreneurship’ have changed in countries over time. Despite government policies to raise these rates he found little movement:

‘While much attention has been given to the dramatic global diversity in business creation – some countries have over 10 times the activity if others – there has been less attention to the year-to-year consistency found in individual countries. This stability has occurred despite considerable government efforts to increase the level of activity.’ (Reynolds, 2014)
- After reviewing the effectiveness of ‘entrepreneurship’ policy, Ramlogan and Rigby report that ‘overall we find that recent policy initiatives in this area have not been evaluated’ ... [and] ‘the growing interest in entrepreneurial education has not been matched by sound evaluation evidence’. (Ramlogan and Rigby, 2012: p.30)
- Brown and Mason suggest that ‘current regional industrial and enterprise promotion policies in the UK are poorly equipped to help firms grow rapidly’. (Brown and Mason, 2012).
- Bennett concluded from his research that ‘successful government intervention is difficult to make effective at realistic cost-benefit ratios’ and ‘if a market gap existed in the past, it is no longer apparent’. He added ‘Over the period 1991 - 2004 there is little to indicate the overwhelming success of government SME support policies, particularly at the level of cost that they now involve’ (Bennett, 2008)
- Greene *et al* looked at entrepreneurship over a 30 year period in an area of ‘low’ enterprise in the NE of England. They concluded in 2008 that ‘whilst it has been a laboratory for enterprise culture experiments for 30 years, it has not resulted in any clear acceleration of entrepreneurial activity’ (Storey, 2008) and ‘along with every other UK region remains in the same relative position as it did 10, 20 and probably 30 years ago’ (Greene at al, 2008).
- In 2007 the Richard Review of (UK) Small Business and Government stated that:

‘There is a general lack of hard evidence about the impact of different types of programme and intervention’ and ‘Genuine economic evidence of the impact (or otherwise) of assistance to small businesses is hard to find. The Government has been reluctant (or unable) to publish any and has restricted itself to anecdotal or

survey-based data. These clearly *do* demonstrate that Government support does and can assist individual companies. But, given the scale of expenditure, does this add up to a real impact on regional economies?' (Richard, 2007)

- Huggins and Williams reviewed UK government intervention in the period from 1997 to 2007. Although they indicated that steps were taken 'to tackle barriers to enterprise and entrepreneurship by addressing economic, political, legal and cultural issues' they concluded that 'there has been little improvement in start-up rates or other entrepreneurship indicators'. (Huggins and Williams, 2007)

And a more general comment was provided by Bannock who, writing in 2005 from an international perspective on small business economics, reported:

'Our review of business policy instruments indicates that, with few exceptions, results are unimpressive'. He goes on 'even for the exceptions, they are fairly marginal in their effects. There is no reason to suppose that if most subsidy and assistance programmes were abolished altogether, it would make a significant difference to the shape and prosperity of the SME sector anywhere.' (Bannock, 2005: p.133)

He also added that:

'All governments recognise the importance of SMEs and wish to promote them' but 'most instruments used by governments to promote SMEs fail to achieve their objectives, or have only a very minor impact' (Bannock, 2005: p.194).

In Conclusion

Clearly there was a government policy impetus behind the growth of inquiry into all matters enterprise – and, with that 'explosion' of interest, it might have been expected that there would have come an increase and/or an improvement in knowledge. However Gibb, after noting that explosion, then went on to argue that 'despite the increase in academic knowledge, indeed perhaps because of it, there has been a growth of ignorance a major manifestation of [which] is the emergence of a number of outstanding "mythical concepts" and "myths" which are considerably influencing the establishment of policy priorities' (Gibb, 2000: p.13). Subsequently examples of 'myths' and 'ignorance' have been highlighted by other authors (e.g. Brown et al, 2017) thus, in effect, querying aspects of the received enterprise wisdom.

Assessments of the effectiveness of enterprise policy indicate a similar picture. While the available evidence does not prove that enterprise policies have not worked, it does not support a finding of success. Despite the proliferation of relatively similar policies and interventions across the world, there are few examples of successful 'best practice' and a noticeable lack of independent reports indicating positive achievements. Therefore overall there appears to be significantly more reliable evidence that the policies have not been effective than for the contrary belief that intervention has worked. (Bridge and O'Neill, 2018).

Thus the claimed growth in ignorance, which is illustrated both by queries about aspects of enterprise thinking and the apparent failure of enterprise policy, raises questions about the basis for the supposed enterprise knowledge. Could this be the case – could the 'mythical concepts' identified by Gibb still persist and could policy be based on questionable assumptions? If so, are they separate instances of wrong perceptions or could they be linked to a misleading base of foundation 'knowledge'?

Before the 1970s there was then no substantial recognised body of knowledge about this field. Therefore at the start of the 1980s, when the impetus for such policies began to grow, enterprise was a relatively new subject and early research into a subject tends to be observational and descriptive, but not prescriptive. Also much of the relevant knowledge about enterprise has not been encapsulated in recorded theory. People like Cantillon and Schumpeter may have written about entrepreneurs and described what they did and/or their effect of their efforts – but they did not advance predictive theories to explain the phenomenon as Newton did to explain gravity and to understand the motion of the planets. Indeed some academics have commented on the lack of such theories to underpin enterprise studies. For instance Bygrave observed in 1989 that, 'in contrast with physics, entrepreneurship has no great theories' - but efforts to search for those theories have so far been without success. There has been a proliferation of text books about it but they generally offer information about enterprise without presenting theories explaining how it might be influenced. The example of the author's own relatively early contribution quoted in Chapter 1 above is relevant in not trying to advance or otherwise report any such theory.

WHAT IS ENTERPRISE?

To research and write about enterprise, to teach it, and to launch policies for promoting and/or supporting it, there has to be some idea of what it is, and then of how to encourage and/or develop it. Box 2.4 presents some interpretations and/or uses of enterprise from the 1980s and 1990s which show that, in the main, it could have one of two meanings: a broad meaning which might be described as enterprise for life and a narrower meaning which places enterprise specifically in a business context.

Box 2.4 - Some interpretations of 'enterprise'

'Enterprise - Undertaking, esp. bold or difficult one; readiness to engage in such undertakings'. (Oxford, 1986)

The mission of the *Starship Enterprise* is 'to boldly go where no man has gone before'.

'Endeavour to be firm (10 letters)' (Crossword clue, Independent, 1996)

'We must have an enterprise culture, not a dependency culture.' (Lord Young, 1993)
(When he was asked what he meant by enterprise' Lord Young (who was UK Secretary of State for Employment) described it as: 'Get up and go - not sitting back and accepting it. Think positive and things can happen; if you are passive and think negative then nothing happens. It's a mental attitude.')

'An enterprising individual has a positive, flexible and adaptable disposition towards change, seeing it as normal, and as an opportunity rather than a problem. To see change in this way, an enterprising individual has a security, born of self-confidence, and is at ease when dealing with insecurity, risks, difficulty and the unknown. An enterprising individual has the capacity to initiate creative ideas..., develop them, and see them through into action in a determined manner. An enterprising individual is able, even anxious, to take responsibility and is an effective communicator, negotiator, influencer, planner and organiser. An enterprising individual is active, confident, purposeful, not passive, uncertain and dependent.' (OECD, 1990).

'A close examination of what is taught under the name of enterprise reveals, however, that instead of the consensus claimed by leading practitioners, the organisations that are

teaching this new culture are all working with different lists of the core skills. Part of the confusion stems from the fact that the word 'enterprise' is used in different ways, sometimes referring to an individual ability considered amenable to improvement and at other times to a form of economic activity, usually in small business. We are not dealing with a tightly defined, agreed and unitary concept but with a farrago of hurrah words such as creativity, initiative, and leadership.' (Coffield, 1990)

'What do we mean by enterprise?' ... 'Two schools of theory and practice are evident, each based on different although not contradictory answers to the question. They can be called the 'economy school' and the 'education school'. The 'economy school' says that enterprise is what entrepreneurs do and entrepreneurs create business and jobs and wealth and those things all contribute to, indeed they comprise, the economy ... The 'education school' says that enterprise has a broader meaning and application than that ... It says that many types of initiative which need to be taken, many types of responsibility which need to be discharged and many types of problems which need to be resolved require the individual to act in an 'enterprising' manner. Thus this school sees business-type entrepreneurialism as just one context in which people act in 'enterprising' ways. It says that enterprise involves using the imagination, being creative, taking responsibilities, organising, identifying ideas, making decisions, dealing with others in a wide range of contexts. It says that as society becomes more complex and, as it changes towards greater complexity, people need to be more and more enterprising. At the heart of this approach is, therefore, personal development and, in particular, the development of self-confidence.'(Employment Initiatives, 1990)

'There are, in effect, two definitions of, or approaches to, the word 'enterprise' and the practice of it. One, which can be termed a 'narrow' one, regards enterprise as business entrepreneurialism, and sees its promotion and development within education and training systems as an issue of curriculum development which enables young people to learn, usually on an experiential basis, about business start-up and management. The second approach, which can be termed the 'broad' one, regards enterprise as a group of qualities and competencies that enable individuals, organisations, communities, societies and cultures to be flexible, creative, and adaptable in the face of, and as contributors to, rapid social and economic change.' (OECD, 1989)

'Mastering Enterprise: all you need to know about starting and developing a successful business.' (Financial Times, 1996)

Of these meanings of enterprise it was the narrower one which was generally pursued by governments through their policies - although often without acknowledging, or apparently even being conscious of, the other possible meaning. In response to problems such as high or rising unemployment, governments have wanted to encourage the creation and growth of more small businesses. Therefore, because it was entrepreneurs who were understood to be the people who created and grew small businesses, and because that process had been labelled entrepreneurship, many government initiatives sought to promote more entrepreneurship through a process which was, in turn, often labelled enterprise. Thus, for instance, in the UK pronouncements in favour of enterprise and entrepreneurship have been made by both the main political parties:

Consequently there have been, and still are, a lot of enterprise policies and programmes designed to stimulate enterprise and increase the amount and/or quality of it - but on what has those policies (and associated research and teaching) been based? Interpretations of the meaning of enterprise such as those in Box 2.4 are essentially descriptions of what it is but do not provide guidance on how to influence and increase it. Although they might be linked, there is a clear distinction between ideas about what enterprise is and ideas about how it might be influenced. Government policy-makers generally wanted to promote it because they wanted more of it. Using a medical analogy it might be said that, if the patient was a national economy which was showing symptoms of weakness and a shortage of jobs, then the diagnosis was that the economy lacked enterprise and so developing more and stronger enterprise was the cure that was prescribed. Therefore the job of the policy-makers and implementers was to deliver that cure to the patient - and a lot of money was spent trying to do that. For example in the UK the National Audit Office, after reviewing the performance of the UK government's own Small Business Service in 2003-4, reported that the UK 'government spends over £2.6 billion in providing support to small business [but] SBS is not able to establish the overall impact of either its or wider Government activity on small business' (NAO, 2006).

Box 2.5 - Enterprise or Entrepreneurship?

When referring to start-ups 'entrepreneurship' may have been the term initially used but 'enterprise' then become popular, particularly as a term encompassing the area of both start-ups and existing small businesses/SMEs - although it would seem that 'entrepreneurship' has subsequently again become a popular term for this wider meaning. However 'entrepreneurship' has other contradictory meanings so its use can be confusing

and therefore, except when quoting directly, this thesis uses 'enterprise' when referring to the area of start-ups and small enterprises and to knowledge about them.

THE EPISTEMOLOGY CONTEXT

By three methods we may learn wisdom: first by reflection, which is noblest; second by imitation, which is easiest; and third by experience, which is the bitterest. Confucius

Introduction

The first part of this chapter examines how and why a desire to acquire knowledge about enterprise appears to have arisen. But is the knowledge that people then appear to have acquired necessarily accurate and helpful? The second part of the chapter looks at epistemology and explores the various ways in which knowledge might be acquired and the possible influences on that acquisition – to show that in this process there are often many distortions and that in this, as in other things, there can be “many a sip between cup and lip”.

In their guide to the philosophical foundations of social thought Benton and Craib (2011) suggest two possible models of the relationship between philosophy and science. In one, described as a 'masterbuilder' view, philosophy provides the foundations for scientific thought - whereas in the other science does not need such foundations so the contribution of philosophy is instead limited to providing support as a sort of 'underlabourer' (p.1). The 'masterbuilder approach, they explain, is that of the rationalist view of the nature of knowledge which tried to base understanding on logical analysis and the certain conclusions from formal reasoning - whereas the rival approach of empiricism looked instead to the evidence of our senses:

'At birth, they held, the human mind is a blank sheet, as it were, and our knowledge is acquired subsequently through learning to recognise recurrent patterns in our experience and attaching general ideas to them.' (p.4)

However the acquisition of that knowledge is neither simple nor straight forward. Confucius (see above) suggested that there are three ways by which wisdom may be acquired: by reflection (a rationalist approach?), which presupposes both some experience and/or observations upon which to reflect combined with the ability to reflect

on them; by imitation, which involves copying others in what they appear to think and do; and by experience (empiricism), which he describes as being the bitterest presumably because its lessons, if properly received, can be hard ones. Thus experience and reflection could be combined as that is what learning from research should be about – as opposed to learning from the apparent wisdom of others. Thus either we learn by observing things and from that making inferences and assumptions and building theories which seem to fit our observations – or we learn from what others tell us by hearing about something which we accept and/or believe. In theory knowledge should start with the former and even what we are told by others should also be put to the test by our own observations, although often that is not practical or even possible. Also Confucius's reported comment could indicate an awareness that knowledge is acquired in a variety of ways, all of which can have complications.

This section looks therefore at the issues likely to affect how knowledge is initially developed, and then consolidated, and then considers factors which may influence how it is subsequently transmitted to others and retained by them. It shows that, in this, there are clear reasons why the knowledge that people think they have may often be mistaken. However the section also goes on to consider how knowledge, and in particular knowledge about enterprise, may be used, and thus to show why it would not be surprising if at the end result is not as reliable as might have been supposed.

The Development, and Consolidation, of Knowledge

The scientific approach to the development of knowledge has been supposed to follow the evidence-based empirical approach which holds that all genuine knowledge is testable by observation or experimentation, that scientific laws are derived from theories suggesting underlying structures which would explain the patterns observed and are thus statements about general recurring patterns of experience. The scientific method involves observation, developing a possible explanation, testing that explanation and only using it if it passes the tests. A further refinement, articulated by Popper (1989), is that such laws must be falsifiable in that they must be open to testing which could find that they are wrong, and that this must remain a possibility. Thus, while they can be falsified, the laws cannot be proved absolutely.

However some refinements and/or limitations of this have been suggested:

- There appears to be something innate or instinctive in some of the 'knowledge' humans hold because, as Chomsky (see Lyons, 1977) has argued, something like that appears to be the case in the way that young humans learn languages.
- Observations can be misinterpreted if the mechanism behind them is not understood: as in the way that observation of an apparent cause and effect sequence could lead to the conclusion that revision causes exams.
- Evidence which might support falsification can be avoided and/ignored – for instance through wilful ignorance.

Nevertheless it is generally agreed that the foundation for observation-based knowledge should be the scientific method under which, having observed and formulated theories to explain what has been observed, those theories should then be tried in experiments and only used if they pass the test – but observers should still be open to the possibility of further evidence emerging and only use the theories until any such evidence queries and/or disproves them. That is how scientists try to operate: distinguishing what we do know from what we don't and trying to move from what we do know to find out about things we don't know – but being aware that new learning subsequently discovered may query some of the old. Thus, for instance, controlled trials are often used to try to establish if there is a real effect from an intervention or just something that might have happened anyway. But, even with controlled trials, care is needed to prevent beliefs biasing the results – as the placebo effect can lead to a patient benefitting from an otherwise neutral or even somewhat harmful medical intervention because they believe it will do them some good. Also, while using the scientific method can disprove incorrect theories, it cannot actually prove correct ones which, therefore, can only be on probation in case falsifying evidence does eventually come to light.

Applying the scientific method amounts to continuous 'trial and error' which, in reality, is the way better knowledge evolves - provided we do indeed seek evidence for any 'error' and correct it. However in practice it is often not as simple as that and complications can arise. In addition to the qualifications indicated above other possible factors include:

- We trust our own views and instinctively seek confirmation that they are right. Thus we do not instead assume that our ideas may be wrong and look for appropriate independent evidence and feedback so that they can be improved.

- We forget to check inherited assumptions and adopt and accept theories as being correct without rigorous, objective, controlled trial evidence. Then, once they are established, we assume that such 'facts' are true and do not need to be revisited.
- Are generalisations always (or ever) universal – does science apply to enterprise and to complex situations? For instance in the area of enterprise are we dealing with a situation which is complex and several factors are involved so that simple cause-and-effect relationships cannot be established.

Box 2.6 – Ignoring the evidence is a crucial mistake

A key part of 'trial and error' is the recognition, evaluation and correction of any problems that arise in the implementation of a venture. Aircraft are relatively safe because their manufacturers generally understand that they need to do this and have a culture of seeking out and investigating any evidence of a problem and not trying to pretend it hasn't happened or isn't relevant. But even then human vanity can get in the way and lead to warnings being ignored if it might be uncomfortable to accept them. That is why the reputation of Boeing is currently suffering because it appeared to be biased towards trusting its own excellence and therefore to believe that the 737 Max was good because it was made by Boeing. As a result the company did not accept, and then react appropriately to, early evidence that all might not be well with the latest version - and that is a mistake for which it is being castigated and from which it is likely to take a long time to recover.

Thus even knowledge which people think they have acquired from direct observation may be distorted when what they actually register is biased towards what they are looking for and they fail to notice contrary indications. Why, for instance did Boeing fail to register that there could be a significant problem with the 737 Max (see Box 2.6)? This sort of failure is especially misleading if people think that a final conclusion has been reached and the case then closed. Instead they should always be questioning and continually looking for evidence which might indicate the need for revision and this process should not be limited by time or extent because, as West puts it:

'To varying degrees, all theories and models are incomplete. They need to be continually tested and challenged by increasingly accurate experiments and observational data over wider and wider domains and the theory modified or extended accordingly. This is an essential ingredient in the scientific method. Indeed, understanding the boundaries of their applicability, the limits to their predictive power,

and the ongoing search for exceptions, violations, and failures has provoked even deeper questions and challenges, stimulating the continued progress of science and the unfolding of new ideas, techniques, and concepts.’ (West, 2017, p.108)

Myths and Paradigms

However where is the starting point for knowledge derived by the scientific method? Current scientific theories are supposed to have been developed following observations which were not explained by a previous theory – but what was the original source of the first such theories? Popper, after exploring this, suggested that ‘most of our scientific theories originate in myths’ (Popper, 1989: p.257) and that

‘The way in which knowledge progresses, and especially our scientific knowledge, is by unjustified (and unjustifiable) anticipations, by guesses, by tentative solutions to our problems, by conjectures. These conjectures are controlled by criticism; that is, by attempted refutations, which include severely critical tests. They may survive these tests; but they can never be positively justified:’ (p.vii)

So what happens if those early anticipations, guesses and conjectures are not rigorously tested? It would appear that they can last, that their doubtful origins can be forgotten and they can become the accepted version justified by custom and practice. Again as Popper (1989) suggested:

Erroneous beliefs may have an astonishing power to survive, for thousands of years, in defiance of experience, with or without the aid of any conspiracy. The history of science, and especially of medicine, could furnish us with a number of good examples.’ (p.8)

Such erroneous beliefs can then form the basis of paradigms. Over time in many areas of study a corpus of ‘knowledge has been amassed which has provided a generally accepted understanding of the subject and apparently been a stable basis upon which to develop further refinements. However, as Kuhn (1970 and see Box 2.7) in particular has pointed out, such knowledge tends to be consolidated as paradigms in which a collection of apparently mutually consistent ‘laws’ or beliefs are combined to provide an overall perspective. It is then expected that any component part should conform to the paradigm and so apparent exceptions are initially presumed to be minor inconsequential errors or aberrations. The result is that making progress in understanding is sticky, rather than smooth and steady, because change is only acknowledged when there is a sufficient

critical mass of contrary evidence to occasion a change of paradigm. If the paradigm happens to be based on myth, a possibility which is the implication of Poppers suggestion, then that stickiness is likely to be particularly problematic.

Box 2.7 - Some of Kuhn's Observations on Paradigms (1970)

'Normal science, the activity in which most scientists inevitably spend almost all their time, is predicated on the assumption that the scientific community knows what the world is like. Much of the success of the enterprise derives from the community's willingness to defend that assumption, if necessary at considerable cost.' (p.5)

'Men whose research is based on shared paradigms are committed to the same rules and standards for scientific practice. That commitment and the apparent consensus it produces are prerequisites for normal science, i.e., for the genesis and continuation of a particular research tradition.' (p.11)

'This is the situation that creates the schools characteristic of the early stages of a science's development. No natural history can be interpreted in the absence of at least some implicit body of intertwined theoretical and methodological belief that permits selection, evaluation, and criticism. If that body of belief is not already implicit in the collection of facts - in which case more than "mere facts" are at hand - it must be externally supplied, perhaps by a current metaphysic, by another science, or by personal and historical accident.' (p.16/17)

'It is sometimes just its reception as a paradigm that transforms a group ... into a profession or, at least, a discipline.' (p.19)

'When the individual scientist can take a paradigm for granted, he need no longer ... attempt to build his field anew, starting from first principles and justifying the use of each concept introduced.' (p.19)

'In science ... novelty emerges only with difficulty, manifested with resistance, against a background provided by expectation. Initially only the anticipated and usual are experienced even under circumstance where anomaly is later to be observed. ... In the development of any science, the first received paradigm is usually felt to account quite successfully for most of the observations and experiments easily accessible to that science's practitioners.' (p.64)

The Transmission and Retention of Knowledge

'Most of our assertions are not based upon observations, but all kinds of other sources. "I read it in The Times" or perhaps "I read it in the Encyclopaedia Britannica" is a more likely and a more definite answer to the question "How do you know?" than "I have observed it" or "I know it from an observation I made last year".'

(Popper, 1989: p,21)

Most of the knowledge that people hold is not knowledge that they have developed themselves from their own observations and empirical endeavours but knowledge they have learnt from others – from what they do, say and or write. Sometimes those other people have conducted the relevant research themselves but often they are repeating, or at least trying to repeat, what they think they have themselves in turn learnt from yet others. Further sometimes what those others are propagating is not accurately or completely relayed - whether such misrepresentations are their own invention or someone else's, and whether they are conscious of any misrepresentation or not. There are a number of possible biases which can influence how information is transmitted or received. These are often the consequence of how the human brain works but are usually unconsciously felt - so those affected are rarely aware of them and thus do not try to counter or correct them. But, whether there is a lack of candour and/or an intention to deceive or not, one or both sides of such knowledge exchanges can be subject to potentially distorting influences such as those described in the following paragraphs.

Paradigms (again)

As indicated above theories which are shared and consequently combined or adopted enough can become paradigms – which have been described as 'shared theoretical structures and methodological approaches about which there is a high degree of consensus' (Cole, 1983, p.112) - and Lewis and Grimes (1999, p.672) identified a 'paradigm mentality' which 'polarises perspectives, often inhibiting discourse across paradigms, biasing theorists against opposing explanations'. Arbesman (2013, p.177), when describing Kahneman's ideas, spoke of 'theory-induced blindness ... [as] an adherence to a belief about how the world works that prevents you from seeing how the world really works.'

The 'law of the instrument'

Possibly one of the better-known examples of a paradigm mentality is the so-called 'law of the instrument' which suggests that *'to someone with a hammer, everything looks like a nail'*. At one time the author tried to test this by asking the panel of opening speakers at a small businesses conference what assistance they thought most small businesses needed. The 21st ISBA conference in Durham in 1998 started with a panel convened to debate small firms policy and attendees were invited to submit questions. So the author asked 'What assistance does the panel think the targets of intervention actually need?' and the answers included:

- Knowledge/formal training and the tools with which to analyse their businesses - from the chief executive of a Training and Enterprise Council.
- The assistance of a consultant was helpful - from a local entrepreneur.
- Financial security: they don't want to go bust - from a banker.
- Less/better regulation - from the chief executive of the Management Charter Initiative.

It was noticeable that in their answers the panel members generally suggested that the main need was for help of the sort that they were most accustomed and/or best able to offer. This was not a scientific test but it was clear that there was no common agreement and in most cases there was a connection between what a panel member highlighted in his answer and that with which he (they were all men) was most familiar and/or had to offer.

The illusory truth effect

Starting with a pre-conceived idea of what is true can limit acceptance of different ideas. According to Atkinson and Lind (2018: p.81), cognitive scientists refer to something called the "truth effect", which occurs when people believe something simply because it is widely repeated. In a 1970s study Hasler *et al* (1977) found that 'the repetition of a plausible statement increases a person's belief in the ... truth of that statement', others such as Arkes *at al* (1989) have confirmed this, and Dreyfuss (2017) reports that the effect of familiarity can even be stronger than that of rationality, and can therefore outweigh it:

'The effect works because when people attempt to assess truth they rely on two things: whether the information jibes with their understanding, and whether it feels familiar. The first condition is logical: people compare new information with what they already know

to be true and consider the credibility of both sources. But researchers have found that familiarity can trump rationality.'

Subjective bias and 'unknown knows'

Sometimes people have a preference for information which is already known and habitual and are reluctant to acknowledge the need to question that – and an example of this is found in what has been termed 'selective bias'. Donald Rumsfeld famously referred to 'known unknowns' – the things we know that we don't know. However it has been pointed out that there also 'unknown knows' - the things we could know if we tried but have instead managed not to know, possibly because we don't want to know them. The result can then be selective bias in favour of the status quo because any evidence against it remains unknown through a practice also referred to as wilful blindness (Heffernan, 2012).

The streetlight effect or the drunkard's search

People also find it easiest to absorb information and ideas which conform to, and support, the knowledge with which they are familiar – and so that is what they look for. 'Unknown knows' could be the result of looking for information where it is easy to look rather than where something useful might be found – a practice sometimes called 'the drunkard's search' or the 'streetlight effect':

There is a well known story of someone who, having had rather too much to drink and lost his keys, was asked why he was looking for them, not on the dark side of the road where he thought he might have lost them, but under the street lamp – to which he replied "because that was where the light was".

Seeking linear causality

Another predisposition which can affect how something is perceived is an expectation of linear causality' (Lotto, 2017: p.210). A system may be complicated but nevertheless its components may be linked in a chain such that a change made to one end will cause a predictable change to the other end. However some systems are complex where many components are each interlinked and affected by many other components. Thus, for them, the effects on other components of a change to one component cannot be predicted. As a result if linear causality is assumed it can result in a failure to see what is really happening and even a belief in causality where none exists.

'Mumpsimus'

Sometimes, even when contrary evidence is known and is not denied, it is still not acted on: a condition which has been labelled mumpsimus which is defined as 'a traditional custom or idea adhered to although shown to be unreasonable' (Oxford, 2019). The word's origin lies in the story of an illiterate priest in the 16th century who, when reciting the Latin mass, mistakenly used to say '*quod in ore mumpsimus*' instead of '*in quod in ore sumpsimus*' ('which we have taken into the mouth' - from the Eucharist). However when he was corrected, he is supposed to have refused to change, replying instead that: 'I will not change my old mumpsimus for your new sumpsimus'. An example where this has been observed in the field of enterprise is given by Drakopoulou Dodd and Anderson who, in their paper on *Mumpsimus and the Mything of the Individualistic Entrepreneur* (2007), look at 'the persistence, in the face of considerable evidence to the contrary, of the notion that entrepreneurship is a purely individualistic practice'.

'Cloud' Storage?

A further factor in the limitation of the knowledge we sometimes think we have is how we hold/store that knowledge. As individuals we may think that we have learnt a lot but how much of the detail of what we have been told do we retain? It has been suggested (for instance by Sloman and Fernbach, 2017) that we don't retain all that we hear or read – but that we think we know it because we know where to find it. It is as if it was 'cloud' stored and what we retain are, not the details themselves, but the links to where we think we can find them – whether that is in our notes, text-books, articles or other places available on the 'web'. And sometimes we may think we know about things because we have heard that the knowledge exists, even if we haven't actually accessed it ourselves:

'A lot of human understanding consists simply of awareness that the knowledge is out there' ... 'We typically don't know enough individually to form knowledgeable, nuanced views about new technologies and scientific developments. We simply have no choice but to adopt the positions of those we trust.' (Sloman and Fernbach, 2017, p128 & p,162)

The Result

These observations indicate that there are many factors which can lead to the ‘knowledge’ we learn being less than the truth because, whether it is acquired from direct observation or, more often, it is passed on to us by others, it can be subject to a variety of biases or distortions. Due to unconscious biases and the way our brains work we can misinterpret what we see from our own observation and, when we learn about something indirectly from others, that may be misremembered and/or unintentionally be wrong - or sometimes deliberately falsified. People can often find it easiest to believe what their colleagues appear to believe and can distort or misremember what they hear to conform to such preferences. Therefore, if people don’t check what they think they know, they may find the knowledge they think they have is actually wrong. And to show how this can happen in a different field of knowledge Appendix 2A relates examples of the persistence of ignorance in medicine.

THE USE OF KNOWLEDGE – ENTERPRISE PRACTICE

On the whole knowledge is not developed and transmitted just for people to have more abstract knowledge but so that they can use and apply it in their lives and work – and the purposes for which they seek to use it in turn determines the knowledge they seek to acquire. In the particular case of enterprise knowledge three particular uses are apparent – which are in part related to the three varieties distinguished in enterprise education:

- For background understanding. For instance those who seek to research aspects of enterprise need a background understanding of what it is.
- For teaching. A clear use of enterprise knowledge is by those who seek to teach it.
- For influence. As the earlier part of the chapter shows an industry has grown up around the efforts by many governments to influence enterprise and to stimulate more of it.

It is the third of these uses, as a guide for policy action, which might be expected to be the most influential of the sort of knowledge sought about enterprise. Weber (1964) however distinguished four types of meaningful action which had different requirements for acquired knowledge:

- The first is traditional action: doing what has always been done. This is based on precedent and in practice might for many be the first choice.
- Then there is what he called effectual action which is based on emotion.
- The third is value based action which is when people's actions are driven by, or at least conform to, their values and/or beliefs.
- Finally there is practical action which is action oriented primarily to achieve something. It is this sort of action for which valid up-to-date evidence-based knowledge is needed.

This section on epistemology started with a reflection on the rationalist view of the nature of knowledge versus the ideas of empiricism. A subsequent contribution to the debate came from the 'critical realist' approach the followers of which, according to Benton and Craib (2011: p.120/1), are 'committed to:

'the existence of a real world, which exists and acts independently of our knowledge or beliefs about it. However ... this external world is in principle knowable, and to some (discoverable) extent open to being changed on the basis of such knowledge as we are able to achieve.'

Does that indicate that ultimately it might be expected that enterprise knowledge would provide a true understanding of what exists in the real world of enterprise - which would provide a reliable basis both for teaching about or for it and for policies which seek influence it usually in order to increase its level and/or the speed of its development? Nevertheless the thinking summarised in this section suggests that in reality, both in the initial development of knowledge and then in its transmission to others for their use, there are many reasons why the knowledge eventually retained by many people could fall short of that ideal.

IN CONCLUSION

In the preface to his influential book *Conjectures and Refutations on the Growth of Scientific Knowledge*, Popper suggested that the source of much of our accepted scientific knowledge lies actually in what amounts to myths and suppositions - so these need to be tested and then rejected if they fail:

Criticism of our conjectures is of decisive importance: by bringing out our mistakes it makes us understand the difficulties of the problem which we are trying to solve. This

is how we become better acquainted with our problem, and able to propose more mature solutions: the very refutation of a theory - that is, of any serious tentative solution to our problem - is always a step forward that takes us nearer to the truth. And this is how we can learn from our mistakes. (Popper, 1989: p.vii)

Interest in enterprise developed relatively recently and relatively quickly – and that interest should have led to, and/or been accompanied by, increased knowledge about it. However enterprise policy, based supposedly on the practical application of that knowledge, has not worked. Also, while knowledge is often initially based on myth and supposition, as Popper suggests, it should be subject to the filter of the scientific process – but there is little evidence that this has happened in the case of enterprise knowledge. Also, in any case, in the development of knowledge and its transmission to, and retention by, others there are many possibly distorting influences – so the knowledge individuals finally think they have could easily be false.

Is there a conventional enterprise wisdom and could it be wrong? The analysis in this chapter is consistent with that suggestion. Precisely how enterprise knowledge has evolved is not the issue but this chapter shows that a conventional wisdom could have evolved and not only that it could be wrong but that errors in it might even be expected. Showing the errors in this process is not the aim of this thesis which is instead to explore the knowledge the process has produced – however that pursuit is justified by showing that there could be errors and so the knowledge developed should be tested – if it can be identified.

A 'Comfort Zone'

Kennedy spoke of people enjoying the 'comfort of opinion without the discomfort of thought' (see quote at the beginning of Chapter 1) and Swann (2019: p.155) refers to the area of thought with which 'mainstream economists feel comfortable' as a 'comfort zone'. He notes that, although medicine is a federal discipline, all its branches are nevertheless informed by core information from basic studies such anatomy - and he advocates a similar approach in economics. He points out that, in economics, theorists use assumptions because otherwise they can't progress (p.29), but suggests that in their 'comfort zone' they are not troubled by the 'proper' understanding that knowledge of economic anatomy might bring. He also indicates that one of the characteristics of this comfort zone is that it includes many assumptions (p.155).

Do people like to remain in a 'comfort zone' in their enterprise knowledge? Many hear about it and use the vocabulary associated with it, and some of them even attempt to teach it. Therefore they think such knowledge exists and trust its sources – but what if they are not trustworthy? People believe that they know things because they have heard them pronounced and think they know when to access that knowledge if they don't actually retain it all themselves, depending instead on depositories of traditional thinking. People trust received wisdom - not least because it is comfortable so to do as it is recorded/stored/preached by the established authorities (such as the 'leading' authors and/or journal editors/reviewers). But they don't usually check their assumptions and so, if those are wrong, what they retain are links to ignorance. The field of medicine offers a clear case of how knowledge can eventually change and develop as new thinking emerges and become accepted. However it also illustrates how the persistence of old thinking can hinder this.

The Comfort of Conventional Wisdom

Thus it would seem that in the enterprise field, in default of any significant impact from evidence and/or new thinking, both policy and research are based essentially on 'conventional wisdom'. This term dates back to the 19th century but it was particularly championed by John Kenneth Galbraith in his 1958 book *The Affluent Society*, in which he said that:

'To a very large extent, of course, we associate truth with convenience - with what most closely accords with self-interest and personal well-being or promises best to avoid awkward effort or unwelcome dislocation of life. We also find highly acceptable what contributes most to self-esteem. ... Economic and social behavior are complex, and to comprehend their character is mentally tiring. Therefore we adhere, as though to a raft, to those ideas which represent our understanding.' ... 'It will be convenient to have a name for the ideas which are esteemed at any time for their acceptability, and it should be a term which emphasises their predictability. I shall refer to these ideas henceforth as the conventional wisdom.' (Galbraith, 1958: p.6)

However conventional wisdom is not necessarily correct and, when it isn't, it is an obstacle to acceptance of new and better theories and thus the advancement of knowledge. As Galbraith further added:

'The hallmark of the conventional wisdom is acceptability. It has the approval of those to whom it is addressed. There are many reasons why people like to hear articulated that which they approve. ... The enemy of the conventional wisdom is not ideas but the march of events. As I have noted, the conventional wisdom accommodates itself not to the world that it is meant to interpret, but to the audience's view of the world. Since the latter remains with the comfortable and the familiar, while the world moves on, the conventional wisdom is always in danger of obsolescence.' (Galbraith, 1958: p.7)

Knowledge has a Half-life

One reason for thinking acquired knowledge is trustworthy is because of the history of apparent progress in scientific understanding. For instance Newton is hailed as one of the giants who provided the foundations upon which physics built a reputation as a very dependable and deterministic science – which is why other 'sciences' are often prone to 'physics envy' (Bygrave, 1989). Yet, although Newton's 'laws' of gravity are still good enough for many applications, Einstein's ideas have provided a better explanation and been shown to be more accurate. This example shows that, even in the apparently rational and basic science that is physics, some older 'knowledge' expires as new concepts are developed. Thus it has been suggested (e.g. by Arbesman, 2013) that knowledge about any subject has a half-life: the period of time after which 50 per cent of current knowledge in that field is likely to be superseded - because it is found to be wrong or irrelevant. One of the fields in which this is most obvious is medicine where the rate at which knowledge goes out of date is relatively fast with half-lives of ten years or less being quoted for some of its branches (and see Box 4.4). If enterprise is a science, it is likely to be more akin to medicine: an applied science with no overarching theories and a history of false directions and consequently an area where knowledge has a short half-life. The concept of a 'half-life' would also support a view that, if we are not prepared to check and discard knowledge which has passed its 'use by' date, we will not create space for new views and so we will not progress in our thinking.

Knowledge or Wisdom?

The half-life theory refers to 'knowledge' whereas Galbraith called our received understanding conventional 'wisdom'. To illustrate a possible distinction between knowledge and wisdom Bellinger *et al* (2004) produced the diagram shown in Figure 2.3. It suggests that knowledge is gained from an understanding of patterns of relationships

whereas wisdom comes from understanding of the principles behind those patterns. Thus to gain wisdom observers do not have to see the original data and analyse the relationships and patterns themselves but can learn about the principles from those who have - and they do not even have to hold the knowledge of the patterns themselves but can just grasp of the principles. Thus the term 'conventional wisdom' is consistent with this as it refers to an understanding at the level of principles without necessarily knowing anything about the patterns from which they might have been derived. It is however more likely to be the patterns, or 'facts', which are first found to be wrong and so it is knowledge which has a half-life although that does in turn lead to questions about the wisdom upon which it is based.

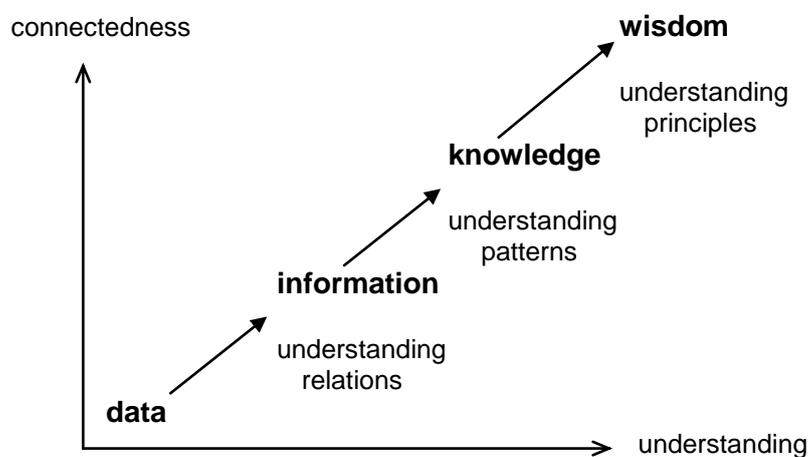


Figure 2.3 - The transition route from data to wisdom (Bellinger *at al*, 2004)

SUMMARY

The history of interest in enterprise suggests aspects of thinking about it which are not reliable – as indicated, for instance, by the failure of enterprise policies presumably based on such thinking. Considerations from epistemology suggests that false beliefs can be acquired and can persist. So the starting point of this thesis - the suggestion that, despite the interest in enterprise and the 'explosion' of research about it, ignorance about it could still prevail - is credible and even to be expected.

Appendixes:

2A Examples of the persistence of ignorance in medicine

EXAMPLES OF THE PERSISTENCE OF IGNORANCE IN MEDICINE

If ignorance is the absence of relevant knowledge or the presence of wrong or misleading knowledge then the field of medicine offers a clear case not only of how knowledge can evolve but also ignorance. It shows that knowledge can eventually change and develop as new thinking emerges but it also illustrates how the persistence of old thinking can hinder this and lead to a continuing perpetuation of what is in reality ignorance.

An example occurred in December 1799 when, after having been out on his horse in nasty weather, George Washington contracted a sore throat and breathing problems. To cure him his doctors bled him and when he didn't respond they bled him again. Four such bleedings removed over half his blood in the space of about ten hours and after two days he was dead. His reported symptoms are consistent with an acute inflammation of the epiglottis but newer thinking suggests that it was the bleeding which probably killed him.

In early times healing had apparently been based more on superstition than evidence: it was associated with the gods and was practiced by diviners, shamans and witch-doctors. The first essentially secular medicine in the West is said to be that of the Hippocratic doctors who decried traditional and religious healers and promoted theories based on observation of real patients. A major step for medicine after the 'dark ages' was thought to be the rediscovery of their theories one of which that of the 'humours' in a body. There were supposed to be four 'humours' which were thought to be in balance in a healthy person. Blood was one of these humours and was believed to make you hot and wet. Thus someone with a fever was thought to have too much blood. (Porter, 2003 – and others)

So bleeding was often prescribed. It was apparently evidence-based policy and the established practice. The medical establishment backed it, doctors were taught it, patients believed in it, and many of them got better after being bled. So it was not surprising that when George Washington was feverish with a nasty sore throat and breathing problems his doctors bled him. Bleeding had been adopted as a cure before microscopes revealed the existence of capillaries through which blood could flow from arteries to veins and thus circulate – and if blood circulated it was not like the other humours and might have other effects.

However improving medical practice was not just a case of not bleeding – but of abandoning the humours theory and all its implications. Under this theory any illness (a dis-ease) was thought to be the result of a humour imbalance and the theory offered no concept that illnesses could be due to the invasion of germs. Indeed initial findings that cleanliness was helpful in preventing disease were often discounted because the prevailing theory could not explain them – a clear example of the persistence of conventional thinking disregarding apparently contrary evidence. For instance during the Franco-Prussian War in 1870/71 the traditionalist French military medical staff apparently still ignored such ideas about cleanliness - whereas the Germans did introduce some of Lister's new antiseptic procedures for treating wounds and achieved noticeably better results.

This suggests that bleeding wasn't just an isolated issue but the consequence of a wrong theory with other implications – and replacing that foundation required new thinking such as an awareness of the circulation of blood and of the mechanisms of infection. The humours theory initially appeared to be an evidence-based advance on previous superstition but eventually it too was found to be wrong. However, while it lasted, it didn't just lead to harmful treatments (although even they may sometimes have had a positive placebo effect) but it also served to delay further advancement because of the limitations of its constructs. And medical knowledge is still evolving.

3 – THE ISSUE AND THE METHODOLOGY

COULD IGNORANCE PREVAIL: THE CASE OF ENTERPRISE?

The previous chapter showed that, from the history of interest in enterprise and from epistemology, there is support for a view not only that ignorance (in the sense of an absence of relevant and reliable knowledge) about enterprise could prevail and but also that it might even be expected - and Gibb (2000) indicated that it was prevalent. This chapter sets out how that will be explored in this thesis, but, before doing so, it looks at two other areas of enterprise endeavour which might have been expected to reduce this ignorance: and they are the links that might be expected to exist between enterprise policy and enterprise research and the thinking that has produced the now extensive range of enterprise literature.

SOME REFLECTIONS ON THE CONNECTION BETWEEN ENTERPRISE POLICY AND ENTERPRISE RESEARCH

Chapter 2 provides a summary of how and why enterprise has developed as a subject of considerable interest, not least in government and consequently academic and research circles - but that does not appear to have been accompanied by a meaningful dialogue between those two areas. It might be thought that the development and implementation of enterprise policy would need input from enterprise research and would in turn provide an opportunity to test theories derived from that research - but have the two sides communicated and has enterprise knowledge been assessed in the way recommended?

It is not easy to explore this. Research publications generally report the conclusions from the research in question but do not or cannot indicate what relevance that might have for policy or what policy may have learnt from that. Policy literature generally describes what policy is and the impacts it is designed to achieve – but does not usually indicate why a particular policy has been adopted and/or what are the theories behind it. For instance, after examining entrepreneurship policy in 13 countries, Lundström and Stevenson observed in 2006 (p.7) that 'limited knowledge exists about how entrepreneurship policy is

constructed'. Therefore the likely knowledge base which informs policy has to be deduced indirectly - for instance by establishing both what it is not and what it might be instead.

Three case studies are summarised here which may be typical. They reflect aspects of entrepreneurship, small business and/or enterprise policy development in England/UK, Northern Ireland and the EU and are described in Boxes 3.1, 3.2 and 3.3:

UK. The first case (in Box 3.1) describes an attempt to ensure that in the UK small business policy decisions (affecting in particular England and Wales) were 'only taken after reviewing the evidence on ... what actually works'. However, by failing then to demonstrate that that was done, the initiative suggests instead that policy decisions must have a different basis.

Northern Ireland. The second case (in Box 3.2) is that of Northern Ireland. It is extracted from Chapter 4, which outlines how Northern Ireland's policy in this area has evolved over the last 40 years and indicates that, apart for one early initiative, there has been no consistent attempt by policy makers objectively to seek evidence-based information to guide their work – instead apparently relying on what they or other influencers/advisers already thought they knew – and trusting in its efficacy.

EU. Then there is the case of the EU's 'entrepreneurship' policy (Box 3.3). There too evidence for the source of policy ideas is hard to find but the evidences suggests that policy was informed more by the understanding/knowledge that policy makers already thought they had than by any clear research interlink. As it also reports that the resulting policy has not worked which suggests that its basis was questionable.

Box 3.1 – Research support for a government small business service

The UK government launched the Small Business Service (SBS) in April 2000 with its declared purpose being 'to build an enterprise society in which all small businesses thrive and achieve their potential' (SBS, 2000). Soon after this the SBS published its *Research Strategy 2000-01 to 2001-02* (SBS, 2000a).

As Kirby (2004) noted in introducing a journal edition about this: 'knowledge is seen as being integral to the delivery of these [the UK government's small business] strategies and the Small Business Service is charged with the task of bringing knowledge together, analysing it, and disseminating it to those who can use it to make a difference in policy and delivery'. Further, in its Research Strategy, the SBS stated that 'Research will play a significant role in the SBS, and has been identified as a key strategic objective within the

Corporate Plan' and then declared that the short-term aims of the strategy were:

- i. 'To ensure that a thorough understanding of the needs of SMEs is continually at the heart of what the SBS does;
- ii. To ensure that the research activities are more strongly focused on supporting the objectives of the SBS;
- iii. To make research on small business and entrepreneurship more coordinated across all stakeholders;
- iv. To raise the quality and relevance of small business and entrepreneurship research, not just in the SBS but throughout the UK;
- v. To capture more information about small business and entrepreneurship, and to make that information more easily and quickly available to the SBS and other stakeholders.' (SBS, 2000 – emphasis in the original)

However note that, while not excluding it, this list does not suggest a strong research focus on the theoretical basis of policy or on its effectiveness. Nevertheless in 2003 the research strategy was followed by the publication of *A Government Action Plan for Small Business*, with the declared aim of 'Making the UK the best place in the world to start and grow a business' (SBS, 2003) and, in the forward of the *Action Plan*, the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry jointly stated that: 'Our aim as a government has been to work together to address the barriers to enterprise in every region and community of the UK.' (SBS, 2003: p.2)

Possibly to counter criticism about a lack of research input into policy, the *Action Plan* was then followed in 2004 by a further document: *A Government Action Plan for Small Business, Making the UK the best place in the world to start and grow a business: The Evidence Base*. In the forward to *The Evidence Base* there is a declaration that the SBS's aim was 'to ensure that all decisions which affect small business are only taken after reviewing the evidence on what is needed and what actually works – and where the lessons learned in the delivery of products and services are fed back into the further development of policy'. The introduction then states that:

'This paper sets out a more detailed analysis of the evidence base underpinning the Action Plan. It aims to provide a resource which policy makers and analysts across government and external researchers in the small business field can draw upon, and to make transparent the evidence on which policy is made.' (SBS, 2004)

However, despite that declaration, it is suggested that the document instead helped to support the criticism it apparently sought to address. It has been argued that the document was mainly a presentation of evidence about small businesses and the policies that were being followed and that it offered little, if any, evidence for why they should be followed. It did not, for instance, present:

- Evidence for why enterprise (entrepreneurship and/or small business) should be promoted, which will in turn depend on evidence for what people want or need and, if that is jobs, evidence for what sort of jobs and then evidence that enterprise/ entrepreneurship and/or small business will provide the jobs that are sought.
- Evidence that enterprise can usefully be promoted.
- Evidence for how enterprise can be promoted.
- Evidence that enterprise was being successfully promoted. (Bridge, 2010, pp.43/4)

It could be said that *The Evidence Base* presented research derived facts about small businesses and their owners in the UK but did not attempt to establish the principles which might explain their actions – and the latter is that sort of understanding which was needed to guide policy designed to influence those actions. (For more on the SBS see Ch 7, Appendix 7A.)

Box 3.2 - Apparent inputs to enterprise policy development in Northern Ireland

The Northern Ireland experience reported in Chapter 4 also presents a relevant case. This box presents brief descriptions of some of the main proposals or strategies produced in Northern Ireland during this period. These summaries indicate that, while there was a range of inputs to the various strategies, there were no attempts to examine and learn from past initiatives and, with one exception, there was little effort to seek relevant expert advice and/or evidence about similar initiatives.

The early 1980s. In the early 1980s LEDU used its budget to provide grants for small businesses which said that with financial help they could employ more people. This was probably done because LEDU was given a budget to help small businesses which, when asked, generally said that they needed money. So LEDU awarded grants and did not seem to have asked whether the budget could have been converted into a more effective economic development ‘tool’.

Pathfinder. The Pathfinder proposals were produced after a search for new thinking, relevant ideas and best practice. The implementation plan included an awareness campaign and an assistance structure with the later including not only grants but also training and networking – and this thinking was informed by an academic/research input.

Competing in the 1990s. The published plan for *Competing in the 1990s* was produced in-house by the relevant government department. It claimed that research suggested that the key role for the Government was to remove a number of constraints which may hold back growth in the supply of entrepreneurs. However no indication was given of the nature of this ‘research’ and it seems more like conventional thinking than any new ideas.

NI Growth Challenge. The Growth Challenge was private sector led and was very largely informed by people working in business. It did not consider any specific need to address ‘enterprise’ and/or small business start-up rates – which suggested that the establishment in the private sector did not see them as being relevant.

Strategy 2010. Strategy 2010 followed the Growth Challenge and, although set up by government, its input came largely from selected private sector people assisted by civil servants. Its recommendations for ‘enterprise’ included rebalancing the incentive package, prioritising financial support, and encouraging private equity finance - but is it clear that in this context ‘enterprise’ covers a wide area of business and there was little new thinking.

Invest NI. In a reorganisation long advocated by some people in the private sector, Invest NI was formed to combine responsibility for larger and smaller businesses in the same organisation. Thus, in effect, it was a move towards treating small businesses as small big businesses and not as a separate sort of organisation.

Accelerating Entrepreneurship and later Invest NI strategy. Invest NI indicated that the vision for its Accelerating Entrepreneurship strategy was ‘to make Northern Ireland an exemplar location for starting and growing a successful business’ and a later Invest NI strategy declared that its aim is to ‘make Northern Ireland the best region in which to start and grow a business’. This suggests that the source of this aim was a me-too copy of others with a similar aim, such as SBS in England (see Box 3.1 above), and not original thinking.

The Corporation Tax debate. Following a request from the Northern Ireland Industrial Taskforce, the Economic Research Institute in Northern Ireland looked at the potential

for a reduction in corporation tax to stimulate the Northern Ireland economy to emulate the 'Celtic Tiger' growth in the Republic. The resulting ERINI report suggested that lowering Corporation Tax might stimulate more inward investment - but only if many conditions were met. However other voices were raised in favour of a tax reduction, not least those of politicians - to the extent that it began to be viewed as the key factor that was missing and therefore even as a sort of magic bullet that would cure economic ills without the need for other efforts.

Enterprise strategy consultation. In 2008 (possibly because the Westminster government wanted to be able to refer to the enterprise strategies in all parts of the UK) a transitional 3 year enterprise strategy for Northern Ireland was developed by the relevant government department. However, when this was presented to a selected group of researchers for their comment (and expected agreement), they largely rejected it as being more of the same based on an assumption that more support leads to more enterprise which, they believed, was an approach that had not worked anywhere.

Economic strategy consultation. In 2011 the recently re-established NI Executive produced a new Plan for Government accompanied by a new Economic Strategy which had some local political input. Initially these were drafts were for consultation. Although the response to this was deemed to have been supportive it is known that an academic response did observe that the economic strategy proposed:

'nothing new to encourage and/or assist the creation of ... jobs and instead indicates old ways, including looking at best practice elsewhere and seeking inward investment jobs. The strategy itself proclaims the need for innovation and exporting yet, by advocating a continuation of the old ways while importing ideas and jobs, it appears to be unable to follow its own exhortation.'

Economy 2030. In 2017 the Department for the Economy produced *Economy 2030 – A consultation on an Industrial Strategy for Northern Ireland*. This gave some recognition to enterprise and, the indicators listed toward to end of the document included: business start-up rates. However it also included a section on 'Learning from Global Best Practice because, it said, 'in seeking to become a leading internationally competitive economy it is important to examine economies which face similar challenges and opportunities'. It appeared essentially to be a repeat of previous efforts without any significant new thinking.

In these examples most of the drive seems to have come from civil servants, from private

sector luminaries who might have been expected to know about ‘business’, and/or (more recently) from local ministers and their advisors – and in each case those responsible generally seem to have adopted a new broom approach - possibly thinking that they had been selected for their apparent knowledge and trusting that they knew at least as much as anyone else about this area. Therefore, instead of a deliberate search for help from the best direct research or other relevant thinking, it would seem that those involved may have placed considerable reliance on the common ‘knowledge’, which others appeared to share, and/or a trust in, and therefore a preference for continuing to follow, familiar approaches.

Box 3.3 - The evolution of the EU’s entrepreneurship policy

Arenal *et al* (2019) conducted an analysis of the evolution of the EU’s entrepreneurship policy agenda which, they suggest, has gone through three main stages which they labelled latent policy, emergent policy and the new normal for policy.

They did not directly address the sources of policy, focusing more on its effectiveness, but they did make a number of relevant observations – such as:

‘Prior to [the] Lisbon Strategy ... entrepreneurship was far from being a key policy topic.’ (p.7)

‘The initial lack of information, due to the novelty of the field, has forced a trial-and-error process to expand knowledge on the context and specific needs of entrepreneurship.’ (p.29)

‘Policymakers truly start to learn about the previous failures through a trial-and-error process.’ (p.25)

‘The focus of policymakers’ discourse shifts every five years, coinciding with the EU policy cycle, suggesting that every new College of Commissioners intends to bring their own ideas to the agenda’ (p.30)

‘The notion of entrepreneurship policy gradually took special relevance since the 1980s in two of the most important economic areas, US and EU. ... Within this framework, the EU approach to policies in the field has ranged from initial and miscellaneous measures ... to more sophisticated and targeted initiatives. ... Despite these efforts, the effectiveness of these policy interventions has been widely contentious.’ (p.3/4)

‘Most of the goals of the Lisbon Agenda [launched in 2000 with the objective of making Europe ‘the most competitive and dynamic knowledge-based economy in the world’]

were not achieved.’ (p.20)

The picture these observations present is of a slow hesitant start when entrepreneurship was little considered and policy was not well informed by information on what others were doing, followed by policy inputs coming, not from a systematic research input, but from the understanding of the policy makers themselves, and overall a lack of clear effectiveness.

The link between enterprise theory and public policy

In theory it might be supposed that the development and implementation of public enterprise policy would provide an excellent testing ground for enterprise theory. If enterprise policy is informed by enterprise research then its implementation should be an opportunity to test research conclusions and to provide feedback which, in accordance with the scientific method, would either support or refute those conclusions. Further, in following a ‘trial and error’ approach, this would also lead to identification of any problem areas in the theory and then to their improvement. However, despite any such aspirations, this rarely happens and it seems that the effects of enterprise policy have seldom been objectively observed and feedback has not been provided on what has or has not worked. Policy rarely seems to have been informed by research and its failure, as noted in Chapter 2, does not seem to have been noticed and highlighted so the assumptions behind policy have not been queried. Instead it would appear that ‘too often public policy is made without regard to empirical research but in conformity with a misconceived conventional wisdom or ideological fixation’ (Taylor, 2002, p.23) – and the case of Northern Ireland’s policy development reviewed in Chapter 4 is a clear example of this. However, strange as it may seem, this lack of a meaningful connection between policy and research could be normal – as the next section shows.

REFLECTIONS OF THE POLICY RESEARCH DISCONNECT

Chapter 2 includes a summary of findings which suggest that, despite a plethora of enterprise policies since the 1980s, there is no good evidence that they have worked. That suggests that those policies are not based on a reliable understanding of enterprise – and that in turn raises the question of why, if for years there has been an ‘explosion of research’ into enterprise, this not fed through to better policy and practice. As enterprise research explores many aspects of start-ups and established small businesses it would

seem reasonable to assume that its outputs would inform policy in this area. Indeed this connection between research and policy seems so obvious, desirable and straightforward that many appear to give it little thought and assume that it happens - or that it would happen easily if only those concerned needed it and/or could be bothered. However the evidence that many enterprise policies do not work is one indication that all may not be well and the arguments summarised below suggest that, strange as it might seem, the link between research and policy is very tenuous and a disconnection should be expected.

What Might Have Been Expected?

Policy usually seeks to make change and therefore achieving its aim requires some understanding of what can be done to effect the change sought. The scientific method of developing such understanding involves establishing what is known about a phenomenon and then looking for a theory which appears to explain it consistent with current knowledge. However that theory should then be tested and used, not only if it passes the tests, but also if it is not confounded by any subsequent observations.

This is similar to the process commonly referred to as 'trial and error' in which the best current proposition is tried and its performance observed and the results fed back so that improvements can be made. Indeed history shows that almost anything which works well is the result of such a test, observe and feedback loop (Harford, 2011). However, unlike the scientific method which looks for an explanatory theory which is ready for use, 'trial and error' recognises that often it is not possible to establish in advance precisely what will work well and therefore, if something is to be done, it will be necessary to start with the best ideas currently available but then to test, monitor and refine them. However, once a start has been made, a key part of 'trial and error' is the recognition and correction of any problems that arise in the implementation – which is why the reputation of Boeing is currently suffering because it did not react appropriately to early evidence that all was not well with the 737 Max aircraft (see also Box 2.6).

The policy role. Thus it might be expected that the way policy is made would include input from research results obtained from the scientific method and/or trial and error, together with a number of considerations such as the following:

- a. A logical decision-making process. Making policy decisions logically on the basis of the best evidence available is generally thought to be the route most likely to lead to success.

- b. Situation assessment. The starting point for the process is likely to be an assessment of the current situation as that is going to be relevant to determining both what should and can be done. That should be assisted by having a view of ‘What is going on here?’ (Kay and King, 2020).
- c. A clear aim. If there is no clear statement of the aim (what it is desired should be achieved) then “any road might take you there” and there is no basis for identifying and then comparing the options available.
- d. Method selection - an analysis and options assessment. Achieving the aim will require some understanding of what can be done to effect the changes necessary (and this is where the research results might be used). However, rather than just using the first idea found, a search for implementation options should be instigated – so that they can be compared and the best one chosen.
- e. Implementation and recognition of any problems arising. However, once a start has been made, a key part of ‘trial and error’ is the recognition and correction of any problems that arise in the implementation.

The research role. If this is applied to the development of enterprise policy then there would appear to be a clear role for research and a number of places where it might be expected to make a contribution - including not just the development of theories of how enterprise might be influenced leading to the identification of options to try, but also assessments of the current situation as a starting point and, once efforts are underway, evaluations of how well they are working and the identification of possible problems.

Why It Does Not Happen

However, despite the apparently obvious benefits of a link between research and the policy decision-making process, there appears little, if any, meaningful connection/communication between them. Although the link may seem to be very logical and desirable, a review of the situation as revealed by direct and recorded experience and observations nevertheless indicates that there are many factors which hinder and prevent it. For convenience these might be grouped as issues of policy culture, research culture or other issues.

The Policy Culture

Although they may often appear to speak the same language, policy makers and researchers generally operate in very different cultures – which affect how they think, operate and communicate. For instance policy makers can be very wary of developing and trying something new in case it doesn't work and they get blamed for that. They much prefer to adopt already apparently successful programmes and approaches from elsewhere. Therefore often they are not looking for better ways of doing things, because that implies some acknowledgement that there are drawbacks or limitations to the current approach, but instead welcome confirmation that they are doing the right things.

There is a considerably body of evidence which suggests that the culture in which policy is made is often not conducive to the establishment of a good link with research. The disconnect between enterprise policy and the research and/or theory that might have been expected to inform it is attested by Arshed *et al* (2014). They suggest that in the typical policy formulation process the collection of evidence is generally limited to evidence that will support and justify the proposed policy interest, that the time available in which to gather evidence is often very short, that 'evidence often takes the form of a narrative rather than hard data' and that 'sometimes all the evidence in the world is irrelevant depending on what political leadership wants to do'. Therefore they conclude that 'the process [of policy formulation] is dominated by powerful actors who govern the process with their interests'. This supports the earlier comment by Arshed and Carter (2012) that the four influences of legitimacy, actors, culture and power may undermine the coherence and consistence of enterprise policy. A further reflection on subsequent enterprise policy implementation is provided by Arshed *et al* (2016) who conclude that 'the implementation process of enterprise policy is complex and confusing, with fragmented relationships between the actors involved' and they also comment on 'the absence of clearly defined objectives ... and the lack of measurement and evaluation'. The following paragraphs expand on some of these points.

Following a rational model is not easy. Kingdon (1984) researched the rise and fall of items on governmental agenda to try to determine why some items and alternatives were prominent and others were neglected. His conclusions are consistent with the view that this is a complex situation in which many factors may have an impact. Indeed, he suggested, 'If academics find these subjects rather murky, practitioners of the art of government scarcely have a clearer understanding of them' (p.1). Among his other observations were the following:

'If policy makers were operating according to a rational, comprehensive model, they would first define their goals rather clearly and set the levels of achievement of those goals that would satisfy them. Then they would canvass many (ideally, all) alternatives that might achieve these goals. They would compare the alternatives systematically, assessing their costs and benefits, and then they would choose the alternatives that would achieve their goals at the least cost.

For various reasons ... such a model does not very accurately describe reality. The ability of human beings to process information is more limited than such a comprehensive approach would prescribe. We are unable to canvass many alternatives, keep them simultaneously in our heads, and compare them systematically. We also do not usually clarify our goals; indeed, this is often counterproductive because constructing a political coalition involves persuading people to agree on a specific proposal when they might not agree on a set of goals to be achieved. It could be that some individual actors in the process are fairly rational a fair amount of the time, but when many actors are involved and they drift in and out of the process, the kind of rationality that might characterize a unitary decision-making structure becomes elusive.' ...

'Often, the participants are not solving problems at all. They have not specified their goals very precisely and have not identified their problems with great care. They often seem to push for given proposals, developing information about the problems they are supposedly solving along the way as a means of justifying their position.' (p.77/8)

A lack of goal clarity. One of the suggestions that Kingdon makes is that in policy making goals are sometimes deliberately left unclear, possibly because it is easier to avoid disagreement if an element of imprecision is retained. Earlier Cohen *et al* (1972) had referred to organisations such as universities and government departments as "organised anarchies" and suggest that, among other issues, typically they have problematic preferences:

'People characteristically do not define their preferences very precisely, much as political actors often fail to (or refuse to) define their goals. Yet, as Lindblom argues, people act in the absence of clearly defined goals; indeed, action is often facilitated by fuzzing over what one is trying to accomplish. When participants do define their preferences with a modicum of precision, they conflict. So the preferences are inconsistent, both between individuals and even within a given individual. Thus, as Cohen *et al.* put it, the organization is "a loose collection of ideas [rather than] a

coherent structure; it discovers preferences through action more than it acts on the basis of preferences".' (p.84)

Problems are not recognised. Another benefit of not clearly specifying goals is that it is then it is harder to show that they aren't being achieved - so implementation problems do not need to be recognised and the need for uncomfortable corrective action can be avoided. Sometime a failure to recognise problems or see issues may arise because those who see them are discouraged from highlighting them. Wilful blindness is a term used in legal circles under which 'you are responsible if you could have known, and should have known, something which instead you strove not to see' (Heffernan, 2012: p.1) but striving not to see is a human failing to which even a large bureaucracy such as Boeing succumbed in the case of the 737 Max. Things we could know but don't know have been labelled "unknown knowns" and they may remain unknown if potential 'whistleblowers' are sufficiently discouraged. For instance the author was once involved in research commissioned by a government department where he felt that the leaders of the research were reluctant to say that the findings challenged the model being explored and that, rather than proffer observations which were not what was commissioned, and which might therefore compromise the chance of further commissions, they were instead trying to fit their conclusions into the model given (see Appendix 3A).

Policy is subject to a variety of influences. Kingdon also points out that policy is subject to a variety of influences from different stakeholders such as ministers, other politicians, budgets, lobby groups and the media, as well as from any apparently relevant research. As subjects like enterprise are themselves not susceptible to simple cause-and-effect approaches, this additional factor only adds to the complexity of the situation. For instance Aldrich *et al* (2018) looked at the different policies for nuclear energy adopted by different governments following the Fukushima meltdown in Japan in 2011. Following that series of events Germany decided to end its nuclear programme whereas Japan, which had been much more directly affected, decided to continue its programme – outcomes which appear to owe more to different perceived influences on policy makers than on the actual evidence of the events.

Incrementalism and policy 'windows.' Another point made by Kingdon is that policy makers often prefer, or are constrained to, an incremental approach which biases them toward small changes rather than big ones. Also the opportunities to make changes may be limited to policy 'windows' during which the limited time available may preclude things

like wider consultation or the assessment of new evidence. Thus the policy dilemma (see earlier comment) can prevent more deliberate and rational decision making.

‘Instead of beginning consideration of each program or issue afresh, decision makers take what they are currently doing as given, and make small, incremental, marginal adjustments in that current behavior. By taking that tack, they need not canvass formidable numbers of far-reaching changes, they need not spend inordinate time defining their goals, and the comparisons they make between the current state of affairs and the small adjustments to be made in current behavior are entirely manageable. The result is that policy changes very gradually, in small steps.’ (Kingdon, 1984, p.79)

A lack of embedded wisdom. A further detrimental factor is that often any understanding that individuals may gain is not organisationally embedded. Therefore often the benefit of any new learning and/or experience is lost when the person concerned moves – as can happen in the public sector when a breadth of experience can be important for career progression and sectoral knowledge is less valued. McBride, for instance, in his analysis of a policy disaster, refers to the civil service being populated by generalists who were expected to ‘learn on the job’ and to the replacement of almost an entire team in the space of six months (McBride, 2019). In theory the role of civil servants is to implement the decisions of ministers and, while they may be called upon sometimes to inform those decisions, the evidence/theory base used is likely to be very limited. As Levitt and March (1988) suggest, ‘unless the implications of experience can be transferred from those who experienced it to those who did not, the lessons of history are likely to be lost through turnover of personnel’ and, if organizational experience is not conserved, knowledge disappears from an organisation’s active memory’ (p.328).

The Research Culture

The research side seems to have been less studied than the policy side, possibly because researchers are too close to it to study it objectively – or to see any need so to do. Nevertheless it too has a prevailing culture and some observations about it might be made, or deduced:

The influence of funding. Similar to the programme evaluations referred to above, other forms of research are also often dependent either directly or indirectly on government for its funding. The result is a supplier customer relationship which can lead to a lack of

objectivity and a wish to avoid real challenge (see an example in Appendix 3A). For example, Pawson has commented that:

‘Evidence can ... be an article of trade, with the livelihoods of research institutes dependent on their capacity to manufacture evidence to meet the needs of inquisitive customers. ... In the UK much, if not most, policy inquiry is conducted by units and centres that perch on the edge of mainstream university departments, and whose existence depends on winning the next contract. Oftentimes, this means that the policy-research relationship is financially circular, with one arm of government providing the funds for another to supply the evidence base. Sometimes, the loop is much tighter, with many central and local government departments having their own 'analytic' divisions and 'research and intelligence' units’. (Pawson, 2006: p.3)

Deference to received wisdom. It might be expected that research would lead to new theories and to challenges to old thinking - but things like the drive to be published, for which ‘peer’ approval is needed, means that the more embedded ‘experts’, who often adhere to the established ideas, have a considerable veto on emergent ideas. Thus, to at least some extent, the received knowledge in this area has appeared to stagnate and Shepherd and Patzelt (2017) support such a conclusion by identifying some factors which might have led to this. In particular they point out that ‘continuing to be entrepreneurial in our research may be more difficult than it initially appears’ and ‘entrepreneurship researchers sometimes decide to “play it safe”, using “accepted” theories and methods’ ... (i.e. taking the known path)’ (p.2):

- Researchers can be inclined to “play it safe” and any upsetting research that is nevertheless proffered is likely to fail to see the light of day because it doesn’t fit the accepted paradigms and thus fails to be accepted for publication. For reasons such as these challenges to received wisdom are unlikely to appear and, if they do, are unlikely to be heeded. If that is the case then the result then is that, like the policy side, the research / academic side may also not learn afresh and/or may not be inclined to query some of the fundamental assumptions it too has inherited.
- Also, when it comes to those publications which might be expected to disseminate new knowledge, Shepherd and Patzelt suggest that:

‘Crowding out also happens during the journal review process when editors and reviewers take a more conservative approach because they are more concerned with errors of commission (i.e., publishing a paper that lessens the journal's legitimacy) than with errors of omission (i.e., turning down a paper that is riskier

but could be very impactful). As a result, editors and reviewers often decide to "play it safe," deciding to accept only papers that fit their particular mould and are "done well" regardless of misgivings about the size of the work's contribution.' (p.9)

Other Issues

In addition to the cultures particular to each of the policy and research 'sides' there are other factors, often applicable to both sides, which can hinder meaningful communication. Here are some:

A belief that it happens. If there is a presumption that the policy-research link happens naturally and works well when it is needed then not only are many people are likely to believe that it is happening but also they may even deny that it isn't. Was *The Evidence Base* (SBS, 2004) for instance, an example of such thinking? If that is the case the arguments for change are likely to be ignored. This is particularly likely to be the case when accepting such evidence might lead to a recognition of the need to change and following accepted practice and doing more of the same is much more comfortable.

A pre-disposition towards determinism. For enterprise policy to work it has to change behaviour so that the desired outcome of increased business formation and/or growth is produced – and to do that it needs an understanding of what will change the relevant behaviour. However often views on this appear to be influenced by a Newtonian inspired adherence to determinism – a belief that it should be possible to work out the mechanism linking input to output and thus know what to do to achieve the desired outcome (and see Box 5.1). Popper (1972) suggested that we have come to view most systems like clocks with mechanisms that, with effort, can be understood and then, if they are not working as desired, an analysis should be able to identify which component(s) to repair or change. Therefore the default view is that for every effect, such as something not performing as wished, there will be a cause - so efforts should be made to identify the problem (such as 'market failure') and then fix it. From this perspective resorting to trial and error is likely to be shunned because it would suggest a lack of diligence in identifying the problem.

A complex situation. However Popper suggested that most phenomena are not clocks but clouds. They are complex systems with multiple influences and where simple cause-and-effect approaches do not work. In such situations, where it is not possible to work out in advance precisely what the result of an action will be, trial and error has been found to be the effective way to proceed – which is why history shows that most things that work come

from such a process. But is that ever done in policy? Enterprise, for example, would seem to be a complex phenomenon in which there are several competing influences – but is that accepted in policy approaches with a consequent look for the different pressures? Instead, Taylor suggests, it would appear that ‘too often public policy is made without regard to empirical research but in conformity with a misconceived conventional wisdom or ideological fixation’ (Taylor, 2002: p.23)

A one-way information flow. Research usually publishes where and when it can - but policy does not. Research provides so much information that its useful contribution can be hidden but in contrast there is almost no feedback from policy to research – for instance when policies, or their constituent programmes, are ended there are no obituaries to tell people that they have ceased and no post-mortem analysis of why they might have failed (as a ‘trial and error’ approach would require). Thus the information flow is overwhelmingly one-way from research towards others including policy.

Research and policy focus on different things. Could a significant reason why research has not informed policy be because essentially they are looking for different things? Research may provide lots of information, as *The Evidence Base* (SBS, 2004) indicated, but the knowledge produced by research is rarely that needed to inform policy. Research seeks to describe and understand and policy to influence and change. Knowledge about the appearance or movement of something is not generally the same thing as knowledge about how it works and the mechanism which steers it. Describing what something is does not necessarily indicate how it can be influenced: it may provide some helpful clues or starting points but they will need further work to turn them into useful guidance. A description of something might lead to knowledge about to guide or steer it, but only if the conversion is deliberately made. Policy ‘implications’ may sometimes be noted in research papers but those are the researchers’ ideas – and there is an argument that it is primarily the policy makers’ responsibility to convert research information into policy (see Box 3.4). As Kitson observes, a cow may very usefully produce milk but a different process is then required to turn it into butter. Should we accept that research can’t provide ‘oven-ready’ policy but it can provide ingredients from which policy might be constructed - such as suggestions for avenues to explore and influences to try?

Box 3.4 – The impact of intelligence on military operations

In the Second World War the ability of the Allies to decipher Enigma encoded signals allowed them sometimes to know where the German forces were and what they planned

to do. But that was an exception and generally the intelligence services could not produce such operationally useful information. Nevertheless many operational soldiers have been tempted to blame their intelligence sections or services for not telling them where and how to make contact with the enemy - as if that was what intelligence could and should do - instead of realising that they had to learn how to use the information the intelligence services could provide to work out what the enemy was likely to try do and how to circumvent him.

Kitson, in his writing about 'low intensity operations' against insurgents, acknowledged this and suggested that:

'The fact is that although intelligence is of great importance, it does not usually come in the form of information which will immediately enable a policeman or soldier to put his men into contact with the enemy. The reason for this is inherent in the way in which intelligence organizations work. Information collected in this way is immensely valuable for providing data on which policy can be worked out, ... [but it] has to be developed by a different set of processes to those used by the organizations themselves before it can be used for putting government forces into contact with insurgents. A cow can turn grass into milk but a further process is required in order to turn the milk into butter.'

(Kitson, 1971: p.96)

Enterprise is not unique. As the military example referred to in Box 4.6 indicates, enterprise is not unique in having communication problems between research and policy. Another example is the field of medicine which is instructive because there it is recognised that there is science and there is practice and that they are not always closely connected (Swann, 2019: p.134). So which do students learn and do: the scientific theory or the practice of their colleagues? The science and theory in medicine are not as connected as might be supposed despite the difference and the need to bridge it being recognised.

Conclusions and Implications

'You can lead a horse to water but you cannot make it drink.' (Proverb)

If for years there has been what Gibb in 2000 called 'an explosion of research into entrepreneurship and the small and medium enterprise' (p.13) why has this not fed through to the development of better policy and practice? Research may have provided

the information that small businesses create jobs and provided descriptions of small businesses with details such as who starts them and where they are to be found – but has it provided what policy makers need which is insights into how to influence the foundation and/or growth of enterprise?

This section indicates that in practice there are many barriers to meaningful interaction between research and policy– so, instead of a natural link, a disconnection between them should be expected. In effect much of the ‘water’ provided is not drinkable’ and little gets through to the horse which, in any case, rarely wants to drink. A focus of what apparently connects the two sides may even have served to obscure and/or distract from the more significant things that separate them. Therefore the difficulties should be acknowledged – without pretending that they can easily be overcome. Desirable though it might seem, it should not be expected that policy will be based on good research evidence.

But, if it is not research evidence, then on what is policy based? Do policy makers choose methods at random or, as seems more likely, do they have some reason for supposing that their policies might achieve the outcomes desired? The option left would appear to be an assumed understanding picked up from colleagues and accepted practice. Do they, while sometimes appearing to acknowledge new input, in practice rely on the sort of inherited learning and ‘cognitive short cuts’ (Cairney, 2018, p.201) sometimes referred to as received or ‘conventional’ wisdom?

Could it be that the barriers to good communication between research and policy have not been identified and highlighted because improving the link has not been seen as important? Overcoming obstacles to policy research communication requires recognition both of the differences between the two sides and of the need to bridge them. However has that not been seen as necessary because both the policy and the research sides have largely been influenced by the same conventional wisdom? And have they both viewed that wisdom, not as something which might be questionable, but as the accepted basis for their work?

Box 3.5 – A insight into the policy dilemma

Cairney (2018) provides this summary of the policy dilemma:

‘In an ideal-type world ... “comprehensively rational” policymakers would combine their values with evidence to define policy problems and their aims, “neutral” bureaucracies

would produce multiple possible solutions consistent with those aims, and policymakers would select the “best” or most “evidence-based” solution. This act would set in motion a cycle of stages including legitimization [sic], implementation, evaluation and the choice to maintain or change policy. The policy process would be predictable, and all actors would know how to engage with policymakers to translate their evidence into policy. ...

In the real world, policymaking often seems counterintuitive. There is too much information, and policymakers have to ignore most policy problems and most ways to understand and try to solve them. They use “rational” and “irrational” cognitive short cuts to help them pay attention to a manageable number of issues, and address policy problems without fully understanding them. When their attention lurches to a policy problem, it is too late to produce a new solution that is technically feasible and acceptable to policymakers. Their willingness and ability to select a policy solution is fleeting, during a brief “window of opportunity” in which all key factors - heightened attention to a problem, an available and feasible solution and the motive to select it — must come together at the same time, or the opportunity is lost.’

Reflections on the policy making process in practice

In theory it might have been supposed that the policy making process would proceed formally in an orderly and logical way in line with the considerations outlined in ‘The policy role’ above – and also informed by a careful assessment of what is known about what actually works.

However observers report that in practice the process usually appears to be different - as also indicated above under ‘Why It Does Not Happen’. For instance Arshed *et al* (2016: p.1582) noted that policy making ‘is dominated by powerful actors who govern the process with their interests’ and that its implementation is ‘complex and confusing’ with ‘the absence of clearly defined objectives ... and the lack of measurement and evaluation’. However this may not always be apparent because, as Arshed *et al* (2014: p.639) also observed: ‘how policy is formulated ... is seldom visible to those outside of government departments’. Therefore, as the earlier analysis indicates, and as Chapter 4 illustrates, a sceptical view would suggest that often policy making has features such as those indicated in Table 3.1.

Table 3.1 – The key features of policy in practice?

Starting point:	The trigger for a new policy can be a desire to have a fresh start, e.g. by a new minister, and often to be seen to be doing something.
Presentation:	Therefore an attractive presentation can be more important than the actual content.
Timing:	A policy often has to be put in place relatively quickly (so the suggested stages cannot all be properly considered) and/or by a team of people with little prior relevant experience.
Basis and inputs:	It is therefore often based on what the people involved already think they know about enterprise - which is often the conventional wisdom. And other inputs are likely to come, not objectively from relevant research, but subjectively from the prevailing ideas of the parties with most influence on the policy drafters.
New ideas and learning from experience?	It is very desirable that policy is not be too novel and should be based on apparently credible practice as a defence to questions being raised about why it was pursued. Therefore following accepted precedent or copying models from 'expert' recommendation or 'international best practice' are often preferred approaches. Past policy is not examined for lessons and 'trial and error' is shunned.
Consultation:	The real aim of consultation is not to inform the policy, but to obtain endorsement of it. So consultees may be selected for that purpose.
Monitoring and evaluation:	Policy should then be supported by evaluations which highlight the good points and manage not to report (notice) any failings – thus reinforcing the policy decisions and not providing opportunities and/or openings for criticism.

Consequently, of Weber's (1964) four types of meaningful action, policy making prefers traditional action and tends not to achieve practical action:

- The first is traditional action: doing what has always been done. This is based on precedent and in practice might for many be the first choice.
- Then there is what he called effectual action which is based on emotion.
- The third is value based action which is when people's actions are driven by, or at least conform to, their values and/or beliefs.

- Finally there is practical action which is action oriented primarily to achieve something. It is this sort of action for which valid up-to-date evidence-based knowledge is needed.

In conclusion

This suggests that, despite any expectations to the contrary, in reality there are many barriers to good communication between research and policy. All this supports the view that, in the relevant public sector departments, formal or deliberate enterprise learning is unlikely to have been a significant feature and that in general policy is not informed by research and/or assessment of results. Therefore, on the assumption that policy is not nevertheless selected at random but is based on some ideas about what might achieve the desired outcome, it would seem that its foundation is likely to have been the sort of learning inherited from colleagues and/or from custom and practice known sometimes as received or 'conventional' wisdom.

The Link Between Enterprise Theory and Academic Research

What about the research side? Is the knowledge base of enterprise researchers and teachers that different from the policy side – or are there are reasons to suppose that it too does not evolve to the extent that might be expected?

Bridge and O'Neill (2018), in presenting their summaries of knowledge about enterprise, entrepreneurs and small business for what is, essentially, an academic textbook, have, in the most recent editions, included chapters challenging some of what they suggest has become received wisdom. However some others observers/commentators have not obviously followed suit - although this may be because, when change occurs, it is not necessarily highlighted or even acknowledged in case doing so suggests that earlier pronouncements might have been in error.

Also if, as is suggested above, researchers are inclined to "play it safe", and if any upsetting research that is proffered is often not published and thus fails to see the light of day because it doesn't fit the accepted paradigms, then challenges to received wisdom are unlikely to appear and to be heeded. The result then is that, like the policy side, the research and academic side may also not learn afresh and/or may not be inclined to query some of the fundamental assumptions it too has inherited.

Summary

This suggests that there are grounds for thinking that in neither policy nor research circles are practitioners routinely exposed to revisions to established thinking and that on neither side have theories really been put to the test or new thinking really welcomed or even recognised. In terms of Confucius's observation, learning from experience seems to have been neglected, possibly because it would be too bitter, and learning from reflection also missed, possibly because those concerned rarely have time for it. The result is that learning by 'imitation' from what is almost inevitably old thinking often prevails and so old assumptions remain unchallenged and therefore, once they have acquired some ideas about enterprise, people are unlikely to update this 'knowledge'. And it can be argued that this is a common and well established human failing because we are all prone to influences such as the truth effect, subjective bias, and 'Mumpsimus'.

It is therefore a conclusion from this investigation that enterprise policy is likely to have been influenced more by conventional wisdom than by enterprise research. It is suggested that on neither the policy nor the research side have alternative theories really been put to the test or new thinking really been welcomed – so old thinking often prevails and old assumptions remain unchallenged. In practice do both sides 'play it safe' by unquestioningly accepting the same conventional wisdom? If so neither side may see a real need for more/better communication if it might introduce new and different thinking which would upset the foundation knowledge upon which they have been accustomed to rely.

THE ENTERPRISE LITERATURE

The literature about enterprise is now very extensive – and it includes reflections on enterprise policy. As indicated earlier, Meyer *et al* (2013) reported that by 2013 the rate of production of academic papers about enterprise had risen to over 5,000 a year – and there are also many associated research and text books. However most of them appear unquestioningly to use and/or propagate the shared knowledge referred to here as the conventional wisdom: taking it as a given and building on it as a foundation rather than querying it. Some people have questioned aspects of this thinking, such as profit being the motive for all businesses and the desirability of business plans, and a number of these objections are referenced in Chapter 6 – and there are also contributions about a lack of

clear policy success. However these offerings have generally treated such issues as isolated concerns and not as symptomatic of a wider and more pervasive underlying problem.

Nevertheless a few have taken a broader view. Gibb (2000), as quoted above, did point out that there had been a growth in ignorance about enterprise and small businesses and that 'a major manifestation of this growth of ignorance is the emergence of a number of outstanding 'mythical concepts' and 'myths' which are considerably influencing the establishment of policy priorities'. Gartner in 2001 also referred an unwillingness to discuss unconscious and/or unstated assumptions about entrepreneurship upon which theory was being based and Brown *et al* (2017) also point out instances of myths about high growth firms prevalent in the policy community. In their book, *Big Is Beautiful*, Atkinson and Lind (2018) look essentially at small businesses and not at the wider field that might be described as enterprise. They also address some of the relevant myths but do not cover the range of assumptions that this thesis suggests form the foundations of conventional wisdom in this area. Thus they claim to be 'debunking the myths of small business' but, in doing so, they treat small businesses as a relatively homogenous category which can be contrasted with that of big businesses - whereas challenging that assumption as itself a myth could lead to an even more insightful perspective.

Apart from views like those referred to above and in this author's own books, the suggested question about the reliability of this conventional wisdom is not therefore highlighted. Instead much of the enterprise literature appears to rely on the conventional wisdom and its associated assumptions. The literature which explores new ground mainly seeks to build on the foundation of established knowledge and/or to fill gaps in it. It does not therefore tend to suggest, or offer support to anyone who does suggest, that those foundations are unsafe – which is in keeping with the impact that Kuhn (1970) suggests paradigms have on their relevant discipline as 'research is directed to the articulation of those phenomena and theories that the paradigm already supplies' (p.23). Also, as this thesis not only queries those foundations but also looks wider at how learning is generally acquired, it is not just limited to literature about enterprise. It seeks instead information on how people learn and/or think about things and where enterprise might realistically fit with other areas of life. This exploration is therefore relatively open, not bounded, and considers a wide range of sources – which are indicated in the relevant chapters.

The failure of policy may indicate ignorance by policy makers but the account of the development of interest in enterprise given in Chapter 2 suggests that policy makers are

not alone in this. The analysis above of the enterprise literature indicates not only that it does not appear to address the 'ignorance' about enterprise suggested in the research issues but, in not doing so, it also suggests that the authors of the literature largely share the same ignorance in that they subscribe to, and/or follow and base their expositions on, the same conventional wisdom. Therefore the ignorance appears to be found across the enterprise 'industry', not just in one part of it.

THE NATURE OF CONVENTIONAL WISDOM?

'If something seems plausible, impresses us, fits with what we'd like to think, or has been sold to us persuasively, we are willing to treat it as a truth. To compound the problem, the lines between science and belief are frequently blurred: elements of dependable science are blended with wishful thinking to create an alluring cocktail of reality and desirable fantasy.'

(Graves, 2010: p.1)

The scientific method may be the recognised way to improve knowledge but history shows us that the reality is often not as simple as descriptions of the method might suggest. For instance it is only when a 'science' is well established that it is possible to identify its foundation as a clear set of recorded and verified theories that amount to 'laws' which can be used to predict what outcome will follow from a specific input. Therefore, before that, to get the process started some initial 'guesstimate' assumptions are needed. Usually those exploring a new field are doing so for a reason other than simple intellectual curiosity. Often they want to find a basis for taking action and cannot afford to spend ages observing in order to build up detailed observation-based theories and then subjecting them to a battery of tests. They are likely to use their experience and/or instincts to suggest something that seems reasonable and use that as a guide without first subjecting it to the clarification and verification the scientific method would require. Then, once they are accustomed to proceeding in that way, they can be quite blind to any evidence to the contrary – which becomes an 'unknown known'. Falsification by contrary evidence and subsequent new theories can take a long time to become accepted (Kuhn, 1979: p.150) and thus even a classical scientific development such as the Copernican revolution, which recognised that the earth revolved around the sun, was not fully accepted for many years

despite evidence which was not compatible with the previous earth-centred view. (Warburton, 1992)

Thus it seems reasonable to suppose that, in the field of enterprise, those charged with establishing its credibility or with early policy development would have started with some initial assumptions based on what they thought they knew and/or had observed. Indeed the existence of a set of basic assumptions about entrepreneurship is attested by some authors such as Landström and Johannisson (2001), Lindgren and Packendorff (2009), Chiles *et al* (2010) and Scherdin and Zander (2014) and Åsvoll (2019) reflects Gartner (2001) in noting that ‘we are too often unaware of the assumptions we make in our theoretical perspectives’. For instance, Scherdin and Zander suggest that ‘without a body of connected and interlocking theories’ (p.218) entrepreneurship research would lack legitimacy and they refer to ‘an underlying set of core assumptions’ that ‘represent the often neglected ... “roots” of the field of entrepreneurship research’ (p.216). Thus they support the view that there are such assumptions but also add that ‘a time will inevitably come when such core assumptions have fulfilled their purpose and or replaced or complimented by other and more promising foundations and ways forward’ (p.228).

Although Scherdin and Zander identify some possible assumptions, they and the other authors mentioned are looking primarily at entrepreneurship interpreted as why people start businesses, and at the assumptions underpinning research into it, and they do not consider ideas which might underlie broader enterprise policy. Instead, it would seem, this apparent ‘conventional wisdom’ generally has to be deduced from its impacts rather than read from texts about it. It would be easy to say what this knowledge was if it was recorded as such, for instance if the rationale for policy was clearly identified, but this appears not to be the case. In policy pronouncements information may be given on what is to be done for what purpose, and how, when and even by whom, but not the underlying reasons why those actions were selected. It is as if this was not seen to be a relevant to policy implementation – rather as a medical manual in the past might have described how a patient should be bled, and when, but its author(s) might not have felt it relevant to include a summary of the humours theory as the rationale for the practice or even indicate an awareness of it.

Asking those involved in policy and its implementation might appear to be one way of revealing their core thinking - but are they always conscious of the underlying rationale for their actions? If they had been taught something formally then they might remember acquiring that knowledge, but if instead they just adopt ideas and procedures and accept

them as the way of things are done, then they are unlikely to be conscious of an underlying rationale. When they start, for instance, they usually continue to do what their predecessors did, follow apparent best practice, and/or copy the example of others already working in the area and who are accustomed to do things that way. When the author joined LEDU (the Northern Ireland government's small business support agency) he accepted initially that grants were the appropriate way to support small business growth, and thus the way to achieve LEDU's job-promotion target, because that was the accepted method and the way the organisation he had joined did its work. It was only later that he started to question that apparent assumption and ask if grants were indeed the best tool to use. The case of Northern Ireland's policy evolution related in Chapter 4 may be typical because, although it included an early attempt to access 'expert' knowledge, no meaningful attempt was made thereafter to check or improve the policy assumptions

Do people usually think of the underlying reasons, never mind the foundation assumptions, when they do something - or do they just do what they are encouraged to do and/or follow what others are doing and accept that as the right thing to do? If they are challenged they might find a rationale because, as Benjamin Franklin (1791) observed: 'So convenient a thing it is to be a reasonable creature, since it enables one to find or make a reason for everything one had in mind to do.' Furthermore, the very act of asking a question often has the effect of suggesting to the responder what to think.' (Woodward, 2011). As a result often the rationale follows the actions, rather than precedes them. Instinctively and unconsciously, rather than admit to acting for no clear reason, we invent a rationale and then believe it. 'When pressed, we invent reasons that are consistent with our behaviour. And this may be linked to 'a phenomenon known as confabulation, where the brain, not being able to recall something, rather than admit to a gap in its understanding, makes up something plausible and which appears consistent, to fill it.' (McGilchrist, 2010: p.81).

Calling it conventional wisdom may make this knowledge sound more overt, organised and/or structured than it is. Instead it is suggested that it is not a formal or conscious set of beliefs but a way of thinking about enterprise and a perspective on it that people have acquired – but without realising how or why. Is it a set of 'comfortable myths and shared presumptions' (Alder, 2008) often sourced from apparent best practice, copying others and following organisational custom? As an example of how this can often go unrecognised Box 3.6 presents summaries of two linked ways of thinking of which many are not conscious but which, although apparently unbalanced, have also become influential.

Box 3.6 – Examples of perspectives subconsciously embedded in our thinking

Determinism

As Lehrer has explained, Karl Popper, the great philosopher of science, once divided the world into two categories: clocks and clouds. Clocks, he suggested, are neat, orderly systems that can be solved through reduction; whereas clouds are an epistemic mess, “highly irregular, disorderly, and more or less unpredictable.” But, suggests Lehrer, “the mistake of modern science is to pretend that everything is a clock. ... We want to believe we will understand nature if we find the exact right tool to cut its joints. But that approach is doomed to failure.’ (Lehrer, 2010)

Popper himself indicated that the origins of this belief in determinism lay in ideas such as those of Newton:

‘Newton's theory was the first really successful scientific theory in human history; and it was tremendously successful. Here was real knowledge; knowledge beyond the wildest dreams of even the boldest minds. Here was a theory which explained precisely not only the movements of all the stars in their course, but also, just as precisely, the movements of bodies on earth, such as falling apples, or projectiles, or pendulum clocks. And it even explained the tides.

All open-minded men - all those who were eager to learn, and who took an interest in the growth of knowledge-were converted to the new theory. Most open minded men, and especially most scientists, thought that in the end it would explain everything, including not only electricity and magnetism, but also clouds, and even living organisms. Thus physical determinism - the doctrine that all clouds are clocks - became the ruling faith among enlightened men; and everybody who did not embrace this new faith was held to be an obscurantist or a reactionary.’

However, according to Popper, ‘determinism is a nightmare. It is a nightmare because it asserts that the whole world with everything in it is a huge automaton, and that we are nothing but little cogwheels, or at best sub-automata, within it. It thus destroys, in particular, the idea of creativity.’(Popper, 1972) Nevertheless, despite such protestations, a strong belief in determinism remains, possibly because people are often not conscious of its influence and/or origins. Thus still, as Brooks has summarised: ‘one of the great temptations of modern research is that it tries to pretend that every phenomenon is a clock, which can be evaluated using mechanical tools and regular techniques’. (Brooks, 2011: p.166/7)

Left-brained logic

Popper suggested that it is in Western thinking that people are particularly prone to the temptations of determinism – and, possibly linked to this, McGilchrist has suggested that in the West many have acquired a disproportional reliance on the left brain. He acknowledges that earlier indications of the difference between the two sides of the brain have not been helpful: ‘the subject of hemisphere differences has a poor track record’ (McGilchrist, 2010) but states nevertheless that there is a difference which he summarises as:

‘One way of looking at the difference would be to say that while the left hemisphere’s *raison d’être* is to narrow things down to a certainty, the right hemisphere’s is to open them up into possibility.’ (Rowson & McGilchrist, 2013)

In his book, *The Master and his Emissary*, McGilchrist expands on his theme that we have often become too dependent on left brain thought and, in summarising his argument, says:

‘If I am right that we are living in the West in a culture dominated by the take on the world of the left hemisphere, how did this come about? Surely, you may say, it’s because it has proved itself more successful than any of the alternatives. Well, that all depends on what you mean by success. It is, I repeat, a culture that is very good at using the world, as if it were just a heap of resource to further our plans. But are our plans necessarily wise?’

I think its success can be attributed to several things. First, it makes you powerful, and power is very seductive. Second, it offers very simple explanations, that are in their own terms convincing, because what doesn’t fit the plan is simply declared to be meaningless.’ (Rowson and McGilchrist, 2013: p.20)

In conclusion

Thus, it is suggested that, in particular in the West, many people have become accustomed to think in a deterministic logical way without realising that this is only one perspective on the world – and often needs a counterbalance. Thinking that everything is a clock may be wrong but some things do nevertheless function in a clock-like way and, as McGilchrist says about the two perspectives of the brain:

In life we need both. In fact for practical purposes, narrowing things down to a certainty, so that we can grasp them, is more helpful. But it is also illusory, since

certainty itself is an illusion – albeit ... a useful one. Similarly the right hemisphere appreciates that all things change and flow, and are never fixed and static as the left hemisphere sees them. Nor are they isolated and atomistic, but reciprocally interconnected.’ (Rowson & McGilchrist, 2013)

But, if we do not appreciate the limitations of the perspectives we have unconsciously acquired, we are unlikely to be able to balance them with alternative considerations – and thus have a better overall view on how things actually are.

SO – THE RATIONALE FOR THIS THESIS

Part I presents the reasons for supposing that there is a pool of received knowledge about enterprise, upon which many people appear to rely, but which is overdue for review. The history of our interest in enterprise, the study of epistemology, the lack of meaningful dialogue between enterprise policy and enterprise research, the absence from much enterprise literature of any significant consideration of this possibility, and the nature of conventional wisdom all support the view that there could be a prevailing understanding of enterprise which is misconceived and misleading.

Not only must it be expected that the validity of what people think they know will decay, as the concept of a half-life of knowledge indicates especially when it does not appear to have been subject to the rigorous testing advocated by the scientific method, but also it would seem that in many cases enterprise policy has not worked, which suggests that the ideas and/or assumptions on which it is based may indeed be suspect. People don't (usually) do things for no reason, so why did the instigators of that policy think that it might work? There is no suggestion that the components were just picked at random – so what is the body of 'knowledge' which provided, and still provides, the rationale for such initiatives? What this thesis is seeking to examine are the ideas and assumptions which provide the basis for how those concerned are accustomed to think about enterprise: the 'conventional wisdom' about enterprise, to use the term advocated by Galbraith (1958) - but calling it 'wisdom' could makes it sound more wise than it deserves.

Postscript - Why Only Now?

If people working on the policy or practice of enterprise rely on conventional wisdom and, if it were incorrect, why hasn't it been challenged before? If in many cases enterprise policy has not worked and that, in turn, suggests that the ideas, theories and/or assumptions on which it is based may be suspect, would this not have been highlighted earlier?

There could be a number of reasons why that conclusion has not been widely drawn. One reason could be that few people have the time, and the inclination, to query and/or verify everything and it's more convenient to take it on trust – especially if no one else appears to have queried it. Then the failure of policy has had little official recognition and it may be an example of what has been labelled an 'unknown known': something which people could know but somehow have managed not to know. Often, it might be suspected, this is at least partly because knowing it would be inconvenient (there might then be an onus to change policy) so those concerned might, consciously or sub-consciously, have managed to avoid being aware of the relevant evidence. However, for whatever reason, there does not seem to be a wide awareness that policy in this area had not delivered.

Also, as the earlier part of this chapter indicates, there are many reasons to expect that the link between policy and research-derived knowledge is at best tenuous. Clearly there has been some communication between policy makers and researchers but often it would seem only on a somewhat selective and/or superficial basis. It has also been suggested that policy makers have often looked for apparently 'oven-ready' best practice ideas, instead of being prepared to develop their own approaches based on the information that research can provide. This has been likened to consumers blaming cows for not producing butter instead of recognising that producing the butter they want needs the application of an extra process to the milk that cows can produce. Attempts to present the evidence basis for policy are noticeable by their absence and, in one case where this was tried by the UK Government's Small Business Service (see Box 3.1), the attempt failed as the 'evidence presented was about the policies that were being followed not why they were being followed or how well they worked. Although evaluations of programmes may be available they are generally carried out by or for those responsible for the programmes and thus there is a strong incentive to report positive outcomes (which therefore help to hide any suggestions of policy failure). Instead it has been suspected that there may be more policy-based evidence than evidence-based policy. Consequently, for such reasons, the failure of enterprise policy has not led to any significant querying of enterprise research.

Another reason why the failure of policy has not led to a general questioning of the basis of that policy could be because its foundations have not been made clear and the underlying assumptions have not been openly listed – and therefore they have not been available for inspection and challenge.

Also, of course, some people have raised questions about the reliability of knowledge in this area - like Gibb in 2000 when he spoke of a growth of ignorance. But are we still ignorant? This chapter suggests that there are grounds for thinking that, instead of policy being guided by theories emanating from research, it is much more likely that, to at least some extent, both are based on what might be described as conventional wisdom – and that conventional wisdom is indeed suspect. Therefore, after the case study in Chapter 4, the subsequent chapters attempt to identify what might be the source, basis and/or nature of this conventional wisdom.

Appendixes:

3A An example of policy research interaction

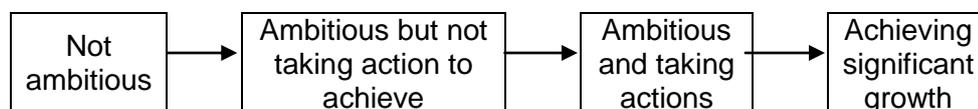
AN EXAMPLE OF POLICY RESEARCH INTERACTION

Policy and research may talk to each other, but do they communicate? When the policy makers, or their masters, are also paying for the research there is often a supplier-customer relationship in which there is pressure on the supplier to behave as if ‘the customer is always right’ and therefore not to raise potential awkward issues, however relevant they might appear to be.

On one occasion the author was asked to help with a commissioned piece of research for a government department interested in encouraging business growth. However it subsequently appeared to him that the commissioning department was determined to get what it had paid for and not be hoodwinked by consultants trying to deliver something different – and therefore the lead consultants felt that any suggestions that the brief was misguided and its assumptions were inconsistent with the findings would be resisted as not being what was ordered. The following is a compilation about this based on the author’s record of communications from that time.

The starting assumptions for the research tasks was:

- That the key components of an economy are its component businesses which can each be examined separately, and
- That growth in those businesses is determined by the strength of their ambition to grow – and that ambition-led growth moves through stages as reflected in this model.



Therefore the aim of the research was:

- To provide a better understanding of the scale and strength of growth ambition amongst SMEs, how this affects actual growth performance and the factors affecting growth ambition, and
- To consider the rationale for policy development in this area and identify and assess policy options that might be used to encourage higher levels of ambition and thereby promote additional actual growth.

The main part of the commissioned research consisted of a telephone questionnaire survey of businesses followed by fact-to-face interviews with a sample of the respondents. However it seemed to this researcher that, after talking to a number of businesses about their growth ambitions, the findings did not neatly fit into that scenario assumed by the model. If the research team couldn't identify the stages which the model suggested, was that because they haven't looked hard enough - or because the supposed stages didn't exist in real life?

The researcher thought that almost any trading business would over time lose some of its existing custom, and thus it needed constantly to generate more custom to maintain its position – and this was especially so in recession. If those efforts to generate more custom resulted in a net increase in orders, and if the business choose to accept the increase in orders, then its turnover (and possibly its employment) would grow. Some businesses hoped and planned for such growth but the customer-generating activity was, nevertheless, the same for all businesses - although its extent might be increased in order to try to generate a net increase. Thus the main categories he saw among the businesses interviewed were:

- Hoping to generate at least enough custom to maintain position.
- Wanting/needing to generate at least enough custom to maintain position but would welcome a bit more - although not planning for, or expecting, it.
- Wanting to generate enough custom to increase turnover by a significant amount - but not expecting to do more than maintain the current position.
- Wanting, and expecting, to generate enough custom to increase turnover by a significant amount.

Further the researcher suspected that even some of those business owners who expected to grow might not realise their expectations. He interviewed one who stated such an expectation which the author didn't think would be realised and he spoke to a partner in another who had expected the business to grow in the last three years, and who thought that all the necessary steps had been taken, but had had to accept that it hadn't grown although he didn't know why. Thus he was not now expecting growth even though the business was continuing its significant programme of planned customer-generating activity. Such findings also led the author to suspect that business owners might not actually understand what might be holding back their businesses - so a questionnaire

such as that used for the survey might get answers about what the owners thought might be restricting growth but those answers might not indicate the real reasons.

Therefore the researcher suggested that the activity in which the businesses engaged did not distinguish between businesses in the model's different categories. Whether that activity then leads to significant growth depended both on the nature of the action taken and the market conditions prevailing. Thus growth, judged objectively as an increase in turnover, profitability and/or employment, was the outcome of a process which is engaged in by all businesses – not just by those trying to increase in size. However that outcome was also dependent on factors beyond the direct control of the business – because the businesses could not in the main chose to grow independently from what is happening in the economy overall. In this scenario the categories suggested in the model seemed rather nonsensical. (Almost) all the businesses that this researcher spoke to were ambitious at least to maintain their position and (almost) all were taking action to do that, some were also hoping that their action would lead to an increase in custom but they could not be separated from the others by virtue of the action they were taking.

On reflection the researcher thought that his concern about the model was that, by offering four specific categories, it tended to encourage an assumption that (almost) all businesses would fall into one of those categories. Thus, on the basis that, if you have a hammer, everything tends to look like a nail, using the model as it was might lead to the researchers trying to categorise the businesses surveyed in that way. However, while it might be how policy makers might have liked businesses to be, he was not sure that it presented a helpful picture of reality.

In particular he wondered if SME owners themselves really knew and/or understood what might be determining their growth ambitions, especially if some of that influence acted sub-consciously. They might think that they knew and/or might rationalise their position and so might respond consistently to questionnaires about it, but would that give the researchers relevant answers which would help them to understand what was happening and in turn enable them to come up with some policy recommendations which might actually make a difference?

Could it be, he wondered, that, without actually admitting it, the researchers were nevertheless trying to fit their conclusions into the model, and thus acting as if it were correct, instead of saying that their findings could be interpreted as suggesting that the model was wrong. For instance the model suggested that ambition and then taking action

to give effect to that ambition were the precursors of growth, whereas he had found indications that growth appeared sometimes to occur without that ambition or planned action. Thus the thinking in the model was constraining the policy options the researchers presented – and even the title of the policy option section referred to influencing ambition.

The first two parts of the task had been to provide a better understanding of the scale and strength of growth ambitions amongst UK SMEs and how growth ambitions affect actual growth. However, the researcher wondered, was a key concern the extent to which that research would help with the second two parts – which were to understand the factors affecting/determining growth ambitions and to examine the rationale for policy to increase growth ambitions and assess policy options for doing so. If the leaders of the research were not prepared to put that to the department commissioning the research, because such observations were not what was commissioned and they hoped for further commissions, did the amount to a significant failure of communication?

Questioning Conventional Enterprise Wisdom

Part II

An illustrative case study

4 The development, delivery and results of Northern Ireland's enterprise policy

Chapter 4 presents a history of the development and application of enterprise policy in Northern Ireland over the last 40 years. This provides a real life example of the supposed application of enterprise understanding to policy making to illustrate the relevance of this study.

4 - A REVIEW OF THE DEVELOPMENT, DELIVERY AND RESULTS OF NORTHERN IRELAND'S ENTERPRISE POLICY

INTRODUCTION

As a case study of enterprise policy development and its apparent sources this chapter looks at the evolution of enterprise policy in Northern Ireland. If enterprise is primarily about small businesses then an enterprise policy might be said to have been in place there since at least 1971 with the creation in that year of the Local Enterprise Development Unit (LEDU) as a government agency to assist small businesses. However, if a wider interpretation is used, then it could be said that a specific enterprise policy emerged in the middle of the 1980s, with the 'Pathfinder' initiative which defined 'enterprise' as 'the propensity of people to create jobs for themselves and others, by engaging in and developing a legitimate activity which will earn them a living or by developing their existing jobs'. (Fell, 1987)

Therefore this story covers the last 40 or so years and, after an introduction to set the scene, its telling fits relatively easily into four main sections corresponding more or less to each of the last four decades. This is then followed by two sections of review and analysis: first to highlight the main policy objectives which appear to have been set during each stage and the main means by which they were to be achieved and then to consider the extent to which it appears those objectives were realised. Finally that allows conclusions to be drawn about the effectiveness of the policy.

BACKGROUND

Any review of the recent economic situation in Northern Ireland has to recognise the 'Troubles' and their impact. The 'Troubles' followed the civil rights protests and adversarial responses prominent in the late 1960s - and were seen as continuing until the Good Friday Agreement in 1998. Therefore, to indicate the background to the economic and enterprise policy development described below, Appendix 4A provides a short chronology of some key political events in Northern Ireland over the last 50 years.

As well as the 'Troubles', this has also been a period of economic weakness in Northern Ireland and its economic problems, political instability and violence were to a considerable extent interlinked with perceptions of political and economic inequality fuelling unrest and that unrest in turn damaging economic prospects. For example, in a chapter introducing a book on the Northern Ireland economy, Borooah (1993) states that post war the picture in the UK was one of relative economic decline but that 'arguably, on every economic indicator, NI has performed more poorly than the UK as a whole' (p.2) and employment in manufacturing 'fell from 195,000 in 1950 (36 per cent of NI employment) to 104,000 in 1990 (18 per cent of NI employment)' (p.6). Another estimate made in 1989 was that at that stage the 'Troubles' had 'reduced in-movement [of firms] by 6 thousand jobs [and] a maximum of a further 18-19 thousand jobs may also have been shed from established externally owned firms due to this cause.' (NIERC, 1989: p.46). Associated with this, local manufacturing output also fell and it was estimated that overall:

'[during] the period 1973-86 ... manufacturing employment in Northern Ireland fell by 39 per cent with the loss of 66 thousand jobs. Northern Ireland was not unique ... since national output in manufacturing dropped by 8 per cent ... [but] Northern Ireland's performance was thus less favourable than that of Great Britain ... However the consequences ... are more serious in Northern Ireland where a rapid national increase in the labour force requires fast growth to prevent high unemployment.' (NIERC, 1989: p.1)

A more detailed overview of the economic state of affairs is provided in the extract reproduced in Box 4.1. It was published in 1988 and it provides a summary of the economic situation in Northern Ireland in the middle of the 1980s. But the continuation of these problems did not mean that no remedies were being tried. Indeed, writing in 1991, the Northern Ireland Economic Council (NIEC) noted that:

'For more than half a century, successive administrations in Northern Ireland have pursued a range of strategies designed to address deep-seated weaknesses in the local economy. These strategies have progressively widened the extent of government involvement in the economic system and have been accompanied by the commitment of very substantial sums of public money to the task of supporting and strengthening industry ... [and] this effort ... in both scale and intensity has been significantly greater than in any other region of the United Kingdom.' (NIEC, 1991b)

Indeed, because of the scale and intensity of this effort, the NIERC report quoted earlier goes on to note that 'the wide range of financial assistance and operational advice and

assistance available to Northern Ireland firms makes it difficult to suggest new avenues for policy. Most things that can be done by government agencies are already being undertaken'. (NIERC, 1989: p.67)

Box 4.1 – Northern Ireland in the 1980s – an external view

The following extracts describe the economic situation of Northern Ireland towards the end of the 1980s as seen by an external observer (Hisrich, 1988).

Approximately 1.6 million people inhabit the 14,139 square kilometres of Northern Ireland. Underlying the volatile economic and political situation in Ireland is a culture that does not actively promote new business formation or entrepreneurship through its educational system, peers, or family structure. Attempts to broaden and strengthen the industrial base of this traditionally service-based economy have met with difficulty. This self-governing state of the United Kingdom has had little success in attracting new businesses to help combat the 21 per cent unemployment rate that afflicts its 581,000 workers. ...

Apart from the political climate, several basic problems hinder efforts to improve the commercial base of Northern Ireland. For example, for the past fifty years, three industries (farming, shipbuilding, and textiles) have dominated the province; all of these are in decline. Today, more than 45 percent of the population now work in the public sector. Only one in ten workers is involved in agriculture, forestry, or fishing. In addition, the industrial infrastructure does not support a steady development of new ventures.

The Northern Irish culture does little to advocate entrepreneurship as an acceptable career path. It is the general consensus that those who want to get ahead do so by going abroad, while those who remain at home accept limitations on growth and innovation. This attitude is reflected in a general unwillingness to take personal and commercial risks.

Demographic characteristics limit the market available to both new and existing private sector firms. Most of Northern Ireland's approximately 1.6 million inhabitants live around Belfast. The two closest outside markets - The Republic of Ireland and Great Britain - are viewed as "foreign" by many Northern Ireland businessmen, who make little effort to serve these markets. Yet, without a strong "export" orientation, chances for significant growth are limited.

A final problem hindering economic growth is the perception that the area is a

dangerous place to live, visit or do business. Northern Ireland rarely receives a favorable evaluation as a location for expansion by an outside firm.

EARLY INITIATIVES

During the 1950s and 60s the development and implementation of industrial development policy in Northern Ireland had been the responsibility of a central government department: the Ministry of Commerce. However in 1971 LEDU was established (see below) to provide support for the small business sector and in 1972 the Northern Ireland Finance Corporation (NIFC) was set up to assist companies which were threatened with closure but which with help could become viable in the longer-term. The NIFC was, however, short lived being replaced by the Northern Ireland Development Agency (NIDA) in 1976.

However NIDA did not provide funding and responsibility for administering grants remained with the Department of Commerce. Also the Agency was undermined by a number of well known failures at the end of the 1970s and, when Government philosophy turned against more interventionist forms of assisting industry, the Agency was increasingly perceived as lacking a clearly defined role. These doubts came to a head in the early 1980s at a time when the industrial development performance of Northern Ireland was deteriorating in contrast to the apparent success of the Industrial Development Authority (IDA) in the Republic of Ireland.

Clearly after the start of the Troubles there was a desire to maintain existing employment (even to the extent of the Northern Ireland government taking more or less direct control of businesses such as Harland & Wolff and Short Brothers & Harland) as well as to continue to attract new inward investment business. Therefore in 1982 NIDA was replaced by the Industrial Development Board (IDB) which combined the functions of the Agency with the functions of the Industrial Development Organization of the Department of Commerce. At the same time central government departments were reorganized, amalgamating the Department of Commerce with the Department of Manpower Services to form a new Department of Economic Development (DED) under whose aegis the IDB would operate. The IDB was staffed by civil servants supplemented by secondments and short-term contract employees from the private sector and with, an advisory Board drawn entirely from outside government, was considered to be as great a movement towards autonomy as the requirements of ministerial responsibility would permit. The new body did

not, however, have a comprehensive remit in the area of industrial development and responsibility for smaller companies (employing fewer than 50 people) was retained by LEDU. (NIEC, 1991b: pp.22-23)

As mentioned above LEDU (the Local Enterprise Development Unit) was set up in 1971 - as part of the Northern Ireland Development Programme 1970-75. It was established to promote industrial growth in small firms with under 50 employees – and it also incorporated the Rural Industries Development Committee. In effect support for the local small business sector was a third strand of industrial policy developed somewhat later than assistance for inward investment or larger indigenous industry. LEDU was initially set up (as a company limited by guarantee) to promote employment creation in small businesses and encourage new business start-ups. The original aims of this agency were somewhat limited but, as the climate for larger enterprises deteriorated during the past twenty years, its remit had steadily expanded and the promotion of the small firms sector became an increasingly important element of the industrial development effort. For example in 1981 LEDU gave assistance to the service sector for the first time and in 1983 it introduced Enterprise Grants aimed at individuals requiring a relatively small amount of capital for a one-person start-up.

Before the 1980s there had been little recognition of, or focus on, enterprise and small business. Nevertheless the expansion in the 1980s of LEDU and its activities reflected a growing interest in small business in the UK as a whole, and all of the national schemes to encourage this sector applied in Northern Ireland in addition to the wide range of programmes administered locally by LEDU (LEDU, 1996 and NIEC, 1991b). Also the need to address the problems occasioned by the Troubles had led to extra budgets being available in Northern Ireland for economic development. Northern Ireland is a relatively small part of the UK, having roughly one fortieth of its population and Westminster could allocate to it more than its per capita share because, with a sea boundary between it and the rest of the UK, there was no neighbouring region which might ask for the same treatment.

As a result, given that it had a relatively generous budget and that the political need was for jobs, in the early 1980s LEDU was using its budget to provide grants for businesses which said that with those grants they could employ more people. It is understandable that this should have happened given that LEDU had money and was set up to help small businesses which, when asked, generally said that they needed money. Thus the focus was on grants as LEDU's main tool and on the number of jobs 'promoted' (i.e. promised

by the recipients of those grants) as the measure and there was little or no consideration of whether the budget could have been converted into different 'tools' which might have been more effective in achieving economic development.

Another relevant development during this period was NISBI (the Northern Ireland Small Business Institute). It was established as the small business department of the University of Ulster and its first course was run in 1980 but it was not officially named until a couple of years later. It was one of the early supporters of the United Kingdom Enterprise Management and Research Association (UKEMRA), which held its first conference in 1978, and (with LEDU assistance) NISBI was able to host this conference in Northern Ireland in 1985.

DEVELOPMENTS IN THE 1980s

The 1980s thus started with an economic development focus on jobs from inward investment, larger indigenous businesses and smaller local businesses – and this encompassed both the creation of new jobs and the preservation of existing ones. LEDU's remit was smaller local businesses (with up to 50 employees) and its declared aim was 'to maximise enduring employment in Northern Ireland by stimulating the formation, survival and growth of businesses in the small firms sector' (LEDU, 1985). To address this LEDU was expanding both its scale of operations and the range of businesses it supported by, for example, starting to support the service sector and to provide grants for very small start-ups.

This process continued through the decade but a significant development occurred in 1985 when, with LEDU (and DED) help, NISBI hosted that year's National Small Firms Policy and Research Conference (organised for the UK Enterprise Management and Research Association - UKEMRA). This brought many of the leading UK academics in the small business field to Northern Ireland, including Professor Sue Birley - then of the Cranfield Institute of Technology. Some of the discussions at the conference were instrumental in persuading LEDU and DED jointly to commission Prof Birley, as an informed outsider, to review the state and validity of economic development work in Northern Ireland. She reported in 1986 (Birley, 1986) and also presented a paper summarising her work at the National Small Firms Policy and Research Conference which was in Gleneagles in November that year (and a version of this was subsequently published in 1987). In summary she suggested that many of the problems in the system

could be traced to a concentration upon one strategic goal - that of job creation. However she also highlighted some underlying weaknesses including that of the national culture which, she indicated, was increasingly being recognized as having a substantial part to play in the supply of entrepreneurs – and she observed that in the Northern Ireland culture there was 'no tradition of self-start'. (Birley and Bridge, 1986 and 1987)

Also in 1986 the relatively newly formed Department of Economic Development (DED) was examining its cohesion, remit and direction and its Policy Evaluation and Review Team (PERT) was asked 'to examine the means and measures by which the Department promotes enterprise and self-employment, and to consider the scope for doing more with existing resources in that field'. The 'broad thrust' of its report was that 'the Department must urgently develop and pursue a policy initiative on enterprise'. Internally, it stated, 'the Department is not currently organised to deliver [a] clear message' and it suggested that 'it must therefore be considered whether a clarification of roles should be attempted whether through structural reorganisation or by simply exposing the issues and seeking broad agreement on how enterprise policy should be formulated and pursued'. (PERT, 1986)

Pathfinder

Following this in 1986 the then Permanent Secretary of the DED launched an initiative, initially titled 'Eureka', under which taskforces with members drawn from the Department, the Industrial Development Board (IDB) and LEDU would suggest ways of tackling six problems which had been identified as key impediments to improved economic performance (Fell, 1986 a & b). (It was hoped that, by tackling the issues in this way, the initiative would not only make progress in addressing the identified issues but also help to consolidate the Department which had recently been created through an amalgamation of previously separate parts of the government system.) These six impediments were stated to be:

- The lack of an enterprising tradition.
- Deficiencies in training, work and managerial competencies.
- Distance penalties and the small local market.
- A small manufacturing sector and a large public sector.
- Dependence on public funds
- The Northern Ireland political situation.

Therefore taskforces were established to consider the following six issues:

- The lack of an enterprise tradition.
- A lack of competitiveness.
- The need for exports due to a small local market and despite distance penalties.
- Gaining economic benefit from Northern Ireland's large public sector
- Reducing the dependence on public funds
- Departmental effectiveness and communication.

Early in 1987 the initiative was renamed 'Pathfinder' and later that year the taskforces made their initial reports (DED, 1987). It was the work of the taskforce considering the supposed lack of an enterprise tradition, which formed the basis of subsequent enterprise policy – and a summary of its recommendations is provided in Box 4.2.

Box 4.2 – Extracts from the Pathfinder Enterprise Taskforce Summary (Fell, 1987)

"Enterprise" was defined as the propensity of people to create jobs for themselves and others, by engaging in and developing a legitimate activity which will earn them a living or by developing their existing jobs.

Conclusions

- There is a need to generate a more positive attitude to enterprise throughout the community.
- We need to generate greater self-confidence and skills among those who may wish to start a business so that they can identify and respond to challenging business opportunities.
- A restructuring of assistance is required to ensure that all types of assistance are made available in a co-ordinated way, both in terms of those eligible for assistance, and in terms of measures which should be complementary.
- Particular attention should be paid to the development of supportive networks of contacts and advisers.

The Way Forward

Existing small business and enterprise programmes should be critically examined to ensure that they can achieve the following objectives:

- To encourage and increase the propensity of people in Northern Ireland to start their own businesses.
- Within 5 years to increase the rate of formation of businesses to the UK average.
- To produce a more positive attitude to enterprise.
- To provide more positive "triggers" for business start-up, aimed particularly at those most likely to be successful (those in their 30s, well-educated, widely travelled, currently in employment) and at those groups — in particular women who at present appear underrepresented in the business community and whose skills remain to be tapped.
- To ensure adequate provision of finance for new businesses (not necessarily public money) appropriate training, introduction to adequate networks and suitable premises.
- To monitor the effects of the programme, which would have as a necessary preliminary establishing a benchmark from which to judge improvement.

The **main components** of such a revised programme would be:

- A campaign aimed at changing attitudes towards enterprise, which could include work within the education sector and the further development of community businesses and use of the media.
- Provision of appropriate assistance for those who wish to try to set up or develop businesses.

Then a Pathfinder Enterprise Action Group was formed in May 1987 to oversee the implementation of these recommendations. To guide this the reconstituted enterprise taskforce consulted a number of apparent 'experts' (there was then no clear international best practice) and its initial work included a lot of ideas, method and structure development and, as part of this, an enterprise conference was held in Portugal (a venue chosen to encourage people to want to go to it and to ensure that, once there, they stayed and didn't go back to their businesses every day) which was particularly helpful in motivating and informing the Local Enterprise Agency network. After a year, the group reviewed its work (Bridge, 1988) and confirmed the following components of an implementation plan:

- An awareness campaign – to help with which external consultants were contracted.
- An assistance structure - to include start-up grants, enterprise training and development of the Local Enterprise Agency network. Prof Birley had suggested an assistance model which included finance, training and networking – and LEAs were

thought to be in a good position to deliver local enterprise training, which had been started as a central provision by LEDU, and to combine that with access to a local network. The intention was also that the LEAs should eventually be the vehicle for start-up grants.)

- Other provisions which would include help with ideas, specific assistance for 'community businesses', help with exporting, work with the banks and counselling.

Following the reports, four activities were identified as key tasks for the Department and its main agencies, one of which was 'Stimulating Enterprise'. So in 1988, under *Pathfinder – The Next Stage*, four taskforces were asked to see how these activities could best be taken forward and integrated into the Department's overall planning. The next stage Enterprise Report was finalised on 30 December 1988. Its stated aim was 'to recommend how the government "system" can best stimulate enterprise in Northern Ireland' and for this it defined enterprise primarily as 'the propensity of people to take action themselves to contribute to a better economic situation, especially by forming and developing their own business initiatives'. It also suggested that a key target should be an increase in business start-up rate of 30% over three years (although the actual rate at the time was not known). The target suggested by the original Pathfinder Enterprise was to raise this rate to the UK average within five years but in the Next Stage report it was felt that more was needed - although it acknowledged that this was not supported by sufficient analysis. (LEDU, 1988: p.18)

Implementing Pathfinder

In the meantime, with DED encouragement/agreement, LEDU had started to take forward and implement the Pathfinder Enterprise recommendations (Bridge, 1989) and a specific 'enterprise' team was established in LEDU for this work. These developments were within LEDU's remit and thus, in effect, the enterprise recommendations became policy. This was during 'direct rule' under which there was no devolved Northern Ireland government. That meant that the Northern Ireland government departments were headed by a few ministers appointed from Westminster MPs who did not have the time and/or inclination to get involved in the minutiae of departmental activities - and so Northern Ireland's senior civil servants could to a large extent determine policy, which the Westminster ministers would generally then approve.

Policy and Practice at the End of the Decade

So the work continued as is reflected, for instance, in an internal LEDU document by Bridge (1989) and a conference paper by Bridge and Polson (1990). Between them these papers show that LEDU, 'in close co-operation with the appropriate parts of DED', was undertaking this task and, in addition to its core support for small businesses, by the end of the 1980s LEDU had also launched a number of schemes to help build awareness and support pre-start efforts. Among these were the following:

- a) Dedicated Pre-start and Start-up Assistance. Some start-up assistance was already available, such as LEDU's Enterprise Grants (and some associated selling and book-keeping tutorials) for one-person start-ups, but initiatives were taken to enhance this. They were initially guided by an observation from Prof Birley that the key needs at start-up were not just finance but also training and networking - and they could also be summarised by the formula 'Success = Idea + Know How + Know Who' (Peterson and Rondstadt, 1986). Therefore, in additions to LEDU's grants, they included:
 - Self-assessment and training sessions – to develop relevant skills.
 - Networking – to legitimise it, provide guides/training in how to use it, and create networking opportunities.
 - Business ideas generation. (Polson, 1990)

- b) The Local Enterprise Programme and the LEAs. Following the early example of initiatives in places like Newry and Derry/Londonderry, under its Local Enterprise Programme, LEDU encouraged local groups (at least one in each Council area) to set up a Local Enterprise Agency (LEA) with financial support from LEDU, the local council, the International Fund for Ireland and/or EC/ERDF. These LEAs essentially provided managed premises for small start-ups and associated support services. Originally envisaged as reusing otherwise redundant existing factory space, it changed to having largely new purpose-built premises suitable for start-ups with easy-in easy-out terms and with on-site office services (phone answering, photocopying etc) and advice/guidance from the centre staff. The decision by LEDU to ask the LEAs to deliver training for start-ups in their areas (paid for by LEDU) gave the LEAs an extra revenue stream – and it was hoped that this would also provide an opportunity for those attending the training sessions to engage in local networking.

- c) Enterprising Northern Ireland. Enterprising Northern Ireland was established by LEDU to be a partnership of all those concerned with the development of entrepreneurial activity. Its aim was 'to promote a more enterprising culture in the Province by raising awareness of enterprise in the community and providing pre-start up support for would-be entrepreneurs' (Wherry, 1991). It originally began in 1988 with the help of external consultants (Polson, 1990) and a report of its 1990-91 year of operation (Wherry, 1991) indicates that its activities during this time had included:
- Target programme activity delivered by a number of LEAs for women, youth, the unemployed and the employed - and pilots for middle managers, the disabled, and rural opportunities.
 - Business start courses run by colleges of further education.
 - Publications including new editions of booklets on business ideas (Where to start, How to start and Researching your idea), starting in business (Am I the right person, The first steps and The legal aspects)'.
 - Business idea generation – one day stand-alone workshops.
 - Enterprise development through key influences – to inform key professional people in communities so that they could guide others.
 - An Enterprise Club – to provide a meeting place for the 'enterprise' network.
 - Network News – a monthly publication to inform the wider network.
 - Enterprise strategies group – to assist in the development of initiatives.
 - And media initiatives including 'Make It Your Business Week' on BBC radio.
- d) Head Start. Head Start was a competition for small businesses recorded in Belfast and broadcast on Ulster Television (UTV). It was based on a similar competition in an English region and brought to Northern Ireland by a producer who knew Prof Birley who introduced him to LEDU. LEDU liked the idea and accompanied the producer when he made a successful sales pitch to UTV. LEDU also helped by providing an office and secretarial support and local contacts to recruit participants. In return it got a run of several years during which small business people from across Northern Ireland (the competition had county heats) appeared on prime time television to show the wide range of people who could succeed in such an endeavour.

A Reflection on the Learning Required

At the time those involved in developing and delivering Pathfinder Enterprise acknowledged that they did not know all the answers – so there was a considerable element of experimentation and learning. For instance a summary in 1990 noted that ‘Back in 1988 we did not think we necessarily had the skills needed to determine best what an overall attitude changing campaign should be’ and therefore ‘as originally envisaged the initial work was more developmental than delivery and a considerable amount of background, preparatory and foundation work was done’. (Polson, 1990 and see Box 4.3)

Box 4.3 - Reflections on Learning How to Change Attitudes

Extracts for a report on *LEDU's Enterprise Development Action Plan* (Polson, 1990)

Background

DED's Pathfinder placed the development of enterprise and an enterprise culture as a high priority on the list of points for action by government, the private sector and individuals in Northern Ireland.

Back in 1988 we did not think we necessarily had the skills needed to determine best what an overall attitude changing campaign should be. So, in the short term to May 1990 much of the work has been done for us by [consultants] in the Enterprising Northern Ireland Campaign.

As originally envisaged the initial work was more developmental than delivery and a considerable amount of background, preparatory and foundation work was done.

The Campaign has provided a useful focus for the overall enterprise initiative. Its achievements will have included:

- The achievement of a number of numeric outputs for people in one way or another introduced to the enterprise process.
- Provided us with a number of programmes and other initiatives which have been successfully started.
- Provided the background to our own increased understanding of the enterprise development process.

Aim

Our aim is "to seek to give everyone a more positive attitude to enterprise both by informing them and "sensitizing" them while providing implied encouragement, endorsement and support by pre-start up initiatives".

The essential task, as considered under the implications of the aim, was accepted as the need to get a more positive attitude to enterprise from everyone in the province leading to more people starting their own business, and the development of more effective preparation in the pre-start up stage.

Enterprise Culture - Needs and the Support we can provide.

- We need to address the whole community - at its widest the target market for enterprise culture initiatives is potentially the whole population.
- Role models to show that enterprise is desirable, rewarding and achievable.
- Awareness of Enterprise.
- Positive Attitudes to Enterprise.
- Awareness of Enterprising skills/attributes
- An environment which makes enterprise attractive.
- Work in the education sector.
- Reduce fear of failure.
- Exposure to Enterprise.

The Pre-Start Up Sector

There will be continued development of appropriate forms of assistance

Success = Idea + Know How + Know Who

- a) Training. We will review the effectiveness of what we've got, then develop the training resources, encouraging the development of relevant skills, including training directed at networking and the various forms of business.
- b) Networks. The aim is to legitimise them, provide guides on how to use them, develop them and use other peoples. We have the idea of a networking video and will be developing this idea.

- c) Business Ideas. Continuing work on Business Ideas Generation.
- d) Network Access Grant. Aim to at least pilot the grant in one area of Northern Ireland in the next year.

Therefore, as perceived through hindsight, this should have been the start of a classic 'trial and error' approach to the development of an appropriate 'product' (although it has been pointed out that 'error' is the wrong word because it should be trial, assessment, learning and improvement, none of which is 'error' unless it is not done or done badly). Northern Ireland wanted a way to stimulate more enterprise but there was no obvious 'off-the-peg' solution available in recognised 'best practice', so the Pathfinder implementation team had to identify something that might work and then try it. If that had been a thinking application of 'trial and error' it would have been followed by an assessment of the prototype's effectiveness, identification of possible improvements and their inclusion in a new version – and then repeats of the cycle until a good version was produced. That is how most successful products are developed (Harford, 2011) but it was not at that time appreciated by those involved and, in any case, the next decade saw a downgrading of the commitment before any significant assessment could be attempted. So lessons were not identified and improvements not made.

A Benchmark

In what should have been another key move, LEDU (and Pathfinder Enterprise) recognised that, if the effectiveness of the Enterprising Northern Ireland initiative was to be assessed, a benchmark would be needed against which progress might be measured. Therefore, together with the Northern Ireland Small Business Institute (NISBI), LEDU commissioned a survey on attitudes to enterprise in Northern Ireland. This was carried out in or around 1989/90 and it involved surveys of attitudes to enterprise among school sixth-formers, university undergraduates and business middle managers. The report of this was not delivered until 1993 but it also described the methodology in some detail so that it could be repeated (at what was originally planned to be ten year intervals). However it is interesting that, despite those responsible at the time having thus attempted to establish some sort of benchmark against which future progress might be assessed, the exercise was never repeated (see Box 4.4).

Box 4.4 - Extracts from the Introduction to a report on Attitudes to Enterprise in Northern Ireland (Harrison and Hart, 1993)

The last decade has witnessed the proliferation of schemes, agencies and programmes designed to support the development of an enterprise culture in the United Kingdom. This programme has been significant in scale and intent: as one commentator expressed it, writing in the Independent in 1990, 'millions of pounds of public money have been invested in this project. . . and few people are likely to escape the tentacles of enterprise education - whether they are children in primary schools, students in higher education, unemployed miners or redundant executives'. The identification of a key link between the development of an enterprise culture and national and regional economic regeneration has led to the definition of school leavers and young people as key target groups for remedies directed primarily at awareness, education and training.

... Within Northern Ireland, the publication of the Pathfinder report and the report Competing in the 1990's and the subsequent launch of the Enterprising Northern Ireland campaign firmly established 'enterprise' as a major arena of policy. Accompanying this was a diagnosis of at least part of the economic problem in Northern Ireland as a lower than average rate of formation of new businesses, possibly reflecting different attitudes to enterprise in the region compared with other parts of the United Kingdom, arising from the growth and significance of the public sector as an income generating mechanism in the region.

This research project was commissioned by LEDU to investigate the nature of attitudes to enterprise in Northern Ireland and to provide some benchmarks against which to compare changes in attitudes over time. ...

Throughout the research, enterprise has been understood in the narrow sense of small business formation and ownership and self-employment. However, as the concluding section of this report makes clear, there are two important qualifications which need to be borne in mind in deciding on future research and evaluation work on this subject. First ... the key issue from a regional development point of view is the low level of successful small businesses in Northern Ireland rather than a low level of start-ups per se. Second, studies of attitudes and expectations among young people are increasingly adopting a broader definition or understanding of the term 'enterprise'. The shift of emphasis which this has encouraged from small business ownership to the acquisition of personal transferable skills represents a major development in the context within which the evaluation of attitude to enterprise is set.

A Summary of the Decade

This summary is offered as a snapshot of the enterprise policy development and outworking by the end of the 1980s:

- a) The policy aim and target(s). Pathfinder Enterprise's declared aim of the promotion of more enterprise would appear to be the first recognition in Northern Ireland that attitudes and start-ups merited a policy focus. The targets initially set were more positive attitudes to enterprise and start-up rates similar to the UK average in five years (but the Next Stage report raised this to a 30% increase over three years).
- b) The thinking. Behind this was an acknowledgement that NI needed a stronger enterprise culture and that just assisting start-ups and providing (mainly financial) assistance for established businesses would not deliver that. Therefore it was recognised that work in the culture and pre-start areas was also required.
- c) The measures. To achieve the aim, various culture measures were initiated, including Head Start and Enterprising Northern Ireland and a range of pre-start assistance was started, including help with ideas and networking.

Post Script

An interesting view on government economic strategy in Northern Ireland at this time is highlighted in the flowing extract from an Economic Council report on *The Implementation of Northern Ireland's Economic Development Strategy in the 1990s: Lessons for the Future* (NIEC, 1999a; pp.4-5):

'Addicted to State Aids? In the late 1980s there was a concern in Government that the widespread subsidisation of the private sector in Northern Ireland was having a deleterious effect on the competitiveness of local industry. Such dependence on the state for assistance was identified by DED in Building a Stronger Economy as one of the six "root causes of weakness in Northern Ireland's economic performance". More specifically, under the rubric, "Dependence on public funds", DED commented:

Public funds are a major resource available to Northern Ireland industry. However, like some medicines, they must be used with discretion or a potentially counter-productive dependence can arise. At times too many companies seem to seek relief of their problems in additional public funds rather than in new markets, products or

production techniques. This dependence is potentially a major strategic weakness of the Northern Ireland economy.' (DED, 1987, pp.9-10)

AFTER THAT – THE 1990s

Competing in the 1990s

At the end of the 1980s DED followed the Pathfinder explorations with a review of economic strategy and, in April 1990, published *Competing in the 1990s: The Key to Growth*. This presented the Department's views on how government might best contribute to improving the competitiveness of the Northern Ireland economy and took a broader perspective than Pathfinder but accepted many of its recommendations. In particular it had a section on 'Enterprise and Competition' in which it said that:

'A key force in any economy is the entrepreneur who can create and develop a business and who can identify and exploit market opportunities. Entrepreneurs are not just to be found among those who establish or own businesses; they are in established businesses, and even in the public sector. However, the aim of the Government's approach in this area is directed at those who wish to start up new businesses.

Little information is available at present on the extent to which people in Northern Ireland, compared to elsewhere, set up new businesses. VAT registrations, while an imperfect measure, do provide some indication of new firm formations, and they show that in the period 1980 to 1988 Northern Ireland was tenth out of the eleven UK regions for production industries in this regard. However, in terms of net growth in the stock of businesses registered for VAT over the same period in these industries, Northern Ireland was fifth.

The challenge for the Government is to help to bring more potential entrepreneurs into the economy to form the seed-bed for future expansion. Research suggests that the key role for the Government is to remove a number of constraints which may hold back growth in the supply of entrepreneurs.' (DED, 1990: p.26)

The report acknowledged that, as well as bureaucratic obstacles, social attitudes can also be a hurdle. However it said LEDU had taken the leading role in developing the Government's policies and gave some examples such as the local enterprise agency network and the 'Enterprising Northern Ireland' campaign. It also stated that the

Government's overall objectives in the area of enterprise were 'to increase the stock of entrepreneurs in Northern Ireland able to develop competitive new businesses and to create a strong enterprise culture'. (DED, 1990: p.29)

Some Subsequent NIEC Reports

The Northern Ireland Economic Council (NIEC) felt that it was appropriate to follow *Competing in the 1990s* with its own review and in 1991 published *Economic Strategy in Northern Ireland* (NIEC, 1991b). In its introduction this report referred to 'a dissatisfaction with the intellectual foundation of economic strategy in the Province' which had 'largely been unchallenged in the post-war period' and which more recently 'could also be seen to be increasingly at variance with Government policy in the rest of the UK'. Pathfinder, it suggested was a reflection of this but 'was largely confined to the process of identifying what were thought to be the main sources of weakness in the economic system rather than the formulation of a strategy to address these problems'. However, it acknowledged, *Competing in the 1990s - The Key to Growth* had built on the work initiated in 'Pathfinder' but was 'explicitly designed to establish the framework for economic and industrial strategy in Northern Ireland for the foreseeable future' – and the principal implementation agencies had now published their proposals for operationalising the strategy.

Therefore the purpose of the NIEC report was 'to examine the basis of economic development strategy in Northern Ireland with a particular focus on policies for industrial development (ID) and to suggest how best it might evolve over the coming decade'. NIEC thought that the strategy set out in *Competing in the 1990s* and the complementary proposals of the industrial development agencies was a watershed in the formulation of economic development policies in the Province however 'it is our belief that the implications of this new approach have not yet been fully appreciated'. (NIEC, 1991b: pp.1-2)

The report provided a background review and history of economic development strategy in Northern Ireland before specifically commenting on the *Competing in the 1990s* proposals. On the subject of 'Enterprise' it then stated that:

'As we have already noted, the role of enterprise in generating new businesses and employment has attracted growing attention over the past decade ... [however] Northern Ireland already has a very extensive range of schemes aimed at fostering the development of new enterprises. ... 'Competing in the 1990s' acknowledges this

[but] the proposals for developing enterprise within the new strategy are somewhat vague and perhaps contradictory. Based largely on the evidence of VAT registrations, 'Competing in the 1990s' argues at one point that the Province is generating insufficient new business start-ups compared to other regions of the UK and this is a problem to be addressed. When discussing future policy, however, the document suggests that too many small firms ... have been assisted in the past. There is little acknowledgement that the small business sector is everywhere characterised by extreme mortality rates and its nurturing is a long-term and uncertain process.' (NIEC, 1991b: pp.35-6)

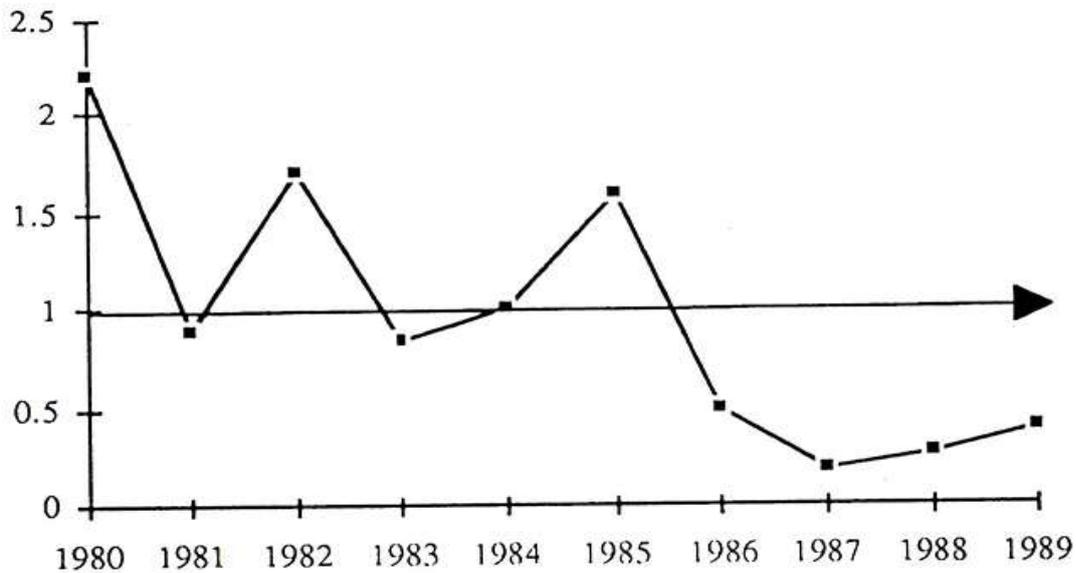
Thus, unlike Pathfinder and *Competing in the 1990s*, the NIEC saw 'enterprise' policy as being mainly about new start-ups and not about the culture that might encourage and/or support them.

Earlier in 1991 NIEC had also produced a report on the Local Enterprise Programme (LEP), under which LEDU had supported the establishment of LEAs, the expansion of which had been encouraged by Pathfinder. Nevertheless NIEC recognised that LEP was 'still at an early stage of development and the comments in this report should therefore be regarded as in the nature of work in progress'. What is, however, of particular interest in this report is that it used a regional analysis of VAT registrations as an indicator of levels of enterprise. First it presented a table comparing registrations, deregistrations and net increases and then commented that:

'Since the net increase can equally be the result of substantial changes in both registrations and deregistrations or relatively small changes in these indicators, the turbulence indicator gives some measure of the turnover of the stock of businesses in the economy. While there is no commonly agreed optimal level of turbulence a low score on this measure could be taken as a sign of excessive stability and perhaps stagnation in the economy. The figure for Northern Ireland is so far below the experience of other regions that it could give rise to some concern on this account. (NIEC, 1991a: pp.5-6)

The NIEC report then also showed that net increases in Northern Ireland had been going down compared to the UK average (see Figure 4.1) (NIEC, 1991a: p.6)

Figure 4.1 - Percentage net increase of VAT registrations in Northern Ireland relative to the UK average 1979 – 1989



Developments in DED and LEDU

Among the developments in DED and LEDU at this time two are highlighted here as particularly relevant to the development of enterprise policy after Pathfinder:

- Changing personnel. In 1991 David Fell (now Sir David), who as the Permanent Secretary of DED had instigated and driven Pathfinder, left the Department to become head of the Northern Ireland Civil Service. Also, since Pathfinder, LEDU had got a new Chief Executive. However the new heads of these two organisations had not been involved in Pathfinder and did not appear to have the same understanding of it as their predecessors, or a personal interest in championing its implementation. For example LEDU's main target was still the number of jobs it 'promoted' each year through its grant offers mainly to established businesses and its new Chief Executive, who appeared to focus more on this traditional output, found it hard to measure what 'awareness' and pre-start work was contributing to the achievement of that target. In 1993 he reorganised LEDU and, in doing so, changed the enterprise team (which had been largely responsible for much of LEDU's Pathfinder implementation work) and made the director of that part of LEDU redundant. Thus there was a loss of institutional memory of what had been done and in particular why. For instance while LEDU's Corporate plan for 1995 to 1998 has as its second objective 'to increase the number of business start-ups with particular emphasis on those with export potential', in its annual report for 1996-97, LEDU indicated that its annual target for this objective was only 'to support 125 start-ups with export potential'. While the corporate strategy

acknowledged that Northern Ireland's start-up rate lagged behind the rest of the United Kingdom it is clear that catching up was no longer a specific target. (LEDU 1995 and 1997)

- Providing expertise. One of the other Pathfinder taskforces had looked at the public sector and at ways in which it might help the economy in general. Arising from this was the suggestion that the sector might be able use some of its skills (such as in enterprise development) to help others. To do this Northern Ireland Co-operation Overseas (NI-CO) was formed and among its early ventures were enterprise development projects in Russia (Pushchino) and the Ukraine (Kiev) through which some of the people involved in implementing Pathfinder Enterprise tried to help people in those places establish enterprise and small business support structures. It is also relevant that, after he was made redundant from LEDU, the director most involved in Pathfinder Enterprise also helped to deliver some seminars for the then newly established Scottish Enterprise at which he described what had been done in Northern Ireland because they were seeking suggestions for what they might do themselves.

The Northern Ireland Growth Challenge

Also in the 1990s, industry leaders got more involved and in the autumn of 1993 the Northern Ireland Growth Challenge (NIGC) was founded by CBI Northern Ireland as a private sector initiative to identify how growth of the local economy might be accelerated. Under the chairmanship of the President of Shorts (the aircraft company), it was comprised of a steering committee and ten active study teams. Together with the input from over 100 businesses, institutions, local councils, community groups and government organisations, it claimed to provide a uniquely comprehensive view of what could be done to build growth in the region. Its focus, it said, was not on detailed analysis, but rather on action, particularly that which could be undertaken by the private sector. At the same time, it recognised that there were 'many other levers of change which, if operated in concert, could have a powerful and timely impact on the economic destiny of Northern Ireland'. (NIGC, 1995a).

NIGC produced an 'Interim Report' in 1995 and extracts from its summary of the Need for Change are provided in Box 4.5, together with an outline of its suggested Strategy for Sustainable Competitiveness and Growth. However it is noted that in its deliberations and recommendations the Growth Challenge did not consider any specific need to address

'enterprise' and/or small business start-up rates – which suggests that the private sector did not see them as being relevant.

Box 4.5 – Extracts from *The Northern Ireland Growth Challenge – Interim Summary of Progress* (NIGC, 1995b)

Summary of the Need for Change

'Northern Ireland can boast a proud heritage of industrial leadership founded on hard work, enterprise and innovation, a heritage that even to-day is reflected in a core of world-class companies that the region has nurtured. However, in spite of this, Northern Ireland has had higher unemployment rates and lower average standards of living than other UK regions for most of the twentieth century. Whilst the region's economic performance has held up well through the recession, the reality of an underperforming economy remains:

The need to address these issues becomes more urgent in light of a number of changing elements:

- the highest birth-rate in Europe and the expanding labour market;
- the likely eventual fall in government spending in the light of political developments;
- changed expectations - the goal of "worthwhile opportunities for everyone";
- a changing world, where competition increases daily and in which the basis of regional competitiveness is shifting.

The importance of economic growth is obvious. The challenge for the NIGC is how to generate growth that is self-sustaining and that accelerates both employment and wealth creation that can be shared by all. However, the NIGC, along with many government organisations, recognises that sustainable growth will depend on the competitiveness of the region and the ability of firms in Northern Ireland to exploit that competitiveness in new and expanding markets.'

NGCN's Strategy for Sustainable Competitiveness and Growth - Key Elements:

1. Building world-class firms and clusters
2. Creating networks of common interest
3. Creating a best investment environment
4. Developing human assets for the 21st century

5. Building the region's infrastructure to support 21st century competition
6. Marketing Northern Ireland to the world

NIEC's Review of the Implementation of Development Strategy in the 1990s

In 1999 NIEC produced a report titled *The Implementation of Northern Ireland's Development Strategy in the 1990s: Lessons for the Future*. Although it was published after the launch of *Strategy 2010* (see next section) it explained that it was essentially an assessment of the implementation of *Competing in the 1990s* as no working group appeared to have been charged with reviewing and evaluating it. After considering the background to the strategy it focused mainly on the economic development expenditure in the period as it used aspects of financial assistance to indicate the degree of compliance with the strategy by the different agencies involved. Thus it looks mainly at assistance to firms and not at some of the other enterprise promoting activities.

However in its forward the report does acknowledge that:

'Competing in the 1990s also argued for the development of an enterprise culture and the shift towards softer forms of assistance. It states, for example, that "the Government will increasingly target its support for industry on areas such as training, research and development [R&D], quality and design rather than on capital investment." As with *Strategy 2010* the argumentation is qualitative than quantitative'.
(NIEC, 1999a)

Although the document later acknowledges that 'the lack of an enterprising tradition' was identified as one of the important weaknesses (p.5), the report says nothing about attitudes and start-up rates.

A Summary of the Decade

This summary offers a snapshot of the enterprise policy development and outworking by the end of the 1990s:

- a) The policy aim and target(s). The private sector led *Competing in the 1990s* included the aim of increasing the stock of entrepreneurs and creating a strong enterprise culture – but did not suggest any concrete targets. NIEC, in its 1991 review of *Competing in the 1990s*, considered new starts, but not attitudes/culture, and, in

looking at VAT new registration rates, suggested they were the relevant indicator. Thus there was little formal change towards more work on attitudes (and a *de facto* retreat?).

- b) The thinking. There was very little new thinking. The NI Growth Challenge had ignored enterprise and NIEC in its reviews also gave it little attention. Instead of new ideas there seemed to be an increasing level of institutional forgetfulness.
- c) The measures. What was done was essentially more of the same but with very little about culture.
- d) The achievement. There were no reports on any significant and relevant achievement. It is also relevant to note that there was no further survey of attitudes despite the original intention and the baseline having been established.

STARTING THE NEW CENTURY

Strategy 2010

The new century started with a new sense of political hope and a new economic policy. In 1998 the Good Friday agreement was reached which was followed by the establishment of the Northern Ireland Assembly and then the end of direct rule late in 1999. Also in 1998 DED commissioned an economic development strategy review which led to the launch in 1999 of *Strategy 2010* as the proposed economic development strategy for Northern Ireland for the next ten years. As NIEC then put it: 'in essence Northern Ireland has been presented with a draft strategy for the first decade of the new century to build upon and take forward the current 10 year strategy, *Competing in the 1990s*.' (NIEC, 1999a: foreword)

Strategy 2010: Report by the Northern Ireland Economic Development Strategy Review Steering Group was a 2 cm thick, 264 page document. The review process had 'aimed to create widespread involvement by the key stakeholders in the economy, in order to tap into a broad spectrum of opinion and expertise and to ensure that the emerging strategy would command the assent and commitment of the private sector in particular'. In this it followed on from the Growth Challenge and had a largely private sector Steering Group to direct the review and 11 industry sector working Groups looking at the needs in specific sectors. There were also 7 other cross sector groups considering wider issues of

significance to the whole economy, such as education, infrastructure and energy. In addition a Consultation Panel provided comments and views from a wide range of organisations on the main strategic issues and an Inter Departmental Sub Group was established to co-ordinate inputs by the central Government Departments. In all, it was claimed, over 300 people from the private, public, voluntary and community sectors were directly involved in the review. (Strategy 2010,1999b)

A summary of the review's recommendations is provided at Box 4.6. There are proposals for 'Enterprise' which include ideas for celebrating success, for rebalancing the incentive package, for priorities for financial support, for private equity finance and for the planning system. However the detail makes it clear that in this context 'enterprise' covers the whole area of business with recommendations for things such as corporation tax, incentives for inward investment, and support for existing businesses. (Strategy 2010, 1999a: pp.166-180). Nevertheless Strategy 2010 did include in its numeric targets the aspiration that the number of new businesses registrations per 10,000 population aged 16 and over should rise from the then current level of 31 to 40. (Strategy 2010, 1999a: p.217)

Box 4.6 – Extracts from Strategy 2010 (Strategy 2010, 1999a)

The review process aimed to create widespread involvement by the key stakeholders in the economy, in order to tap into a broad spectrum of opinion and expertise and to ensure that the emerging strategy would command the assent and commitment of all.

Recommendations

- Everyone in Northern Ireland must have a stake in economic success. The benefits must be fairly shared and we need real partnership in our drive for common goals and social cohesion.
- We must equip ourselves for the knowledge-based economy of the future, with better education, higher skills and a commitment to R&D and innovation. Our businesses must learn from each other and co-operate in new ways in order to compete.
- We need to strengthen the culture of enterprise so as to grow a wealth-creating sector which is more ambitious and growth-oriented, and roll back the state. The Government's role in industry should be to encourage self-reliance and exposure to the disciplines of the market.
- Our integration in the global economy means that our businesses, and our society in

general, must be more outward-looking. We have to be prepared to learn from the best worldwide - best practice, new technological developments, new ways of doing business. We need to exploit our European opportunities and develop business alliances and partnerships to access new markets. Our physical connections with the rest of the world must be highly efficient.

- We must recognise that self-help is key to achieving economic success. We need to ensure that we create the right institutional structures and focus our resources better - and raise new ones ourselves if necessary - to further our economic goals.

...and take action on them.

There can be no quick fix solutions - the need to look to the longer term is reflected in the nature of the recommendations, which address these key themes.

NIEC Response to Strategy 2010

NIEC responded to *Strategy 2010* with its own commentary in *A Step-Change in Economic Performance?* (NIEC, 1999b). However it might be said that this viewed the economic situation from the same perspective as *Strategy 2010* – which was one in which enterprise attitudes and culture appeared not to feature in any significant way. It could be said to be more of a comment on what was in *Strategy 2010* than on what might be missing – so, as enterprise culture was not in *Strategy 2010*, it did not feature in NIEC's response either.

Other Thinking in the Early 2000s

Local Development

However a perspective to which NIEC did give some consideration at about this time was what was then being referred to as 'local development'. In 2000 NIEC issued two papers on this: a 'background' paper titled *Local Development in Northern Ireland – The Way forward* (NIEC, 2000a) and an 'occasional' paper on *Local Development: A Turning Point* (NIEC, 2000b). In the former its authors referred to what was described as an authoritative review of local development in Europe by Stohr who distinguished between three types of policy approaches which were not, it was emphasised, mutually exclusive. First, there were centrally initiated localised development initiatives; second, a private enterprise approach to local development based mainly on the operation of the market mechanism in

conjunction with deregulation; and third, there were locally or regionally initiated local development processes which encourage local communities to become more involved in building their own futures by mobilising local resources.

The authors of the NIEC report looked at this in the Northern Ireland context and concluded that local development should be an important element of public policy:

'It is underpinned by a strong rationale related to market failure and equity considerations and exists as a form of government intervention which is complementary to regional development. Local development, however, is concerned with much more than a narrow set of economic outputs, for example, job creation or new enterprise formation; in short, it is more wide-ranging than local economic development. Local development is about making a holistic contribution to the alleviation of social exclusion, poverty and deprivation thus helping to build a more inclusive society. And at an operational level local development is about looking creatively at ways to improve the existing physical and human resource base. Community led initiatives are central to these challenges. This requires not only supportive institutional arrangements from Government, but also local participation by community groups, voluntary organisations and the business sector in strengthening the development process, perhaps through partnership arrangements. It is against these considerations that the next chapter in this report outlines the characteristics of local development in Northern Ireland.' (NIEC, 2000a: pp.12-13)

It is noticeable that, having in its earlier 1991 review of the Local Enterprise Programme recommended that 'the objective of each enterprise programme should be clearly identified as being either social or economic in character' (NIEC, 1991a. p.51), in 2000 NIEC claimed to be restating an earlier statement when it said that 'the social dimension of economic development is not something that can be separated from economic policy' (NIEC, 2000b, p.11). Nevertheless 20 years later, at the time of writing, this recognition of the social dimension does not (yet) seem to have led to any significant new enterprise policy.

A similar change in perception can also be seen in *The Northern Ireland Economy: Review and Prospects* which at that time was produced annually by the Belfast office of Coopers and Lybrand. In the 1990 edition, while LEDU is mentioned, there is no reference to small businesses or enterprise, even in the suggestions for an economic strategy for the next decade (Coopers, 1990). However this changed and, in the 1993 edition, there is

a section on 'local economic development' which not only comments on some of the initiatives then underway but also acknowledges its potential to be an 'engine for change' (Coopers, 1993).

Enterprise Northern Ireland

In 2000 a new body, Enterprise Northern Ireland, was formed by (almost all of) the local enterprise agencies as an umbrella body to represent them and to provide a vehicle for bidding for Northern Ireland wide contracts. For instance, in an apparent desire for efficiency, Invest NI, once it was operating (see next section), wanted standardised start-up assistance throughout all areas and so sought bids for province-wide delivery – and Enterprise Northern Ireland could submit a single bid under which the LEAs would all deliver the same standard product. For this they would be paid by results (i.e. for the number of people nominally assisted) so there was an incentive to maximise the numbers of people receiving this service. (NB it is also relevant to note that to achieve further cost-savings Invest NI reduced the assistance for which it would pay to little more than just providing help to produce a business plan.)

End of Direct Rule and the Formation of a Northern Ireland Executive

Following the Good Friday Agreement (which was agreed on 10th April 1998 – see above) a Northern Ireland Executive was formed. It was expedient for this to consist of ten ministers plus a First Minister and a Deputy First Minister, Therefore, under the Northern Ireland Act 1998, eleven government departments (including the Office of the First Minister and Deputy First Minister - OFMDFM) were created, one of which was the Department of Enterprise Trade and Investment (DETI) which inherited most of the economic functions until then carried out by the former DED. (Later a Department of Justice was also created.)

Once the relevant arrangements had been worked out, a full Executive was nominated on 29 November and took office on 2 December 1999, direct rule having officially ended the day before. Direct rule was however reinstated on 11 February 2000 due to insufficient progress in decommissioning but restored again on 29 May 2000. Then on 29 June 2000 the new Executive published its 'Agenda for Government' which set out its priorities for action.

DETI and Invest NI

Strategy 2010 had recommended a single economic development agency (Strategy 2010, 1999a: pp.205-6) and one of the earlier NIEC recommendations was that 'A new economic development agency combining the existing functions of IDB and LEDU should be established in the Province' (NIEC, 1991b: p.91). However in 1999 NIEC took a more neutral view arguing that there were pros and cons and that, if a single agency were to be created, 'it would have to be structured so that the successes [of the separate agencies - including LEDU] were not compromised, but built upon and enhanced'. (NIEC, 1999b: pp.51-54)

The argument was that having separate agencies for small and larger businesses led to problems and uncertainty on the border line between them - for instance when a business moved from one category to the other as it grew. However the counter argument was that small and larger businesses were different and required different approaches and the special requirements of enterprise and small businesses would be lost in one organisation which would inevitably be more focussed on larger businesses and inwards investment. For some time there had been this continuing debate on the pros and cons of LEDU and IDB being separate and to some extent the drawbacks of whichever system was in operation were usually more apparent than its advantages (as the grass always looks greener on the other side).

Now, under the new Executive after May 2000, the government departments each had a Northern Ireland minister and those ministers were aware of local interests and wanted to make their mark, unlike the former Westminster ministers who were more inclined largely to leave the running of the departments to their permanent secretaries. One of the priorities in the new 'Agenda for Government' was to ensure that the economic development agencies were focused on the new economic challenges. For this a key action identified was their reorganisation (which had also long been advocated by some in business) and, as a result, and possibly also as a way of showing that the new minister was prepared to make his mark with changes², a new agency, Invest Northern Ireland (Invest NI), came into operation on 1st April 2002. It took over the work formerly done by LEDU (which was closed down), IDB and IRTU – thus becoming responsible for enterprise which became the responsibility of one of its four managing directors, but who

² The new Enterprise Minister was described by one commentator as: 'Deeply conservative, company man; has wrapped up G7 and other natural urinators together in unholy alliance of supine supporters; as ever with Economy Ministers ... can't go wrong praising new jobs and bemoaning job losses in the same breath. Alternative economic strategy? No chance.' ('Insider', 2000)

was also responsible for a significant proportion of Invest NI's bigger business client groups.

In June 2002 the new DETI published its *Corporate Plan 2002-2005 and Operating Plan 2003-2003* – and this acknowledged that Northern Ireland needed a higher rate of business start-ups and indicated that Invest NI, as one of its four areas of development need, would 'promote a more enterprising culture in Northern Ireland so as to raise the overall level and quality of business starts' (DETI, 2002: p.24)

Accompanying this also in 2002 was a report from the Economic Development Forum – a partnership 'established in 1999 following a recommendation in the Strategy 2010 report to provide a formal mechanism through which a wide range of key organisations could advise Ministers in the Northern Ireland Administration on issues relating to the development and future competitiveness of the Northern Ireland economy'. This report declared that its purpose was 'to present a clear and agreed statement of the priorities to be addressed if the Northern Ireland economy is to be significantly strengthened during the period to the year 2010'. Under 'Enterprise' it reported that a key indicator was the business birth rate of new VAT registrations per 10,000 business population. The position in 2002, it said, was that the NI rate was 58% of the UK rate and the target for 2010 was that it should then be 87% of the UK rate. Other key indicators of 'enterprise' were the number and quality of jobs from inward investment and the level of venture capital investment (pp.13/14).

On 6 June 2002 Invest NI launched its first action plan, which indicated that over the following four months Invest NI would deliver a number of specific measures including 'a Business Birth Rate Strategy to accelerate business start-ups across Northern Ireland'.

NB On 14 October 2002 devolution was again suspended as power sharing between the parties could not survive in the atmosphere of distrust occasioned by the failure of the IRA to decommission its weapons. However by then Invest NI was established and its strategy initiatives were underway.

Accelerating Entrepreneurship and Go For It

Following its first action plan, Invest NI launched its Accelerating Entrepreneurship Strategy on 26 June 2003. This used the word 'entrepreneurship', not 'enterprise', and it

was said to have been based at least in part on the approach of Scottish Enterprise as a claimed example of 'best practice'. In the 'background' section it stated that 'VAT registrations are one indicator of business formation rates' and noted that Northern Ireland had 'one of the lowest rates in the UK with 28 registrations per 10,000 resident adults compared to 37 for the UK as a whole'. (Invest NI, 2003b: p.6) It also indicated that Invest NI's vision for the strategy was 'to make Northern Ireland an exemplar location for starting and growing a successful business' (Invest NI, 2003a: p.54). The strategy suggested a market segmentation of 'global' start-ups (those with the potential to trade internationally), 'external' start-ups (those seeking to exploit opportunities beyond their local market) and 'local start-ups (the majority supplying their products or services exclusively within Northern Ireland). The strategy also indicated targets for 2003-2006 of 4580 'local' start-ups (which would be assisted by Invest NI or its enterprise partners), 320 'external' and 100 'global' start-ups (p.21). 'The realisation of the Accelerating Entrepreneurship Strategy' it said, 'will be an increase in the level of entrepreneurial activity and a new increase in the volume and value of new business ventures to the Northern Ireland economy' (p.21).

To implement the strategy the key actions would include: (p.24)

- Changing attitudes/culture
- Encouraging more people to take first steps.
- Building strong teams
- Supporting priority wealth creating businesses
- Infrastructure
- The use of electronic media

And the suggested measures for success would include: (p.22)

- Numbers influenced by awareness/media campaigns
- Numbers attending start-up events
- Numbers engaged in new business activity
- Mean size of businesses involved
- Number registering for VAT
- Number employed and quality of jobs based on earnings
- Survival rates
- Destination and value of external sales

- External finance raised (i.e. uptake of loan capital, equity and venture capital)
- Impact on the promotion of equality of opportunity and addressing disadvantage

Then, in October 2003, Invest NI launched its Go For It brand under which it led a campaign aimed at raising awareness about entrepreneurship. In launching the second phase of Go For It in October 2005 Invest NI stated that the pilot had been extremely successful and had generated over 10,000 enquiries – as well as building strong partnerships with many stakeholders (Invest NI, 2004). However it may be relevant that the LEAs who responded to those enquiries and delivered the Start a Business programme as part of Go For It were paid by the number of people on the programme - so it was in their interest to pull in as many people as possible and that may have meant more people who were going to start a business going on the programme but not necessarily more people going to start a business.

Invest NI was naturally keen to present Accelerating Entrepreneurship as a success and about three years after its launch Invest NI announced that the evidence showed it was succeeding. To demonstrate this Invest NI presented a chart of which, it implied, showed that, following the launch of the strategy, the level of entrepreneurship in Northern Ireland had risen from 60% of the UK average to 80% of the average and had then maintained that position. However the analysis summarised in Appendix 4B suggests that the data used did not justify such a conclusion and suggested instead that there was no significant change in the relative positions and no evidence of any impact from Accelerating Entrepreneurship.

Other Reports

Among the other reports issued at this time, the following observations may be worth highlighting:

- Although Invest NI was using the word ‘entrepreneurship’, the Northern Ireland Economic Overview issued in 2005 (DETI, 2005) noted that ‘we have four key drivers that provide structure for our decision making: innovation, enterprise, skills and infrastructure’ (emphasis added).
- In its annual reports for 2000-2001, 2001-2002 and again for 2002-2003, under the heading of future work, NIEC (2001, 2002 and 2003) indicated a range of topics which, it suggested, should be explored over the longer term. In each case these included

- *'The Role of Social Capital in Economic Growth* - economists have traditionally considered economic growth to be a function of physical (e.g. buildings, machinery and equipment) and human (e.g. education, training, work experience) capital. However, there is increasing interest in "social" capital - defined as "a capability that arises from the prevalence of trust in society or in certain parts of it". ... At present, there is no government strategy for building social capital in Northern Ireland.
- *Entrepreneurship* - in June 2003 Invest NI launched its document Accelerating Entrepreneurship Strategy, thereby reflecting a renewed focus on entrepreneurship within the local economy. Indeed, recent Council research makes a clear recommendation for economic policy to focus on entrepreneurial firms as well as entrepreneurial individuals. A greater understanding of what is actually meant by an entrepreneurial culture would be useful in taking this aspect of policy development forward.' (NIEC, 2003)

NICENT

Another initiative in the early 2000s was the Northern Ireland Centre for Entrepreneurship (NICENT). This was not the result of a Northern Ireland strategy but a response to the UK Department of Trade and Industry's (DTI) Science Enterprise Challenge (SEC). Following a successful bid from a partnership between the University of Ulster, Queen's University Belfast and the College of Agriculture, Food and Rural Enterprise (CAFRE), NICENT was established in 2000 as one of the 13 UK Science Enterprise Centres (SECs).

The original vision of NICENT was 'to establish a world-class centre that will stimulate and facilitate all aspects of the knowledge transfer process, from entrepreneurship education through to business creating, ensuring best practice through international partnerships'. The originator of the scheme may have been the Office of Science and Technology but, once Invest NI was established, the funding came through it and Invest NI included a business creation target in its Letter of Offer which suggests that it linked 'entrepreneurship' primarily to business start-up.

A review conducted in 2005 of NICENT's first phase found that aspects of its original business plan had proved to be unrealistic. However, in seeking to implement the plan, NICENT had concentrated on what it saw as its core task, which was to introduce entrepreneurship education into the science, engineering and technology faculties of its

partner institutions. In doing this, NICENT had both achieved its (eventually agreed) targets and addressed its re-stated objectives. It had already delivered entrepreneurship education to almost 4000 students and is on course to deliver to another 3000 that year.

The review also noted that, without NICENT, there would have been little entrepreneurship education in any form in the universities, except that provided within the Business and Management faculties. However, to date, NICENT's entrepreneurship education had been based on an '*enterprise for new venture creation*' approach (in line, for instance with Invest NI's Letter of Offer) while it would seem that many students would benefit from more of an '*enterprise for life*' approach –which was also what was advocated in a number of key government policies. (See also Bridge S., et al 2010)

Phase Two of NICENT's work started in February 2007, also funded by Invest NI, and its main objectives was to sustain and expand entrepreneurship education in the SET faculties of the University of Ulster and Queen's University Belfast and to extend this also to other faculties. A review of this phase conducted in 2008 found that:

- NICENT was exceeding the targets stipulated in the Invest NI Programme Delivery Deed. It was also achieving the objectives specified in the Phase Two Business Case.
- NICENT's '*enterprise for life*' approach was generally accepted as providing the appropriate foundation for the majority of students.
- NICENT was delivering benefits for students and in turn for the universities.
- Without NICENT, there would have been little entrepreneurship education in any form in the universities, except that provided within the Business and Management faculties.
- There were no clear examples of better practice elsewhere.

However Invest NI also commissioned its own 'independent' evaluation of NICENT and this report included the observation that, while there was clearly an ongoing demand for NICENT's curriculum based activities, senior management from both universities had indicated that the universities would be willing to take forward the embedding of entrepreneurship within the curriculum, without the financial assistance of Invest NI. It also noted that Invest NI's evolving corporate objectives and priorities had a more pronounced focus on business creation than its 2005-2008 Corporate Plan (under which NICENT had been funded). Furthermore, the evaluation of the Accelerating Entrepreneurship Strategy (AES) recommends that there should be more prominence to the linkages between

entrepreneurship and innovation (start-ups and step-ups), and that the whole area of entrepreneurship practiced by individuals within established Universities, research institutes or large firms (corporate venturing) - and commercialisation of the results from innovation through spin-offs needs to have much more prominence and priority in future.

Therefore, despite NICENT moving from an *enterprise for new venture creation* understanding of 'entrepreneurship to *enterprise for life*', the evaluation suggested going back to a greater focus on business start-ups. However, in the event, Invest NI decided not to renew its funding for NICENT on the grounds that the Universities had now embedded entrepreneurship so 'additionality' precluded further support. In effect this separate initiative, which appears to have been liked by many of its stakeholders, was not viewed as making a cost-effective contribution to the then latest version of Northern Ireland's strategy for economic development – and so government funding was withdrawn.

The Corporation Tax Debate

Although it had been mooted earlier, it was in 2006 that a noticeable head of steam began to build for a lower level of corporation tax to be applied in Northern Ireland as a way for it to emulate the 'Celtic Tiger' (in the Republic of Ireland) and boost its economy. Following a request from the Northern Ireland Industrial Task Force, in 2006 the Economic Research Institute in Northern Ireland produced a report on Corporation Tax (ERINI, 2006). Many other voices were then raised in favour of it, not least those of politicians - to the extent that it began to be viewed as the key factor that was missing and therefore as a sort of magic bullet that would solve the economic question. As a result to a considerable degree the public and political economic debate focused on it and the demand for it continued while other measures ceased to be seen as apparently worthy of much attention. (To illustrate this debate comments from the ERINI report and some subsequent press headlines are presented Box 4.7.)

Box 4.7 - The Corporation Tax Campaign

The ERINI Report

At the end of 2006 the Economic Research Institute for Northern Ireland (ERINI) published a report on the case for a differential rate of Corporation tax for Northern Ireland. Its introduction explained that the study had been motivated by 'concerns for the

performance of the Northern Ireland economy' and that 'a critical factor has been the performance of the Irish economy'. It pointed out that for some time the Northern Ireland Industrial Task Force had been considering this and had concluded that 'although many factors contribute to a successful economic development strategy (including a measure of luck) the evidence pointed irrefutably to the low Corporation tax policy that the Republic of Ireland has pursued doggedly for many years as the indispensable ingredient'.

Therefore in the summer of 2006 the Industrial Taskforce had asked ERINI to undertake a study into the case for a differential rate and the report noted that the timing of this was crucial as the deadline for the local parties to accept proposals for the restoration of a devolved administration for Northern Ireland was the end of November 2006 and it was vital to know if a different Corporation tax regime should be part of the settlement. The report looked in some detail at the role Corporation tax played in the 'Celtic Tiger' and at the impact a differential Corporation tax could have in Northern Ireland and came to the conclusion that:

'A reduced rate of Corporation tax would yield real and lasting benefits for the Northern Ireland economy.' For instance, 'based on the assumptions built into the model halving Corporation tax would set in train changes in the economy through new investment and increased activity that would reach the 'break even' point in tax terms in 2013, after incurring initial cost of £310m in the first year. Beyond 2013 there would be a net gain to both NI and UK public finances.' Also 'around 184,000 additional jobs are projected under this scenario by 2030 compared to ... no change in existing policies.' (ERINI, 2006)

Popular interest as indicated in press headlines from the Belfast Telegraph

- | | |
|-------------|--|
| 15 Nov 2006 | Transform economy: cut tax on businesses. |
| 16 Nov 2006 | Big named join calls for cut in corporation |
| 30 Mar 2007 | Corporation tax will not be slashed: Hain. Secretary of State blames EU law |
| 3 Jul 2007 | Help give tax break to Ulster's economy. 50 top names in cross-border push for harmony |
| 7 Dec 2007 | Low tax hopes are shattered. Cut in corporation levy ditched by Varney |
| 4 Feb 2008 | Cut in profits tax vital: accountants |

16 Feb 2010	New pressure for hefty cut in corporation tax
11 Nov 2010	Will corporation tax really be a silver bullet for our economy?
19 April 2011	We cannot afford to miss this moment of opportunity
24 May 2011	Corporation tax: 'the economic equivalent of the peace process'
13 Jun 2011	Cut would help boost business and economy
1 Jul 2011	Treasury's consultation on corporation tax is extended until July 8
11 Jul 2011	Reduction in corporation tax a shot in the arm for economy, say accountants
25 Oct 2011	Corporation tax debate is quietly shelved
4 Nov 2011	Economist: Now is the time to get corporation tax rate cut
23 May 2012	Robinson blasts delay as business chiefs take corporation tax cut battle to Westminster
24 May 2012	Treasury 'not keen' on corporate tax move
24 Jun 2012	58,000 top jobs will be created if corporation tax is cut
9 May 2013	Cameron's delay won't put an end to tax campaign
4 Dec 2014	Business chiefs pressure parties to secure handover of corporation tax
8 Jan 2015	'Tread carefully on corporation tax'. Stormont urged to ensure trade-off with Treasury does not end up costing us
25 Mar 2016	Corporation tax cut could bring NI £4bn and an extra 32,000 jobs

Lobbying continued and eventually the Westminster Parliament passed the Corporation Tax (Northern Ireland) Act 2015 which, subject to commencement regulations, would devolve corporation tax rate setting powers to the Northern Ireland Assembly. The Act provided for the Northern Ireland Assembly to have the power to set the main rate of corporation tax in respect of certain trading profits but, so far, the power to set a Northern Ireland rate has not been devolved, although in November 2015 the Northern Ireland Executive had publicly indicated its intention for the regime to begin in April 2018, with the rate of tax set at 12.5%. However with the suspension of the Executive this has not been pursued. (House of Commons Library, 2018). So, 15 years after the campaign began in earnest, the long sought-for reduction in corporation tax still has not been delivered – and therefore its efficacy has not been tested. Instead a case can be made that the campaign

distracted attention and effort from other measures (such as more enterprise) which might have helped and would probably have been needed in any case, even with lower corporation tax.

Other Thinking and Strategy Initiatives

Invest NI's Fostering Entrepreneurship Seminar

Among the other initiative in the 2000s, in March 2007 Invest NI organised a seminar on Fostering Entrepreneurship which included plenary presentations from three international experts, policy overviews from both parts of Ireland, parallel sessions on key policy areas and an ideas generation session. The declared objectives of the seminar included highlighting international best practice and stimulating discussion on entrepreneurship policy – and it was felt that these objectives were achieved and that the seminar had been a positive development (Bridge, 2007). Thus it appeared that Invest NI had promoted the seminar because it wanted to learn how to foster entrepreneurship better. However sometime later a reported one-to-one comment by Invest NI's Chief Executive indicated that some conversations during the seminar led him to conclude that Invest NI's efforts in this area were not working and, rather than look for better ways to achieve the aim and build entrepreneurship, as the seminar was supposed to do, the response had been essentially to give up and to downgrade this part of Invest NI's agenda.

Preparing a new Enterprise Strategy - DETI consultation 2008

In 2008 the Department of Enterprise, Trade and Investment (DETI) started to develop a new Enterprise Strategy for Northern Ireland. This may have been in response to a request from Westminster for strategies from the devolved administrations in Scotland, Wales and Northern Ireland to accompany a strategy for England and thus show UK wide enterprise coverage. However DETI began by trying to map the enterprise support then available and then sought the views of the various stakeholders and consulted a group of academics and associated researchers. In presenting the results of this DETI (2008) made a number of points including the following:

- There is an entrepreneurial deficit in Northern Ireland.
- The approach being used in the review was that of an 'Enterprise Pipeline from Awareness (creating an overall environment) through Pre-Start ('I have an idea. Is

it feasible?'), and then Start-up followed by Growth – with the objective being to accelerate that growth progression.

- Most government departments had a role in enterprise support.
- However the audit also had identified over 200 other organisations involved – so more co-ordination was needed.

The proposed strategy involved recognising the government support already in place together with an emphasis on co-ordinating all the stakeholder inputs which, it was suggested, would be a transitional 3 year strategy aimed at then being able to put a more coherent approach in place. However, when DETI presented this to the researchers, they largely rejected it as being more of the same based on an assumption that more support leads to more enterprise which, they believed, was an approach that had not worked. As the DETI officials appeared to have hoped that the researchers would, in effect, 'rubber stamp' the proposed 'strategy', it was clear that they did not find the meeting helpful – and did not respond to an offer from some of the researchers of further discussions about what might work. In the event, and presumably to the relief of the relevant officials in DETI, the strategy did not proceed any further as it was deemed to have been overtaken by the decision in 2009 to conduct a wider review of economic development policy: the Barnett Review.

The Barnett Review

Eventually on 8th May 2007 a new Northern Ireland Executive was formed - and on 9 June 2008 Arlene Foster became Minister for Enterprise, Trade and Investment. One of her early actions was to commission an 'independent' review of economic policy from a panel chaired by Richard Barnett, the then Vice-Chancellor of the University of Ulster. This was described as a wide-ranging review of economic development policies with particular emphasis on the role of DETI and Invest NI (Simpson, 2008) and the panel was 'asked to advise on the need to realign existing policies, or to devise new policies, in order to meet the [Northern Ireland] Executive's goal of halving the private sector productivity gap between Northern Ireland (NI) and the UK excluding the Greater South-East of England by 2015'. (Barnett, 2009: p.3)

The panel reported in 2009. In accordance with its remit, and in line with apparent thinking at the time, its findings focussed on productivity as NI's main economic challenge. In its analysis of existing policies and acknowledgement of recent economic achievements it

made almost no mention of the enterprise and the small business sector and of start-up policies (see extracts from the Barnett review in Box 4.8).

Box 4.8 – Extracts from the Barnett Review (2009)

Section I: Analysis of Existing Policies

E.14 In our review of the economic challenges facing the NI economy, we highlight the following:

- The economy has achieved a rapid rate of economic growth relative to other parts of the UK, in both output and employment terms. However, NI has been unable to make progress on a convergence of living standards towards the UK average, with relatively poor labour productivity the main factor behind this;
- Invest NI has a relatively attractive value proposition for investors, particularly given the competitive wages, skilled labour and generous incentives on offer;
- Competitive wage levels mean that NI is particularly attractive to labour intensive service sectors. However, the type of firm which chooses locations based on cost tend to be in lower value sectors, vulnerable to cost pressures, and are mobile to relocate internationally; and
- A stronger emphasis needs to be placed on developing Innovation and R&D in NI to attract, develop and retain high value investments, both indigenous and foreign-owned. There also needs to be much greater integration between indigenous SMEs and the supply chains of larger companies.

E.15 In our review of the current policies and programmes operated by DETI / Invest NI, we outline the following:

- Despite the recent rationalisation of programmes, Invest NI continues to offer a very large and complex number of programmes to businesses in NI;
- Selective Financial Assistance (SFA) is the most significant single programme Invest NI uses to support businesses. However, changes to EU regional aid rules from as early as January 2011 mean that NI will have considerably less scope to support firms using SFA, with aid ceilings expected to reduce further, potentially to zero, post 2013;
- Taken together, the total value of offers to companies for enterprise, Innovation / R&D and trade promotion (the stated aims in Invest NI Corporate Plans)

amounted to only one quarter of all offers of financial support over the Review period (2002/03 - 2007/08). In addition, the assistance to attract companies new to NI added a further 10%; and

- Just over 40% of the budget was allocated to business expansion projects already operating in NI, with only 15% directed toward the support of new jobs.

E.16 In our review of the impact of the current policies and programmes, we observe the following:

- Invest NI has contributed significantly to NI's economic performance in terms of employment growth. Offers of assistance through SFA were associated with 28,000 new jobs, 15,000 safeguarded jobs and £2.4bn of investment over the period 2002/03 - 2007/08;
- When compared to other UK regions, NI has attracted a higher number of new foreign-owned investment projects and promoted a higher number of jobs per head of population. However, many of these jobs, particularly those in the service sector, offered wages below the private sector average (e.g. contact centres). Furthermore, a significant proportion of support was associated with safeguarding jobs in the manufacturing sector;
- Invest NI has been particularly successful in promoting higher value investments in ICT, although most of these were in expansion projects in firms already located in NI rather than in new firms;
- The projects assisted by Invest NI have been successful in job creation, however, their impact on productivity has been limited;
- The additionality of Invest NI assistance varies by the nature of support offered. Whereas the additionality of SFA supported projects is estimated to be 50% (similar to other UK regions), additionality in projects involving Innovation and R&D is generally higher. Furthermore, the Panel believe that the additionality of SFA supported projects is lowest in those that are associated with the expansion of existing firms (aside from those that involve increased Innovation or R&D); and
- The cost of additional jobs created is high.

A Summary of the Decade

This summary offers a snapshot of the enterprise policy development and outworking by the end of the 2000s:

- a) The policy aim and target(s). During the decade various policies were launched and targets sometimes suggested, including:
- **Strategy 2010** – ‘Enterprise’ was one of Strategy 2010’s areas of recommendation (but not as pre-start of which there was little mention although registrations of new businesses per 10,000 population aged 16 and over should rise from the then current level of 31 to 40.)
 - **Economic Development Forum** - Under ‘Enterprise’ the Forum reported that a key indicator was the business birth rate of new VAT registrations per 10,000 of business population. The position in 2002, it said, was that the NI rate was 58% of the UK rate and the target for 2010 was that it should then be 87% of the UK rate.
 - **Accelerating Entrepreneurship** – Invest NI noted that ‘VAT registrations are one indicator of business formation rates’ and that Northern Ireland had ‘one of the lowest rates in the UK with 28 registrations per 10,000 resident adults compared to 37 for the UK as a whole’. (Invest NI, 2003b: p.6) It also indicated that Invest NI’s vision for the strategy was ‘to make Northern Ireland an exemplar location for starting and growing a successful business’.
- b) The thinking. During the decade, enterprise and business start-up rates appeared to be little mentioned in policy statements, having seemingly been side-lined and/or ignored. In part this may have been because new measures (mirages?) were lauded and pursued, such as low corporation tax, which deflected attention in their direction.
- c) The measures. On the whole the enterprise measures pursued amounted to more of the same (as old thinking persisted) but with some streamlining (e.g. reducing local start-up assistance just to mentoring for business plans).
- d) The achievement. Little was reported about any achievement, apart from the misleading suggestions by Invest NI about the impact of Accelerating Entrepreneurship.

THE 2010s

At the start of the second decade of the 21st century it might have seemed reasonable to review Strategy 2010 and ascertain to what extent its aspirations and targets had been achieved – but nowhere does this appear overtly to have been done. Therefore no lessons appear to have been learnt about what had, or had not, worked. It was as if that plan had belonged to a previous era and was no longer thought to be relevant to the relatively new and recently re-established devolved administration.

Instead in 2011 the re-established Executive with its rearranged departments (including a reorganised economic development department) had its own ideas and produced a new Plan for Government (PfG) accompanied by a new Economic Strategy. Initially these were released as drafts for consultation, the response to which was deemed to have been supportive. However the Economic Strategy might be said to have presented an economic vision, but not a strategy, and a vision which relegated enterprise to a minor role. A response to the consultation draft (see extracts in Appendix 4C – together with a summary of the final version) suggested that:

‘The strategy proposes nothing new to encourage and/or assist the creation of ... jobs and instead indicates old ways, including looking at best practice elsewhere and seeking inward investment jobs. The strategy itself proclaims the need for innovation and exporting yet, by advocating a continuation of the old ways while importing ideas and jobs, it appears to be unable to follow its own exhortation.’

In the meantime Invest NI continued to offer what was by then standard support for start-ups. For instance extracts from its 2012 guide *‘Starting or Growing Your Business? We Can Help You’* are presented in Box 4.9 and they suggest no evolution in support thinking. But even that level of start-up assistance has not been recognised in Invest NI’s recent annual reports.

Box 4.9 - Invest NI Support in 2012

Extracts from *Starting or Growing Your Business? We Can Help You – A guide to the support available from Invest Northern Ireland*, (Invest NI, 2012)

How Can We Help?

If you're thinking of setting up a business, or have recently started a business in Northern Ireland, you should speak to us.

We provide three core types of support for start-up businesses.

First, business start-up advice. We'll tell you where to find the answers to all those questions that have been going round in your head, such as:

- How do I do market research?
- How do I write a robust business plan?
- What do I need to be aware of when employing people?
- How do I deal with tax?

And, we'll outline the advice and support you can get from Invest NI and its enterprise partners.

Second, business start-up finance. We provide information about loans and funding for your new business and about the support that is available to businesses that intend to export their goods and services outside Northern Ireland.

Third, specialist support for high technology businesses. We offer specific assistance to people who are planning to set up a high technology business that has the potential for rapid growth and substantial sales outside Northern Ireland.

Review of Public Administration

In November 2005 the Secretary of State announced a proposal to reform local government and to reduce the number of Councils in Northern Ireland from 25 at that time to seven. In 2007, following the restoration of the power-sharing Executive, the seven council model was abandoned and in 2008 an eleven council alternative was adopted as part of the Review of Public Administration. However the detail took a long time to agree but it was included in the 2012 Programme for Government and the first elections to the new councils were in 2014.

The new Councils also got additional responsibilities, including planning and local economic development. This meant that they assumed responsibility for Go For It which is however still funded by Invest NI (and the ERDF) and delivered by the Local Enterprise Agencies as members of Enterprise Northern Ireland. As a result, although the Councils are now responsible for this level of economic development in their areas and therefore

could change Go For It, so far they have maintained it as a standard provision across Northern Ireland. Therefore it is still essentially a one-size-fits-all provision focused on producing a business plan for each prospective start-up. As the Go For It website proclaims ‘the aim of Go For It is to provide free mentoring to enable new businesses to complete a business plan with the support and expertise provided of experienced business advisors’. (Go For It, 2018)

NB Following the Stormont Agreement in December 2014 and the subsequent 2015 Fresh Start Agreement, in 2016 there was a further change and the number of government departments was reduced from 12 to 9. As a part of this the Department for the Economy (DfE) was created, replacing the former Department for Enterprise, Trade and Investment..

2016 Draft Programme for Government

In 2016 the Northern Ireland Executive published another draft Programme for Government for consultation. However, before the responses could be considered and a final version agreed, the Executive fell (because the Deputy First Minister resigned and was not replaced), and it was not restored until January 2020. Therefore, in the political vacuum that followed, the consultation draft had to be used as a guide by public servants even though it had not had full approval.

This time, instead of setting separate objectives and/or plans for each Department, the PfG has followed the guidance of Outcomes Based Accountability and listed 14 strategic outcomes the achievement of which would require collaborative working across departments and groups. Thus it did not say anything specific about economic plans beyond stating that one of the strategic outcomes is a strong, competitive, regionally balanced economy and then summarising some of the issues likely to be involved – among which it did not specifically mention enterprise or small business (see Appendix 4D) (NI Executive, 2016)

Economy 2030

In January 2017 the Department for the Economy (DfE) followed the draft PfG with *Economy 2030 – A consultation on an Industrial Strategy for Northern Ireland*. This did

give some recognition to enterprise and, in its 'Framework for Growth', it included among the priorities: 'a culture which supports, prioritises and celebrates innovation, creativity and entrepreneurship'; 'a more enterprising region'; and 'an economy where entrepreneurship and enterprise is (sic) endemic and reflected in a growing status as a start-up region'. Also the indicators listed toward to end of the document included: business start-up rates, an increased number of businesses start-ups, and increased entrepreneurial activity. However it also included a section on 'Learning from Global Best Practice because, it said, 'in seeking to become a leading internationally competitive economy it is important to examine economies which face similar challenges and opportunities'. (DfE, 2017)

Invest NI Business Strategy 2017-2021

Invest NI's contribution was then its *Business Strategy 2017-2021*. In this Invest NI declared that 'we want to make Northern Ireland the best region in which to start, and grow, a business' and then explained that 'this is a complex ecosystem [with] many players [and] Invest NI is only one of many providers of support for economic development throughout Northern Ireland'. Therefore, it said 'we are developing a comprehensive Entrepreneurship Action Plan, which will see Invest NI be a champion for entrepreneurship around which all of the various stakeholders can coalesce. This will provide a strong ecosystem in which businesses can start and grow - helping existing companies to get involved in innovation for the first time, current non-exporters to begin their journey and new export-focused business, both locally and internationally owned, to establish here.' (Invest NI, 2017: p.18)

It is relevant that Invest NI declared that its aim is to 'make Northern Ireland the best region in which to start and grow a business' not 'to make Northern Ireland the place in which most people want to start and grow a business'. In other words it still aims to work on the institutional dimension, but not the cultural.

Invest NI Annual Report for 2017-18

The sentiments expressed in Invest NI's Business Strategy were then reflected in its *Annual Report and Accounts for 2107-18* which, under the heading of 'Start-Up', included the sentence 'we want to make Northern Ireland the best place in which to start and grow a business.'(p.4) but did not report on how that was being done although it noted that

'working with our partners we are developing a strong entrepreneurial eco-system to support this'. However the Performance Report section of the report which summarised Invest NI's achievement of the key performance indicators made no mention of start-ups which appeared therefore not to feature as a target in the current operating plan. For instance, under 'Business Strategy Outcome Targets 2017-2021', the report detailed as outcomes figures for additional new jobs created, total sales growth, external sales growth and export sales growth and, under 'Operating Plan 2017-18 Targets' in the column headed 'progress', it gave figures for assisted jobs from locally-owned, externally-owned and first time inward investment companies; total investment in innovation; total investment in R&D; total investment in skills; and companies entering new markets. There was no mention of attitudes and/or new-start-ups. (Invest NI, 2018)

A Summary of the Decade

This summary offers a snapshot of the enterprise policy development and outworking by the end of the 2010s:

a) The policy aim and target(s).

- Local enterprise was devolved to the Councils under RPA but they continued to do more of the same, as did Invest NI.
- The Programmes for Government did not mention enterprise.
- *Economy 2030* spoke about 'a more enterprising region'; and 'an economy where entrepreneurship and enterprise is (sic) endemic and reflected in a growing status as a start-up region'. Also the Indicators listed toward to end of the document include business start-up rates, an increased number of businesses start-ups, and increased entrepreneurial activity.
- The Invest NI Business Strategy aimed to 'make Northern Ireland the best region in which to start and grow a business' not 'to make Northern Ireland the place in which most people want to start and grow a business'. It thus continued to focus primarily on institutional support dimension, not the cultural.

b) The thinking. There was no noticeable change in the thinking – and enterprise continued largely to be ignored.

c) The measures. Even under supposed Council control, what 'enterprise' measures there are consist largely of more of the same – i.e. providing basic Go For It advisory

support for start-ups and on-line tutorials (still where possible streamlined as a one-size-fits-all provision) and advertising its availability.

- d) The achievement. There were no relevant reports of achievement.
- e) Anything else. There still appeared to be no attempt to learn from past efforts, such as Strategy 2010, and Economy 2030 still suggested looking elsewhere for best practice.

SUMMARY OF POLICY DEVELOPMENT

Looking back over the past 40 years it is clear that, at the beginning of the 1980s, Northern Ireland's economy was in a bad shape, not least because of the troubles. At that time it had recently started to give special attention to small businesses and to provide dedicated (mainly financial) assistance for them, so they did feature in its economic policy, but it was more to support them as an otherwise endangered species than as a main policy target.

Then, during the 1980s, as elsewhere in the world, small businesses (plus start-ups and the enterprise which leads to their creation) began to be seen as a key factor needed for a stronger economy. Thus they became a specific policy target, not least because it was believed that Northern Ireland had a relatively low level of enterprise and so needed to develop more of it.

Therefore, by the beginning of the 1990s, Northern Ireland had started various initiatives to try to develop a more positive enterprise culture and to provide a range of appropriate assistance to help start-ups. This aim was recognised in policy but, as no 'off-the-peg' solutions were then found, through necessity new approaches had to be tried in what should have been the beginning of a process of 'trial and error' in developing appropriate delivery mechanisms (although it was not seen as that at the time).

However from the mid 1990's, instead of persevering (and following trial and error as the only course which in reality actually produces workable new developments), this mission began to be downgraded. 'Enterprise' (or 'entrepreneurship') was, and occasionally still is, mentioned in policy statements but start-up support was streamlined to a basic one-size-fits-all standard provision (except for those businesses deemed to have early export or 'global' potential) and the awareness/culture development aspect was largely forgotten

and/or dropped – although raising the rate of start-ups has remained as a policy target. However declaring that the aim was to make Northern Ireland the best place in which to start or grow a business, rather than the place in which people most want to start or grow a business, suggests an adherence to the idea that if you offer support people will do it, as if it was the lack of support which was holding them back, rather than recognising that they won't do it if they don't want to do it: "You can take a horse to water (or water to the horse) but you cannot make it drink".

There has been no evidence of attempts to examine and learn from the results of past initiatives. It is clear that continuing to do what is familiar to support small business, and what is also what others are doing and/or is considered to be 'international best practice', is more comfortable than actually initiating trial and error review, feedback and innovation. Also the overall economic policy focus has been distracted by the lure of other approaches (such as lowering corporation tax), which have seemed to offer the possibility of a quick fix - and would thus obviate the need for other long-term efforts in this apparently unproductive area. So, in respect of enterprise, it would seem that at end of the 2010s economic policy has gone back almost to where it was at the beginning of the 1980s (except that start-up support is now mainly advisory (a business plan consultation) instead of the largely financial support from grants provided in the 1980s).

EVIDENCE FOR IMPACT

What has been the effect of this evolving policy? Its declared aims have been more positive attitudes to enterprise (a more enterprising culture) and more business start-ups - so have these outcomes been achieved?

Attitudes and enterprise culture

Other than declaring that more positive attitudes were needed, no specific targets were suggested for attitudes - not least because, without a baseline assessment, there was no basis for setting a specific improvement target. Therefore Pathfinder proposed that a benchmark should be established against which improvement could be measured and, for this, a methodology was suggested and an initial survey was carried out by Harrison and Hart. However, despite this intention and the start made, the survey was never repeated so there was no measure of improvement.

Start-ups Rates

The target suggested by the original Pathfinder Enterprise report was to raise the rate of business starts to the UK average within five years but the Next Stage report suggested instead a target of a 30% increase over three years. Consistent with the latter, Strategy 2010 suggested that registrations of new businesses per 10,000 of the population aged 16 or over should be raised from the then current average of 31 to 40. In 2002 the Economic Development Forum suggested that the business birth rate (new VAT Registrations per 10,000 business population), which was then 58% of the UK rate, should be raised to 87% of the UK rate by 2010.

Invest NI's Accelerating Entrepreneurship plans indicated numeric targets for the number of 'local', 'external' and 'global' start-ups (not for percentage increases) but a follow-up report used Global Entrepreneurship Monitor (GEM) Total Entrepreneurial Activity (TEA) scores to indicate that the level of enterprise was catching up the UK average (but this appeared however to be wishful thinking which was not actually supported by the relevant data – see Appendix 4B). (The TEA rate for a country or region is the percentage of the adult population in the country who have taken some action towards creating a new business in the past year or who are the owner/managers of an active business less than 42 months old.)

In assessing start-up rates two proxies have been used (although not very consistently): Business births and GEM measurements of TEA. They show that:

- **Business Births.** Business births are often assessed from VAT registrations and in 2017 the VAT registration rate in Northern Ireland was 26.5 start-ups per 10,000 population and in UK it was 49.6 (ERC, 2018) and in 2018 there were 22 start-ups per 10,000 population compared to the UK average of 43. (ERC, 2019). As the target was to go to 40 from 31 (in 1999), 26.5 and then 22 is instead a regression and certainly not the achievement of either the UK average or a 30% increase. Figure 4.2 appears to use a wider measure but nevertheless still shows that the Northern Ireland business birth rate had consistently lagged behind the UK average in the decade before 2015.
- **GEM.** In 2017 the GEM TEA measurements were 6.5% for Northern Ireland and 8.7% for the UK overall. A longer time series is shown in Figure 4.3 which indicates

that since 2002 (and Northern Ireland was not measured separately before that) Northern Ireland has more or less consistently been below the average for the UK overall and has broadly followed the same trend. There is thus no evidence of any lasting NI specific impact, which might have been expected from Northern Ireland specific policies.

The best place to start to grow a business

Invest NI has not said how well it has done in its declared aim that Northern Ireland should be the best place in which to start or grow a business. However the World Bank does produce a ranking for 190 countries for their 'ease of doing' business - and in the 2019 version the UK ranks ninth with a score only four points behind New Zealand, which is first, and 63 points ahead of Somalia, which is last (World Bank, 2019). This suggests that, relative to most other countries, the UK is a very good place in which to do business and Northern Ireland essentially has the same provision as the rest of the UK. Although Northern Ireland has only a basic standard provision of assistance for most start-ups that is more than in some areas of the UK – so, for an official support perspective, it probably is one of the best places in which to start or grow a business.

Figure 4.2 – Business Births in Northern Ireland 2004 – 2013
(Source: SQW, 2015)

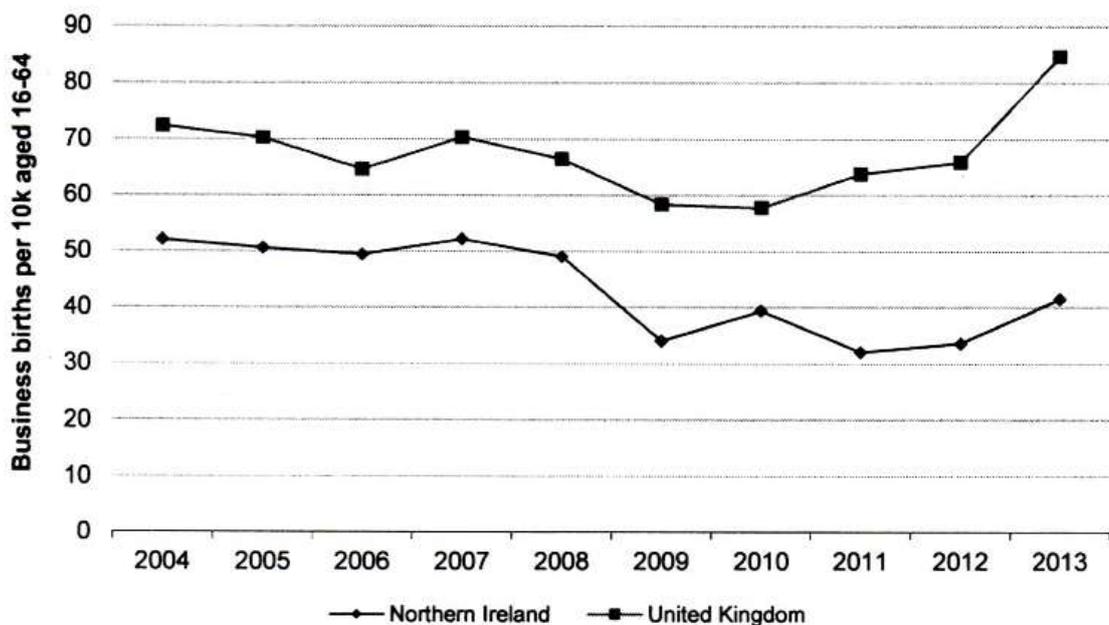
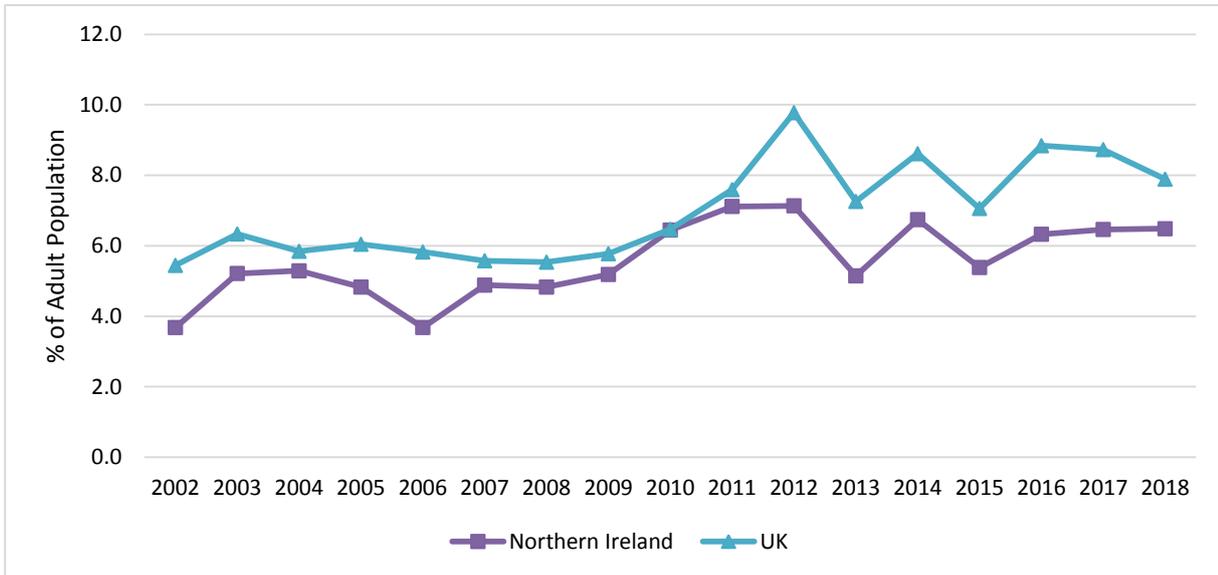


Figure 4.3 – TEA rates in NI and UK 2002 to 2018
(Source: UK Global Entrepreneurship Monitor)



CONCLUSIONS

The section above suggests that, although Northern Ireland may be a good place in which to start or grow a business, there are no indications of any significant improvements and/or positive changes in enterprise attitudes and business start-up rates due to Northern Ireland’s policies and in particular no evidence for the achievement of the targets which were suggested for them. There is thus a distinct lack of evidence that more enterprise has been achieved and therefore, if that was the aim, the conclusion must be that the policy probably has not worked – and that in turn raises issues on a number of levels about the way in which the policy was constructed and delivered:

- a) First it means that what was done did not deliver more start-ups. Being a good place in which to start a business and providing additional start-up support (although in essence downgraded from what was once intended) together with advertising that support has not worked to increase the start-up rate.
- b) However what was done was less than what was originally proposed. The original Pathfinder Enterprise delivery plan, and especially the awareness raising efforts, were not consistently implemented for a significant period so they were not tested - and they weren’t then refined through assessment and feedback (‘trial and error’). So the effectiveness of what Pathfinder Enterprise tried to initiate is still unknown.

- c) Further what was hoped for was more enterprise - but it was not the ultimate outcome sought. Enterprise was, in effect, the medicine prescribed to help to cure an ailing economy and achieve the outcome of a healthier economic future. Therefore, as it seems that the policy did not deliver more enterprise, the medicine was not supplied to the patient and therefore its efficacy was not tested.

Appendixes:

- 4A Northern Ireland – some key dates in the last 50 years
- 4B Accelerating Entrepreneurship: a case study in interpreting indicators
- 4C 2012 Plan for Government and Economic Strategy
- 4D 2016 Draft Programme for Government

NORTHERN IRELAND – SOME KEY DATES IN THE LAST 50 YEARS

1969	Civil Rights Protests
Aug 1969	Battle of the Bogside
30 Jan 1972	Bloody Sunday
28 Mar 1972	Direct rule imposed
Early 1980s	In 1976 the British government removed 'special prisoner status' for those imprisoned for political acts. After the 'blanket protest', hunger strikes started.
15 Nov 1985	Anglo-Irish Agreement
15 Dec 1993	Downing Street Declaration: NI people should decide their future and representatives should meet - including Sinn Fein if IRA violence ends.
Aug 1994	As a result the IRA declared a cease fire in August 1994 - followed a month later by a cease fire declaration from Loyalist groups
9 Feb 1996	End of IRA Ceasefire
10 Jun 1996	Multi-party peace talks began chaired by US senator George Mitchell.
5 Mar 1997	The Stormont multi-party talks were adjourned until 3 June 1997. This break was to allow the parties to contest the forthcoming general election.
20 Jul 1997	IRA announced a renewed cease fire.
15 Sep 1997	Multi-Party Talks resumed
10 Apr 1998	After months of discussion, agreement is reached on Good Friday 1998
23 May 1998	Referendum showed overwhelming support for the Good Friday Agreement.
1 Dec 1999	Direct rule officially ended as power handed to the Northern Ireland Assembly.
11 Feb 2000	Direct rule reinstated and the Northern Ireland Assembly suspended by the Secretary of State - citing insufficient progress on decommissioning.
29 May 2000	Devolution restored to the Northern Ireland Assembly.
14 Oct 2002	Devolution again suspended as power-sharing falls apart over allegations of an IRA spy ring gathering intelligence at the heart of government.
28 July 2005	The Provisional IRA announces a formal end to its armed campaign, orders units to dump arms and pursue goals through exclusively peaceful means.
13 Oct 2006	Prime Minister Blair and Irish Taoiseach Ahern lay the foundations for the St

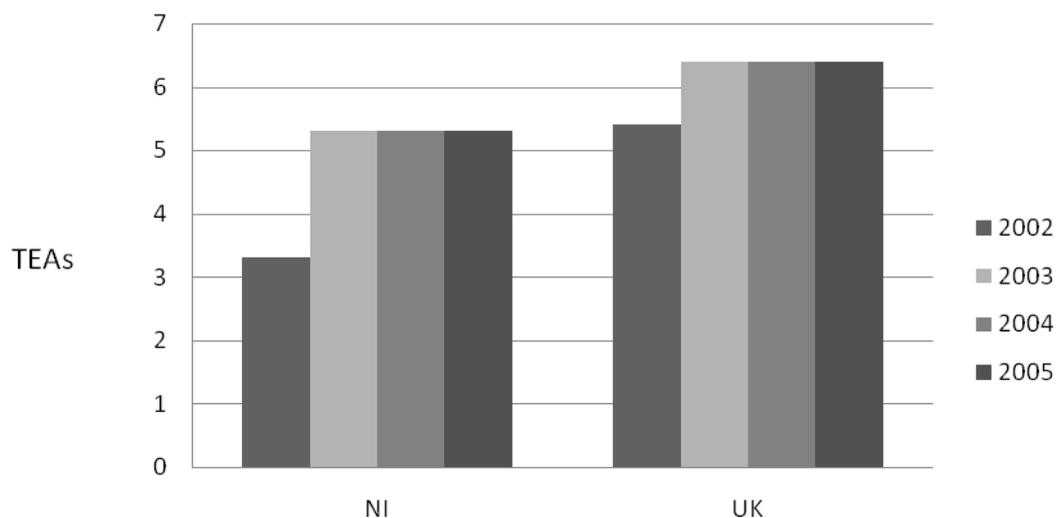
	Andrews Agreement.- a new devolution deal between the DUP and Sinn Fein
7 Mar 2007	Elections to the Northern Ireland Assembly.
26 May 2007	The Democratic Unionist Party enters a power-sharing government with Sinn Fein. Ian Paisley is first minister, Sinn Fein's Martin McGuinness his deputy
8 May 2007	The new Northern Ireland Assembly meet and the new Northern Ireland Executive is formed although some issues remained unresolved.
23 Dec 2014	Stormont Agreement (which also included the devolution of Corporation Tax powers to Northern Ireland) followed by the Fresh Start Agreement in 2105.
9 Jan 2017	Martin McGuinness resigns as Deputy First Minister in protest at the DUP's role in the RHI scandal. The Executive falls and an election is called.
Mar 2017	The parties fail to agree and do not form a new Executive within the deadline.
April 2017	Northern Secretary James Brokenshire sets a new deadline - for mid-April but the process is adjourned for the Easter holidays with no deal.

ACCELERATING ENTREPRENEURSHIP: A Case Study in Interpreting Indicators

The following case study is taken from *Rethinking Enterprise Policy* by Simon Bridge (Basingstoke: Palgrave Macmillan, 2010)

In June 2003 Invest Northern Ireland (Invest NI) launched its Accelerating Entrepreneurship Strategy followed in October 2003 by its key component, the ‘Go For It’ initiative. The impact of the strategy, the programme documentation indicated, was to be demonstrated by ‘an enhanced level of entrepreneurial activity and achievement of a net increase in the volume and value of new business ventures in the Northern Ireland economy’ (Invest NI, 2003b).

Figure 4B.1- Invest NI presentation of GEM TEA measurements



Source: Based on Invest Northern Ireland, *Performance Report 2002/03 – 2004/05*, p. 89

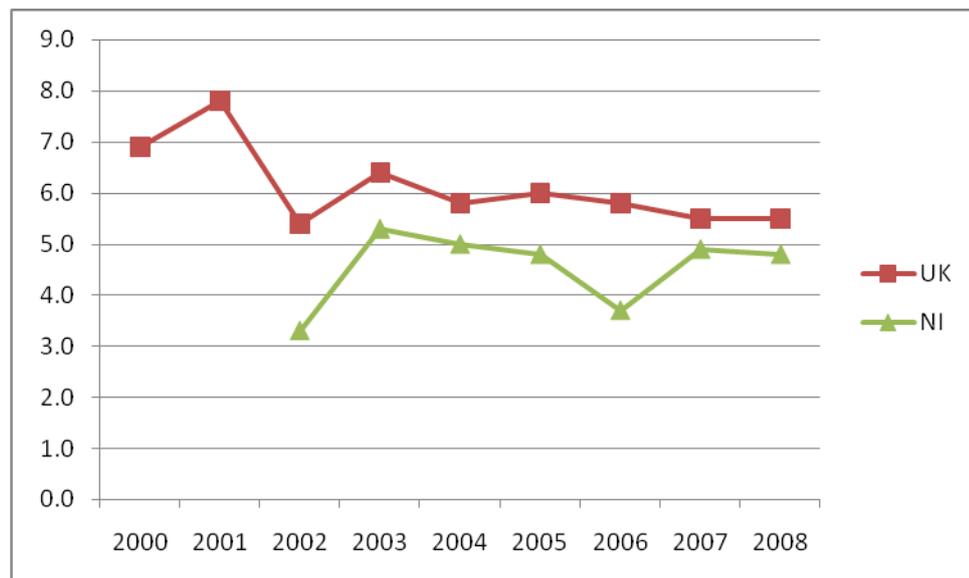
To measure the level of entrepreneurial activity Invest NI used the Global Entrepreneurship Monitor (GEM) and its Total Entrepreneurial Activity (TEA)³ score for Northern Ireland. About three years after the launch of the Accelerating Entrepreneurship Strategy Invest NI proudly announced that the evidence showed it was succeeding. To show this Invest NI presented the chart of GEM TEA measurements reproduced in Figure

³ The Total Entrepreneurial Activity (TEA) rate for a country or region is the percentage of the adult population in the country who have taken some action towards creating a new business in the past year or who are the owner/managers of an active business less than 42 months old.

4B.1 which, it was suggested, showed that, since the launch of the strategy, the level of entrepreneurship had risen from 60% of the UK average to 80% of the average and had then maintained that position. As late as 2008 Invest NI was still making reference to this evidence of ‘success’ stating that the GEM findings showed ‘an increase in the Northern Ireland TEA rate of 1.6 percentage points since 2002 (3.3 per cent); resulting in a narrowing gap from 61.1 per cent of the UK average in 2002, to 87.1 per cent in 2007. (Invest NI, 2008).

However an alternative view of the effectiveness of the initiative is reflected in the following analysis which looks at the GEM results plotted slightly more accurately in Figure 4B.2.

Figure 4B.2 - Plot of UK and Northern Ireland GEM TEA indicators 2000 - 2008



Source: based on figures given in UK and Northern Ireland GEM reports 2000-2008

The 2003 GEM figure for Northern Ireland was indeed published about nine months after the Accelerating Entrepreneurship Strategy was launched and this chart indicates that, compared with the 2002 figure, it showed a substantial rise and that, although the UK average figure had also risen, the Northern Ireland figure rose proportionally more. However the inclusion of the UK average figures for 2000 and 2001, which were the first years of GEM but for which separate Northern Ireland measurements were not made, indicates that, UK wide, the 2002 figure was out of line from the trend and was not therefore a good baseline indicator. Further, if the Accelerating Entrepreneurship Strategy was going to have an effect, it seems reasonable that its impact would not be immediate on the occasion of its launch in 2003 but would take time to develop and would not

therefore be expected until 2004 at the earliest. Also, although the Northern Ireland result for 2003 was not released until sometime after the launch of the strategy, it was actually being measured at about the time of that launch and could not therefore have reflected the impact of that launch. These observations therefore suggest that the rise from 2002 to 2003 which Invest NI had claimed as an indicator of the success of its initiative was too early to be due to the initiative and was instead a UK wide correction from an abnormal result the previous year. The best figures to show the impact of the Accelerating Entrepreneurship Strategy are therefore those from 2003 to 2008. These figures suggest that, instead of a sustained relative rise in Northern Ireland due to the initiative, Northern Ireland appeared to have mirrored the UK trend which, over the period from 2000 to 2008 as a whole, had shown a steady decline. This interpretation suggests that there was no apparent significant impact from the Invest NI initiative.

2012 PLAN FOR GOVERNMENT AND ECONOMIC STRATEGY

A Response to the Consultation

The 2011 draft Plan for Government was accompanied by a draft Economic Strategy issued for consultation. The following are extracts from a response to that consultation from a number of professors in the Marketing and Entrepreneurship Group at the Ulster Business School. (Bridge et al, 2012)

Introduction

At the end of November 2011 the Northern Ireland Executive published its long awaited draft Programme for Government. In response to the Executive's request for views on the draft the Marketing and Entrepreneurship Group at the Ulster Business School has prepared these comments designed to help find the best ways of achieving the declared number one priority of a vibrant economy.

The Draft Plan and Strategy

From an economic development perspective the draft Programme for Government initially seems to be encouraging. It appears to recognise the importance of the economy and what needs to be done to improve it. For instance it emphasises that 'the Executive has taken the important step of making the economy the top priority of this Programme for Government' and the first of the specific commitments listed is 'support for the promotion of over 25,000 new jobs'. Then, in setting 'growing a sustainable economy and investing in the future' as the first priority, it indicates that:

'The primary purpose ... is to achieve long term economic growth by improving competitiveness and building a larger and more export-driven private sector'.

It is undeniable that over 25,000 new jobs would be welcome, and that increased competitiveness and more exports should help to get them, but the Programme for Government does not indicate whether this commitment for new jobs is a gross or a net

figure. Is the target to be a net increase in 25,000 jobs, or just 25,000 jobs created irrespective of how many others are lost - because it is a net increase of at least 25,000 jobs which is needed? Also the Programme for Government does not indicate how its commitments of more competitiveness, a larger private sector and over 25,000 jobs will be achieved - referring only to a number of 'building blocks' including the Economic Strategy but also listing 14 other strategies and a further wide variety of supporting programmes.

It is presumably in recognition of the importance of the economy that the draft Economic Strategy is the second of the three documents which comprise the draft Programme for Government. Unfortunately, however, this strategy does not offer a credible approach to our economic problems. That might seem to be a harsh verdict for a document which clearly means well and does acknowledge the extent of the economic development task. But the strategy does not offer any workable ways to address the problems involved. Increasing the level of exports, GVA and competitiveness are aspirations not methods, and no credible methods for achieving those aspirations are specified. At this stage, rather than a glossy document, we need a plan that works and, if it is not going to work, that needs to be accepted now, and the plan changed, if there is to be any improvement. Avoiding any acknowledgement of the weakness of the strategy, or hiding reservations about it, will not help. If the emperor has no clothes, the sooner that is pointed out and accepted the better.

The strategy talks about rebuilding and rebalancing and clearly we need actions which will rebuild and rebalance - but do they have to be addressed separately? Many actions, if they work, will do both - so why are they presented as separate initiatives? What is the difference between a job created by rebuilding and one created by rebalancing, yet they have separate targets?

As to how rebuilding and rebalancing will be achieved, the strategy indicates that 'an extensive review of global best practice in economic development' has provided evidence that:

- 'The clear conclusion is on the need is to strengthen our competitiveness by improving export performance';
- This can be done by means such as 'investing heavily in innovation and R&D', 'a low corporation tax strategy and a pro-business regulatory environment'; and

- 'In all cases, the need to develop a world class education and skills system is critical for economic growth'.

But there is nothing original in such findings (although it might be argued that strengthened competitiveness should lead to improved export potential rather than being a consequence of it) and neither is there anything new in the 'five strategic rebalancing themes' developed from them:

- Stimulating innovation, R&D and creativity;
- Improving employability and the level, relevance and use of skills;
- Competing in the global economy;
- Encouraging business growth; and
- Developing our economic infrastructure.

All those themes have been pursued in past economic development strategies but, to date, our efforts to address our problems in this way have not worked, certainly not to the extent needed. Yet essentially what the strategy proposes to do is more of the same.

The only new element appears to be a lower rate of corporation tax which, it is suggested, will be a key way of attracting inward investors who are targeted to provide 5900 jobs. However that is less than one quarter of the 25,000 new jobs commitment in the Programme for Government - so where will the rest come from? The draft Economic Strategy does not appear to recognise that jobs commitment because it makes no mention of the figure of 25,000. It does however indicate that, as well as 5900 jobs from inward investment, there will be 6300 jobs in locally owned companies, 6500 jobs in new business start-ups and 6300 rebuilding jobs (apparently including 4000 under the job fund and 1150 in rural areas).

The trouble is that the strategy proposes nothing new to encourage and/or assist the creation of these jobs and instead indicates old ways, including looking at best practice elsewhere and seeking inward investment jobs. The strategy itself proclaims the need for innovation and exporting yet, by advocating a continuation of the old ways while importing ideas and jobs, it appears to be unable to follow its own exhortation.

Economic Strategy

Nevertheless in the final version of the strategy little was changed. Here for example is an extract from the Framework section, starting with the Executive's (PfG) Economic Priorities:

'In order to deliver the longer term priority of the Executive, five strategic **rebalancing** themes have been developed. These themes are:

- Stimulating innovation, R&D and creativity;
- Improving employability and the level, relevance and use of skills;
- Competing in the global economy;
- Encouraging business growth; and
- Developing our economic infrastructure.

The targeting of resources under these themes will bring forward actions and interventions which deliver increases in the size, structure and strength of our private sector. This should enable local companies to exploit opportunities and compete successfully in export markets, delivering both wealth and employment creation. It is recognised that none of these strategic themes operate in isolation, rather they are inter-dependent and action is required across each if our vision for the economy of 2030 is to be delivered.

As the recession has had a significant impact on our economy, in particular on the local labour market, the Economic Strategy also includes the following short to medium term labour market **rebuilding** themes:

- Improving employment opportunities and employability; and
- Promoting employment.

These themes are designed to promote economic and labour market participation, while at the same time building capability in the labour force which will be the foundation of future export-led economic growth in the economy.' (NI Executive, 2012 p.41)

2016 DRAFT PROGRAMME FOR GOVERNMENT

The official website indicates that:

'The 2016 draft Programme for Government contains 14 strategic outcomes which, taken together, set a clear direction of travel and enable continuous improvement on the essential components of societal wellbeing. They touch on every aspect of government, including the attainment of good health and education, economic success and confident and peaceful communities. In addition to merely fulfilling our statutory obligations, we will in future be able to target those things that make real improvements to the quality of life for the citizen. The outcomes are supported by 48 indicators which are clear statements for change.

A key feature of the new Programme is its dependence on collaborative working between organisations and groups, whether in the public, voluntary, or private sectors, and it is a Programme in which individuals and communities can also play an active part. It will require a significant change in approach from that used by previous administrations. The Executive will need to work collectively to deliver this Programme, driving work across boundaries and focusing on the outcomes rather than traditional departmental lines.'

www.northernireland.gov.uk/programme-government (accessed 9 Dec 2018)

Extracts from: Northern Ireland Executive, *Programme for Government Consultation Document* (2016):

14 strategic outcomes:

- We prosper through a strong, competitive, regionally balanced economy
- We live and work sustainably- protecting the environment
- We have a more equal society
- We enjoy long, healthy, active lives
- We are an innovative, creative society, where people can fulfil their potential
- We have more people working in better Jobs
- We have a safe community where we respect the law, and each other
- We care for others and we help those in need

We are a shared society that respects diversity

We are a confident, welcoming, outward-looking society

We give our children and young people the best start in life

We have high quality public services

We have created a place where people want to live and work, to visit and invest

We connect people and opportunities through our infrastructure

We prosper through a strong, competitive, regionally balanced economy: What are the issues?

Regional balance of economic prosperity through increased employment

Variation between geographic areas in employment rates reflects differing economic conditions across Northern Ireland, impacted by the differences between urban and rural job opportunities, the population skills mix and the ease of travel.

Access to a well paid job is important in combating poverty and is a vital component in building successful communities. Job availability, coupled with a workforce that is properly equipped and ready for employment, with appropriate skills for the marketplace, will be required in tandem to make a change.

The size of the economy

Companies and the workforce are the key drivers of economic growth. Our private sector needs to continue its growth to ensure our companies can compete locally, nationally and internationally.

Capital Investment Programme

Sustained capital investment is a powerful lever by which we can provide for the needs of families, communities and businesses and create jobs. Evidence shows that the number of jobs created both directly and indirectly as a consequence of capital investment is significant. Capital investment is a central plank of our plan for sustained economic growth into the future.

Increased competitiveness of the economy

Export led growth is a key area in which we can strengthen the competitiveness of our economy. External trade is also an important source of wealth and employment. It is important that companies can diversify the markets to which they export by identifying

new emerging and developed markets and taking the opportunities to capitalise on these. Research shows that exporting companies are larger, more productive, pay higher wages and are more capital intensive than those which focus mainly on domestic markets.

Innovation in the economy

Evidence shows that innovative companies grow nearly twice as quickly in terms of both employment and turnover as non-innovators. In addition, following the financial crisis, economic recovery has been substantially stronger in countries which had previously invested the most in Innovation and R&D.

Secure, sustainable and cost-efficient energy supply

Energy is necessary for the effective functioning of modern economies. We are dependent on an abundant and uninterrupted supply of energy for living and working. The energy sector brings employment, investment, infrastructure, technological advances, knowledge and skills, that can be highly beneficial to the wider economy in general. Energy is both a facilitator of, and a contributor to, economic growth. In addition energy costs are a key factor in the competitiveness of our economy.

Questioning Conventional Enterprise Wisdom

Part III

The core research: exploring the assumptions

5 Identifying the core assumptions – and the evidence for them

Chapter 5 considers the nature of enterprise ‘conventional wisdom’ and the problem of identifying it – thus showing why the proposition described earlier has been suggested. It then develops the consequent research issues by indicating (some of) the assumptions that might have been made about enterprise. These assumptions are the key focus of this thesis - so evidence both for why they might have been made and whether they were made is highlighted.

6 Questioning the assumptions – and the implications of this

Chapters 6 then examines the counterarguments which indicate that the suggested core assumptions are not correct – and considers what might be some of the implications in each case.

5 - IDENTIFYING THE CORE ASSUMPTIONS – AND THE EVIDENCE FOR THEM

Part I presents the reasons for thinking that there is a pool of received knowledge about enterprise upon which many people appear to rely, but which is overdue for review. Chapter 1 describes the origins of this suspicion and indicates that one of the reasons for thinking that there are flaws in the knowledge about enterprise which many people appear to share is that enterprise policy has not worked. People don't (usually) do things for no reason, so why did the instigators of that policy think that it might work? There is no suggestion that the components were just picked at random – so what is the body of 'knowledge' which has provided, and still provides, the rationale for such initiatives – and which may also be shared by other enterprise 'professionals'? What this thesis is seeking to examine are the ideas and assumptions which provide the basis for this 'conventional wisdom' about enterprise, to use the term advocated by Galbraith, but calling it 'wisdom' could make it sound more wise than it deserves.

Chapter 2 considers the context for this by examining how and why an interest in enterprise has arisen which has in turn led to a demand for knowledge about it. Then it looks at how knowledge in general is often developed and acquired. Knowledge about enterprise was sought relatively quickly and considerations of epistemology indicate that the early basis of much 'scientific' knowledge has been myths and assumptions which, if not checked and refined, can become misleading paradigms, not least because knowledge can, in its transmission, be subject to many sources of bias. Therefore both these perspectives would not only be consistent with the possibility that, in the case of enterprise, misleading knowledge (ignorance) could prevail, but also suggest that it could even be likely.

Chapter 3 then looks at two things which it might be supposed should have reduced this ignorance: the links that might be expected between enterprise research and enterprise policy which could have provided opportunities to test the acquired knowledge and the extensive enterprise literature which might have reduced ignorance about it. However the research-policy connections do not appear to be meaningful and the literature does not appear to address this issue to any significant extent.

Therefore the factors considered do not undermine the suggestion that apparent enterprise knowledge is based largely on assumptions many of which are suspect – and

the case presented in Chapter 4 shows how this could happen. As Popper (1989) observed:

‘The way in which knowledge progresses, and especially our scientific knowledge, is by unjustified (and unjustifiable) anticipations, by guesses, by tentative solutions to our problems, by conjectures’ (p.vii) and ‘erroneous beliefs may have an astonishing power to survive’. (p.8)

‘What we should do, I suggest, is give up the idea of ultimate sources of knowledge and admit that all knowledge is human; that it is mixed with our errors, our prejudices, our dreams, and our hopes.’ (p.30)

‘Inference based on many observations, is a myth The actual process of science is to operate with conjectures: to jump to conclusions – often after one single observation.’ (p.53)

All this supports the essential proposition behind this thesis which is that assumptions were made and passed on as received thinking without testing their validity – and that some are false and/or misleading – or, more specifically:

- Enterprise thinking has been informed, and policy guided and/or justified, by ‘conventional wisdom’ – and therefore the questioning of some beliefs and the failure of policy raises doubts about that conventional wisdom.
- This conventional wisdom has not only influenced policy but is also likely to be the basis for other thinking about enterprise.
- However the ‘conventional wisdom’ is itself founded on, or consistent with, a set of assumptions, often not consciously made and therefore not recorded, at least some of which are questionable.
- Therefore it will be useful to identify this ‘conventional wisdom’ if it is to be checked and, if relevant, corrected.

Box 5.1 - Unrecorded assumptions are hard to question

In his critique of mainstream economics one of Lawson’s observations is that, while it may be commonplace to find references to something called “economic theory”, ‘there is some disagreement about what it comprises’. It is, he suggests:

‘widely interpreted as a body of substantive thought that, amongst other things, focuses upon individuals rather than collectivities; upon exchange activities rather than

production or distribution; upon optimising (maximising or minimising) behaviour rather than satisficing or habit following; upon conditions of perfect competition rather than oligopoly or monopoly; upon structures facilitating constant (or decreasing) returns to scale rather than increasing returns; upon presumptions of perfect knowledge and foresight or 'rational expectations' rather than uncertainty or ignorance; upon end-states, fixed points, or equilibria, rather than processes in time; upon functions (utility, cost, preference, profit) that are well behaved (where appropriate, convex, differentiable, fixed, well ordered over all the arguments, etc.) rather than otherwise.'

However he adds that, 'if such nominal characteristics are often associated with "economic theory", and are undeniably pervasive, it is also noteworthy that many "theorists" have regarded most of them as not being in any way essential.' (Lawson, 1997: p86/7)

Thus he does not, presumably because he cannot, refer to any definitive statement of such considerations but has instead to suggest what they might be – and it is usually only when such assumptions are recorded that it is easy to notice them and recognise their failings. Indeed it was only when Kahneman came across a list from a precursor of Lawson that he, and others, began to dispute some of them and instigated behavioural economics:

My first exposure to the psychological assumptions of economics was in a report that Bruno Frey wrote on that subject in the early 1970s. Its first or second sentence stated that the agent of economic theory is rational and selfish, and that his tastes do not change. I found this list quite startling, because I had been professionally trained as a psychologist not to believe a word of it. (Kahneman, 2003: p,162)

IDENTIFYING ASSUMPTIONS TO ANALYSE

'To sum up my thesis in one sentence – that we can learn from our mistakes.'

(Popper, 1989: p.ix)

Popper suggests that knowledge starts with guesses and conjectures - and can progress from that only if those conjectures are subject to objective assessment and testing by attempted refutation (Popper, 1989: p.ix). But, in the case of the (supposed) conventional

wisdom about enterprise, what are the guesses and/or conjectures which should thus be tested? In a sort of vicious circle if they have not been identified we should not expect a recorded set of observations and a clear statement of the theories deduced from them – and without such a record we should not anticipate that those theories would have been subject to objective testing and attempted refutation.

If the start for many areas of knowledge is conjecture and supposition that is essentially a set of assumptions supporting theories which are accepted because they seem to explain observed behaviour. Then, as the theories become the received understanding, their reliance on possibly untested assumptions can be forgotten. The exploration of enterprise had to start somewhere so it would appear that such theories were adopted. Indeed it has been suggested that much of the current enterprise knowledge was initially based on a series of assumptions (Bridge and O'Neill, 2018), but these were not always recognised as such – not least because they were often not formally recorded and may not have been consciously adopted. As a result they have been passed on, and received, as 'facts'.

Therefore the conventional wisdom is likely to be a perspective derived from people's understanding of what they have been told by others and/or observed others doing – and which might be explained as being more or less consistent with what are essentially a set of assumptions. However such foundation assumptions may not have been consciously made and not therefore subsequently identified and/or recorded as assumptions. Further conventional wisdom is generally adopted without question and, as a result, many may not be aware that these supposed 'facts' are really only assumptions. Further, even when assumptions are identified and challenged, as traditional economic assumptions have been challenged by behavioural economics, they may still persist because they are so deeply embedded.

Like economic theory, as described by Lawson (see Box 5.1), the basic tenets of the conventional wisdom about enterprise are not clearly agreed and recorded. Consequently they have to be deduced from what has subsequently been said and done and identifying them requires an element of supposition, of making suggestions and seeing if they fit the requirement of explaining observations of what is said and or taught about enterprise and/or could be the basis for enterprise policy. Lots of valid assumptions have also been made so identifying key assumptions which might be false is the first step. Then they can be examined to see if they do indeed appear to be relevant and, if so, why they might have been made, whether they are valid and helpful, and what are their consequences and implications. This exercise will not identify all such assumptions but it will try to

highlight the key ones. It does this by building a case and then testing it. It identifies possible assumptions, examines them to see if they have been made and are still used and, if so, whether they are valid. For this the starting sources used include:

- Observations from the author's exposure over time to different areas of the sector.
- Noting problems arising and issues about which queries have been raised.
- The identification of possible thinking behind those issues and queries.
- Suggestions, in the form of a linked set of assumptions, for an underlying understanding – which is then to be tested - to see if the assumptions might have been made, if they were made, and if they explain the issues found.

The method this thesis uses to identify the assumptions underlying this conventional wisdom is to start with some aspects of that enterprise 'wisdom' which have been challenged and see what might be their source. For example:

- There is a view sometimes expressed that all businesses want to grow - because it is thought that all businesses are there primarily to make profit.
- Business plans are often advocated for start-ups, accompanied by a view that failure should be preventable because it is the result of not planning properly. This appears to be based on a belief in determinism and therefore in forecasting and planning as the right way to proceed in business.
- Social influence is not considered to be relevant in business - because it is not thought to be relevant as all business decisions are supposed to be objective and logical. As a result, the significance of social capital and networking have largely been ignored (and do not, for instance, feature in standard business plans).

All these views are consistent with an application of big business-based thinking because it is assumed that enterprise is sub-set of business – but could that assumption have been made? Enterprise is generally associated with and/or encompasses small business and, as indicated above, the interest in enterprise grew because Birch identified small businesses as the source of net new jobs and enterprise was thought to be the process of creating small businesses. Thus enterprise came with the label 'business' (albeit small businesses) attached to it - so it would not be surprising if it was associated with business. Therefore, rather than create a new category, discipline, faculty and/or department for it, it would have been convenient, and apparently logical, to place it in the field of 'business'.

Indeed enterprise is often researched and/or taught in business schools, lauded and supported by business agencies and encouraged and promoted by the business and economic departments of government - which does suggest that it has been treated as if was a sub-set of business. However, because enterprise is generally researched, taught and/or promoted in business schools, business agencies and economic and business departments not only is this clearly consistent with it being seen as a part of business but it has also meant that it has often been viewed from an essentially big business-based perspective - because that is what business schools teach and what business 'professionals' learn. Therefore it is suggested here that the effect of such big business-based understanding can be seen in assumptions such as:

- The aim of a business (anything labelled as a business) is to maximise its profit – which has the implication that all businesses therefore want to grow.
- The world of business is deterministic and people can, if they are diligent enough, reliably research and forecast things like markets, customer reactions and sales growth – which has the consequences that forecasting and planning are the proper way to proceed and 'failure' is stigmatised because we believe it can and should be avoided by proper preparation.
- Businesses behave rationally – and, because business decisions are therefore objective and logical, social influence has little or no impact.

This suggests that it is possible and credible to assemble from such thinking a set of assumptions consistent with apparent understanding of enterprise and/or with the actions apparently taken in accordance with that understanding – and this provides the basis for a *prima facie* case for the validity of the hypotheses. (NB It is not necessary to show that all the relevant assumptions are wrong – just that together they present an unbalanced perspective.) These assumptions are therefore explored in the following sections.

ASSUMING THAT ENTERPRISE IS A SUB-SET OF BUSINESS

(and therefore applying big business-based thinking to it)

'Mastering Enterprise: all you need to know about starting and developing a successful business.'
(Birley and Muzyka, 1997)

Have those involved in promoting enterprise assumed that it is a sub-set of business – in other words that enterprise is primarily an aspect and/or function of that part of human activity which we have labelled ‘business’? Asking this question is not meant to imply that at any stage this assumption was formally made and/or consciously adopted. However it is suggested that treating it as an assumption is consistent with aspects of conventional wisdom about enterprise and therefore that thinking of it as an assumption helps to explain how enterprise is often viewed. To make this case this section looks at the reasons why thinking consistent with such an assumption might have been happened and the evidence that it did.

Why Might the Assumption Have Been Made?

Two factors are described here which would explain why it could have been assumed that activities with the label ‘enterprise’ belonged in the field of endeavour associated with business and therefore, in effect, that enterprise was a sub-set of business – and those factors are the way the word was often used in official circles and the reason why there was so much official interest in it.

The vocabulary: how ‘enterprise’ has been interpreted

If people have assumed that enterprise is a sub-set of business, could one triggering factor have been the vocabulary used? When ‘enterprise’ began to be studied various existing words were adopted such as the word ‘enterprise’ itself – and the word ‘entrepreneurship’ which, it would seem, had recently been coined (Bridge, 2017). Although such words were not clearly defined, they were assumed to be both meaningful and useful - but vocabulary can be tricky and many words in common use do not have precise definitions. Some are nevertheless useful: an example is the word ‘red’ which may not refer to a precise shade of colour but, if we encounter it, we can normally assume that it refers to something in that part of the spectrum that we think of as red and we expect that others will interpret it in the same way.

However the same cannot be said about a word like entrepreneurship because different definitions of it are offered. We might wish ‘entrepreneurship’ to have a single concise definition but instead there are many different ways in which it is used and some are not consistent with others – leading to the suggestion that the word is so confusing its use should be dropped (Bridge, 2017). But many people do not recognise this problem and

there is a tendency to assume that such words are being used consistently and therefore not to challenge their meaning. Thus often, when the word 'entrepreneurship' is used, there is a presumption that others will interpret it, and use the word, in the way the user intended. Therefore, for example, if the aim of 'entrepreneurship' policy is more business start ups there is a tendency by the makers of that policy to assume that business start-ups are what 'entrepreneurship' courses will deliver (Bridge et al, 2010).

In pursuit of what 'enterprise' might be understood to mean, Bridge and O'Neill (2018) have looked at the various ways in which the word is used – from the broad mission of the *Starship Enterprise* which was: 'to boldly go where no man has gone before' to very business focussed uses such as: 'the government has a coherent set of policies towards industry and commerce [but] that set of policies is better described as an enterprise strategy than an industrial policy' (DTI, 1988). They conclude that the examples they quote demonstrate that the word 'enterprise' has, in normal usage, a wide variety of meanings. In some cases its meaning is limited to the business context, but in others, for instance when applied to the *Starship Enterprise*, it is an attitude to life, an attitude of exploring, of developing, of leading and of taking initiatives, which, while it may help in the business context, has much wider relevance. (Bridge and O'Neill, 2108)

This echoes the earlier views of the author of an OECD monograph who, writing on 'enterprise culture', indicated that:

'There are, in effect, two definitions of, or approaches to, the word 'enterprise' and the practice of it. One, which can be termed a 'narrow' one, regards enterprise as business entrepreneurialism, and sees its promotion and development within education and training systems as an issue of curriculum development which enables young people to learn, usually on an experiential basis, about business start-up and management. The second approach, which can be termed the 'broad' one, regards enterprise as a group of qualities and competencies that enable individuals, organisations, communities, societies and cultures to be flexible, creative, and adaptable in the face of, and as contributors to, rapid social and economic change.' (OECD, 1989)

These two approaches have also been labelled 'economy' and 'education':

'Two schools of theory and practice are evident, each based on different although not contradictory answers to the question. They can be called the 'economy school' and the 'education school'. The 'economy school' says that enterprise is what

entrepreneurs do and entrepreneurs create business and jobs and wealth and those things all contribute to, indeed they comprise, the economy ... The 'education school' says that enterprise has a broader meaning and application than that ... It says that many types of initiative which need to be taken, many types of responsibility which need to be discharged and many types of problems which need to be resolved require the individual to act in an 'enterprising' manner. Thus this school sees business-type entrepreneurialism as just one context in which people act in 'enterprising' ways. It says that enterprise involves using the imagination, being creative, taking responsibilities, organising, identifying ideas, making decisions, dealing with others in a wide range of contexts. It says that as society becomes more complex and as it changes towards greater complexity, people need to be more and more enterprising.' (Employment Initiatives, 1990)

So there are two main approaches, only one of which essentially treats enterprise as an aspect of 'business'. However it is suggested here that it is in the business context that the word has often been used, in particular in official circles, and therefore it is that context to which it is usually assigned and/or perceived to belong. Also the word 'enterprise' is frequently used to refer to a business – which is why small businesses are frequently referred to as SMEs: small and medium-sized enterprises. So, in that sense also, it would seem natural to assume the 'enterprise' could be categorised with 'business'.

A need for employment was behind the interest in enterprise

As Chapter 2 describes, the government interest in enterprise which started in the 1980s was largely triggered or at least reinforced by David Birch's report that it was small businesses/firms which created new jobs – and so, at a time of rising unemployment, the policy imperative was focussed on jobs and therefore on the businesses which it was hoped would create them. Out of this came a variety of policies to which various terms such as enterprise, entrepreneurship and small business were applied. In an attempt to clarify this it has been suggested that the label 'entrepreneurship' might be applied primarily to those policies which are designed to increase and/or support the rate of business start-up, the label 'small business' could then be applied to those policies designed to help and grow those small businesses which have been formed and the label 'enterprise' could be an overall term encompassing both of them.

Therefore, under this use, all forms of 'enterprise' policies were in some way about (small) business formation, survival and/or growth. If enterprise and entrepreneurship are associated with small businesses, it would seem natural to associate them with other businesses – in effect to assume that they are a sub-set of the general field of 'business'. While it does not appear that this was recorded or even recognised as an assumption at the time, that could be because it was not consciously made, possibly because it may have seemed obvious. Despite a theoretical acknowledgement that there were two broad interpretations of 'enterprise', only one of which was primarily about business, the interest was focussed on this seemingly clearer and more applied aspect - and thus it would have seemed logical to assume that it belonged with business and to assign its study and development to business focussed organisations.

This assignment was mainly effected through budgets. Many of the organisations engaging in enterprise research, promotion and/or teaching were largely doing so because of the budgets (or other incentives) governments made available to support their interest and policies in this area – and those budgets were business focussed. Birch's finding concerned small 'businesses' so it would have appeared that they, and the 'enterprise' associated with them, were indeed about business. And therefore it seems natural that they should now be advocated by business bodies, promoted by business agencies and, not least, have their research and teaching assigned to business schools.

What is the Evidence that the Assumption Was Made?

Possibly because it has seemed so obvious, assuming that enterprise is a sub-set of business may not have been recorded as a deliberate and formal assumption – so any evidence for it is likely to be circumstantial rather than direct and definitive. Nevertheless it is argued here that the circumstantial evidence is compelling, not least in the way that responsibility for enterprise matters has been assigned to organisations dealing with business matters, such as business schools, business agencies and economic development departments of government - and those organisations have used the word 'enterprise' as a label for what they do (see Box 5.2). There are occasional exceptions but in general it is these business-oriented organisations which have been expected to be able to teach it (business schools), research it (business schools and business consultancies), support and promote it (business agencies) and advocate and plan for it (business enterprise departments). For instance, as quoted in Box 5.2, in the UK the DTI has an 'enterprise policy' rather than an 'industrial policy'. Also in Northern Ireland the

Local Enterprise Development Unit was the name of the government's small business agency which from 1972 to 2002 was responsible to supporting locally-based businesses employing up to 50 people as well as a range of other enterprise promotion schemes (see Chapter 4) and in England for nearly 20 years from 1992/3 the main small business support system helping to deliver the government's enterprise culture objective was called Business Link (see Box 5.3).

Box 5.2 – Examples of Enterprise Being Associated with Business

The following are examples of official policies and schemes which clearly assume that enterprise belongs in the realm of business:

UK Policy. In the UK the word 'enterprise' was used as a label for what might be considered to be industrial policy – as the 1988 the Department of Trade and Industry (DTI) (now the Department for Business, Innovation and Skills [BIS]) acknowledged when it launched its Enterprise Initiative in 1988. This brought together many of the schemes of support provided by the DTI for industry and commerce. At the launch the DTI considered whether its plans were 'an industrial policy', but concluded that:

'The phrase itself is unfortunate, because it appears to concentrate on industry rather than consider all the factors which affect the ability of industry and commerce to create wealth; it also carries the flavour of the DTI taking responsibility for the fortunes of individual industries and companies. It will be obvious that neither is consistent with the philosophy of this paper. ... But the government has a coherent set of policies towards industry and commerce. That set of policies is better described as an enterprise strategy than an industrial policy.' (DTI, 1988)

EU Policy. The EU also used the word in this context when it recognised the importance of enterprise by having a Directorate General for Enterprise and Industry (although this was re-structured as the Directorate General for Internal Market, Industry, Entrepreneurship and SMEs) and a specific enterprise policy:

'EU enterprise policy aims to ensure we keep up with our rivals while also creating jobs. It pays particular attention to the needs of the **manufacturing industry** and **small firms**. ... The focus of EU enterprise policy is on creating the right environment for investment - not just for strategically important sectors like aerospace and biotechnology, but also more traditional industries, such as textiles and cars.' (EU, 2012)

Various UK Schemes. In their first edition Bridge *et al* (1998) gave examples of some other relatively early uses of the word 'enterprise' in various official schemes:

- *The Enterprise Allowance Scheme* was introduced to direct financial support to unemployed people wishing to become self-employed. Its aim was stated as to encourage unemployed people to create thriving new businesses.
- *Graduate Enterprise* provision is a scheme to raise the awareness and preparedness for self-employment among undergraduates.
- *Scottish Enterprise* is the successor to the Scottish Development Agency. Its remit is to help to generate jobs and prosperity for the people of Scotland.
- *British Coal Enterprise* is a wholly owned subsidiary of British Coal set up in 1984 to help to create alternative job opportunities in areas associated with coalmining,

Universities provide a clear case of this. Responsibility for enterprise (including small business) research and teaching has generally been assigned to business schools/departments where it is clearly addressed as a part of the general field of business. Enterprise and/or entrepreneurship education is an example. Initially there was a tendency to use 'enterprise' as the label for the education in question but then the terms 'enterprise' and 'entrepreneurship' began to be used synonymously (Gibb, 1993) and, more recently, the designation 'entrepreneurship' seems to be preferred. However within enterprise/ entrepreneurship education there are different interpretations. For example Gibb in 1993 spoke of enterprise education as being either 'about' or 'for' entrepreneurship and Hannon (2005) added 'through' entrepreneurship as a third category. The 'about', 'for' and 'through' distinctions are, in effect, those used by Hytti and Kuopusjärvi (2004) who highlighted three different roles which might be assigned to 'entrepreneurship' education programmes depending on which of the following aims were being pursued:

- Learning to understand entrepreneurship (What do entrepreneurs do? What is entrepreneurship? Why are entrepreneurs needed?), or
- Learning to become an entrepreneur (Can I become an entrepreneur? How to become an entrepreneur? Managing the business.), or
- Learning to become entrepreneurial (I need to take responsibility for my learning, career and life. How to do it.).

Bridge *et al* (2010) asserted that the second and third of these aims are typical of the majority of core programmes and suggested that they could be distinguished as two separate constructs by being labelled 'enterprise for new venture creation' and 'enterprise for life' respectively. They also noted that, although the former might appeal to governments and funders with economic development and job creation aims, it is the latter which is thought to appeal more to students. However both of these interpretations of enterprise education are usually delivered by business schools and it would seem that the content of both sorts of course is often business related. Bridge and Hegarty (2016) for instance have reflected on their experience of the delivery and/or evaluation of two higher education initiatives on the island of Ireland: the Northern Ireland Centre for Entrepreneurship (NICENT) from 2000 to 2009 in the North and the Accelerating Campus Entrepreneurship (ACE) scheme from 2008 to 2012 in the South. They note that both these programmes were multi-institutional and both had a wider interpretation of entrepreneurship than just business start-up - yet a subsequent review of the learning outcomes and indicative content for particular modules demonstrated that their curricula were essentially centred on the business start-up process.

Box 5.3 - Business Link

Business Link was a UK government-funded scheme initially established in 1992/3 and associated with the then conservative government's 'Enterprise Initiative'. The concept was started by Michael Heseltine when he was the Minister responsible for the Department of Trade and Industry and it was designed to provide a range of business support and advice services to encourage growth in the small business sector – and it was continued under the subsequent labour government. However the various programmes run under this initiative were eventually closed following a coalition government decision in 2010 – although an associated website was continued for longer.

Business Link was a network of 45 local business support organisations which were established across England (Wales, Scotland and Northern Ireland had their own schemes). First fully established in 1993 they were reformed in 1999-2000 to become a centrally-branded local franchise system (Bennett and Robson, 2004 and Bennett, 2007).

While Business Link was clearly a small business support initiative it was associated with the idea of enterprise and building an enterprise culture – and thus it is another example of enterprise and small businesses being closely, and apparently logically, associated with

the label business.

The consequence: the application of big business-based thinking

Most business professionals; for instance accountants, consultants, academics and professional managers; who are taught business formally, rather than just picking it up from experiencing it, are essentially taught from a basis of how big businesses operate. For instance, in big businesses, production, marketing and finance are separate disciplines carried out by separate departments – and that is how business schools teach them. That itself is not surprising as big business provides the models to be studied and the case studies and is how the schools are themselves organised with the different disciplines taught by different people organised in different ‘silos’. It might be acknowledged that small businesses can be different but those differences tend to be treated as exceptions. The general understanding of ‘business’ is thus not affected and, it is suggested here, has become the default thinking applied automatically when any business is considered. Thus it is also applied to enterprise when it is seen to be a sub-set of business.

ASSUMING THAT BUSINESSES AIM TO MAXIMISE THEIR PROFITS

(and therefore that they want to grow)

‘One of the things that most, if not all, businesses have in common is a desire to grow and expand.’
(Gundy, 2008)

The quote above is taken from the start of an article from the Northern Ireland Centre for Competitiveness in a business bulletin on the theme of growth. It is an example of the expression of an assumption that all businesses want to maximise their profits and therefore want to grow in order to do this. Therefore, if enterprise is assumed to be a subset of business, then this must also apply to all enterprises.

But why did the author of the article write that sentence? Had he established it from personal experience by interviewing businesses to find out what they wanted? If he had tried to do that he might have found that businesses are inanimate entities which don’t

have desires, but people do. Business owners and managers can have desires but, if he had asked many of them, would he have found that they all wanted their businesses to grow? Is it not the case that many, and probably most, business owners don't desire to grow and expand their businesses. They might wish to get more money from their businesses, but often they would rather accept what they are getting than invest more time and money in growth to get more. This may be semantics but it suggests that the author of the article based his statement, not on personal observation, but on the conventional wisdom that he had picked up and expected everyone else would share.

Like other aspects of conventional wisdom, an assumption that most, if not all, businesses are trying to maximise their profit seems to be generally held but rarely recorded as such. Therefore it is a belief the existence of which has to be inferred from other observations. It also leads to the common assumption that businesses want to grow and 'scale' on the expectation that, if the size of the business increases, so will its profits. Therefore these two linked assumptions – of a profit motive and therefore a growth imperative – are examined here.

Why Might this Assumption Have Been Made?

The previous section suggests that, more by default than deliberate intention, the assumption was made that activities normally labelled as enterprise, including small businesses, were assumed to be a part of the overall domain of 'businesses' - and that a consequence of this was that that an understanding of 'business' which is essentially based on big businesses is nevertheless also applied to small businesses. Therefore, unthinkingly, it is assumed that they should operate in similar ways with the same driving motivations – and one of the assumptions often made about big businesses is that their aim is profit.

Why might it be assumed that businesses are primarily focused on profit? When the limited company was 'invented' and business incorporation became a possibility, which initially happened in places like the Netherlands and England in the 17th century, businesses were often expected to have a purpose other than just money making. Also it has been observed that, before the 1980s, most US corporations made investment decisions on the basis of expectations of long-term returns and, according to Atkinson and Lind (2018: p.11):

'Until the late 1970s, there was a general view held by corporations that their mission was not just to increase stock price but also to serve other constituencies, including the firms' workers, the communities in which the companies were located, and the nation.'

However under USA law, apparently, profit was assumed to be the purpose of business and, until the creation of the benefit or 'B' corporation, shareholders could expect corporate executives of any 'for profit' businesses to focus on maximising profit. This view was also reinforced by the authority of people like Milton Friedman who famously declared that 'the social responsibility of a business is to increase its profits' (see Box 5.4). So it is not surprising that many others have come to believe that businesses focus primarily on profit.

Box 5.4 - 'The social responsibility of a business is to increase its profits'

In 1970 the New York Times Magazine published an article by Milton Friedman under the headline 'The social responsibility of a business is to increase its profits'. Many seem to believe that businesses should try to increase their profits and a few might attribute that view to 'expert' pronouncements like this, but fewer still will have actually accessed and read the relevant source.

In this case a reading of the original article reveals that Friedman was referring to large corporations, whose shareholders might indeed primarily seek profit. Therefore his subject was not all businesses – but those larger businesses whose shareholders have bought their shares in order to increase their wealth. To think that this applies to all businesses is a case of assuming that all businesses are homogeneous. However it is also an example of knowledge being held remotely with those who defer to an apparent expert and/or who have heard of the headline, and even the smaller group who can quote the headline, thinking that they know what the expert said without actually having read the article.

This assumption of a profit focus, which may indeed apply to large corporations driven by shareholder ambitions, has also been accepted and lauded by conservative governments and it appears to have been influenced by neo-liberal ideas about the superiority of capitalist systems driven by a profit focus and exemplified by expressions such as 'greed is good'. Governments seeking taxation revenues from business profits benefited if businesses prospered financially and wanted to believe that businesses themselves tried to maximise their incomes. This essentially big business-based view may not have been officially acknowledged, consciously perceived or universal – but nevertheless it is not

only pervasive (possibly because it is not overt) but also pernicious and, it is suggested later, insidious.

What is the Evidence that the Assumption is Made?

Enterprise textbooks and other books about business may not say it specifically - but many of them do suggest that the aims of businesses, and therefore also the typical indicators of business success, include growth and profitability. For instance:

- 'The name of the game in entrepreneurship is adding value. ... In this context this simply means profit.' (Muzyka, 1997: p.54/5)
- 'Throughout this series, there is an implicit assumption that anyone who starts a business will also want to grow it.' (Birley, 1997: p.212)
- 'Entrepreneurs seem to be achievement oriented' (Kets de Vries, 1997) - and the achievement on which they focus often appears to be making money.
- 'The desire to attain personal wealth has long been regarded as the foremost motive for entrepreneurship. ... The goal of personal wealth is assumed paramount. Thus the terms "wealth" and "entrepreneurship" are inextricably linked in the minds of many people, including researchers, in capitalist societies. Precisely because the assumed link between the desire for wealth attainment and an entrepreneur's decision to venture is so deeply embedded in our culture, it is worth asking whether this assumption is borne out by empirical evidence.' (Amit *et al*, 2001, p.119 and p.121)
- 'The essence of the model is to assume that the potential entrepreneur examines the expected net benefits of entrepreneurship versus the expected gains from wage labor. (Campbell, 1992, p.23)
- 'Today, people who deplore the activities of modern businesses and those who applaud these activities both agree that business is distinguished from other forms of organisation by having profits as its defining purpose.' (Kay, 2010: p.153/4)
- 'The primary function of business, after all, is not to increase efficiencies, but to make profits.' (West, 2017: p.235)
- 'It is assumed that the aim of a business is to maximise its profit (and/or its shareholder value). Thus it is assumed that, to achieve its purpose, any business will want to grow in order to make more money. Consequently trying to grow is the natural state for a business and, if that growth imperative is being inhibited, it is likely in many

cases to be because of the presence of external constraints such as a lack of one or more of the factors necessary for growth such as skills or investment. Indeed it is often assumed that finance in some form is the key requirement.’ (Bridge and O’Neill, 2018: p.155)

Quotes like these suggest that many people think that a successful business is one which is achieving its full potential, whether that is measured by market share or by profitability, return on capital invested or some other indication of financial performance. In particular this often appears to be the view of business professionals, such as business commentators, advisers and academics, as well as employed business managers. They often seem to have as their model of a ‘perfect’ business one which is maximising its earning potential (see Box 5.5) – and therefore they classify as ‘failures’ those businesses which are not maximising profit and fail to see that they might instead be maximising other things such as owner satisfaction and/or business longevity. It is also relevant that the traditional measures for accounting for business success, and the accounts which incorporated businesses legally are required to file, are financial statements in which the ‘bottom line’ is the profit made.

Box 5.5 - Professional and owner views of business success

Bridge and O’Neill suggest that the model of success that people have in mind when they talk about small businesses and consider how well they are doing is likely to fall into one of two categories, depending on whether they are looking primarily at the business or at the person behind it:

- *‘The business professionals’ model.* Many business professionals (including business advisers, researchers and professional managers of larger businesses) look primarily at the business and appear to have as their model of the successful, or ‘ideal’, business one that is achieving its highest potential (which may be assessed in terms of growth, market share, productivity, profitability, return on capital invested or other measures of the performance of the business itself). Professionals may not be conscious that they are adopting this ‘default’ model, because they may fail to see that there is an alternative. Whether the model is consciously adopted or not, the result is that a business is often judged by how close it comes to what an ‘ideal’ business might do in particular circumstances. Small businesses often score badly in such comparisons.
- *The small business proprietors’ model.* Many owners of small businesses do not

share the professionals' model. Their main concern is whether the business is supplying the benefits they want from it. These benefits are often associated with an income level to maintain a satisfactory lifestyle and if that is achieved then there is little need to grow the business further. Business success for them is being able to reach a level of comfort ('satisficing') rather than achieving the business's maximum potential when managing it can become more complex, time-consuming, risky and/or costly.' (Bridge and O'Neill, 2018: p.159)

Further evidence of this belief can be found in the actions of policy makers seeking to maximise economic growth. For example there are various fiscal measures which can be applied by governments with the aim of helping the growth and survival of small businesses and, for instance, it might be assumed that, because business owners want to maximise their income, lowering taxation rates would encourage them to expand their businesses because the returns for their effort would be increased. Indeed Venâncio *et al* (2020) 'using a quasi-natural experiment' which substantially reduced the corporate tax rate for start-ups in some areas of Portugal, found that the tax reform increased firm entry and new job creation' and that 'their start-ups are relatively larger, more productive, and are much more likely to survive the first three years'.

However the relationship between lower taxes (more disposable income) and economic activity does not appear to be straightforward. For example Bruce *et al* (2020), found that 'the empirical literature has been inconclusive, with some studies finding a positive relationship between tax rates and small business activity, others finding a negative relationship, and still others finding no significant relationship at all.' An example of a negative relationship was that found by Rees and Shah (1993) who investigated the hours worked by self-employed persons and found that personal and family factors like age and number of children were key determinants. However, when these variables were controlled, they found that the number of hours worked fell when personal taxation rates fell, presumably because, with lower rates of taxation, less work could generate the same level of after-tax income. Thus the application of a policy of lower taxation rates to stimulate growth appeared to be based on a belief that businesses wanted more profits and would do more if they would keep more of the extra profits earned, but the reported outcomes suggest that that is not always the case.

Some might also deduce evidence for this assumption from the way businesses and those associated with them behave. For instance many new businesses try to attract funding from venture capitalists. However those venture capitalists usually want to make money

from their investments, and thus the businesses approaching them emphasise their potential profitability in order to attract the support they need – which tends to suggest to others that that is indeed their focus.

ASSUMING THAT THE FUTURE IS DETERMINISTIC

(and therefore that businesses should rely on forecasts and plans)

'There is a fundamental paradox in human behaviour – the more unpredictable the world becomes, the more we seek out and rely on forecasts and predictions to determine what we should do.'
(Gimpl and Dakin, 1984: 125)

Preparing for an uncertain future is an essential part of enterprise – and not least in being a successful entrepreneur and/or running a successful business. Indeed Cantillon (1755) introduced the term 'entrepreneur' into economic discourse as a term for someone who operated at risk: for instance committing to known expenditure in order to benefit from anticipated, but not guaranteed and essentially unknown, future returns. He offered the example of a farmer who leases land for an agreed rent but who does not know in advance what return he will get from the crops he hopes to grow on it.

Other definitions of an entrepreneur have subsequently been advanced. For instance *The Oxford Handy Dictionary* (1986) includes 'one who undertakes an enterprise, with chance of profit or loss' and Dictionary.com (2017) offers 'a person who organises and manages any enterprise, especially a business, usually with considerable initiative and risk'. Forbes (2012) suggests that the latter definition has got it right because 'entrepreneurs, in the purest sense, are those who identify a need – any need – and fill it.'

These definitions imply that entrepreneurs have an anticipation of what the future will or could bring and base their actions on it. Deakins and Freel (2009: p.6) explain that where the outcome is certain (perfectly predictable) no opportunity for entrepreneurial profit exists and that the entrepreneur is someone who is prepared to undertake risk in an uncertain world. Knight (1921) made a distinction between risk and uncertainty. Risk, for him, applied to situations where the outcome was uncertain but nevertheless could be predicted with a degree of probability which was known, or could be determined. An example given by Deakins and Freel is the risk of having your car stolen which can be calculated with some degree of probability and therefore it is possible to take out

insurance against it, whereas true uncertainty is when the degree of risk cannot be assessed - so the risk cannot be transferred through insurance. And that is where entrepreneurs operate.

But how do, or should, entrepreneurs operate in such situations? If they are not going to ignore the possible degree of risk and just go ahead anyway, they need to make some sort of judgement about whether to proceed or not – and, if so, what should be the basis for their decision? The instinctive way seems to be to try to forecast what the future will be and plan and make an investment decision on that basis. For instance a farmer assessing what he or she thinks the price for a crop will be when it is harvested and then, on that basis, making an assessment of whether to invest in growing the crop. Such forecasts are often based on projections from current trends and, because a farmer generally needs to plant something, it seems to offer the best guidance. Of course sometimes crops do fail so there is little to sell, or are so successful everywhere that prices fall, but over the longer term farming has been financially sustainable.

Alternatively, when the subject is a new product or service, market research is carried out to assess how the market would react and consequently provide a basis for forecasting future sales. But, both for the farmer and for the new product developer, whatever way the sales forecast is made, it can be used as the basis for a plan of action. Much business wisdom still seems to assume that this procedure of making forecasts and then constructing and implementing plans based on them is the correct procedure.

Big businesses clearly also want to understand the risk they face and assess how potential future developments might work out. Therefore they engage in things like economic forecasting and market research to establish what is likely to happen and then plan on that basis – and a consequence is that this sort of approach to reducing uncertainty by researching, forecasting and planning is assumed to be the appropriate method for all businesses.

Why might this assumption have been made?

Why might the forecasting and planning approach be so popular? One reason seems to be that people have an instinctive aversion to uncertainty. According to Lotto 'Uncertainty is *the* problem that our brains evolved to solve.' We were, he suggests, afraid of uncertainty 'and for good reason – “not knowing” is an evolutionarily bad idea'. We wanted

to know when there was danger and to respond accordingly – because when humans were emerging in a world of dangerous beasts that way lay our survival:

‘You didn’t evolve to see reality - you evolved to survive’ ... ‘and seeing reality accurately isn’t a prerequisite to survival. Indeed it could even be a barrier to it.’ (Lotto, 2017)

Possibly as a result of this, forecasting the future has a long pedigree, even if some of the methods employed seem to us now to lack good scientific support and even to be based, essentially, on superstition:

‘Foretelling the future has preoccupied man in every age. Prior to the twentieth century, the principal western methods of forecasting included astrology, ... palm reading and ... tarot cards. Minor techniques ranged from reading the entrails of slaughtered animals ... and reading cracks in roasted shoulder blades.’ (Gimpl and Dakin, 1984: 126)

Clearly in times of uncertainty we want predictions and consequently we want to believe in an ability to forecast. ‘Superstitions increase in number and intensity as our environment becomes more uncontrollable and more unpredictable (Gimpl and Dakin, 1984: 125) - and ‘Examples of our capacity for misplaced beliefs are not hard to find. If something seems plausible, impresses us, fits with what we’d like to think, or has been told to us persuasively, we are willing to treat it as the truth. (Graves, 2010: p.1) And where we don’t feel we know enough to make a prediction we look for more information: ‘people want more data to “solve problems”,’ (Taleb, 2013: p.307) – as if, with more data, a solution should be possible.

According to Voltaire: ‘no problem can withstand the assault of sustained thinking’ and one apparently promising rationale for making predictions has been ‘physical determinism’: a belief that, if we research something sufficiently, we will be able to determine how it works so that, with enough information or data, we will be able to predict what it will do in the future (see Box 3.6). Therefore, on the assumption that everything is essentially clock-like, a belief has developed that if we study, examine and/or research something enough, we will be able to determine how it works and from that predict how it will behave in the future - and this, Popper (1972) suggested, is a legacy of Newton.

This would also have been reinforced by left hemisphere thinking – which suits a clock-like view of the world (see Box 3.6) but, according to McGilchrist:

'[The left hemisphere] is manifestly not in touch with reality and, when it does not understand something, it simply makes up a story that makes sense in its own terms and tells it with conviction. ... Because of its narrow focus and emphasis on getting certainty, the left hemisphere sees only bits and pieces, fragments which it attempts to put together to form a whole. ... Machines give us the idea that the world is made from bits put together. At least in the so-called 'life' sciences, we still imagine that things are mechanical, in just this way, while in physics the idea was discarded around a hundred years ago.' (Rowson and McGilchrist, 2013)

It is also suggested that this deterministic, left-brained approach is one of the perspectives subconsciously embedded in our thinking. Therefore, with an in-built wish for predictions, an acquired belief in determinism and the apparent example of big business-based practice, it should not be surprising that an assumption of the efficacy of researching, forecasting and planning should be a key business tenet.

What is the evidence that the assumption was made?

A belief in prediction is clearly to be found in economics and market research – both of which are used by businesses to help them to forecast the future. When contemplating a new or modified consumer product it seems to be the standard procedure to conduct market research to assess the likely market response and the potential level of sales and then to make plans on the basis of those estimates. This is of course the basis for the 'business plan' which is advocated by many sources as the essential, and logical, guide for a start-up business. For example:

- By banks:

'Writing a business plan is one of the most important tasks when starting up a new business'. (Barclays Bank, 2009)

'If you intend to start a business you need to write a business plan'. (HSBC, 2011)

- By start-up guides:

'Every business needs a business plan ... To do this you'll have to take a long hard look at each element of the plan.' (Harvard Business School Press, 2007)

'It is essential to have a realistic, working business plan when you're starting up a business.' (Business Link, 2010)

- By business development agencies:

'To start a business - you'll need a business plan' (Invest NI, 2011)

'A business plan is one of the most important documents any start-up business can invest in and writing one is one of the most important things a business owner can go through.' (Go For It, 2012)

- By entrepreneurship text books:

'It has become accepted that a carefully constructed business plan is important to the survival and successful performance of any business.' (Deakins and Freel, 2009: p,316)

'As might be expected, "perhaps the most important step in launching any new venture or expanding an existing one is the construction of a business plan"'. (Kirby, 2003: p. 234 quoting Barrow *et al*, 2001)

ASSUMING THAT BUSINESS DECISIONS ARE LOGICAL

(and that social influence is not a significant factor)

'No man is an island, entire of itself. Each is a piece of the continent, a part of the main.'

(John Donne, 1623)

As John Donne recognised, social contact is very important in human society. Our understanding of the interdependence of people has been reinforced recently by studies of the social nature of human society and Earls, in his book *Herd*, summarises some of this learning when he says that: 'if we were not a social animal of such sophistication and so deeply programmed to be together, our lives would be very different' and 'we do what we do because of *other people and what they seem to be doing*' (Earls, 2009: p.49/50 and p.5 – italics in original).

Nevertheless it seems to be assumed that, when it comes to business, people make independent logical economic decisions based primarily on profit maximisation. Also, because it is thought that aspiring entrepreneurs, new enterprises and small businesses are all a part of this, it is assumed that their owners (and prospective owners) similarly make decisions on the basis of objective analysis and logic without being affected to any significant extent by possibly irrational social influences. And social influence will be even

less noticeable if it is assumed that, because enterprise is seen in the context of 'business', it is logical to focus on the business not the person or people behind it.

Why might this assumption have been made?

It would seem likely that a combination of two reasons could have led to a belief that most if not all business decisions are shaped by logic and not by social influence:

- Traditional thinking. One reason why this assumption may have been made is because of the traditional economic belief that all people are rational and make choices consistent with expected utility and this is also how people think and/or are taught (big) businesses operate. Therefore it has been accepted that this thinking is correct because, as Graves (2010: p.1) suggests: 'If something *seems* plausible, impresses us, fits with what we'd like to think, or has been sold to us persuasively, we are willing to treat it as a truth.
- A belief by humans that we are logical. It would also seem that people want to believe that they act logically and are able subconsciously to invent rationales for their actions which appear to justify that belief. As Benjamin Franklin (1791) observed: 'so convenient a thing it is to be a reasonable creature, since it enables one to find or make a reason for everything one had in mind to do.' It would seem that people are so immersed in, and accustomed to, social influence that they are not conscious of its effects. As a result, even when they do act because of social influence, in self-reported explanations for their actions they tend to offer rational explanations and not to reflect any social influence. Because of this, research into business decision making is likely to conclude that it is logical because logical explanations are proffered (see Box 5.6).

Box 5.6 – A capacity for post-rationalisation can mislead research

Graves explains why research which asks direct questions about people's motives for their actions may not get meaningful answers:

'The conscious mind is a powerful tool that, for our own sanity, is highly practiced at wrapping our behaviour in a veneer that suits our perception of ourselves. Generally, people perceive their own actions as self-generated, well-intentioned, sensible behaviour. The extent to which this is an invention will vary, but since the capacity for it obviously exists, consumer research must at the very least be mindful of the fact that the independent, well-conceived, and logical responses obtained in research are

artificially constructed by respondents, however innocently.' (Graves, 2010: p.23)

'A fundamental issue for research arises out of the nature of consciousness itself. Since people *can* post-rationalize, and indeed since people are convinced that consciousness drives their actions even when it doesn't and that their conscious self-analysis must be accurate, research questions are virtually guaranteed to get answers. They may well provide reassuringly convenient and consistent answers. They may even offer answers that can be contrasted between groups in a way that gives reassurance that those answers are correct. However, such consistency or apparently meaningful delineation of responses may have no bearing on their underlying accuracy ... We often don't know what really caused us to behave in the way we did, although our misguided confidence in post-rationalizing makes false accounts in research seem compelling. In social psychology this misattribution is sufficiently well documented to have its own label – the fundamental attribution error.' (Graves, 2010: p.31/2)

What is the evidence that the assumption was made?

Evidence that this assumption of enterprise rationality is made can be found both in the apparent rationale behind enterprise policies and in the failure of such pronouncements to acknowledge the possibility of other influences.

For instance in April 2000 the UK government launched its Small Business Service (SBS) with the declared aim that by 2005 'the UK should be the best place in the world to set up and run a business' (SBS, 2000 – and see Box 3.1). However by 2004, when the SBS published *A Government Action Plan for Small Business*, this had been changed slightly to 'Making the UK the best place in the world to start and grow a business' (SBS, 2004) – and similar wording has been adopted as the aim for enterprise policies elsewhere. But, by stating the aim like this, it suggested that the government's overall objective of more business starts could be achieved by making the UK a better (easier) place in which to start a business – which implies a belief that people wanted to start and run businesses but were finding it hard because they were being constrained in some way and therefore that relieving those constraints and making it easier would result in more start-ups and growth.

Most enterprise policy appears to be consistent with this belief – as if it is assumed that many people think about starting a business but make logical risk-cost-benefit

assessments and decide not to proceed because it appears to be too difficult or not likely to be rewarding enough. So policy efforts are made to change this by:

- Reducing the risk – for instance through easy start-up provision and minimising the associated red tape; providing appropriate training, advice and mentoring, assisting management development; and supporting R&D.
- Reducing the cost – for instance by providing easy/cheap access to finance, by encouraging the availability of affordable premises, by helping with marketing, and by providing grants.
- Increasing the benefits – for instance through tax breaks allowing those starting businesses to retain a larger portion of their profit.

Such items would appear to be on the menu from which it seems most enterprise policies are constructed. By intervening in the regulatory, fiscal and/or support environment in this way it would appear that to be assumed that more people will then conclude that logically that it is in their interest to start a business because their risk-cost-benefit assessments will be more positive.

Such thinking was also seen when the OECD tried to list possible ‘determinants’ of entrepreneurship. Based on work in Denmark. the entrepreneurial policies in top performing countries and a theoretical correlation between policy and entrepreneurship, it produced a list of policy areas each with a number of components / indicators (see Table 5.1). ‘Ideally’, it was suggested, ‘a perfect correlation between the indicators for entrepreneurial performance and impact would exist. Countries aiming at increasing GDP growth ... should be able to pick a few performance indicators and expect that an increase in those performance indicators will lead to higher GDP growth.’ (Hoffman and Gabr, 2006).

Because it is based on what was included in policies, and not on what else might have been included, this list includes 35 items only four of which are related to ‘culture’ and therefore likely to be subject to possible social influence. The list includes a large majority of items consistent with making it easier to start businesses and where change would be expected to have an effect on logically made risk-cost-benefit decisions – and therefore their preponderance in the list, which is based on policies in a number of different countries, supports the assumption of logical decision making with little social influence.

Table 5.1- OECD's possible determinants of entrepreneurship (OECD, 2011: p.9)

<i>Determinants</i>					
Regulatory Framework	Market Conditions	Access to Finance	R&D and Technology	Entrepreneurial Capabilities	Culture
Administrative Burdens for Entry	Anti-Trust Laws	Access to Debt Financing	R&D Investment	Training and experience of Entrepreneurs	Risk Attitude in Society
Administrative Burdens for Growth	Competition	Business Angels	University/ Industry Interface	Business and Entrepreneurship Education (skills)	Attitudes Towards Entrepreneurs
Bankruptcy Regulations	Access to the Domestic Market	Access to VC	Technological Cooperation Between Firms	Entrepreneurship Infrastructure	Desire for Business Ownership
Safety, Health and Environmental Regulations	Access to Foreign Markets	Access to Other Types of Equity	Technology Diffusion	Immigration	Entrepreneurship Education (mindset)
Product Regulation	Degree of Public Involvement	Stock Markets	Broadband Access		
Labour Market Regulation	Public Procurement				
Court & Legal Framework	Patent System; Standards				
Social and Health Security					
Income / Wealth / Bequest Taxes					
Business and Capital Taxes					

Although it is consistent with policy, there isn't a clearly stated assumption that all business decisions are, or should be, made on the basis of objective logic - but there is little or no acknowledgement of the contrary. There is no recognition that other influences, such as social contacts and interactions, might be among the essential components of the enterprise mix – the ingredients from which a successful enterprise might be created

Adam Smith (1776) referred to the 'component parts of price' which he considered to be land or natural resource, labour, and 'capital stock' such as tools, machinery and buildings. Another list of the things traditionally thought to be important for a new or developing business is to be found in the structure of a standard business plan which usually has sections on the market and marketing; operations and staffing, organisation and management, and finance – but no section on the social/cultural context.

Neither Adam Smith's 'component parts of price' nor the standard business plan format include social connections (social capital) as a key factor in enterprise. Yet, as others have pointed out, knowing people can be crucial to getting things done. According to Gladwell:

'Paul Revere's ride is the most famous historical example of a word-of-mouth epidemic ... [and] word of mouth is ... still the most important form of human communication. Think, for a moment, about the last expensive restaurant you went to, the last expensive piece of clothing you bought, and the last movie you saw. In how many of those cases was your decision about where to spend your money heavily influenced by the recommendation of a friend?' (Gladwell, 2002: p.32)

So the evidence for the assumption of objective logic is to be found in policy initiatives which appear to assume logical decision making and a lack of recognition of other possible influences - and in particular the absence of a clear acknowledgement of the influence from social context.

IN CONCLUSION

This chapter has explored the proposition that in studying and/or promoting enterprise a conventional wisdom has developed based on assumptions which have been made and passed on as received thinking without testing their validity. It has also suggested that the assumptions include:

- Enterprise is a sub-set of business and therefore big business-based thinking is applied.
- Businesses aim to maximise their profits and therefore they want to grow.
- The future is deterministic and therefore entrepreneurs should research, forecast and plan.
- Business decisions are logical so social influence is not a significant factor.

It has shown that these assumptions are a credible explanation of how people think about enterprise because there are clear reasons why those assumptions may have been made and there is evidence that they have been made and have influenced thinking. The assumptions have a common source and so are mutually consistent and they do appear to underlie much thinking about enterprise. Thus it is reasonable to suppose that they form the foundations for, and help to explain, conventional enterprise wisdom.

The next chapter therefore examines the second part of the research issues - which is that these assumptions are nevertheless largely false and/or misleading.

Postscript – evidence from the Northern Ireland case

Support for the view that these assumptions have been applied in enterprise policy formulation can also be found in the Northern Ireland case study presented in chapter 4 - key points from which are summarised in Table 5.2..

Table 5.2 – The Northern Ireland case: examples of the assumptions

<i>Assumption</i>	<i>NI examples</i>
Enterprise is a sub-set of business and consequently big business-based thinking is applied to it.	<ul style="list-style-type: none"> • Responsibility for enterprise policy implementation has been assigned primarily to business agencies (LEDU and the Invest NI). • In universities enterprise education is the responsibility of business schools – and the NICENT initiative which tried to apply it more widely in universities was ended
Businesses are primarily focussed on profit maximisation – and therefore want to grow. Consequently, if businesses aren't growing, it must be because they are constrained in some way.	<ul style="list-style-type: none"> • <i>Competing in the 1990s</i> spoke of the role of government being to remove constraints which may hold back growth. • A declared aim of Invest NI has been 'to make Northern Ireland the best place to start or grow a business' and the emphasis has been on the institutional support available - as if providing more and/or better support would lead to more people doing it. • Start-ups have been promoted as an option by advertising the help available. • The emphasis on the desirability of reducing corporation tax indicates an assumption that growth was being constrained by the tax.
Business affairs are deterministic and consequently forecast-based planning is the appropriate way to prepare for the future.	<ul style="list-style-type: none"> • Business plans are advertised as the essential tool for start-ups and Go-For-It, (the basic start-up support package) now offers little more than help to prepare a business plan.
Business decision making is logical and consequently it will not be socially influenced.	<ul style="list-style-type: none"> • The early (Pathfinder) move to look at 'awareness' was dropped. • The importance of social capital is rarely acknowledged and is not formally recognised in any official guidance.

6 – QUESTIONING THE ASSUMPTIONS – AND THE IMPLICATIONS OF THIS

Introduction

The proposition being examined by this thesis is not only that in studying and/or promoting enterprise assumptions were made which have become the conventional wisdom - but also that some of those assumptions are false and/or misleading. It also suggests that the assumptions include:

- That enterprise is a sub-set of business - and therefore big business-based thinking is applied.
- That businesses aim to maximise their profits and therefore they want to grow.
- That the future is deterministic and therefore that businesses should approach the future by researching, forecasting and planning.
- That business decisions are logical so social influence is not a significant factor.

Chapter 5 showed there are good reasons to think that each of these assumptions could have been made and that there is evidence that they were made. In doing this in some cases it also introduces contrary thinking. This chapter therefore further examines the validity of the assumptions, which shows that they are mistaken, and explores the implications of that.

ASSUMING THAT ENTERPRISE IS A SUB-SET OF BUSINESS

(and therefore applying big business-based thinking to it)

Although it might seem natural to assume that enterprise is a sub-set-of business, and there is evidence that this assumption has been made, there are nevertheless reasons for thinking that this assumption is not helpful. Some of these counter arguments are summarised here.

Enterprise is much wider than just business

It is argued in Chapter 5 that applying big business-based thinking is a consequence of the assumption that enterprise is a sub-set of business – but this assumption in effect selected the narrower view of enterprise from the two interpretations commonly offered. In contrast Gibb, when he spoke of an ‘explosion’ of research into entrepreneurship and the small and medium enterprise, offered an interpretation of entrepreneurship as something which ‘relates to ways in which people in all kinds of organisations behave in order to cope with and take advantage of uncertainty and complexity and how in turn this becomes embodied in: ways of doing things; ways of seeing things; ways of feeling things; ways of communicating things; and ways of learning things’ (Gibb, 2000, p16) – an explanation which does not limit it just to business.

Similarly the Oxford Handy Dictionary (1986) defines enterprise as ‘undertaking, esp. bold or difficult one; readiness to engage in such undertakings; enterprising, showing courage or imaginativeness’. While starting a business would fit under such a definition, enterprise as thus defined is much wider than just business and would also encompass many other manifestations of enterprising endeavour.

Taking this view is not to deny a link between enterprise and business – but to clarify the nature of that link. It suggests that business, and particularly starting a business, is one possible aspect of enterprise and one route (albeit a significant one) to which it might lead – but not the only route. Therefore enterprising business should be seen as a sub-set of enterprise and not the other way around. A profit-focussed business may be an example of enterprise, and an outcome from it, but it does not define it. Enterprise can then be seen, not as either something only manifest in business or something separate from business, but as a foundation for business, among other things, and thus a useful preparation for business. Being enterprising may lead to someone starting a business, but people do not have to start a business to be enterprising.

Big business-based thinking is applied

Although the broader (education) concept of enterprise might be seen to be applicable to a wider field than just business, it might still be thought that the narrower (economy) view of enterprise, or at least its small business component, lies in the business domain. However it does seem that within this domain the default thinking is actually big business

based. As Chapter 5 explains that is essentially what business schools teach as they prepare students primarily to work in big businesses. It is also how business schools are organised as they mirror big businesses with different aspects of business dealt with in distinct functional silos - so operations, marketing, finance and accounting are taught separately in different departments. They also have a focus on careful impartial analysis and logically prepared business strategy and planning, and with the assumption of a profit focus and thus a growth imperative.

This is what business 'professionals' learn, whether they are professional managers, accountants, academics or consultants – and they are often organised by function (e.g. working in functionally organised departments and often belonging to functional professional bodies). Whether they learn about business formally from business-related professional studies or informally from colleagues, what they learn is likely to be based essentially on big businesses and how they (are supposed to) operate.

This also appears to be combined with an assumption of business homogeneity: that all businesses are essentially very similar to each other and in most respects do not need to be considered in separate categories. Thus big business-based thinking is applied to all organisations which are referred to as businesses.

As indicated in Chapter 2, the author still has his first business textbook which was originally published in 1958 and was called *Business Enterprise* (Edwards and Townsend). It is therefore an example of the close association made between 'enterprise' and business but one thing now noteworthy about it is that, although it purports to be about enterprise, it does not consider small business worthy of any special consideration. It does acknowledge that some businesses may be small but it has no section focussing on small businesses and nowhere does it indicate that they are in anyway special, different or otherwise worthy of separate treatment. This may have been written over 60 years ago but that conventional wisdom is hard to shift. Some may realise that there is a difference but many do not - and even those who do may sub-consciously still think conventionally.

As a result it is argued here that the default 'business' understanding, which is promulgated by business schools and learnt by many business professionals such as accredited managers, accountants, consultants and academics, is essentially big business-based. Thus, because enterprise and small business issues are presumed to be

part of 'business', big business-based thinking is applied to small businesses. For instance small business owners are taught business subjects in separate 'silos' as they are practiced in big businesses, and also logic and impartial objectivity are assumed to prevail and forecasting and (business) planning are the way things should be done. Thus big business-based thinking is applied to the small business field – as Welsh and White pointed out nearly 40 years ago:

'A traditional assumption among managers has been that small businesses should use essentially the same management principles as big businesses, only on a smaller scale. Underlying that assumption has been the notion that small companies are much like big companies, except that small businesses have lower sales, smaller assets, and fewer employees.' (Welsh and White, 1981)

Small businesses are not small big businesses

Although the foregoing section argues that enterprise as a whole is broader than business, nevertheless aspects of enterprise are still acknowledged to be associated with business. However that does not mean that it is appropriate to apply big business-based thinking to them. The observation from Welsh and White quoted above about the traditional assumption among managers that small businesses should use essentially the same management principles as big businesses comes from a paper entitled 'A small business is not a little big business' and in their conclusion they make it clear that in their view:

'Owner management of a small business is a distinct discipline characterized by severe constraints on financial resources, a lack of trained personnel, and a short-range management perspective imposed by a volatile competitive environment. Liquidity must be the prime objective. The analytical models applicable to big business are of limited use in this arena. Typically they assume steady-state conditions subject to minor changes.' (Welsh and White, 1981)

Welsh and White were not the first people to point this out. As long ago as 1959 in her book, *The Theory of the Growth of the Firm*, Penrose had reflected on the changes of management and administration needed as a firm grew in size and described how small firms are structured and behave very differently from big ones. In particular she noted that, as firms grow, 'their organization will become so different that we must look on them differently; we cannot define a caterpillar and then use the same definition for a butterfly.' In other words small businesses are not small big businesses - but the application of the

same word 'business' to each still suggests that they are sufficiently similar to be considered together.

Those observations come from some 40 or 60 years ago and it might be thought that their message has been heeded and that many people do now acknowledge that at least some small businesses are different and have different needs. However this thesis suggests that those who do acknowledge that at least some small businesses are not small big businesses nevertheless treat those businesses as exceptions. It argues that the application of big business-based thinking is a consequence of the assumption that enterprise is a sub-set of business and not only that it is still often the case but that it has further consequences which indicate that its implications are still alive and influential. Indeed very recently Galloway *et al* (2019) felt it was relevant to comment on the diversity of venturing:

'Richard Branson started his first business, a student magazine, in the 1960s and today it is worth US\$4 billion. Around the same time, the father of one of the authors of this article started a business as a painter and decorator, but today he remains a sole-trader and is not worth US\$4 billion. ... Applied to individuals, this is an independent activity, distinct from waged employment, and can range from low value self-employment, such as low skilled piece-work, through to innovation-based, growth-oriented prospects, such as high-tech start-up. Currently, there is little theoretical engagement with such diversity.'

It is not the case that applying big business-based thinking to small business situations is always wrong, because sometimes it might be relevant, but that reservation is usually lost or ignored. Also, because enterprise has been associated with small businesses, not only has it been viewed essentially as a business activity and therefore thought to be most clearly expressed in commercial settings, but it too has been saddled with other aspects of big business-based thinking.

Implications

So what are the implications of this? There are likely to be many but some may take time to emerge and it takes a while for the influence of old thinking to clear away. However two aspects are highlighted here: the implications of the application of big business-based thinking to small businesses and the implications for enterprise education of the assumption that enterprise is essentially just about business.

The implications of the application of big business-based thinking

The application of big business-based thinking assumes that small businesses will behave as it is thought that big businesses do. The implications of this lie in how small businesses are expected to behave and especially in how they are encouraged and/or taught to act – because, if these do not accord with reality, small businesses are likely to be misunderstood and misdirected. Therefore aspects of this are explored in more detail in the following sections which look in particular at the big business-based assumptions that:

- The motivation behind all businesses is to maximise their profit – and therefore they all have a growth imperative.
- With appropriate intelligent effort reliable future predictions can be made - and therefore business should plan on that basis.
- Businesses apply logical objective analysis to their decision making - and therefore there is no acknowledgement of the pervasiveness of social influence.

The implications for enterprise education

As indicated in Chapter 5 it is suggested that enterprise education might be in one of three different categories: whether the aim is to learn about entrepreneurship, to learn how to be entrepreneurial or to learn to become an entrepreneur. Of these, it would seem that most enterprise or entrepreneurship education is supposed to be either learning to become an entrepreneur or learning how to become entrepreneurial. The former is consistent with enterprise (and entrepreneurship) being viewed as a sub-set of business whereas the later could be much wider. However, and possibly because enterprise is often seen to be associated with business, it would appear that in practice even 'learning how to become entrepreneurial' courses are to a considerable extent influenced by, and/or borrow a syllabus from, the concepts associated with 'being an entrepreneur' and/or starting a business. For instance the following are extracts from the descriptions of a sample of UK university 'enterprise' or 'entrepreneurship' courses:

- 'The module is designed to provide a thorough introduction to the practical and theoretical issues associated with starting a new business. It aims to develop an "entrepreneurial culture" amongst those ... postgraduates who have a desire to found their own business as an alternative to careers in large organisations.'

- ‘This module aims to provide students with an understanding of the theory and practice of entrepreneurship in a range of organisational contexts’ and it includes ‘the individual entrepreneur, the entrepreneurial process and entrepreneurial success and failure.’
- The title of the course is ‘Entrepreneurship in Business Today’.
- ‘The culture of enterprise is explored to provide a context for its study within the enterprise economy.’
- ‘The module explores the application of enterprise management in the private, public and non-profit organization; whether large or small.’
- ‘To introduce students to the key processes of business start-up, whether as a new, freestanding business, or as a new venture within an existing organisation. The module further aims to enhance students’ enterprising skills and behaviours.’
- ‘Introducing Entrepreneurship ... The module aims to develop an understanding of entrepreneurs and the firms they create and manage.’
- ‘Innovation & Enterprise ... To explore and develop the nature of entrepreneurship as a concept and a practical business option.’
- ‘Research for Enterprise ... The aim of this unit is to give students a practical insight into small business enterprise by undertaking a consultancy project for a local business.’

Clearly there is a business influence, even in those courses described as ‘enterprise’ or ‘entrepreneurial’. Thus, while there is a clear distinction between the apparent aims of ‘being entrepreneurial’ and ‘being an entrepreneur’, with the former being broader than the latter, it seems that this difference is often blurred in practice. Has it become so customary to view enterprise from a business perspective that people fail to notice the difference and think that essentially all enterprise courses should be about business start-up? Or do they recognise that some should have a wider aim and are about encouraging people to be more enterprising – in a way which might lead to a range of enterprising behaviours including, but not limited to, business applications?

In conclusion

In conclusion this section suggests that, while there may be a considerable overlap between enterprise and business, enterprise is not a subset of business. Instead it should

be viewed as a way of thinking and acting which can be revealed in business, or can lead to a business being created, but can be manifest in other areas of activity and is not limited just to a business context. However, while enterprise can lead to business, business should not be seen solely as a sub-set of enterprise because not all business is conducted in an enterprising manner. Therefore there needs to be an awareness of any misleading implications of an unconscious equivalence drawn between enterprise and business.

Also, even when enterprise is concerned with business, as when it refers to small businesses, people need to beware of the dangers of assuming that big business-based thinking applies to them. Aspects of this thinking, and some of the assumptions that may arise from it, are therefore explored in the following sections.

ASSUMING THAT BUSINESSES AIM TO MAXIMISE THEIR PROFITS

(and therefore that they all want to grow)

Friedman may have declared that 'the social responsibility of a business is to increase its profits' but others have disagreed. Bridge and O'Neill (2018) have suggested that many small business proprietors seek benefits which are not just profits (see Box 5.5) and at the start of their book *Big is Beautiful*, Atkinson and Lind (2018) comment that 'until the late 1970s. there was a general view held by corporations that their mission was not just to increase stock price but also to serve other constituencies, including the firms' workers, the communities in which they were located, and the nation' (p.11). This is probably particularly so in the case of many smaller businesses and the quotes from Birley and Kay presented in Chapter 5 as evidence that it has been assumed that businesses want to grow and to maximise profits are actually part of longer statements which indicate that the assumption, although often made, is nevertheless misleading: (emphasis added)

- 'Throughout this series, there is an implicit assumption that anyone who starts a business will also want to grow it. *Yet we know that there are countless people who deliberately start what we chose to call life-style ventures – those where self-employment or low employment is the primary aim.*' (Birley, 1997: p.212)
- 'Today, people who deplore the activities of modern businesses and those who applaud these activities both agree that business is distinguished from other forms of organisation by having profits as its defining purpose. *Yet this agreement covers evident nonsense.* Who would want to work for a corporation whose defining purpose

was profit, and why would society allow such an organisation to exist? People would join that corporation, and society would allow it to function, only if the business met their needs - the needs of the workers for rewarding employment, the needs of the community for goods and services that people want to buy. Needs that change over time, and require that business adapt constantly to meet them. Business exists to serve social purposes and enjoys legitimacy in the short term and survival in the long term only to the extent that such business meets these purposes. Profit cannot then be the 'defining purpose' of a business.' (Kay, 2010: p.153/4)

Kay also declared that:

'Businesses do not maximise anything. The most successful business leaders like Marks or Walton or Gates pursued the unquantifiable, but entirely meaningful, objective of building a great business. A great business is very good at doing the things we expect a business to do - rewarding its investors, providing satisfying employment, offering goods and services of good quality at reasonable prices, fulfilling a role in the community - and to fail in any of these is, in the long run, to fail in all of them.

To say, as some people do, that doing all these things is really maximising profit is as confused as the claim that Beckham was really solving some set of complex differential equations. Indeed, to say that successful business people are really maximising profit is doubly wrong. I know that Beckham scored. I have no idea whether or not Simon Marks maximised: profit, and nor did he. I do know that he built a great business.' (Kay, 2010: p.155)

Indeed: 'the most profitable businesses are not the most profit-oriented.' (Kay, 2010: p.8) and 'paradoxically visionary companies make more money than ... purely profit driven companies. '(Kay, 2010: p.1 – quoting Collins and Porras, 2000)

Also being self-employed often does not provide higher financial return than employment but does provide other benefits. Hamilton (2000) analysed the returns from self-employment and found that 'the nonpecuniary benefits of self-employment are substantial' and 'most entrepreneurs enter and persist in business despite the fact that they have both lower initial earnings and lower earnings growth than in paid employment'. However in this area, and in others, the validity of self-reported data may be questionable. For instance Hurst et al (2014), noting that 'a large literature shows that the self-employed underreport their income to tax authorities' also found that 'the self-employed also systematically underreport their income in U.S. household surveys'

A number of other researchers have explored business owner motivations and reached similar conclusions. Hunter (2007) commented that, rather than being an end in itself, 'an enterprise is a goal-realisation device' - and there are many observations which indicate that often the goal may not be money. Making sufficient profit will be necessary for a business's survival, just as people need to eat enough food if they are to live. But, just as eating to live does not mean that people live in order to eat, profit does not have to be the purpose for a business's existence. Therefore, in order to understand 'business' intentions, it is necessary to ascertain what their owners' purposes are. As well as the research by Rees and Shah (1993) quoted in Chapter 5 on the effects of tax reductions, further findings in the area of motivations include:

- Amit *et al* (2001) explored 'Does Money Matter?'. They cite a number of different sources which support the view that 'the desire to attain personal wealth has long been regarded as the foremost motive for entrepreneurship' – so they interviewed entrepreneurs who had decided to start new high-technology ventures and other senior managers who had decided not so to do. However what they concluded was that: 'money is not valued as highly in the decision to found a venture as we predicted. In fact, "wealth attainment" was ranked at or near the bottom of all three of our value measures, especially by entrepreneurs' and 'our findings do not support the common perception that money is the only, or even the most important, motive for entrepreneurs' decisions to start high-technology ventures'. Instead 'wealth was more important and more salient to those who did not start a technology venture' and 'this finding calls into question the stereotypical role of money in new venture creation.'
- Joyner *et al* (2002) studied 'ten successful entrepreneurial organisations' and found that 'they repeatedly went beyond the specific requirements of the law in their interactions with stakeholders. Though they varied in the extent to which they moved beyond legal compliance, it was clear that the majority of the entrepreneurs felt a need to "give back" to their communities, employees, customers, and other stakeholders'.
- King-Kauanui *et al* (2005) obtained similar result for their study of 35 entrepreneurs and observed that 'in today's aggressively competitive business environment, more and more people are turning to entrepreneurship as a vital source for that which is all but missing in corporate America: occupations that provide meaning and purpose'.
- Hurst and Pugsley (2011) used data from entrepreneurs sampled just before they started their businesses and found that 'most small business owners are very different from the entrepreneurs that economic models and policymakers often have in mind. ... Further, we find that most small businesses have little desire to grow big' and, at the

time of formation, 'most small business owners do not want or expect their businesses to grow'. They even found that, if anything, 'those who reported nonpecuniary benefits as a primary motivation had a higher probability of survival'.

- In the context of the supposed business profit motive, and in agreement with the views of Kay indicated above, Pink (2010) has commented that often business owners 'are purpose maximisers, not just profit maximisers':

'Business depends on the profit motive. And in my view, the profit motive is good – both in the sense that it's moral and that it's efficient. ...But more and more, we are learning that the profit motive, potent though it is, can be an insufficient impetus for both individuals and organisations. An equally powerful source of energy, one that we've often neglected or dismissed as unrealistic, is what we might call the purpose motive. ... Businesses with a transcendent purpose ... will, over the long haul, outperform those driven only by profit'.

- Balog *et al* (2014) looked at the influences of spirituality and religiosity within the field of entrepreneurship. They concluded that, 'although the study of entrepreneurship has traditionally focussed on economic growth and wealth, several studies of entrepreneurs have found that financial gain is not the primary motivator for initiating or maintaining a business. Many entrepreneurs express a motivational need to give back to their communities, customers, and other stakeholders of the firm, or simply to help others accomplish personal goals.'
- In a recent survey of established micro-businesses (1-9 employees) in Ireland, Bourke and Roper (2019) found that although 27 per cent wanted to grow, 71 per cent emphasised the importance of keeping their business similar to how it operates now. Also over 80 per cent of the micro-business owners reported 'freedom to adapt my own approach to work' and 'greater flexibility for personal and family life' as key personal motivators.

As indicated earlier, self-reported data may not always be reliable, but an associated, and more objective, view is presented by West (2017) in his book *Scale* (and see Box 8.2). He shows that, although some mammals are very large and some very small, they are all, to a large degree, scaled versions of each other – and this determines things like how much sleep they need and how long they might live. He then looks at cities and companies in a similar way and suggests that, while mammals scale sublinearly and therefore factors like the strength of their legs places an upper limit on their size, cities scale superlinearly and show no apparent limits to their growth. However he also suggests that companies, like

mammals, scale sublinearly and do seem to have limits on their life spans, even or possibly especially if they grow to be very large. The half-life of companies in the samples he considers seem to be about 10.5 years so very few would be expected to last for a hundred years but there are some exceptions which are hundreds of years old – and they were generally companies which had not sought to grow:

‘We can learn something instructive about the aging of companies from the general characteristics of these very long-lived outliers. Most of them are of relatively modest size, operating in highly specialized niche markets, such as ancient inns, wineries, breweries, confectioners, restaurants, and the like. These have quite a different character from the kinds of companies we have been considering in the Compustat data set and the S&P and Fortune 500 lists. In contrast to most of these, these outliers have survived not by diversifying or innovating but by continuing to produce a perceived high-quality product for a small, dedicated clientele. Many have maintained their viability through reputation and consistency and have barely grown. (p.406)

It may also be appropriate to reflect that people first engaged in ‘businesses’ as a means of sustaining a livelihood when the normal occupation for many was self-sufficient agriculture (Bridge, 2016). It would have suited everyone if some people specialised in activities for which they had particular skills or access to raw materials and traded their output with the different output of others – and the invention of money would have facilitated this trade, rather than provided its aim. Such ‘business’ activity alongside agriculture lasted for centuries and, for instance, this is how McPherson (1990) described the USA just before the advent of the railways, to set the scene for his book about the American civil war:

‘As late as 1815, Americans produced on their farms or in their homes most of the things they consumed, used, or wore. Most clothing was sewn by mothers and daughters, made from cloth that in many cases they had spun and woven themselves by the light of candles they had dipped or by natural light coming through windows in houses built of local materials from a nearby sawmill or brickyard by local carpenters or masons or by the male members of the household. Shoes were made by members of the family or by the village cordwainer from leather cured at a local tannery. Blacksmiths forged the tools and farm implements used in the community. Even firearms were built with handicraft skill and pride by a nearby craftsman. In larger towns and cities, master tailors or shoemakers or cabinetmakers or wheelwrights presided over small shops where they worked with a few journeymen and an apprentice or two who turned out fine custom or "bespoke" goods for wealthier purchasers. In an age of

slow and expensive overland transport, few of these items were sold more than twenty miles from where they were made’.

This extract indicates the existence of a number of businesses carrying out speciality work: the sawmill, the brickyard, the cordwainer, the tannery, the blacksmith, the tailor, the shoemaker, the cabinetmaker and the wheelwright. However it would seem likely that the aim of those engaged in such businesses would have been to earn a livelihood which they would have tried to do in (relative) harmony with the other elements of the local economic ‘eco-system’ – which could be summarised as win-win trading for sustainability rather than competition for profit maximisation. Is it not the case that today many self-employed people, who are categorised as having businesses rather than being in employment, are in essence doing the same? Therefore they also provide examples of ‘businesses’ for which profit maximisation is not the driving goal.

In this context it is also relevant to note surveys which have found that people who are self-employed generally earn less than they might have had they been in employment. For example a recent analysis of the Swedish employment register found that ‘entrepreneurs on average will earn less than observationally similar wage employed’ (Hårsman and Mattsson, 2019). Does this mean that money is not the main consideration when people chose to be self-employed or that they are not being logical in their choice – or both?

It is therefore relevant to consider both where the view comes from that the primary function of business is to make profits and whether that view reflects evidence that businesses do focus primarily on profits, or a belief that they should. Chapter 5 indicates that it is a belief stemming from sources such as Friedman’s quote which declared his view that the responsibility of a business is to maximise its profits - but he does not appear to have indicated that this came from any deliberate study of what businesses actually did. Instead he seems to have been stating more what he thought they ought to do – a belief which also fitted in well in the ‘neo-liberal’ era of ‘Reganism’ and ‘Thatcherism’. It is therefore suggested that, from this, a conventional wisdom belief evolved that in general businesses did focus on profits - despite a lack of clear evidence that they did but instead because it was a view which fitted in with the spirit of the age and there was no substantive presentation of a contrary case. Is it a situation where many then believed this because others appeared to believe it and because any observations that at least some businesses had other motives could be excused as exceptions – not least because they were usually only based on small select and therefore non-typical samples? If so, then this has been a self-perpetuating belief based originally on opinion and wishful thinking.

In summary it does appear that:

- Many people may have assumed that businesses want to maximise their profits and therefore want to grow - but the evidence presented here indicates that instead most business owners probably want to be sustainable (although some of them also may be affected by the conventional wisdom and believe that they should be trying to grow their businesses).
- There are even reasons for thinking that too much growth can reduce the long-term sustainability of a business. Businesses which do not try to grow may be more sustainable than those which do - and the longest surviving businesses have all remained relatively small.
- There are also some findings that businesses which focus on the bottom line often make less money than those with other drivers, such as excellence.
- Businesses originated to engage in win-win trading – and win-win is better for long-term sustainability. Also some 'businesses' are enterprises created by their owners as means to a life-style end but which others have chosen to categorise as 'businesses' and thus assume that big business-based thinking applies to them.

Implications

The above analysis acknowledges that some businesses are driven by their owner's aims of profit maximisation – but it also suggests that this is not the norm for all businesses and that profit-maximising businesses may be a minority. Despite the understandable reasons why it may have arisen, the assumption that almost all businesses primarily seek to increase their profits, and therefore want to grow to facilitate this, is misleading. However, despite the counter arguments which have been raised for some time, the assumption seems to persist in conventional wisdom and that can have a number of implications - for instance for our understanding of business success and for the policies we try to implement to increase business growth.

What is business success?

The two contrasting views of what constitutes business success outlined earlier in Box 5.5 have some important implications. The 'professional' view is often the one taken by external observers, and is probably the one that most people share when they look at a

business from outside it. And, when looked at in this way, many businesses, and especially many small businesses, do not appear to do very well. There seem to be potential markets or customers they are not pursuing, possible improvements they are not making, new techniques they are not adopting, and other opportunities to grow either turnover or profits that they are not taking.

However, when considered from the viewpoint of the owner of a business, the perspective is often different. There may be opportunities that the business is not taking, but it is not taking them because they will not help it to achieve its aim, and the aim of the business is that it should supply the benefits its owner wants. Those benefits are often associated with a life-style, and with the income level needed to maintain it. Reference used to be made to the 'BMW syndrome' which implied a desire to make enough money to afford to drive a desirable car but, once such a car is obtained, the goal is achieved and there is less incentive to afford more – as it is not possible simultaneously to drive two expensive cars.

If a 'professional' is employed as the manager of a business, he or she probably still sees the business as a separate entity. The success or failure of the business may be very important to a manager, but he or she can see that there may be life beyond the business because it is external to them as a person. For the small business owner however the business can be such a crucial part of his/her life that the business and non-business parts of life are not seen separately. The business becomes internalised and is subject to more than purely business considerations. The model of a 'perfect' business that the owner has is therefore one that best fits with his or her desired personal goals and values and requirements. The compromises involved in business improvement and/or growth may therefore be too high a price to pay for a better business if it conflicts with those values. The extra effort required to achieve even more profit may be too high a price to pay if that extra profit is not needed and continuity of employment for long-standing employees may be more important than increased efficiency. Such compromise would not be 'success'. Alternatively, if growth is the declared aim, it may only be because it is seen to be what is socially expected to 'keep up with the Joneses' and not because it represents real additional benefit.

This difference of perception can have significant implications because, for instance, a 'professional' advising or assessing a small business needs to understand it, otherwise he or she will be will be puzzled by the behaviour of the business. In an extreme case it might be in the owner's perceived best interests to close the business completely: an action which the professional would consider to be the ultimate sign of business failure. Also a

business agency, which bases its view of a business on its accounts, may see potential for growth and encourage the business to pursue it. However accounts report the financial returns of a business and not how well it is satisfying its owner's other objectives. If the business is delivering against those objectives the owner may not want to change things, however much an agency might try to encourage it.

If this 'two model' concept is correct it suggests that relatively low growth in small businesses may sometimes be due, not to a lack of management success, but to a different vision by that management of what success means. Consequently seeing that lack of growth as a business 'failure' and therefore trying to correct or cure it will be misleading and even harmful.

Growth policy misperceptions

The assumption that all businesses must want to grow leads in turn to a number of misapprehensions about business growth which can misdirect growth policy. The aim of much economic policy is growth – and high growth businesses are often seen as offering the best results. For instance as the OECD has put it: 'high-growth enterprises often drive job creation and innovation so policy makers are increasingly making such companies a key focus' (OECD, 2010) - and as a Finnish report explained it:

'Even though entrepreneurship is a key focus in industrial policy, entrepreneurship as such is not likely to be a magic bullet for economic development. The overwhelming majority of all new firms have only a very limited economic impact. ... Several empirical studies confirm the importance of high-growth firms for job creation. ... In order to promote economic growth, therefore, what really is [*sic*] needed are new jobs and new *growing* firms who actually generate employment.' (MTI, 2007)

Therefore policy makers want such businesses to grow and there could be an element of wishful thinking if policy makers then also believe that the businesses themselves usually want to grow. That in turn encourages the view that if a business is not growing it must be because its growth is in some way constrained by external factors - and so addressing those factors should allow growth to occur. Therefore, Bridge and O'Neill (2018) conclude, most small business policy initiatives seem to be based on the assumption that growth is the natural state of a business constrained by one or more factors such as a lack of finance, inadequate information or poor training. So providing more finance, information, and/or training should enable the frustrated growth to proceed. However they point out

that similarly in horticulture it was thought that plants naturally tried to grow and that, if they didn't, that was due to external constraints such as a lack of warmth and light, a drought, or a shortage of nutrients (Bridge and O'Neill, 2018: pp162-164) - but recent research (see Box 6.1) suggests that plants naturally inhibit their growth to what is sustainable in their environment.

Box 6.1 – Restraint can prolong life

Harberd studied the genetics of thale-cress which often grows as a wild plant or weed. His research indicated that, instead of a thale-cress plant growing whenever it could, as was assumed to be the natural tendency of plants, its growth was naturally restrained by internal inhibitors (arising from parts of a plant's DNA called DELLAs) and therefore non-growth is actually normal. Growth may occur when the conditions are right for the plant to produce hormones which overcome the growth-restraining effects of the inhibitors, but just providing more sunlight, water and/or fertiliser may not be enough.

His observations further suggested that this lack of growth can be in a plant's longer-term interest if it prevents it from growing too big for its conditions. So if a seed fell in good open ground it grew well, but if a seed fell on a pathway where there were limited nutrients it might still reach maturity but it would stay small and produce only a few flowers and seeds if its surroundings would not support a bigger plant. If it did not and grew every time it rained, for instance, it would not be able to sustain itself between showers as the pathway retained little moisture, and it would consequently die early:

'And I'm beginning to see the growth of plants as a metaphor for our times. The DELLAs being ... the agents that restrain the rate of growth to a degree consonant with the conditions within which plants find themselves. Lacking DELLAs, a plant becomes insensitive, brash, a fast-liver that is unable to exercise appropriate restraint, and that dies young.' (Harberd, 2007: p.302)

Might businesses also have internal growth inhibitors, with those inhibitors being located in the minds of their owners? If those owners do not want to grow their businesses then incentives designed to help their businesses to grow by relieving constraints will have little effect. Does this account in part for the commonly reported 'failure' of small businesses adequately to avail of, or benefit from, the services of public support agencies and others?' (Bridge and O'Neill, 2018: pp.163/4)

It may also be relevant to this discussion of misapprehensions about business growth that it is often described as 'scaling' - as if a bigger business was just a scaled up version of a smaller one. However West (2017) in his book *Scale* (mentioned earlier) shows that, in many situations where scaling might be thought to apply, this is not the case (see Box 8.2). This is so with businesses – a bigger business does not have bigger employees but it has more of them and eventually, as the number of employees passes Dunbar's number, a change of organisational structure is needed. This is one of the factors behind Penrose's allusion (see Chapter 6) to the difference between caterpillars and butterflies when pointing out that small businesses are not small big businesses.

An assumption derived from wishful thinking that businesses want to maximise their profits and therefore want to grow may be supported by assumptions that what is good for the economy must be good for (all) its components. Therefore it must be good for businesses – which might be another reason for thinking that they want to grow. However there is an increasing expression of views that growth may ultimately be bad for economies as the earth's resources are finite. Indeed in nature healthy ecologies often have zero net growth.

So the benefits of growth may not apply at the macro level - and also not at the micro level. As indicated above there are many business owners who do not seek growth because, while they might not be averse to more profit, they do not need it and they do not want the extra bother and effort that growth would entail. Businesses do not necessarily want to employ more people because that means extra responsibilities and hassle – so creating jobs is often an unsought by-product of growth and not its aim, despite what policy might sometimes appear to assume.

The assumptions that all businesses want to maximise their profits and therefore all businesses must want to grow, which means that they also want to employ more people, may be very comforting to policy makers who want to reduce unemployment by encouraging the creation of more jobs. But this analysis suggests that such views are misplaced and therefore policy based on them is unlikely to work. There are also other assumptions apparently made in growth policy, especially that which involves 'picking' or 'backing winners' – and they too appear to be ill-founded. For instance an analysis made in 2012 by Bridge and Botham of the rationale for such policy found that the declared policy depended on a chain of assumptions, all of which were at best questionable (see Box 6.2).

Box 6.2 – Assumptions behind the rationale for focusing on high-growth businesses

In 2012 Bridge and Botham examined the rationale for economic policies focusing on high growth businesses. This focus, they reported, was clear in publications such as the 2011 Department for Business, Innovation and Skills (BI) document on *Bigger, Better Business* and demonstrated a clear belief that the best way to stimulate more employment and other economic benefit was to target high-growth small businesses. However, they suggested, this view depended on a chain of assumptions, including:

1. The assumption that more jobs and/or wealth will be beneficial.
2. The assumption that just a few high-growth small businesses create a disproportionate share of all the new jobs.
3. The assumption that those high-growth businesses can be identified before they grow, or at least before they have finished growing.
4. The assumption that government intervention can, and does, help businesses to grow more than they would otherwise do. ('Can' and 'does' are separate issues - if intervention has not worked so far that does not mean that a different form of intervention will not work.)
5. The assumption therefore that if the high-growth businesses are given additional support of an appropriate nature, they will grow more than they would otherwise have done – thus delivering additional economic benefit.
6. The assumption that it is possible to target such assistance so that it applies only (or very largely) to high-growth businesses, and to target it on them early enough to make a difference.
7. The assumption that there is a sufficient supply of high-growth businesses or, if there are too few of them, then it is possible to encourage the creation of more by an appropriate selective targeted entrepreneurship (i.e. high-growth start-up) policy.

For the policy to work all the assumptions in the chain need to be correct but, Bridge and Botham found, not just that some were wrong but that there were reasons for thinking that actually all of them all were at best questionable.

In conclusion

This section has examined a series of assumptions about businesses seemingly based on how big businesses are thought to operate. It starts with the assumption that businesses want to maximise their profits which leads to the assumption that businesses therefore want to grow. That, in turn, suggests that, if businesses are not growing, it must be because of external constraints so, if those constraints are relieved, businesses will find a way to grow. Therefore, it might be supposed, policy should seek to identify and address the constraints because growth will then happen.

It would be a very convenient for policy makers if that was true – but it is the conclusion of this section that it is not. However such assumptions do explain aspects of conventional wisdom and that wisdom does appear to be persistent, but it is not helpful either for a general understanding of enterprise and business or for key aspects of business-focussed policy. Nevertheless, through a combination of big business-based thinking and policy aspirations, have those working with businesses come to view profit maximisation through growth as the normal, natural and primary aspiration for all businesses?

ASSUMING THAT THE FUTURE IS DETERMINISTIC

(and therefore that we should research, forecast and plan)

The past is often a poor guide to the future. For things like where in the sky the sun will rise tomorrow extrapolation from past events will serve us well but in other areas it does not - yet most economic predictions are based on extrapolation from current trends. History shows us that, in the affairs of humans, trends do not continue indefinitely and sooner or later (but probably sooner) the unexpected happens. Therefore arguing, or subconsciously thinking, that the predictability of things like the sequence of the seasons means that most other things can similarly be forecast with a considerable degree of reliability is to make a mistake – and, if such predictions are followed, probably to head for failure. Also, the more interrelated things are, the more complex they become, and the less predictable they will be.

Box 6.3 - Business plans have been criticised – for example:

In an academic paper:

‘An intense debate emerged recently ... on the value of business planning for established small and especially new firms.’ (Brinckmann et al, 2010, p.24)

By an entrepreneurship educator:

'We have all heard the growing chorus ... debating the proper role, if any, for teaching business plans. A valid criticism ... is that the way business plans have been traditionally taught results in well-written "works of fiction." (Cornwall, 2010)

By an entrepreneurship professor and author:

I am more than ever convinced that entrepreneurship cannot be planned to any major extent in advance, and that planning even goes against the entrepreneurial idea. Entrepreneurship is rather about courage and willpower, being venturesome when experimenting and networking, and about exploiting necessary mistakes as moments of learning.' (Bjerke, 2007: p.xiii)

By an entrepreneurship professor emeritus:

My focus ... is on a number of "elephants in the room" ... such as the worship of the rational business plan in curricula.' (Meyer, 2011: p.1)

By an associate professor and participant in eight high-tech start-ups:

'We've now learned [that] ...:

- Business plans rarely survive first contact with customers. ...
- No one besides venture capitalists and the late Soviet Union requires five year plans to forecast complete unknowns. ...
- Start-ups are not smaller versions of large companies.' (Blank, 2013: p.67)

As Box 6.3 indicates business plans have been criticised and Graves (2010) is amongst those who indicate an emerging acceptance in the market research industry that attempts to predict future consumer behaviour can be misleading. Sarasvathy (2008) found that many successful entrepreneurs did not follow the conventional forecasting and planning wisdom. She researched 'expert' entrepreneurs who had taken a start-up to the stage of a public flotation, and she found that they distrusted market research and did not think that the future could reliably be forecast in this way. They appeared to understand that the future was not pre-ordained. Things could happen between now and then which could change it – so it could not reliably be predicted but could instead be shaped. Therefore Sarasvathy's entrepreneurs opted to approach the future with open minds prepared to react appropriately to what they found, rather than believing in, and then sticking to, pre-

planned paths come what may. She has labelled this approach 'effectuation' - as opposed to the 'causation' approach of selecting the desired result and then trying to cause it to happen (see Box 6.4).

Box 6.4 – Effectuation

Sarasvathy (2008) researched how 'expert' entrepreneurs actually operated. She interviewed 27 people who individually or in a team had founded one or more companies, had been involved for ten years or more, and taken at least one company public.

The first theme that emerged from interviewing them, she reported, was that 'expert entrepreneurs distrust market research' – the future was not pre-ordained, so, instead of using research to try to predict it, these entrepreneurs felt they could shape it. She then recognised that they generally preferred what she called 'effectuation' as opposed to a 'causal' approach – with the difference being that a causal approach focused on the desired end result and how to realise it, whereas effectuation involved seeing what could be done with the resources and means available.

Effectuation, Sarasvathy suggests, has its own logic, but it is not the logic of prediction. She distilled effectuation into five key principles:

1. The bird-in-hand principle: Start with the means that you have and create new effects with them.
2. The affordable loss principle: Don't put at risk more than you can afford to lose – so risk little and fail cheap.
3. The crazy quilt principle: Build alliances and partnerships with stakeholders as you proceed, not least as a way of spreading the risk.
4. The lemonade principle: Leverage surprise and exploit contingencies as and when they happen.
5. The pilot-in-the-plane principle: Causation seeks to predict the future, effectuation to control it. You are not dependent on an auto-pilot and can steer the venture as circumstances suggest.

The previous chapter indicates some of the reasons why a convenient, welcome and apparently evidence-based belief may have arisen that, with care and the appropriate methods, the future can reliably be forecast - as Newton was able to predict the motion of the planets – and that those forecasts can then be used as the basis for planning. That

forecasting and planning approach may be the conventional wisdom accepted and advocated by many business 'professionals' but it and/or its foundations are criticised in some quarters and other approaches based on accepting uncertainty are suggested. These approaches amount to an alternative philosophy fundamental to successful enterprise:

The forecasting and planning approach may be derived from an instinctive wish for certainty and be based on, or at least be supported by, a belief in 'physical determinism' (see above and Box 3.6) but Popper (1972) and others have attacked determinism from different perspectives. For instance Sarasvathy's entrepreneurs, mentioned earlier, believed that the future is not pre-ordained, as the clock theory would suggest, but can instead be caused and/or shaped by human action (Sarasvathy, 2008: 27), and some experienced market researchers admit that their methods do not work and 'the findings obtained from most market research are completely unreliable' (Graves, 2010:dust jacket).

So, if the future is indeed uncertain and cannot reliably be predicted, how can businesses operate successfully? A search through the literature reveals a number of methods, maxims and/or approaches which do appear to be mutually consistent – and effective:

- Minimising losses. One of the principles of 'effectuation' which Sarasvathy identified from the expert entrepreneurs she surveyed was that of 'affordable loss'. 'This principle prescribes committing in advance to what one is prepared to lose rather than investing in calculations about expected returns to the project' (Sarasvathy, 2008:15) – so they risked little and failed cheap. This approach was also identified by Taleb in the advice he passes on to ensure that the risk of catastrophe is zero: 'make sure that the probability of the unacceptable (i.e. the risk of ruin) is nil.' (Taleb, 2013: 166)
- Antifragility. Antifragility means not just surviving uncertainty and upset but actually profiting from it. According to Taleb, who invented the word, the opposite of 'fragile' is not 'robust'. If something is fragile, he suggests, and it is handled roughly, it is likely to be damaged and if some something is robust it is likely to remain unaltered - but if something is antifragile it is likely to become stronger (Taleb, 2013). This is consistent with the ideas on lean start-up (Ries, 2011) which assume that the only way to get reliable market feedback on a new offering is actually to offer it and that trying to make projections based on other research, such as hypothetical questions about how people think they will respond to a product not yet available, will be meaningless. Therefore prototypes should be subject to real market testing as soon as possible so that their faults and imperfections can be identified early and subsequent versions improved. As

Harford (2011) points out, trial and error is in many cases the way to success. So, if things might fail, then it is better to fail early and learn from that failure.

- Exploring. Advice such as this is also covered in the suggestion that new business ventures have much more in common with explorers than they do with larger established businesses – and therefore that they could benefit from learning how to explore as safely as possible instead of following established business teaching based essentially on big business practice. For instance explorers know that the territory into which they are venturing is unexplored and therefore that they cannot determine in advance exactly what they will find – and so should proceed accordingly, expecting to encounter some false leads and dead ends, and not putting at risk more than they can afford to lose by committing everything on one possibility without having a way back. (Bridge and Hegarty, 2013)
- Read-fire-aim. Ready-aim-fire is an appropriate approach for firing a rifle when, once the trigger is pulled, the marksman has no further control over the flight of the bullet. But, when firing a guided missile, the appropriate approach is ready-fire-aim because, once it is fired, the missile can, and should, then be steered onto the target – and so does not have to be lined up precisely at the start. Having the ability to steer a venture once it is launched is particularly helpful if the target is moving and that is much more like many real life situations.
- 'Engineering' solutions. In the introduction to his book *Engineers of Victory*, Kennedy quotes *Webster's* definition of an engineer as 'a person who carries through an enterprise through skilful or artful contrivance' (Kennedy, 2014: xvi). The book is subtitled 'the problem solvers who turned the tide in the Second World War' and it describes how they did it, not by working out every move in advance, but by experimenting with a wide range of possible solutions, testing them to see which were promising and then building on those that proved to be successful. That was how they 'engineered' victory, not by prior design, but by continuing invention, innovation, trial, observation and improvement.
- Right-brained thinking. Clock-like ideas of predictability are, it has been suggested, a product of left-brained thinking upon which, according to McGilchrist (2010), we have become accustomed to rely too much, especially in the West. The left hemisphere of the brain likes things to be certain and predictable, but it should be the servant, not the master, of the right hemisphere which instead seeks possibilities (and see Box 3.6).

Perhaps this approach to accepting uncertainty is best summed by Harford. He refers to an engineer in Tsarist Russia called Peter Palchinsky who was sent to study coal mines in the Don basin but whose recommendations were too honest – so he was sent off to Siberia. Eventually pardoned he continued to offer advice to the Tsarist government and eventually also to the Soviet government but he continued to be honest and to advise against prestige projects launched without adequate testing and feedback. Such advice continued to be unacceptable so he was finally executed by Stalin's secret police - but the prestige projects nevertheless failed as he said they would (Harford, 2011: 21-26). The lesson Harford draws from this is that experience shows the value of 'trial and error' - and the dangers of shunning it and, like the Soviet empire, refusing to see that there could be alternatives and that things might not be working:

'There are three essential steps to using the principles of adapting in business and everyday life, and they are in essence the Palchinsky principles. First, try new things, expecting that some will fail. Second, make failure survivable: create safe spaces for failure or move forward in small steps. As we saw with banks and cities, the trick here is finding the right scale in which to experiment: significant enough to make a difference, but not such a gamble that you're ruined if it fails. And third, make sure you know when you've failed, or you will never learn.' (Harford, 2011: 224)

What are the implications?

This section suggests that essentially there are two philosophies, schools and/or approaches to the uncertainty of the future:

- The received wisdom of reducing the degree of uncertainty by researching, forecasting (and/or attempting somehow to quantify the risk and/or thus reduce the uncertainty) and then making plans based on those forecasts.
- An alternative way of accepting the uncertainty and being prepared to react accordingly and to try to reduce any possible harm from the unexpected (and maximise the possible advantage).

This analysis suggests, not only that in many circumstances the second approach (that of accepting uncertainty) is the better approach to take, but also that the difference between the two approaches has important implications when it comes to issues such as such what advice to give a start-up and how 'failure' should be perceived.

Table 6.1 – The approaches compared

<i>Approach:</i>	Forecast and Plan	Accept Uncertainty
<i>Concepts:</i>	Research - followed by prediction Decision making and planning ‘Causation’ Working out the answer by logic Assessing the chance of an acceptable outcome	Trial and ‘error’ - and lean start-up Antifragility and ready-fire-aim ‘Effectuation’ and exploring ‘Engineering’ results Reducing the chance of an unacceptable outcome
<i>Principles and methods:</i>	Calculating the odds Betting when the potential gains are attractive and the odds are favourable Then planning everything before starting	Experimentation and testing Betting when the possible losses are affordable and the risk of the unacceptable is nil Dealing with reality as it happens
<i>Decision-making model:</i>	Decisions are made based on an assessment of the probability of an acceptable outcome - i.e. assessing how likely it is to work / the chances of success.	Decisions are made based on an assessment of the probability of an unacceptable outcome - i.e. what might happen if it doesn’t work / the risk arising from failure.

Table 6.1 presents a brief comparison of the two approaches outlined in the preceding sections – but determining which is better depends on the situation for which they are might be used. Sarasvathy herself, having identified causation and effectuation as alternative approaches, suggests that both have their uses. ‘I do not teach effectuation as the only way to do entrepreneurship [and] instead the course is built around the notion of two toolboxes - causal and effectual - and how to use them.’ (Sarasvathy, 2008: p.231) Lave also, in his foreword to Sarasvathy’s book *Effectuation*, refers to the situation in which causal and effectual approaches might be suitable:

‘Causal problems are problems of decision; effectual problems are problems of design. Causal logics help us choose; effectual logics help us construct. Causal strategies are useful when the future is predictable, goals are clear, and the environment is independent of our actions; effectual strategies are useful when the future is

unpredictable, goals are unclear and the environment is driven by human action. The causal actor begins with an effect he wants to create and asks, 'What should I do to achieve this particular effect?' The effectuator begins with her means and asks, 'What can I do with these means?' And then again, "What else can I do with them?" (Sarasvathy, 2008: xii)

In his forward to Sarasvathy, Lave clearly indicates that in situations of uncertainty, 'when the future is unpredictable', effectuation is the better approach, and those are the situations being considered in this chapter. The first approach - forecasting and planning (causal) - appears to be more instinctive, which might be why it has become the default approach which is generally advised and/or taught. But, for dealing with uncertainty, this instinctive approach is usually not appropriate – as the following comments suggest:

- 'Effectuators do not seek to avoid failure, they seek to make success happen. This entails a recognition that failure is an integral part of venturing well. Through their willingness to fail, effectuators create temporal portfolios of ventures whose successes and failures they manage – learning to outlive failures by keeping them small and killing them young, and cumulating successes through continual leveraging. (Sarasvathy, 2008: p.17) As Taleb (2013: p.181) points out, nature also 'fails early'.
- We are prone to 'Black Swan blindness: the underestimation of the role of the Black Swan' (Taleb, 2007: p.307) In his book *The Black Swan*, Taleb uses the label 'Black Swans' for those events which are thought to be highly improbable and which are thus unexpected but which nevertheless do occur, often with very significant consequences. In effect he suggests that there are psychological biases which blind people to uncertainty – and which result in an underestimation of the possibility of the unexpected and in assessments of risk which exclude it.
- Instead we have a bias towards predictions and seek them out and use them, even when they know that they are unreliable – but: 'forecasting can be downright injurious to risk-takers'. 'There are ample empirical findings to the effect that providing someone with a random numerical forecast increases his risk taking, even if the person *knows* the projections are random' (Taleb, 2013: p.135). People want a route through the future they can follow like a map - so they are attracted to business plans which are said to be 'route/road maps' (see Box 6.5).
- Market researchers think that, 'if we just ask them people will tell us what they want, what they like and what they think. All we have to do then is do whatever they say.' ... But 'market research is a pseudo science – in fact it's *consumer.ology* – and the

beliefs underpinning it are false.’ (Graves, 2010: p.1-2) ‘When market research wanders into the realm of the future it is inherently reckless.’ (Graves quoted by Woodward, 2011)

- ‘Anthropologists and psychologists have long argued that magical rights and superstitious behaviour serve very important functions: they make the world seem more deterministic and give us confidence in our ability to cope’. (Gimpl and Dakin, 1984:125) ‘Experts in the techniques of forecasting and planning perform the functions of magicians in primitive society. They provide a basis for a decision when there is no rational method.’ (Gimpl and Dakin, 1984: p.130)
- ‘Wisdom in decision making is vastly more important ... than knowledge’. (Taleb, 2013: p.152) But following accepted methods is a defence against accusations of wrong decision making – which might arise if things do not go as predicted:

‘Because adherence to standard procedures is difficult to second-guess, decision makers who expect to have their decisions scrutinized with hindsight are driven to bureaucratic solutions - and to extreme reluctance to take risks.’ (Kahneman, 2011: p.204)

As Tim Dewey, who has held senior marketing positions in several blue chip companies, put it, “People use different stages of research so that if the initiative is unsuccessful they can say, “Look how thorough I was. I did my due diligence.”” In my experience it comes down to the organisational culture; where there’s a fear of failure research is used to avoid getting the blame for a project that fails.’ (Graves, 2010: p.3)

Box 6.5 – Business Plans: Can You ‘Map’ the Future?

Business plans have been likened to maps:

‘The business plan is just like a road map and the planning process is just like map-reading: decide on where you are and the town you want to go to, and then you can start to plan your route.’ (Burns, 2011: p.365)

‘The business plan ... is your final route map showing you what you need to do to launch and grow your new venture’ (Burns, 2014: p.15)

However these quotes also indicate the fallacy of this approach. To have a route map it is necessary to have a map of the possible routes from which you can select your desired path - but to produce a reliable map of the routes someone first has to explore the

territory, survey it, establish routes through it and map those routes. Yet the future is uncertain and unknown - and is thus unexplored and unmapped. As Mintzberg (1994: p.229) put it:

'As we enter this discussion ... it would be well to bear in mind the disarmingly simple point that "the future does not exist; how could there be knowledge about something non-existent"?'.

All this suggests that, in the situation of an unpredictable future, the apparent logic and/or evidence behind the 'forecasting and planning' approach is not as sound or as convincing as instinct might suggest and that the second approach of 'accepting uncertainty' is actually more realistic and produces better results. There are reservations about accepting uncertainty but, these are largely the result of perceptions and biases rather than contrary evidence. For instance it does not satisfy our clear desire for forecasts and predictions and it does not conform to traditional business theory and teaching – but these are not good reasons for rejecting it.

In conclusion

'Uncertainty is the normal state. You're nobody special.'

Tom Stoppard, *Rosencrantz and Guildenstern Are Dead*, 1966

Applying big business-based thinking, encouraged and supported by an instinct for determinism, leads to an unrealistic assumption that in business the best preparation of the future is generally to reduce uncertainty by researching, forecasting and planning. There are some situations in which planning is appropriate but, when the future is inherently uncertain, to rely exclusively on forecasts and plans and not to prepare for that uncertainty by being ready to operate in such conditions and to benefit from them, is foolhardy. Business plans may be a way to teach some useful business concepts, but they do not inculcate 'enterprise' and they are not the must-have tool for start-ups that their widespread promotion sometimes suggests. As the implications of this planning assumption also include inappropriate advice for start-ups and a demonising of 'failure', its advocates should seek to change that thinking and adopt alternative approaches.

This section suggests that, despite its apparent attractiveness, its instinctive appeal, its fit with conventional wisdom and its apparent approval and credibility, forecasting and

planning is usually not the best approach for addressing an uncertain future— and therefore it is often not helpful for enterprise. Nevertheless this approach seems to be the basis for much advice and teaching designed to guide entrepreneurs. Also, not only have its methods thus been advocated, but its philosophy also seems to have been adopted, whether consciously or sub-consciously, as the default view.

Do those promoting and advising enterprise need, therefore, to work out ways to communicate a different philosophy and approach? Do they need to consider, not how best to assess the odds and to plan for the expected, but how to be ‘antifragile’ so that, if the unexpected happens - as it will - people are ready to profit from it. That will not necessarily be easy – but doing what seems to be easy is unlikely to be productive.

So, instead of trying to narrow things down to certainties by prior logical prediction and analysis, do we need, by different thinking, to open things up to the possibilities inherent in uncertainty by being more left-brained? Instead of trying to be more certain by researching, forecasting and planning, do we need to seek and embrace possibilities through exploration, effectuation and antifragility?

ASSUMING THAT BUSINESS DECISIONS ARE LOGICAL

(and therefore that social influence is not a significant factor)

Chapter 5 indicates why it might have been assumed that business decisions are made based on objective logic but the reality is that humans are very socially influenced - as Rowson and McGilchrist, in writing about the human brain, highlight in their introduction:

‘The notion that we are rational individuals who respond to information by making decisions consciously, consistently and independently is, at best, a very partial account of who we are. A wide body of scientific knowledge is now telling us what many have long intuitively sensed – humans are a fundamentally social species, formed through and for social interaction, and most of our behaviour is habitual.’ (Rowson and McGilchrist, 2013)

Traditional economic thinking assumes independent rational decision making but the evidence seems to show that that is often just a pretence – and it is one of the assumptions to which Kahneman (2003) objected when he advocated behavioural economics. Instead studies indicate that in human actions often the conscious rationale

follows the decision on the action in question, rather than precedes it, and the decision is often determined by social influence. In other words people often do not analyse and then decide - they decide and then rationalise. (For instance research appears to have shown that people study advertisements for a product more after they have bought it than before their purchase – as if they were seeking subsequent confirmation for the validity of their actions.) It may also be relevant to note that, according to ‘institution theory’, even organisations are not immune to peer influence and do tend to follow the example of other organisations around them.

Suppose, for the SBS, instead of ‘making the UK the best place in the world to start and grow a business’ (SBS, 2004) the aim was ‘making the UK the place in which people most want to start and grow a business’. That would entail encouraging the horse to want to drink instead of just assuming that the horse will drink if it is taken to the water (or water is taken to the horse). But that requires a recognition of how human behaviour is actually influenced, instead of how we think it ought to be influenced.

Social interchange may not only be influential but also very beneficial. Halpern (2005) and Gladwell (2008) describe how social connection improved the health of the residents of Roseto - and it might seem strange but another place to look for examples of mutually beneficial inter-organism communication and influence is among trees. In his book *The Hidden Life of Trees*, Wohlleben (2017) shows that, although we may not have suspected it, a forest is a social network with relevant signals such as warnings of danger and even nutrients being exchanged between trees – and not just between trees of the same species. If it happens between trees in a wood then there is even more reason to suspect that it happens between people and their businesses in an economy. However it would seem that usually we have assumed that lessons from other fields, such as in this case forest ecology, are irrelevant – and, for whatever reason, we have not looked for such interchanges and not seen them as an important factor in the health of an economy. Nevertheless, if you tried to develop an eco-system without them, would it work?

The concept of social capital – and its nature

In a paper published in 1990 Baumol suggested that all human societies have more or less the same proportion of people with entrepreneurial tendencies, but that whether this is productive, unproductive or destructive depends on the way society’s ‘rules of the game’ direct its application. For instance:

- In Ancient Rome people of honourable status had three acceptable sources of income: landholding, usury and political payments. Therefore their enterprise tended to be unproductive as engaging in things like innovative business was not socially acceptable.
- In Medieval China supreme prestige was accorded to those in high positions in the state bureaucracy. So young men with ability wanted to pass the exams to get into the bureaucracy although any enterprise they engaged in there was unlikely to be economically productive.
- In Europe in the early Middle Ages the only real opportunity for the younger sons of barons lay in warfare – and so for them enterprise was likely to result in destruction and pillage – not wealth creation.
- However in England at the time of the Industrial Revolution society's 'rules' allowed those who engaged productively in industry to accumulate wealth as well as respect and influence. So their enterprise could be very productive.

This is consistent with studies which find that people take their attitudes to many aspects of life from the social group with which they identify. Christakis and Fowler (2010) note Eric Hoffer's opinion that, 'when people are free to do as they please, they usually imitate each other', and relate that, in their own work looking at obesity, they concluded that obesity was 'contagious' because people 'caught' it by socialising with obese people.

But the interdependence inherent in human society is not just about the strength of social example, social influence and social approval, although there are very powerful. It is also about what we can learn from other people and the information we can glean from them - if they are prepared to share it – as well as the direct help we can get from them. Therefore it should not be surprising that social connections are important in fields of human activity such as enterprise – and that is recognised in the concept of social capital.

Although it can be argued that human beings have needed and used social capital since the days of tribal societies, it appears to have been first identified as a concept only about 100 years ago (Hanifan, 1916) and it is only in the last 30 years that it has received much attention. However, despite the contributions of people such as Bourdieu (e.g. 1986), Coleman (e.g. 1988) and Putnam (e.g. 2000), there is still confusion about its nature. In view of its relative newness as an idea, it may not be surprising that no single clear, widely accepted description or definition of it seems yet to have been established. As Schuller *et al* have commented, for instance, 'the relative immaturity of social capital as a concept ...

(and its) rapid proliferation has allowed a diversity of approach'. Nevertheless, in summary, they suggest that: 'Social capital has several adolescent characteristics: it is neither tidy nor mature; it can be abused, analytically and politically; its future is unpredictable; but it offers much promise.' (Schuller *et al*, 2000: p.24 and p.35)

One area of confusion in particular is whether there are different varieties of social capital. In his influential book *Bowling Alone*, Putnam (2000) treated social capital as a single fungible factor (i.e. if it occurred in different forms they all had the same effect and could be substituted one for another). For instance he proposed and applied a method for measuring the amount of social capital in each of the American states on a one dimensional comparative scale. He did this by combining 'fourteen indicators of formal and informal community networks and social trust (because they) are in turn sufficiently intercorrelated that they appear to tap a single underlying dimension' (Schuller *et al*, 2000: p.11) - an approach which suggests that different aspects of social capital can indeed be added together to contribute to a single meaningful total.

However in the same book Putnam (2000) also talked about different forms of social capital, such as bonding and bridging, which he suggests are not substitutable one for another. Coleman in particular also makes it clear that, for him, social capital is not a single entity but is instead:

'A variety of different entities, with two elements in common: they all consist of some aspect of social structure, and they facilitate certain actions of actors - whether persons or corporate actors - within the structure. Like other forms of capital, social capital is productive, making possible the achievement of certain ends that in its absence would not be possible. Like physical capital and human capital, social capital is not completely fungible but may be specific to certain activities. A given form of social capital that is valuable in facilitating certain actions may be useless or even harmful for others.' (Coleman, 1988: p.S98).

One exploration of the possible different forms of social capital relevant to enterprise has been provided by Bridge (2014), Bridge and O'Neill (2018) and Bridge (2019). Following the example of Halpern (2005), they have suggested that social capital acts in the enterprise mix rather like vitamins in a diet: that it is necessary if the other components are to be effective but exists in a number of difference forms, each with its own application and uses and for which the other forms cannot effectively be substituted. That, however, raises the question of what the different forms are because there does not appear to be a

definitive list of the different forms of social capital relevant to enterprise. On proposal, however, is from Coleman who suggests that there are three aspects of social relations that can constitute useful capital resources for individuals and which are: 'obligations, expectations and trustworthiness of structures'; 'information channels'; and 'norms and effective sanctions' (Coleman, 1988: pp.S102-4).

These are clearly different aspects each with their separate uses and/or impacts. For instance trust between strangers is a key factor identified by Fukuyama (1995) to explain why the economies in some countries have grown faster than others and Harford (2006: p.201) suggests that it is a lack of trust in economic dealings which makes countries like Cameroon so poor. The list also includes norms of behaviour which Coleman suggests 'constitutes a powerful, though sometimes fragile, form of social capital' which 'not only facilitates certain actions [but] constrains others'. It would also appear to be associated with Putnam's 'bonding' capital (2000) and Baumol's societal 'rules' (1990) but, on the positive side, the presence within a social group of approval for entrepreneurial activity may be at least part of what Audretsch and Keilbach (2004) have referred to as 'entrepreneurship capital'. They describe this as 'a milieu of agents and institutions conducive to the creation of new firms ... such as social acceptance of entrepreneurial behaviour, ... individuals willing to deal with the risk of creating new firms, and the activity of bankers and venture capital agents willing to share risks and benefits' (p.420). This would suggest that social influence does indeed have a very strong impact in all aspects of life including business. Therefore to believe that decisions about businesses, such as the decision to start one, are based mainly on a logical appraisal of the costs, benefits and risks would appear to be very misleading.

What are the implications?

Recognising that, even in their business dealings, people are human beings who are likely to be subject to social influence has a number of implications for how to understand enterprise and its realisation – for instance by those who want to influence it or to help it.

Influencing enterprise

If it is likely that enterprise is socially influenced then that has to be considered in attempts to promote it. As indicated above much recent policy appears to assume that many people make a logic assessment of whether starting a business would be in their interest – but

can be discouraged if it appears to be too hard or not sufficiently rewarding. Dennis produced the diagram in Figure 6.1 which suggests two dimensions of influence - but policy often only seems to recognise the institutional one and assumes that, if not enough people are being entrepreneurial, the institutional situation needs to be made more favourable. The importance of the diagram, however, is that it indicates that it might instead be the culture which is the barrier – and that is in a different dimension which is not aligned to the institutional position.

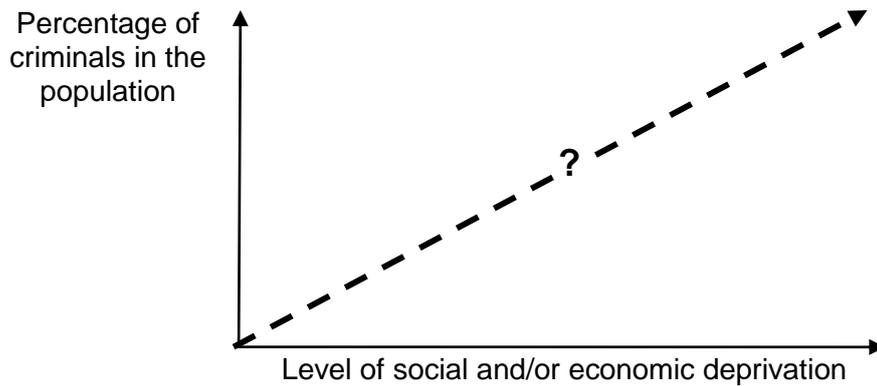
Figure 6.1 - Institutional and cultural dimensions (Dennis, 2011: p.96)

		<i>Institutions</i>	
		<i>Favourable</i>	<i>Unfavourable</i>
<i>Culture</i>	<i>Favourable</i>	Entrepreneurial	Repressed (bottom up)
	<i>Unfavourable</i>	Led (top down)	Stagnant

In his book *Critical Mass*, Ball reports some work on criminality by Campbell and Ormerod who divide the population into three groups:

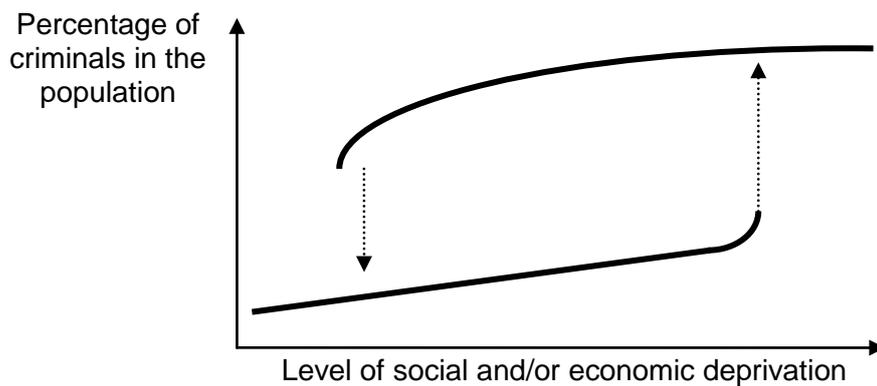
‘The first is immune to the temptations of crime, come what may. Most women and pensioners are likely to belong to this group. The second consists of active criminals. The third represents the ‘floating voters’, who are susceptible to becoming criminals under the right circumstances but who might instead decide to live lawfully. Individuals can switch from one group to another, and do so on the basis of a kind of peer pressure: the higher the relative proportions of each group in the population, the more likely it is that others will join it.’ (Ball, 2004: p.398/9)

Figure 6.2 – Supposed level of criminality



What this means is that the level of criminality does not rise steadily in proportion to an influencing factor, such as the degree of deprivation, as Figure 6.2 might suggest, but instead remains relatively low or relatively high because of peer pressure until that is ‘tipped’ to the other state as shown in Figure 6.3.

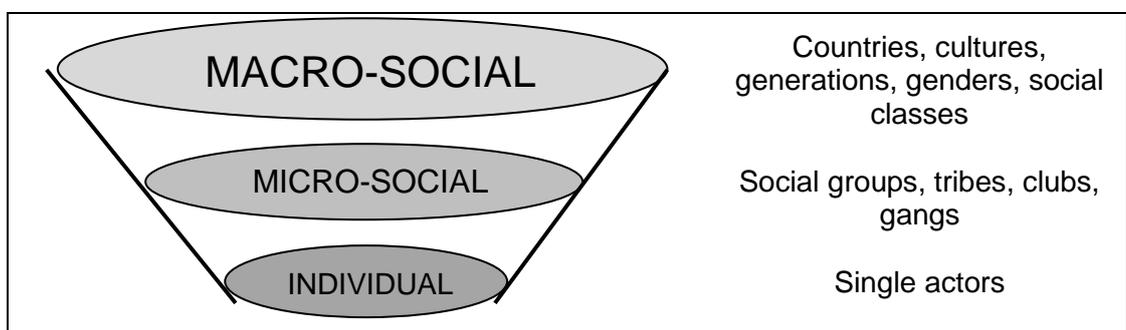
Figure 6.3 – Levels of criminality subject to peer pressure (Ball, 2004: p.400)



Such perceptions reinforce a view of the importance of the cultural dimension and social pressure which suggests that, if there is a desire to increase levels of entrepreneurship, it is relevant to ask where the source of the relevant influence may be located. It would appear to have been assumed that exposing people to ‘entrepreneurship’ will somehow lead then to want to start a business and that this ‘want’ should then be facilitated by a favourable institutional response. However Bridge (2017) has suggested that ‘entrepreneurship’, as a trigger for entrepreneurial behaviour, does not lie in individuals and actually does not exist as the phenomenon we have supposed it to be (see also Chapter 8).

But if the source of entrepreneurial behaviour does not lie in the individual, where else might it be? Figure 6.4 is based on an interpretation by Cova and Cova and illustrates three levels at which it might be supposed human behaviour could be influenced and/or observed. However, it has been suggested that in Western societies the main focus has been either on the individual or on the macro-social level (Earls, 2009: p.95). Thus key influences have been supposed to act on individuals, possibly aided or given effect by their genes, or to be due to issues affecting whole countries, regions or sections of society. As a result, Cova and Cova suggest, the micro-social level of the tribe or social group has often been ignored.

Figure 6.4 - Levels of observation (Based on Cova and Cova, 2002: p.601)



As this chapter has shown, efforts to promote entrepreneurship have largely conformed to the Covas' supposition about Western society thinking. They have been focussed mainly on individuals with occasional acknowledgement of supposed influences operating at the macro-social level and they have rarely attempted to consider the micro-social level – and support has generally been provided through macro-social level programmes. Yet it is suggested here that it is at the micro-social level where an urge for productive enterprise might be found - which accords with Baumol's suggestions. So the key to generating more entrepreneurial behaviour may lie in engineering a perception in such groups that it is an acceptable and admirable activity.

Helping enterprise

The likelihood that enterprise will be socially influenced means that an understanding of social capital will be very relevant to its practice. Exploring social capital in the way indicated confirms that it is a key component for all forms of enterprise, and is not just relevant to social enterprise as some might have supposed. It also illustrates the variety of uses of social capital in an enterprise context and indicates that, at least in this context, social capital exists in a number of different, non-substitutable, forms with different effects.

It is further suggested that the importance and application of social capital, and the nature of all its effects, will not be fully appreciated without an understanding of those forms and the different ways in which they act – which is not yet complete.

Nevertheless, despite this incomplete knowledge, the clear importance of social capital means that reference to it should be included in enterprise education and advice (Bridge, 2013). Including social capital in enterprise education does not require that the education should take a different form – just that appropriate reference to social capital should be included in each form. Thus, when teaching or advising about enterprise, it is important to refer to social capital as a key component of the enterprise mix and to explain what it is and why and how to use it. Many courses have a section on financial capital, for instance covering the use and acquisition of its different forms, and it would also be appropriate to introduce a similar section on social capital.

Therefore this chapter does not prescribe how that should be done but instead presents the arguments for why any presentation of enterprise and its requirements should include appropriate reference to social capital as an important, but often overlooked, component of the enterprise mix. How that is done will, however, depend on the aim of each course and the nature of its syllabus but it is suggested that it should include not just a general awareness of the importance of social capital but also specific guidance in various aspects of it, including those listed in Box 6.6.

Box 6.6 – Some aspects of social capital - which might be included in information about it:

- *The reasons for the relevance of social capital.* These include in particular the social nature of human society and thus the importance and/or power of social influence and the reality of small enterprises operating in such conditions.
- *The nature of social capital as a capital.* As the label ‘capital’ implies, like financial capital it needs to be acquired (generally from a two-way process) before it can be used and then maintained and not over-used.
- *The possible variety of social capital.* The examples given above and the vitamin analogy help to illustrate, not just the different categories or forms it can take, but also their non-interchangeability and thus the need for an awareness of the different categories and forms and for diagnosing any that might be missing.
- *The effects of social capital.* The importance of understanding social capital and its

various forms is likely to be easier to communicate if the variety of effects, impacts, uses and/or hindrances of the various forms can be illustrated.

- *The acquisition of social capital.* Students of entrepreneurship education can be helped to understand why and how they could and should seek out and acquire social capital in its various relevant forms.
- *The normative aspect of social capital.* The normative forms of social capital and their possible impact in particular are often not appreciated. For instance might an aversion to enterprise be rather like obesity in the way that it appears to be like a virus caught from close social contacts. Understanding such effects could be the start of recognising how to change them if they are not helpful.

The logic of starting a business

Logically, it may not be in most people's financial interest to start their own business – so those who do so may not primarily be motivated by logic and financial return. For instance the section above on profit maximisation reports research which shows that many business owners, and many people seeking to start their own business, are not seeking business growth – which suggests that their aim is not profit maximisation. That section also includes a reference to research which indicates that most entrepreneurs generate less income than their employed counterparts. Therefore if they are doing it logically it is not for money - or they are not doing it for purely logical reasons.

In conclusion

This analysis suggests that social contacts do matter – but they are not necessarily always positive or fixed. The contract gardener example (Box 6.7) indicates that associates (a micro-social group) can be very influential but it also suggests that if they are negative and not helpful then different associates might be sought – but that is only likely to happen if their impact is noticed and understood for what it is.

Box 6. 7 – David

David (not his real name) was brought up in an impoverished working class estate and, although he served his apprenticeship as a joiner, he found himself out of work in his early 20s still living at home with an unemployed father and unemployed brother and a very sick

mother. His thoughts were that he should use his own initiative to start a business (any business) that would bring in money and keep the wolf from the door.

So he started a gardening business on a shoe-string. His grandmother gave him a mobile phone and his girlfriend managed to get some flyers produced which he distributed. Directly after this David started to get a lot of calls on his work line in the middle of the night and when he answered it the phone went dead. He told me about these phone calls and how worrying they were because his mum was in hospital and each call woke him and filled him with dread. David confided in me that he thought it was "some of his mates just having a laugh". I replied that it wasn't funny and they were not good mates, they were men who wanted David to stay their little friend, they didn't want him to better himself or outgrow them. They were happy with the unemployed David they knew and were trying to keep the situation unchanged and in effect were holding him back. I advised that he should keep his business life very separate from his social life and stop discussing and confiding in these guys because they wanted to maintain the status quo at the expense of his business. His business did well, he started to employ his brother as a casual self-employed person whenever he needed it and keep it all above board. David finished my programme and kept on trading and it was very rewarding to see how he had turned his world around.

Some months later I received a call from David out of the blue asking for my advice regarding the following situation. He was sorting out a garden for a girl and her dog bit him. The owner was naturally very upset and (as she knew me) confided in me that she was embarrassed and very upset, not only did her dog bite David but he never returned. This worried the girl as she didn't know how he was, the extent of his injuries and if he was even prepared to finish the garden. David's phone call clarified things for me, he was fine but his friends wanted him to sue (I think the phrase they used was 'take a claim' meaning to take legal action for monetary recompense) - they said he would be mad not to do so, that he could make a packet. He wasn't sure about this, he felt that he shouldn't but they advised so vociferously he thought he had better run it by me. I told him that if he took her to court that would be the last money he would ever make because no one would employ him (including me and my friends). He said he agreed and followed my advice and texted his client to say "apologies in the delay in getting back to you, bite now a distant memory - no scarring no pain, will return to complete gardening at your convenience. Please advise". I advised David again that he should keep his social and business life separate but for such a guy its always going to be a struggle and perhaps not one he will win without changing his friends!

The chapter also notes that the importance of social capital is often not recognised and it rarely features, for instance, in business plans. This may be because business plans (and similar approaches to the key ingredients for a successful business) are consistent with traditional economic teaching which assumes that in their business dealings people make logical decisions based on good information and therefore are not influenced by possibly irrational things like perceived social pressure. In contrast, behavioural economics recognises that humans often lack perfect information and, in any case, are often more influenced by social considerations than by logic. If the argument in this chapter is correct and people's social connections matter for things like access to relevant information, trust and norms of behaviour, this is consistent with behavioural economics and illustrates the relevance for enterprise of social capital in its various forms. It is thus a further conclusion of this chapter that omitting consideration of such a crucial factor from business plans and business training, preparation and assistance is likely to be detrimental to enterprise.

Therefore, although current understanding of social capital may not be perfect, it is suggested that it is a very useful concept and that enterprise education could usefully be informed by it if it is to communicate well the importance of social capital and to suggest why and how it should be acquired and used (Bridge, 2013).

CONCLUSION

Chapter 5 identifies reasons for supposing that it is likely that each of the suggested assumptions would have been made and the evidence in each case for thinking that they were made. This chapter then follows this by presenting the arguments for thinking that, instead of being broadly correct, each of the assumptions is incorrect, or at best questionable. Therefore, while Chapter 5 showed that the assumptions might have seemed reasonable and were made, this chapter shows why they can be very misleading.

In each case that has implications for any thinking and practices relying on that assumption. However, as the assumptions are also interlinked, just changing the assumptions separately may not correct the conventional wisdom which has been based on their joint foundation. Therefore Part IV looks at this overall aspect of the proposition and the suggested need for a wider review of thinking.

Questioning Conventional Enterprise Wisdom

Part IV

Revisiting the proposition – and assessing its implications

7 Reviewing the proposition: conclusions and implications

Chapter 7 reviews the proposition and considers whether the suggested assumptions could be the basis for, or an explanation of, the conventional wisdom about enterprise. It concludes that there is a *prima face* case that conventional enterprise wisdom is consistent with, and explained by, such a set of assumptions. However, not only do all the assumptions identified appear to be incorrect but also, because they are interlinked, together they contribute to a foundation understanding which is very misleading. Therefore, as this is unlikely to be corrected by addressing the assumptions separately on a piece-meal basis, a paradigm change is needed.

8 Changing the Paradigm

Chapter 8 then explores the implications of the assumptions being wrong. This is not just a case of rejecting the individual assumptions but of highlighting and negating the foundation and direction they give to the way people appear to think about enterprise. Until that is replaced with a new paradigm, the influence of that foundation may prevent the discovery and/or acceptance of other, and potentially more helpful, perspectives. This chapter therefore considers what parts of a new paradigm might be.

7 – REVIEWING THE PROPOSITION: CONCLUSIONS AND IMPLICATIONS

This chapter reviews the proposition that in the field of enterprise many people rely on aspects of a conventional wisdom which may be widely shared but is often misleading. Because there are reasons for supposing that, in this area, there is a shared common understanding and reasons for thinking that this is based on, or at least consistent with and explained by, a set of interlinked assumptions – it therefore concludes that a *prima face* case for the proposition has been made. However; there are also reasons for thinking that those assumptions are incorrect and, this chapter suggests, that is significant, not so much because of the separate errors indicated, but because together they contribute to a foundation framework for the conventional wisdom. Therefore this chapter examines the implications of this and the need to change that thinking.

EXPLORING THE RESEARCH ISSUES

As Part I indicates, people often share an understanding of a subject which is not definitively recorded, scientifically established and/or objectively tested but, nevertheless, still shapes their thinking about it – and this has been called conventional wisdom. It is not necessarily consistent, official, conscious or universal and, not least because it is often not precisely defined or clearly expounded, it has not been subjected to rigorous scientific probing, but it is instead usually instinctive, convenient and acceptable. It is also the result of a range of influences including established mind-sets, subjective bias, ‘unknown knows’, and ‘mumpsimus’. Further it is often reinforced by the illusory truth effect of widespread usage. Thus conventional wisdom is often more a perspective than a set of clear facts and theorems - and therefore, if it is to be examined, it has to be deduced from its impacts rather than read from its texts and pronouncements.

As the introduction in Chapter 1 explains, the purpose of the investigation in this thesis has been to identify and examine the body of shared understanding or ‘knowledge’ about enterprise which seems to have been acquired by many people working in this field. This ‘conventional wisdom’ appears to have guided much thinking about enterprise, and in particular has formed the basis for past and current enterprise policy, including

'entrepreneurship and small business policy, but essentially it would appear to be founded on a framework of misconceived assumptions.

This thesis has presented the scenario that a desire to know more about enterprise has been driven particularly by governments wishing to generate more of it as the supposed cure for economic ills and in particular to address a need for more employment. Consequentially, as a basis for enterprise policy and for accompanying research, ideas about it have developed which have become the conventional wisdom.

Essentially this investigation has examined the proposition that:

- Policy has been informed, guided and/or justified by 'conventional wisdom'.
- This conventional wisdom is itself based on, or is consistent with, a set of foundation assumptions, which may not have been consciously made and therefore have not been recorded, but which might have seemed to be plausible and do appear to have been adopted.
- However those assumptions have not been consistently tested and, in many cases appear to be wrong or at least questionable and/or misleading.
- Nevertheless this conventional wisdom has not only influenced policy but is also likely to be the foundation for other thinking about enterprise.

Chapter 2 sets the scene with the context both of the evolution of interest in enterprise and of epistemology and how knowledge is often acquired. Both these expositions indicate that the understanding people have acquired of enterprise could be based more on 'ignorance' than proven 'fact' and Chapter 3 shows that, although the supposed link between enterprise research and enterprise policy and the now extensive enterprise literature might have been expected to reduce this ignorance, that has not been the case. This supports the suggestion that a conventional wisdom on enterprise (including entrepreneurial activity and small businesses) has evolved based on and/or derived from a set of interlinked but wrong or misleading assumptions - which this thesis then explores.

In Part II, to illustrate the sort of situation in which it appears conventional wisdom is often followed, Chapter 4 provides a history of four decades of the evolution of enterprise policy in Northern Ireland. This indicates that rarely did the policy makers seek new research input to test their thinking, that generally they continued to apply the same sorts of methods their predecessors had followed, based apparently on what they thought they

understood about their work. However these methods have failed to achieve any noticeable increases in enterprise as shown by the indicators targeted and thus, as elsewhere, the evidence suggests that this enterprise policy has not worked – which must raise questions about the ideas on which it was based.

THE FINDINGS

Part III then seeks to identify and examine the basis of the suggested conventional wisdom. Chapter 5 starts by suggesting that it is based on, or explained by, a set of assumptions of which the following are among the key elements:

- a) An assumption that enterprise is a sub-set of business - and therefore big business-based thinking is applied to it.
- b) An assumption that all businesses, including small enterprises, aim to maximise their profits – and therefore a consequent assumption, influenced to some extent at least by policy desires, that all businesses want to grow.
- c) An assumption that the business future is deterministic – and therefore business ventures can and should research, forecast and plan on that basis.
- d) An assumption that business decisions are logical – and therefore social influence is not a significant factor.

After suggesting what the assumptions might be, Chapter 5 then summarises the evidence that they were made. It shows not only that there are reasons why each of the suggested assumptions may have been made because they could have been perceived to be valid, but also that there is evidence of thoughts expressed and/or actions taken which are consistent with each of the assumptions and which thus suggest that they were made. Further the assumptions are linked together and reinforce each other. This is not surprising if, as suggested, they are derived from a common source but, if those common roots are not perceived, the reinforcement could be taken as further evidence for the validity of each assumption.

Chapter 6 then follows this by considering, for each assumption, the counter arguments which question its validity. It thus presents the reasons for thinking that, instead of being broadly correct, each of the assumptions is wrong, or at best questionable. However, because many aspects of the thinking based on the assumptions have been challenged, it

might be thought that this would mean that the assumptions are no longer being followed. For instance:

- Following Penrose (1959), who declared that small businesses are as different from big businesses as caterpillars are from butterflies, Welsh and White (1981) have pointed out that 'a small business is not a little big business'.
- Reijonen and Komppula (2007) are among those who have queried the presumption of a shared business growth imperative by showing that many of the craft and rural tourism businesses studied did not want to grow.
- Brinckmann *et al* (2010) among many others have queried the usefulness of business plans.

If such challenges have been made, why has that message not been more widely received and thinking changed? In following the scientific method, if evidence is found which negates a theory, that theory should be abandoned and a replacement sought. However it takes time for such new knowledge first to be promulgated and then to become generally accepted and acted upon and old paradigms are often not abandoned until a new one has emerged (Kuhn, 1970: p.150/1). Even a classical scientific development such as the Copernican revolution, which recognised that the earth revolved around the sun and made a significant contribution to Newton's thinking about gravity, was not fully accepted for centuries despite evidence incompatible with the rival earth-centred view (Warburton, 1992). Indeed it is human nature not to accept evidence that would require a change of view - as suggested by Kahneman's concept of theory-induced blindness: described as 'an adherence to a belief about how the world works that prevents you from seeing how the world really works.' (Arbesman, 2013: p.177)

Also an examination of some of the writings apparently refuting aspects of the suggested conventional wisdom indicates another possible reason why they have not led to a more general change in thinking. For instance the article by Welsh and White (1981), which points out that 'a small business is not a little big business', nevertheless still treats small enterprises as businesses, albeit small ones, and thus does not challenge the underlying assumption that enterprise, including small businesses, is a part of the general field of business. Welsh and White describe small businesses as dealing with issues such as raw materials and manufactured goods inventories, warehousing, materials handling, advertising, brochures, depreciation and shareholders. This does not appear to recognise that many small enterprises are, in effect, the efforts of self-employed people, who tend to be classified as small businesses because they are not in employment, and who may not

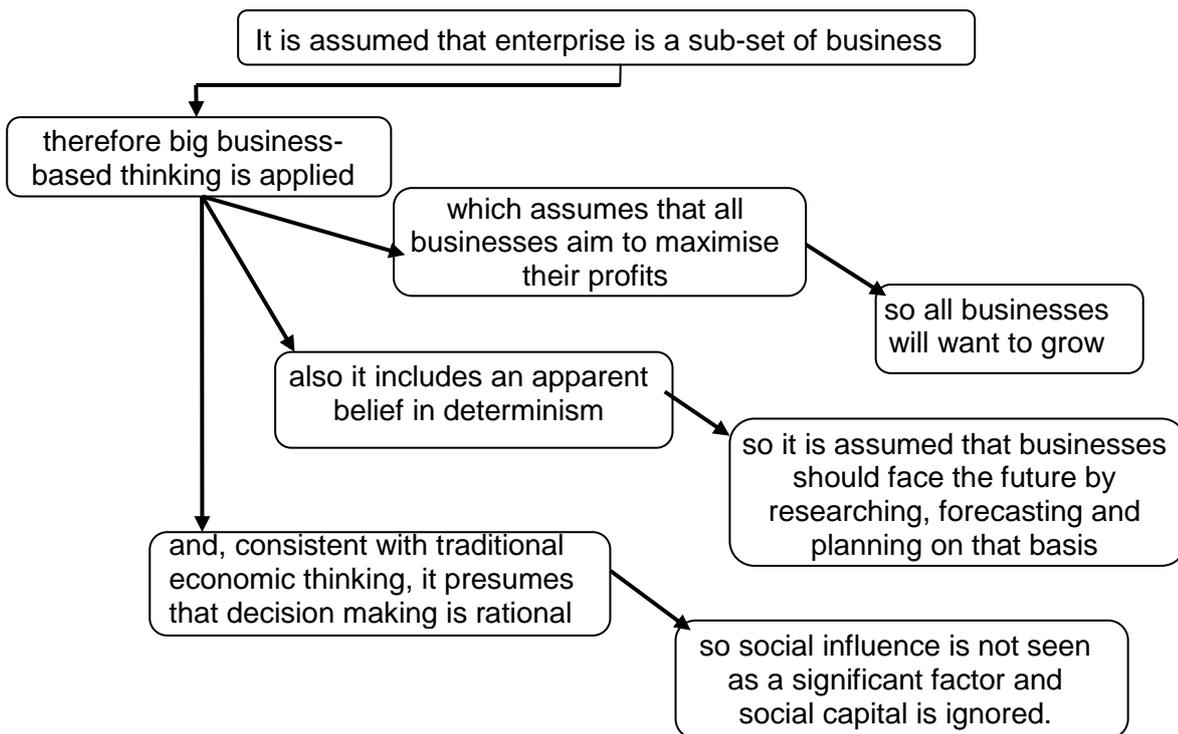
have to deal with many of these issues – and so are not well described by such a business model. Then the article by Reijonen and Komppula (2007), which shows that many of the craft and rural tourism businesses they researched do not want to grow, nevertheless tends to present them as exceptions to the general model, rather than suggesting that the growth model is wrong and that it is businesses whose owners want them to grow which might be the exception and should be viewed differently from the norm.

THE IMPLICATIONS

It would therefore seem that the suggested assumptions have been made and, although problems with aspects of this thinking have been identified, that message has not been widely disseminated and/or the issues concerned have been treated as individual one-offs and/or exceptions to the rule and their impact has not been sufficient to reset the default thinking underlying them. Thus, while objections might have been raised, it is suggested here that their origins or causes have not been tackled by tracing the views back to their source and correcting it. If their origins lie in a set of interlinked and questionable early foundation assumptions, as this thesis indicates, then it would seem that, once accepted, such thinking, together with its implications, has become the established wisdom and is therefore believed by many to be correct – and evidence of problems with parts of it is not seen as a reason for suspecting its foundations. As Thomas Paine put it nearly 250 years ago: ‘A long habit of not thinking a thing WRONG, gives it a superficial appearance of being right, and raises at first a formidable outcry in defence of custom’ (Paine, 1776).

This supports the suggestion that these assumptions, or variations of them, form the basis of the commonly shared ‘knowledge’ about enterprise referred to here as the conventional wisdom. The assumptions do not themselves constitute the full body of the received wisdom – but it is credible to view them as the foundation framework on which that structure is established. So it is not claimed that people have consciously adopted/accepted all these assumptions but it is suggested that, taken together, they explain how many people appear to think about this subject. If this is the case then Figure 7.1 may represent, or be a reasonable reflection of, the key framework underlying conventional enterprise wisdom.

Figure 7.1 – A possible framework of enterprise assumptions



If Figure 7.1 does indeed represent the foundation of conventional enterprise wisdom and if those foundations are faulty, what are the implications of this? If there are errors in the structure of thinking is that just because parts of that structure are wrong, and so need to be and can be corrected, or is it because the foundations on which the structure is based are themselves unreliable? The conclusion of this thesis is not just that there are errors in the assumptions identified but that, because the assumptions provide the foundation framework for the conventional wisdom, any thinking based on it is likely to be suspect. Therefore it is relevant to ask what consequent further thinking might have arisen from the assumptions that also now forms part of the conventional wisdom.

CONSEQUENT THINKING

The analysis in this section indicates that the initial assumptions and their links can then to lead to a series of further assumptions. The diagram in Figure 7.1 might be thought of as representing the framework of foundation assumptions upon which further beliefs have been constructed. Thus it is possible to suggest apparently logical links to other thinking, beliefs and/or practices such as the following:

- From enterprise is a sub-set of business. If enterprise is a sub-set of business then:

- Any manifestation of enterprise can be meaningfully labelled a business – and will behave like a business (apart possibly from social enterprises – see below).
- Because big business-based thinking is then applied, it is assumed that anything labelled as a business will be trying to maximise its profits and that it will do this by applying a deterministic forecasting and planning approach with logical decision making.
- Because enterprise is manifest in business and is essentially about new and small businesses, enterprise should be taught by teaching how to start a business.
- From profit maximisation. If the essential aim of businesses is profit maximisation then:
 - Profit is the key indication of business success.
 - Because they want to maximise their profits, all businesses will want to grow. Therefore, if they are not growing, it must be because they are constrained in some way.
 - Therefore, if there is a policy aim to maximise business growth, it should focus on ‘unlocking’ growth by releasing those constraints. As these are likely to be issues such as availability of suitable finance or premises or a shortage of appropriate advice or training, that is the sort of ‘institutional’ support that should be provided
- From determinism. If Voltaire is right and ‘*no problem can withstand the assault of sustained thinking*’ - and we can with appropriate effort determine what is going to happen, then:
 - It is appropriate to look for forecasts and to seek and rely on enlightenment and guidance from ‘experts’ such as economists and market researchers.
 - Researching, forecasting and planning is best way of preparing for the future.
 - Failure is preventable by appropriate planning and preparation. Therefore a well run businesses should not fail - and ‘trial and error’ should not be necessary because, with proper prior thought, there should be no ‘error’.
 - If failure is thus preventable, it is blameworthy when it happens because that indicates a failure to plan properly. Therefore failure is something to be criticised and/or of which to be ashamed.
- From logicity. If business decisions are generally made on the basis of logic then:

- Social influence on business decisions will not be significant because it is not logical.
- 'Social capital' is not then going to be particularly relevant or important and can be ignored in proper business practice.
- It is credible to think that there could indeed be a phenomenon or condition called 'entrepreneurship' which can be spread by appropriate methods and leads people to start businesses because they see the logic of it.
- People will decide to start a business if that is logically the best thing for them to do (presumably to maximise their income - see above). So making it easier, cheaper and/or less risky to start a business and/or more remunerative, will lead to more people doing it. Hence making somewhere the best place to start a business (as advocated by the SBS in the UK - see Appendix 7A) will result in more business starts there.

There are then further associated assumptions derived from, supported by and/or linked to those assumptions - such as:

- An assumption that the focus should be on the business. If enterprise is seen in the context of 'business' then it would be logical to focus on the business, not the person or people behind it. But even then institution theory applies
- An assumption of the homogeneity of business. Because they are all categorised as being in the same sector it is assumed that all 'private sector' businesses have a lot in common. Therefore limited companies, partnerships and sole traders are assumed to be more or less the same and smaller businesses are just smaller versions of bigger ones which will be trying to become bigger.
- An assumption that social enterprises are different. Because social enterprises are an exception having a primary aim, not of making profit, but of delivering a social benefit and generally not remitting profit to investors, it is assumed that they differ from all other enterprises which are assumed to be profit seeking – and are therefore assumed to behave differently and to be subject to different pressures. It can even be assumed that, because they do not have to focus on profit, they can be easier to set up and run.
- An assumption of complication rather than complexity. The concept of determinism assumes that many things may be complicated but nevertheless with due effort their mechanisms can be understood and modelled (see Appendix 7B). Thus there is an

assumption that in business, while things may be complicated, they are not complex, and their behaviour can therefore be reliably predicted.

- An assumption that we know how to construct eco-systems. If it is assumed that people want to start and/or grow businesses but are constrained by 'institutional issues' such as excessive regulation or high levels of corporate taxation, or a lack of suitable 'institutional' support to help embryo or emerging business, then an appropriate 'eco-system' would instead permit and motivate that behaviour and provide that support.
- An assumption that enterprise policy works. An assumption that policy is working is a helpful and necessary justification for continuing with it. This also depends on assumptions of how to judge policy success. (But what is policy seeking: a recipe for economic improvement - or to get its initiators re-elected?)
- An assumption that 'enterprise' is beneficial. All this follows from the assumption that enterprise is a source of economic improvement and that it and its associated components of entrepreneurs and small businesses are therefore beneficial – either always or at least in the majority of cases.

A REFLECTION ON WISDOM

'Where is the wisdom we have lost in knowledge, where is the knowledge we have lost in information?'

T. S. Elliot, *The Rock*

The particular thinking explored in this thesis starts with the assumption that enterprise is a sub-set of business – which has the consequence that big business-based thinking is applied to it. As a result, assumptions have then been made that the aim of any business is to maximise its profit - which has the implication that all businesses therefore want to grow; that it is possible reliably to forecast the future – so forecasting and planning are the proper way to proceed and 'failure' is due to poor planning; and that businesses behave rationally and objectively - so the possibility of significant social influence can be ignored.

In this thesis Chapter 6 has looked at each of the suggested assumptions to see if they stand up to scrutiny – and it might be supposed that any errors revealed could then be addressed and corrected. However the assumptions are linked and it is suggested that together they make up, support, and/or are consistent with, the core foundation of the

current conventional wisdom about enterprise. Therefore, because they are interlinked to provide that foundation, it is argued that addressing the implications of each one separately might not correct the underlying thinking. Conventional wisdom assumes a consistency between its components, because otherwise the people concerned might notice some of its errors, and the assumptions identified have that consistency. In that case trying to tackle them separately is likely to leave the underlying thread intact. An analogy is that, while a few daisies growing in a lawn can be removed by pulling up each plant separately, mushrooms cannot be removed in the same way. If mushrooms appear then removing each of them separately will still leave the underground mycelium of which they are just the fruiting bodies - so more mushrooms will soon reappear.

It is the contention of this thesis that it is the combined perspective of the assumptions that makes up or supports conventional wisdom. Therefore, to gain a better perspective, it will be necessary to correct, not just some assumptions separately, but all of them together with their joint effects and implications and that will require, not piecemeal alterations, but something more fundamental like a paradigm shift. The possibilities for that are therefore considered in Chapter 8.

The indicated assumptions do appear to be consistent with our conventional wisdom – and therefore offer a way of identifying at least some of it. However the assumptions are on the level of principles rather than just isolated facts and therefore do fit the idea of what ‘wisdom’ is that is conveyed in Bellinger *et al*’s (2004) diagram that is presented in Figure 3.1. That approach is consistent with people being able to gain an understanding of such supposed principles, and thus acquire ‘wisdom’, without necessarily having to know about the observations and ‘facts’ on which they might be based.

The distinction between information or knowledge and wisdom can also be seen in the example from the UK’s former Small Business Service (SBS) quoted in Chapter 3 (see Box 3.2). This argues that, despite the declaration in the foreword to the SBS’s 2004 publication *The Evidence Base* which indicates that one of the SBS’s aims was ‘to ensure that all decisions which affect small business are only taken after reviewing the evidence on what is needed and what actually works – and where the lessons learned in the delivery of products and services are fed back into the further development of policy’, the document was mainly a presentation of evidence about the policies that were being followed and that it offered little, if any, evidence for why they should be followed. It could be said that *The Evidence Base* presented research derived facts about small businesses and their owners in the UK but did not attempt to establish the principles which might

explain their actions – and it is that sort of understanding of principles which was needed to guide policy designed to influence those actions. In the terms of Bellinger *et al*'s diagram (see Figure 3.1), *The Evidence Base* presented some information and/or knowledge about small businesses - but not wisdom.

REVIEW – AND THE NEED TO CHANGE THE PARADIGM

'No experience of the failure of his policy could shake his belief in its essential excellence.'

Said about Philip II of Spain (Dimbleby, 2008)

This thesis advocates the theory that conventional enterprise wisdom is based on the assumptions examined. It shows that there are reasons for thinking that the assumptions both could have been made and were made and that they do seem to explain much enterprise thinking. Therefore it suggests that the framework they provide could be the foundation for a way of thinking which influences many aspects of enterprise policy and practice. For instance it is suggested that it is consistent with the Northern Ireland case described in Chapter 4 where most of those involved in making or approving policy seemed to have relied on what they thought they know and, when they did consult others, mainly sought and/or expected confirmation rather than fresh enlightenment. It is also suggested that the example of the UK's Small Business Service (SBS) indicates a mind-set consistent with this and which, as Box 3.1 suggests, was not based on research despite aspirations to the contrary. To illustrate this, extracts from SBS pronouncements are provided in Appendix 7A to present a picture of aspects of its early years. The SBS thus provides a relevant case study for this thesis, not because of the nature of this policy initiative, but because of the claims made about it. It is suggested that in practice its thinking did conform to, and was limited by, the paradigm of the conventional wisdom identified above.

However the thesis also finds that the assumptions considered are all wrong or at least very questionable. Because together they make up the foundation framework upon which much of the conventional wisdom is based, changing them individually on a piecemeal basis is unlikely to be sufficient. The examples given above of the consequent thinking being built on this framework of the questionable assumptions illustrate the potential for further misdirection if the conventional wisdom mind-set is not changed. As medicine had

to abandon the humours theory and its implications if it was to be open to other perspectives and from them to gain improvements (see Appendix 2A), so it is necessary to identify and abandon some of the paradigm of inherited prejudices about enterprise. However recognising the need to change is not the same as knowing what the new wisdom should be. Nevertheless some starting points can be suggested and therefore they are considered in Chapter 8.

IN CONCLUSION

This analysis and its origins and implications might be summarised in the following points:

1. In terms of academic disciplines, enterprise is relatively new, having only become significant over the last 40 years. However during this period it had also been the subject of considerable government interest as the expected source of economic growth and new jobs.
2. Therefore, given this short timeframe and the incentive of government funding, it is to be expected that, to guide those engaged in promoting it through policy or practice, a body of understanding about it has emerged which is based more on supposition and received knowledge than on the development of relevant scientifically derived theory. For convenience this body of understanding is referred to in this thesis as conventional wisdom.
3. But, by its nature, it is not easy to identify the core components of such conventional wisdom. Therefore a set of linked assumptions has been suggested which, this thesis shows, are consistent with what appears to be the received wisdom and which both could have been made because they would have seemed credible and do appear to have been made because there are statements, policies, actions and/or approaches consistent with them.
4. It is therefore concluded that these assumptions do explain and/or form the basis for this conventional wisdom – and thus offer a way of identifying at least some of it.
5. However in each case the suggested assumptions can be shown to be misguided or at best questionable.
6. Indeed some of the consequences and/or out-workings of the assumptions have been challenged. However those challenges to aspects of the conventional wisdom are

generally by exception on an individual basis. In effect, therefore, they are perceived as challenging parts of the structure of understanding, but not its foundations.

7. Nevertheless, because the assumptions are interlinked, it is suggested that they do form a framework which supports a range of other aspects of enterprise understanding. Essentially they provide the foundation for the conventional wisdom although they do not themselves constitute its full structure of other assumptions, views and beliefs.
8. Therefore, if the assumptions are wrong, the foundation framework provided by the assumptions will also be wrong – and it will affect other aspects of thinking based on or associated with these foundations.
9. As a result, if this incorrect thinking is to be countered, it will not be sufficient just to change the identified errors and false ideas – but to remove their source so that they do not reappear.
10. That suggests that, to improve enterprise understanding, it will be necessary to change the current paradigm of conventional enterprise wisdom - for which together the assumptions provide a foundation.

Appendixes:

7A The SBS: an example of a mind-set?

7B Complicated or complex

THE SBS: AN EXAMPLE OF A MIND-SET?

As reported in Chapter 3 (see Box 3.1) the UK government launched its Small Business Service (SBS) in April 2000 with the declared aim that by 2005 'the UK should be the best place in the world to set up and run a business' (SBS, 2000). In 2003, when the SBS published *A Government Action Plan for Small Business*, this aim was stated as 'Making the UK the best place in the world to start and grow a business' (SBS, 2003) – and, in the forward of the *Action Plan*, the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry jointly stated that:

'This government recognises that enterprise is a vital contributor to the health of our economy and to diversity of opportunity in our society. Enterprise boosts productivity, increases competition and innovation, creates employment and prosperity, and revitalises our communities. A dynamic small business community is central to enterprise in the UK, generating 52% of private sector turnover, and employing 12.6 million people.

It is the dynamism of individual entrepreneurs that drives small business success, but government, through its actions, can do much to stimulate and support enterprise and help businesses overcome barriers to growth.

Our aim as a government has been to work together to address the barriers to enterprise in every region and community of the UK.' (SBS, 2003: p.2)

Thus the overall policy objective was economic improvement through growth in the small business sector and, to achieve this, the government's aim was to reduce the barriers to this enterprise and thus make it easier to start and grow a business. This was, for instance, reflected in the SBS's early strategy document in its foreword by the then Chief Executive:

'Government now recognises the crucial importance of small firms in a dynamic economy and the important role that government itself must play if small businesses are to have an environment that is supportive. The creation of the SBS in April 2000 as an agency of the Department of Trade and Industry was tangible evidence of the seriousness that Government attaches to supporting small and growing businesses and giving them a strong voice.

The Government has further demonstrated that commitment by publishing 'Think Small First', which provides a framework for government support for all the UK's small

businesses. It sets out three priority areas: reducing the burden of regulation; ensuring the provision of appropriate support and advice; and changing the prevailing culture and environment so that it is more supportive of entrepreneurship.

And in June this year, the Government published a range of further practical proposals to take forward the enterprise agenda, further emphasising the importance now placed on new and small firms as a key driver towards economic prosperity. ...

Our first year saw a number of achievements - with the completion of the recontracting for the Business Link local network; the launch of the High Technology venture capital fund; the creation of a £75m incubator workspace loan fund; the launch of Enterprise Insight; the agreement to replace the proposals for supplementary business rates with business improvement districts; the launch of the Farm Business Advice Service ... and support for Community Finance Initiatives and enterprise development projects from the Phoenix Fund.' (SBS, 2001)

As indicated above, this early strategy was followed in 2003 by *A government action plan for small business: Making the UK the best place in the world in which to start and grow business*. This indicates that the action plan was built around seven 'strategic themes' which are described in the summary in Box 7A.1.

Box 7A.1 - Summary of The Action Plan (SBS, 2003a)

Building an enterprise culture

Aim: To provide everyone with sufficient understanding of the enterprise option to enable them to make an informed choice between employment and enterprise.

New action: Government will carry out a review of the routes off benefits into self-employment to establish if more can be done to encourage and facilitate moves into self-employment.

Encouraging a more dynamic start-up market

Aim: To strengthen business support networks and create an environment which encourages entrepreneurial activity.

New action: Government will launch a 'core offer' for start-ups from April 2004 defining what all start-

Encouraging more enterprise in disadvantaged communities and under-represented groups

Aim: To increase the overall rate of business start-up and growth in disadvantaged areas and amongst groups that are under-represented in business.

New action: Government is funding a second phase of the Phoenix Fund to run from 2004-2006 which will enable delivery of specialist business support and accessible finance for enterprises in disadvantaged communities. It will also invite the British Bankers Association and the British Venture Capital Association to carry out a study on finance for women's businesses to see if any improvements need to be made to improve access by women to a full range of finance options.

ups, wherever they are located, can expect from Business Link; it will proceed with the establishment of a Council for Graduate Entrepreneurship to encourage more students and recent graduates to consider the option of starting a business.

Building the capability for small business growth

Aim: To improve the growth capability of small businesses by helping them to raise performance across key areas, particularly management skills, the use of innovation and the adoption of best practice.

New action: Government will ensure that Business Link engages proactively with businesses with growth potential; it will implement the *Management and Leadership Programme* announced in the Skills Strategy offering tailored support and funding focussed on informal learning for managing directors of small businesses; it will ensure that the DTI's new business support products - particularly those covering innovation and best practice - are widely available through Business Link to help innovative small businesses.

Improving access to finance for small businesses

Aim: To reduce the number of small businesses encountering access to finance as a barrier to growth.

New action: Government will make further improvements in the supply of finance, reviewing the Small Firms Loan Guarantee to ensure that the government is doing all it can to help overcome the obstacles to raising debt finance: it will implement a pilot round of Enterprise Capital Funds to increase the availability of growth capital to small businesses affected by the equity gap. It will also encourage demand for finance through initiatives such as the preparation of a 'no nonsense' guide aimed at improving financial knowledge and skills in small businesses.

Improving small businesses' experience of government services

Aim: To improve the coherence, accessibility and quality of government services for small businesses.

New action: Government will build the Business Link brand as the generic, customer-facing access point for all government information, support and advice; it will report on which services can be quickly linked or redesigned to exploit synergies or reduce waste and duplication; it will initiate a cross-departmental project to develop a single delivery plan bringing together government-funded small business support in a coherent and integrated way; it will build the Small Business Service as a national centre of government expertise.

Developing better regulation and policy

Aim: To reduce unnecessary regulatory burdens on small businesses and improve the business environment including improvements in opportunities for small businesses to sell to the public sector.

New action: Government will consider extending the concept of bringing in common commencement dates for legislative and regulatory changes subject to the results of the employment law pilot now underway; it will develop a small business Procurement Concordat to be signed by public sector bodies aimed at improving opportunities for small businesses to tender for contracts; it will implement the deregulatory measures in the government's recently updated Regulatory Reform Action Plan, many of which will provide specific benefits for small businesses.

Therefore building an enterprise culture was included in the considerations but, while the executive summary to the full plan indicates under each other heading several actions which the government would take, under 'Building an Enterprise culture it simply states that:

'Government will carry out a review of the routes off benefits into self-employment to establish whether more can be done to encourage and facilitate moves into self-employment. Reporting in spring 2004, the review will examine issues such as the effectiveness of government-sponsored information services in supporting the transition from unemployment to self-employment and whether more can be done to promote awareness of the financial and other support available including the Working Tax Credit.'

The Action Plan was then followed in 2004 by a further document: *A Government Action Plan for Small Business, Making the UK the best place in the world to start and grow a business: The Evidence Base*, which included the following comments:

Nature and extent of the problem: what does the evidence say?

'The UK has one of the best business environments in the world, but is below average in terms of entrepreneurial activity.'

'Several independent surveys ... have found that the UK has one of the most favourable regulatory environments for starting a business. The UK, followed by Spain and the Netherlands, are the countries that most actively stimulate entrepreneurship.'

'Whilst the evidence indicates that the UK has one of the most favourable business environments, in practice the UK is only middle ranking in terms of actual entrepreneurial activity. According to Harding, the UK's Total Entrepreneurial Activity (TEA) index is only 5.4 per cent compared to an average of 8.0 per cent globally and a US score of 10.5 per cent. This suggests that cultural factors can be significant in explaining differences in enterprise activity between countries.'

A variety of factors influence career choices

'The career choices made by young people are based on impressions and images more than on facts. Too often, though, all that is available is a selection of 'fact-packs', which essentially ignore the options that do not lend themselves to this format - owning and running a business being a clear example. Young people are interested

in a holistic approach and want to know about the lifestyle issues associated with different career options.’

‘Davies found that the greatest influence on 15-18 year olds’ career choices are their parents/families, other role models, work experience and the media.’

‘Feeling that work is useful or worthwhile, or earns respect from others, is an important component of job satisfaction as perceived by young people making career choices. It follows that general impressions and media images of enterprise could act as enablers or barriers to enterprise engagement.’ (SBS, 2004: pp.21-23)

It is clear that the overall objective behind the SBS was economic improvement through growth in the small business sector (see SBS, 2003: Introduction above). However while, as indicated above, the social influence/cultural dimension is acknowledged both in the action plan and in the supporting evidence base, the main thrust of the plan largely ignores it and focuses on the institutional provision. The overall focus is clearly on reducing barriers by institutional improvement - as the components of the 2001/04 strategy and the action plan indicate.

Further the contribution to this set for the SBS was to make it easier to start and grow a business as the title of the action plans indicates: ‘*Making the UK the best place in the world to start and grow a business*’. Thus seeing the role of social influence/culture as a different and crucial dimension, as Dennis (2011) later advocated (see Figure 6.1), appears not to have been considered - as if it were an ‘unknown known’. The thrust of all the relevant documents explaining the plans is instead consistent with an underlying belief that businesses are trying to grow but are held back by constraints and therefore, if those constraints are eased, the logical response by businesses will be to grow because it is easier so to do.

It is also apparent that this was a macro-economic level policy as it was county-wide and within that also addressed macro-level ‘under-represented’ groups such as women and ethnic groups. Further in its application it targeted take up by individuals. As it addressed these levels but included no recognition of micro-social group influence, this conformed with the supposition around Figure 6.4 that tradition thinking has ignored key social influences.

Therefore, for these reasons, it appears that this case does indeed demonstrate that the conventional wisdom behind the policy was consistent with the assumptions suggested in this paper.

Note: On 23 November 2001 the *Financial Times* reported that, following a DTI reorganisation, changes were to be made to the Small Business Service. The SBS was to continue to deliver its core services, but the role of advising on the impact of new regulations was to be separated. During 2007, the SBS was downsized and renamed the Enterprise Directorate with a remit to influencing SME policy. The DTI subsequently changed its name to the Department of Business Enterprise and Regulatory Reform.

COMPLICATED OR COMPLEX

Simple systems are easy to understand but complicated or complex ones less so. There is a way of thinking which distinguishes complicated things from complex ones with the former being like a linked chain of connections, as in a clockwork watch mechanism, where a consistent sequence of cause and effect through the components can be determined such that an input at one end can be shown to produce a predictable effect at the other. In complex situations, however, many of the components are each linked to many other components so the effect on its neighbours of a change in one component cannot be predicted as they will also be subject to many other influences which may act in a contrary direction. This is very like Popper's distinction between clocks and clouds (see Box 3.6). It may be comforting to assume complication because that means that with some intelligent effort the system could be understood – but if the situation is actually complex that is an illusion.

An example is to be found in blood donations. As George (2018) explains 'persuading people to give up their blood is not easy' and, when it is clearly valuable, 'why should anyone give it up for free?' and 'money and blood mix more often than not' (p.18). Therefore it might be expected that if some people will give blood for free more will give if they are paid. Yet many countries operate a voluntary donations system and find that on average they get better quality blood than countries where there are payments – because payments encourage the most needy to sell as much as they can (and even those who do not need the money to feel they should be maximising their return by selling to the highest bidder). George also reports that when Germany allowed payments it saw donor rates drop – possibly because donors no longer felt they were being as altruistic if they were paid. Therefore, instead of a simple market in which higher payments secure a bigger and/or better quality supply, and where the system values donations more because it has paid for them, paying for blood can reduce the supply and make it more likely to be unsafe. That is surely because supplying blood is not a simple transaction subject only to normal market forces, but a complex situation involving a mix of different human needs, motivations and feelings.

It is clear that human society is complex and the more things are interrelated the less predictable they become – and there are suggestions that with modern communications many things are becoming more interconnected and therefore more complex.

8 - CHANGING THE PARADIGM

'It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.'

Mark Twain

The difficulty lies not in the new ideas, but in escaping from the old ones.'

John Maynard Keynes

So far this thesis has established that a set of suggested interlinked assumptions do appear, not only to explain, but also to provide the basis for, the conventional wisdom about enterprise. However the examinations in Chapter 6 also show that in each case the suggested assumptions are at best questionable and/or misconceived, if not clearly wrong.

This means that any thinking or practice based on or supported by these assumptions should also be reviewed. For instance:

- If enterprise is not a sub-set of business and is broader than just business, why should its academic teaching and research be assigned to business schools?
- If small enterprises are not small big businesses, why should essentially big business-based thinking be applied to them?
- If profit maximisation is not the universal aim, then what are the real motivations of enterprising people? Also is it appreciated that business growth can be detrimental to business sustainability?
- If the future is not predetermined, is there a need to accept and prepare for uncertainty and to advise start-ups how to explore? If failure is not necessarily the result of bad planning, should attitudes to failure be changed?
- If logic is not the driving force, should the often crucial role of social influence be recognised and should social capital be explained and taught?
- If much enterprise policy has indeed been informed by conventional wisdom consistent with these assumptions and if the assumptions are wrong, could that explain why policy has failed (see Chapter 2)?

However it is argued that it is not just a matter of correcting individual assumptions and their consequences, but of escaping from the way of thinking based on and explained by those assumptions. That amounts to changing the underlying paradigm upon which the conventional wisdom appears to be based - and it is explored in this chapter.

FINDING A NEW PARADIGM

While this investigation has shown that there are questions about the current assumptions, it does not mean that all the answers have yet been found. Arguing for the need for such a change does not mean that the next stages are all clear and that a new set of proven assumptions are ready to download and use – but it does indicate that change is required and acknowledging that need is the necessary first step. Disproving the assumptions can suggest that policy should not do more of the same – but it cannot tell policy makers what to do instead. Knowing that something does not work does not automatically indicate what does work – but it does suggest that you should look for it and explorers know that they won't find it until they start looking.

Such an exploration might, for instance, look at the rationale for enterprise policy. It has been assumed that businesses are trying to grow and that the economic growth to which such enterprise is expected to contribute is a good thing. But if most businesses are not trying to grow, and if excessive growth is actually harmful to many businesses in the longer term, what should be the focus of economic policy - especially if limited natural resources means that economic growth (as it is currently viewed) is not indefinitely sustainable? Therefore should small business policy be like the management of a game reserve – and involve trying to prevent harmful external influences in order to let nature take its course sustainably - without favouring one sort of organisation over another?

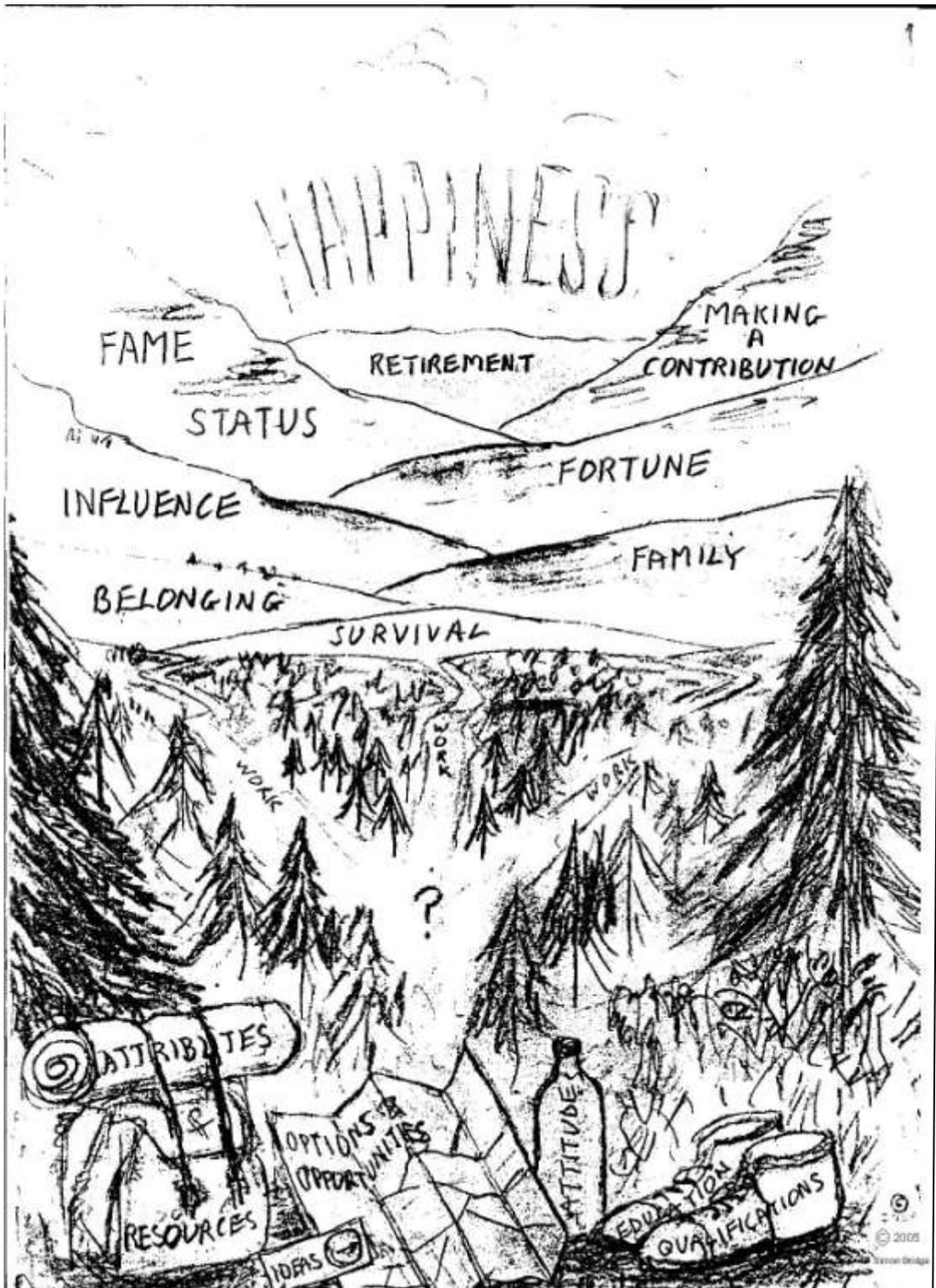
One way of changing views on this is to consider enterprise from a different perspective. Because of the government-led impetus for more enterprise has it generally been viewed in the context of economic growth and seen as a requirement for that growth? Therefore has this encouraged a view of the world, or at least the journey ahead of people, mainly in economic terms - rather like the perspective suggested in Figure 8.1? If enterprise and/or entrepreneurship are to be placed in this view it would essentially be as a movement along the New Business Starts and Established Businesses paths towards to the target of Economic Growth and Job Creation.

Figure 8.1 – The economic world from an enterprise policy perspective? (Bridge, 2005)



But, at least in theory, governments are only seeking to grow their economies and provide employment for the benefit of people. So would a more appropriate perspective be to see the world as people might view it and, instead of trying to fit enterprise into the policy perspective of Figure 8.1, to consider where it belongs in Figure 8.2? If enterprise is not just for an economy but for life generally – should it be viewed in that context?

Figure 8.2 – The economic world from a venturer's perspective? (Bridge, 2005)



FAMILIARITY HINDERS CLARITY

But are many people too close to 'enterprise' to take an objective view of it and, even if they have not directly experienced it themselves, does their familiarity with it as a concept mean that their pre-judgements and prejudices often prevent them from seeing it clearly? Because it is so ubiquitous have they assumed that they know about it and that what they know about it is based on and/or confirmed by what research says about it, although they have not actually checked those connections? For example the observations about wolves presented in Appendix 8A do suggest that apparently familiarity combined with received prejudice can lead us create an illusion of knowledge in our minds and to an assumed understanding that is not justified.

SOME OF THE CHANGES REQUIRED

The previous chapters have explored the following assumptions and shown that together they do appear to explain or exemplify the basis of much of the conventional or received wisdom about enterprise which appears to be widely shared.

- An assumption that enterprise is a sub-set of business – which has the effect that big business-based thinking is applied to it.
- An assumption that all businesses aim to maximise their profits – and therefore a consequent assumption, possibly also influenced by policy desires, that all businesses want to grow.
- An assumption that the future is deterministic – and therefore researching, forecasting and planning is the best way to approach it.
- An assumption that business decisions are logical – and therefore that social influence is not a significant factor.

Exploring these assumptions has also indicated that, although it might have seemed reasonable to make the assumptions, there are good reasons to suppose that they are nevertheless wrong or at best misleading – which could explain why policy initiatives which appear to be based on this conventional wisdom often do not to work.

However enterprise policy is not the only field in which a mindset consistent with these assumptions might have been influential. Many people have been involved in some way in the rise of interest in enterprise over the last forty years or so and, in default of any more formal and/or reliable instruction, they are likely to have been influenced by this sort of thinking. Therefore correcting the perspective associated with these assumptions will affect not just the enterprise policy dimension but also attitudes to the role of enterprise in life generally. Some of the more direct implications of each assumption are indicated in Chapter 6 – but this chapter tries to look at some of the wider possibilities which might be revealed by changing this sort of thinking.

In doing this it is not offering direct definitive replacements for each of the assumptions, not least because it is instead first seeking to change their foundations. Therefore suggestions are made for other perspectives from which a better understanding might emerge to help shape improvements to the shared wisdom about the field of endeavour referred to here as enterprise.

IF ENTERPRISE IS NOT ROOTED IN BUSINESS

If enterprise is not essentially just a component of that part of human activity called 'business', then how should it be viewed? Possibly that is best answered by first looking at where it has fitted into people's lives. Bridge (2016) points out that some humans have always been enterprising. The early attempts to shape stone tools, to harness fire, to make pottery, and to construct shelter show that some people were prepared to try doing things differently to see if there was any benefit in it and then to repeat, refine and replicate those developments which did indeed seem to be advantageous.

Of course in a hunter-gatherer society this was done almost exclusively in and for the family or tribe and it would seem that the advent of agriculture, which has been called the first big wave of development (Toffler, 1980), did not initially change this. Agriculture itself must have been the result of enterprising people observing that they could deliberately grow and tend some useful plants and tame and corral some domesticable animals. For instance Diamond (1998) points out that domesticating horses provided not only food from their meat and clothing from their hides but also transport for people, traction for ploughs and carts as well as a superb enhancement to fighting capability in warfare.

Hunter-gatherers generally could not store for long the food they hunted or gathered which meant that it was not very easy to exchange it for other things - but agriculture changed this. Although early farming was largely carried out on a basis of self-sufficiency, the facility it provided for storing food (grain in granaries and animals in fields) did facilitate the emergence of specialist occupations, such as metal workers, and a stratified society with an upper layer with the time and inclination to invent things like writing (Diamond, 1998) - itself an enterprising development which helped to stimulate other enterprise by recording, preserving and passing on information/knowledge.

One result was that eventually some enterprise evolved into what might be recognised as businesses (albeit almost always in small units). While early specialists such as metal workers might largely have engaged in win-win exchange trading, the development of stored food and then money facilitated more strategic organisation and growth. Also a further development in agriculture to facilitate larger and/or more specialised farms (exemplified, for instance in the enclosure movement that has particularly prevalent in 16th century England) had the effect of removing land from subsistence farming families which created a pool of contract employment labour seeking work for other enterprises.

Thus the livelihoods for many people had moved from self-sufficiency, as hunter-gatherers and then as self-sufficient farmers, to self-employment/small business ownership or, for the majority, contract employment. In other words finding someone to pay you for your output (work and/or services) became the norm. A further development followed the enterprise of the industrial revolution and its harnessing of power from water, then steam and then electricity to drive machines of production. Bigger machines and standardised production led to the need for contracts of employment (Urwin, 2011) to try to ensure the availability of a trained on-site labour force to maximise machine utilisation. With Fordism and its 'economies of scale' came the ascendancy of big business, which needed to be balanced by the countervailing forces of big labour and big government (Galbraith, 1957) , but appeared to provide 'jobs for life'.

But in historical terms the ascendancy of big business and the apparent ubiquity of jobs for life is very recent and already appears to be past its peak. There are still many big businesses but they have finite lives, especially if they try to continue doing the same thing (for some reflections on 'scaling' see Appendix 8B). So jobs rarely last for long and economies of scale do not outperform everything else – being small, flexible and responsive can be advantageous.

Therefore, despite the pleas of Atkinson and Lind in their book *Big is Beautiful* (2018), a big-business based mentality is no longer always appropriate – even within business. And businesses are not essentially homogeneous as the designation ‘business’ is applied very arbitrarily. Hairdressers are often self-employed, not by deliberate forethought and proactive choice, but because that is how people with that skill often operate, and so they tend to be categorised as businesses – unlike artists who are also self-employed but want to realise their potential (self-actualise) in fields other than traditional ‘business’ activities. Thus there are many people in ‘business’ who do not conform to the apparent conventional wisdom about business, not least because there have always been artists, and artisan craftspeople, for whom maximising income was not the exclusive driver. Throughout history the enterprise of people has led to new developments in all fields, not just those that are labelled as ‘business’. So what for them was ‘enterprise’? Thinking of it as happening exclusively, or even mainly, in a ‘business’ context, will distort the view of its possibilities and potential.

Enterprise is not just for economic benefit

Enterprise has been described as ‘a goal-realisation device’ (Hunter, 2007) but has it often been viewed instead as an economic development device? We may value the pearls that oysters sometimes produce but producing pearls is not the objective of oysters. Similarly the goals that those in enterprise are trying to realise are rarely the economic ‘pearls’ that policy makers are seeking. Viewing enterprise primarily as an economic development device may be the result of wishful thinking but has it nevertheless become a conventional perspective which leads to a false understanding of motives, influences, aspirations and trends?

Changing a perspective facilitates the exploration of different views, although it does not necessarily reveal all such possibilities immediately. For instance, instead of seeing enterprise as something that is always associated with business and therefore something to be welcomed in particular because it delivers economic benefit, freeing it from the automatic business connection allows it to be seen primarily as something which people do for their own reasons based on the situations of their own lives. Enterprise might lead to business and/or economic benefit but that is often not the prime purpose – so, for each enterprise, what is the goal?

A starting point is to consider what the individual behind an enterprise might want (and a view on this is summarised in Appendix 8C). Maslow suggested that people are motivated by a hierarchy of needs with the lowest needs in the hierarchy (food and drink and then safety) predominating until they are satisfied whereupon higher needs (such as esteem and self-actualisation) become more apparent. Many people would say that they need money but money does not feature on his list - and Pink (2011) has looked at motivations within employment and suggests that considerations such as autonomy, mastery and purpose are stronger drivers than financial reward. Presumably that is because the need is not actually for money itself but for the things that money can buy. Money, for instance, can buy food and housing, and can therefore help to satisfy lower order needs, but it is less effective the higher the need is in Maslow's list and it cannot buy self-actualisation. People who have money may however have more time or inclination to concentrate on self-actualisation because they do not have to worry about earning enough to feed or house themselves. People might also say that they want to be happy, but among the things that will help to make them happy are the sorts of things that Maslow listed.

On the assumption that people generally work to get what they want, what are the things that motivate and direct their working lives? Here is a possible list of what people might want to do, which has parallels with Maslow's list:

- To contribute to society and to other people.
- To discover or master something, for instance in exploration, science, art or sport.
- To be famous and to have status.
- To make a fortune.
- To be respected and to have influence.
- To belong to a group or community.
- To have a secure future and retirement.
- To raise a family.
- To obtain pleasure and gratification.
- To survive.

Therefore this perspective would suggest a wide variety of possible reasons for starting a new venture which will not necessarily be influenced by a location being 'the best place to start and grow a business'. Some of these ventures might evolve into economically contributing businesses, and policy might still want more of those, but this perspective

would suggest that labelling all self-employment manifestations of enterprise as 'businesses' and assuming therefore that they all have the same business motivations and will respond to business incentives will not be helpful. Changing the perspective could, however, open up different possibilities for encouraging the range of enterprise from which economically beneficial businesses might emerge – but so also might artistically, socially or ecologically beneficial endeavours.

Box 8.1 – The limitations of an economic benefit perspective

A recent report on productivity in micro-enterprises might illustrate the limitations imposed by the assumption that all businesses, even micro-enterprises, and want to grow – and that they exist essentially to contribute to economic development.

The executive summary of the report starts by referring to 'concerns about persistently weak productivity levels in UK firms', then suggests that R&D is 'often considered not suitable for small enterprises' and ends by noting 'a significantly lower level of productivity for ... micro-enterprises'.

But on what assumptions are those assertions made? The report does not define '*productivity*' but the context suggests the assumption that it is concerned with the amount of output, measured financially, achieved for each unit of labour. Then the wording of the report is consistent with an assumption that micro-enterprises are relatively homogeneous in seeking to improve their '*performance, both in terms turnover growth and productivity*'.

In this it appears to make no allowance for any enterprises which might have other ambitions and for which 'productivity' might be better considered in terms of the extent to which each unit of input contributes to the achievement of the business's aims such as:

- More benefit for each employee,
- More community contribution per unit of input (human or financial),
- More sustainability (for both the enterprise and for wider society) while still providing the same beneficial output, or
- More sustainable output per unit of natural resource used?

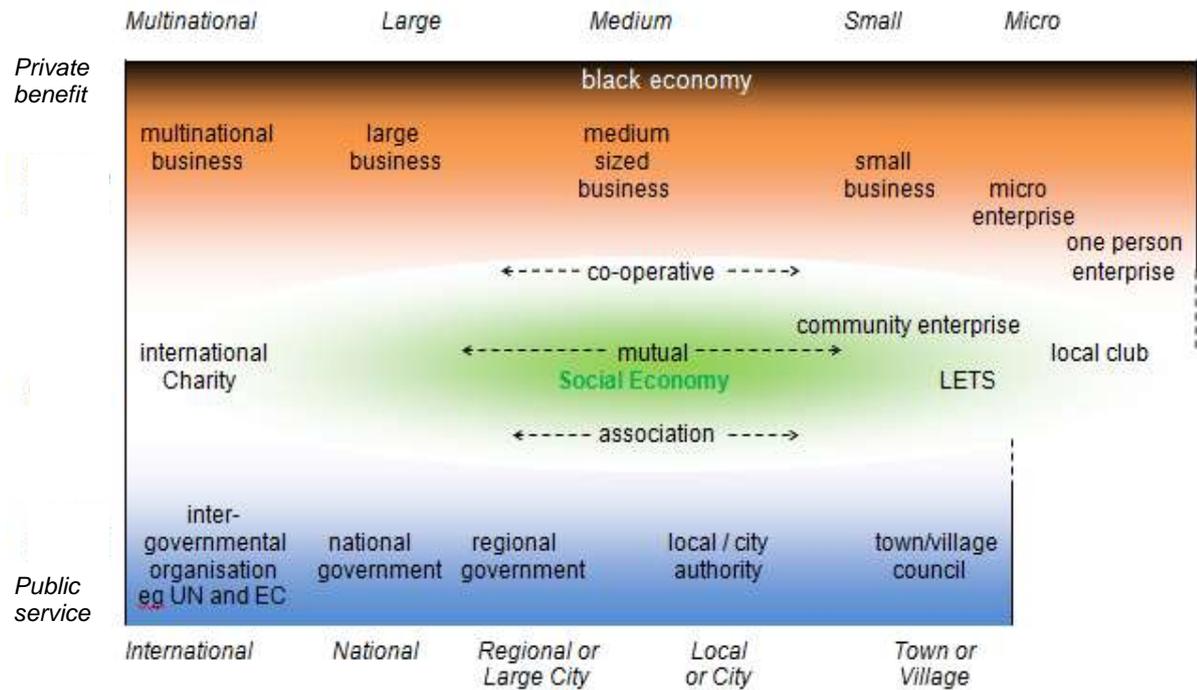
Could it be that many micro-enterprises actually perform well in terms of delivering their owners' objectives and that terms such as '*weak productivity*', '*low level of productivity*'

and 'underperforming' are not appropriate descriptions? If so, has an adherence to the conventional wisdom obscured this possibility?

IF BUSINESS IS NOT HOMOGENEOUS

Another issue arising from a change in perspective is what is business activity if it is not all big business or scaled down versions of it? Figure 8.3 is an attempt to produce a 'map' of the different sorts of organisation found in an economy plotted on the two dimensions of from large to small and from private benefit to public service.

Figure 8.3 – A possible map of an economy (Bridge et al, 2014)



Possibly because of assumptions about business homogeneity there is a tendency to try to classify the different organisations into the private, public or third sectors – as shown in Figure 8.2. However the drawing of lines on the map in this way to delineate between the different sectors has two main effects: it leads people to conclude that the lines represent real boundaries distinguishable of the ground and it encourages people to focus on the sectors as the main areas of commonality and therefore to assume that all organisations within a sector have more in common with the other organisations in that sector than they

do with any organisations in other sectors. Actually an implication intended in Figure 8.1 is that the closer organisations are to each other on the map the more they are likely to have in common – but the lines drawn on Figure 8.4 disguise that by focusing attention instead on the sectors. This sector-based view leads to statements such as ‘the third sector and start-ups are often thought of as unlikely collaborating partners due to a number of barriers ... that undermine or even prevent them from working successfully together’ (NESTA, 2020) - which suggests that start-ups do not occur in the third sector and that the sector boundaries represent the main and significant division. It can be convenient to categorise but there is a danger that categorising in one way hides other possibly more meaningful categories.

Therefore it is argued that Figure 8.3 is more realistic. For instance it has been suggested that managers of large businesses have a lot in common with senior civil servants running government departments: they both have to deal with bureaucracy and neither is autonomous but is instead limited in their delegated powers because they are responsible to boards or ministers – whereas the owner/managers of small businesses and other small organisations often have little bureaucracy and no higher authorities to impose limits on their decision making. So a vertical categorisation might be more meaningful than the horizontal one in Figure 8.4.

Figure 8.4 – A possible map of an economy – with sectors highlighted

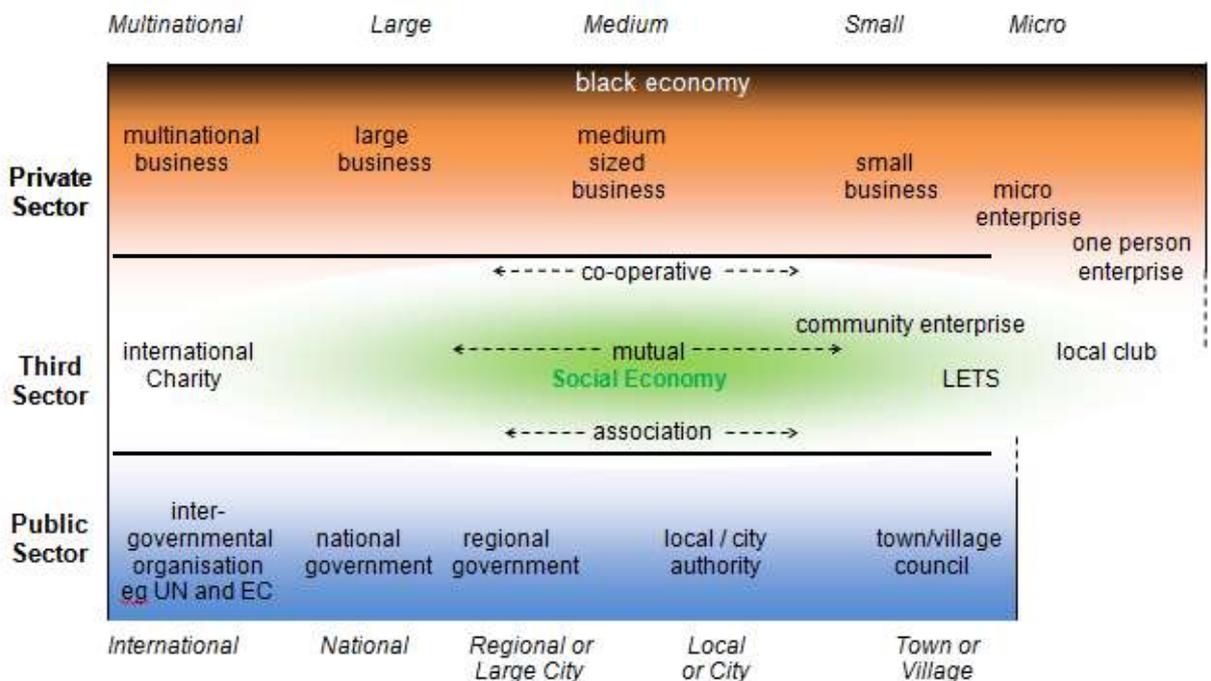


Figure 8.4 is what you might draw if you were to follow the conventional wisdom that all businesses (i.e. all private sector organisations) are essentially very similar in their operation. Figure 8.3 however does not encourage and/or support the view that small businesses are just small big businesses but instead shows a range of different organisations with very varied degrees of similarity.

Businesses are not all driven by profit and growth

In the case of the large corporations considered by Friedman for his article 'The social responsibility of a business is to increase its profits' (1970) the shareholders may indeed have invested in those businesses to increase their financial income – but most businesses are much smaller and are often owner-managed and the evidence is that profit and growth are often not their primary consideration.

Maslow did not put money at the apex of his hierarchy of motivators. Money can be helpful to buy things like food and/or shelter to satisfy lower order needs and, by doing that, to provide the space for higher order activities. But, Maslow suggests, humans are motivated to self-actualise - which does not necessarily mean maximising income. (Maslow, 1943)

Humans also derive long-term economic benefit from trust. Fukuyama wrote his book *Trust* about this and subtitled it 'The Social Virtues and the Creation of Prosperity' (Fukuyama, 1996). In it he suggests that economic life cannot be divorced from cultural life and that a high level of social trust has been a foundation of the most prosperous economies. Trust is likely to be fostered by win-win dealings and damaged by people seeking primarily to maximise their own share. So lauding, and therefore encouraging, short-term profit maximisation is likely to be damaging to long term sustainability.

And growth can reduce life and sustainability. In his book *Scale* (as mentioned also in Chapter 7), West (2017) applies the rigour of physics to questions of biology and in particular to the scaling of animals, cities and companies. He shows that they do seem to follow some universal laws of life and death and therefore that there can be limits to possible growth of some things but not others and that survival rates of companies can be predictable.

Some of West's findings are summarised in Appendix 8B. He acknowledges that his analysis was mainly based on a study of US companies but reports that another study, over a shorter period, of Chinese companies found similar behaviour. Also it was only a study of publicly listed companies and not of all businesses. Nevertheless West highlights a group of apparent exceptions – those very few businesses which have survived for hundreds of years. With a half-life of 10.5 years, only about 45 businesses in a million would survive for 100 years and one in a billion for 200 years – yet there are lots of companies, especially in Japan and Europe, which are more than 200 years old. Generally however these businesses have barely grown, are relatively modest in size and operate in limited and/or specialised niche markets. Are they like the plants in Halberd's study (see Box 6.1) which have survived because they have not tried to grow in environments in which a larger business would not be sustainable over the longer term? (Harberd, 2007)

These results show that open-ended growth of businesses is a myth and West's approach also views business as a sort of independent phenomenon which, when viewed objectively, appears to conform overall to some natural laws. It does not look at businesses as 'goal-realisation devices' where the relevant goals are those of the businesses' owner(s) not the economic policy makers. If the owners are aiming primarily at financial gain then their objectives may be best served by building up and then selling a growing business in a growing market - but if they have other aims such as generating a sustainable income for themselves and their employees or making a sustained local, and/or socially oriented, contribution, then maintaining operations in a relatively steady state in an appropriate niche may be the best option.

So, for policy makers seeking to strengthen an economy, seeing growth as the aim, and therefore focusing on it, could lead to ultimately unsustainable growth and then early death – whereas focusing on sustainability, when some further growth may occur as a by-product, could led to more lasting benefits.

There are many different business models

Even if people working with enterprises do not think businesses are all the same, do they tend nevertheless to see them as falling into two categories: small and large - and do they tend to think of small businesses as the sometime exceptions to the general applicability of 'business' understanding? But an implication of West's scaling (see Appendix 8B) is

that, as things like bridges grow larger, they have to change their model if they are to continue to work – and this can occur several times: for example from wooden constructions and/or stone to steel, from steel girders to arrangements of steel trusses and from trusses to suspension bridges. Once the heterogeneity of ‘businesses’ is recognised it is easier to see that there are also a variety of different business models. For instance a key change point in organisations is when the number of employees approaches or passes Dunbar’s number (Dunbar, 1993). This is about 150 employees and so occurs within the SME size band and not between it and larger businesses. And then, after that, businesses are not all small version of large corporations – but it would seem that the different forms have not all been investigated because they have not been noticed as the model did not allow for them. The different ways in which businesses have been categorised, such as micro (1-10 employees) and SMEs (generally up to 250 employees) etc, do not relate to actual tipping points between different forms.

If ‘businesses’ are essentially manifestations of the ways in which some people try to generate the resources they need to realise their ambitions (for survival, achievement and/or self-actualisation), and if that ambition is not just to maximise the short-term profit they can take from as large an enterprise as they can construct, and those goals are instead very heterogeneous - then many different sorts of ‘businesses’ should be expected.

IF THE FUTURE IS UNCERTAIN

If the future is uncertain and, as the relevant section in Chapter 6 indicates, forecasting and planning is usually not the best approach, what are the implications of that? As Chapter 6 also indicates, when preparing for uncertainty, ideas and approaches such as trial and error, failing cheap, antifragility (Taleb, 2013), effectuation (Sarasvathy, 2008) and ready-fire-aim are all worth knowing about so that they are available in the ‘toolbox’ to use when appropriate. But there are other issues also which might merit consideration - such as the following:

Advice for start-ups

The core piece of advice traditionally given to those wanting to start a business is to produce a business plan. However Chapter 5 also indicates that business plans

essentially come from an assumption of determinism and big-business based thinking. Therefore Bridge and Hegarty (2013) have suggested that, instead of thinking of them as small big businesses, most new enterprise ventures have much more in common with explorers as they are both venturing into unexplored territory with no certainty of how feasible the journey will be and/or of what they will find there. So, rather than hoping that the act of preparing a business plan will reduce or remove the uncertainty, new enterprises should prepare for uncertainty and try to benefit from it.

Therefore, borrowing aspects from effectuation (see Box 6.4), Bridge and Hegarty have proposed the following 10 principles to guide 'new venture explorers':

1. Remember an enterprise is a goal-realisation device - so only engage in a venture if it could help you to achieve your goal(s).
2. Don't commit more than you can afford to lose – and if more is needed find it in other ways.
3. Start from where you are – build on what you have and are.
4. Carry out reality checks and plans – don't be foolhardy and do carry out some basic checks first.
5. The only reliable test is a real one – the only way you will really know if something new works, or find out what might be wrong with it, is to try it.
6. Get started and get some momentum – too much hesitation can kill a venture and, once started, you will have more incentive to keep going and not to fail.
7. Accept uncertainty (and respond to the unforeseen) – if you can't remove the uncertainty, then accept it and act accordingly.
8. Look for opportunities and respond to what you find (be open to opportunities) – because many useful opportunities are only revealed by getting started to see what, and who, is out there.
9. Build, and use, relevant social capital – when working in a human environment human contacts are vital. So know how to build and use them.
10. Acquire the relevant skills (financial but also marketing/sales and production) or find a partner with them – some skills are essential so make sure you have access to them somehow. (Bridge and Hegarty, 2013)

As indicated in Chapter 6 there are other, similar approaches which are helpful in dealing with, and profiting from, uncertainty. However those advocating them do not say that a

business plan should never be prepared. Sometimes it might be useful – for instance if a bank requires it as part of loan application. So the advice is to have a tool box with both tools: the more general all purpose enterprise one of exploring and the more specialised business tool of the plan – and know when to use them. But don't believe that the business plan will solve all the foreseeable problems and is the only tool likely to be needed.

How to approach failure

A key problem of the planning approach with its belief in determinism is that it leads to the stigmatisation of failure. If, as Voltaire suggested, 'no problem can withstand the assault of sustained thinking', then an implication is that it should be possible, with appropriate preparation and planning, to prepare for obstacles and thus avoid failure. Then, if 'failing to plan is planning to fail', failure implies a lack of proper planning – and therefore failure is seen as blame-worthy because it could and should have been prevented by proper forecasting and planning.

However sensible explorers realise that they cannot determine in advance what routes are going to be the best or where they are going to find the resources they are seeking – and therefore they are probably going to have to try a number of possibilities in order to find what they are looking for. Handy pointed out that oil companies expected to have to drill ten wells to find one that was productive (Handy, 1990: p.55). Therefore, in these situations, failure (finding that something doesn't work) is part of the necessary route to success. It is also helpful if the failure occurs before too much investment has been made in that approach – hence the advice to 'fail early: fail cheap'.

It is recognised that 'trial and error' has been the route to success in almost every field of human progression – and of course 'error' is not really the right word because it implies making an avoidable mistake whereas what the process involves is trying something, observing where it doesn't work, changing it and then trying again. Edison, when he was looking for something from which to make a filament for a light bulb, is reported to have described finding many substances that did not work as a success, because they could then be eliminated from his investigations. So, when innovating, finding what does not work is often a key part of the route to success and therefore should not be seen as a failure – although it is often called that. Trial and error is the established method and the

only one that works - provided the innovators haven't put at risk in the trial more that they could afford to lose.

Therefore instead of demonising failure and highlighting a fear of failure, encourage an eagerness to experiment combined with a readiness to admit when something isn't working plus an ability to see other options and a willingness to try them. People need to learn the place of failure in 'trial and error' and to understand its value and how to benefit from it.

Another point to be made about references to a fear of failure is that they imply that successful entrepreneurs do not have a fear of failure – and that is not the case. Successful business venturers are not risk junkies and are instead usually risk averse. Sarasvathy (2008), when she explored the attitudes of 'expert' entrepreneurs (people who had started a business and taken it to the stage of a stock market flotation), found that they sought to reduce the risk and, for instance, would limit their investment in a new venture and not put at risk more than they could afford to lose (and see Box 6.4).

As indicated above there is a school of thought that distinguishes between risk and uncertainty by applying the word risk where the odds are known, or can be estimated, and uncertainty when they are not (Knight, 1921) – so uncertainty is unquantified risk but that is not necessarily high risk. Businesses are supposed to try to assess the risk in potential new ventures through market research but Sarasvathy's 'expert' entrepreneurs did not think they could reliably predict the future and didn't trust market research. So they did not try to quantify the risk. Instead they accepted the uncertainty and operated accordingly - although, in line with what Taleb (2013) suggests, they did not risk so much that failure would be catastrophic.

Is it the case that, in highlighting a supposed fear of failure, those concerned are not helping but instead are actually hindering? If they are officials and policy makers are they, in effect, offering an excuse for why their economic and/or enterprise policies are not working – instead of admitting they are the wrong policies? And are they planting in people's minds the idea that they should be frightened of failure and that business venturing is a risky business – thus making them more frightened and discouraging them from doing it? People tend to believe what they are told, especially when it comes from supposedly well-informed official sources so, by telling them that they don't start businesses because they have a fear of failure, does that tend to increase their fear of failure and further deter them for doing what the officials want them to do?

Another result of encouraging people to fear failure is that it can also encourage them to avoid recognising failure when it does occur. On the route to business success, evidence that things are not going according to plan, which some might consider to be failure, should be welcomed because such feedback is necessary if corrections are to be made. The trial and error route to making things better involves accepting that sometimes things do not work well and could be done better - but if people are frightened of failure they may refuse to accept that it might be occurring. In his book *Adapt*, Tim Harford (2011) describes how in Stalinist Russia one of its weaknesses and sources of significant waste was a refusal at the top to believe that its grandiose projects, such as the Lenin Dam on the Dnieper River and the steel mills of Magnitogorsk, might not be working or that there might be better ways of doing them. Therefore evidence of failure which, if accepted, might have led to corrections and improvement, was rigorously spurned by the officials concerned because failure was not officially permitted – and the projects turned into disasters.

Suggesting that a fear of failure is holding back enterprise may, at least in part, be offered as an excuse for the failure of enterprise development programmes, but is it also an example of a tendency, especially in government circles, to assume that local ideas and abilities are not going to be as good as those in other areas? That belief justifies the role of agencies because it implies that without their help local thinking and approaches are going to be limited and therefore higher-level intervention is needed. Thus, because people are supposed to have a fear of failure, they cannot be expected to start businesses for themselves unaided and so they need help to do it. So is it for that reason also that they are reminded of their supposed limitations - and is that then likely to become a self-fulfilling prophecy?

Therefore, instead of bemoaning a supposed fear of failure, change the approach. Recognise both that the people addressed may not be more frightened of failure than others and that a lot of what might be labelled failure is instead an inherent part of the route to success. Then encourage exploration and welcome the 'failure' that that involves - and realise that problems arise, not when people try something uncertain which might not work initially, but when, like the Russians, they cannot admit that they didn't get it right the first time and that there could be other better ways of doing it.

Encouraging innovation

It is increasingly being recognised in policy circles that businesses need to innovate if they are to grow and/or remain competitive. Therefore schemes have been devised to encourage businesses to innovate by advising them how to do it and providing grants to help to offset the associated costs. Thus, for instance, because it has been assessed in 2020 that Northern Ireland has the lowest level of business innovation of any region in the UK, the Northern Ireland Department for the Economy has sought to encourage innovation through means such as its Innovation Accreditation Programme to 'recognise innovative businesses & support them to achieve a globally recognised accreditation' (Innovate NI, 2020).

Successful innovation, which involves monitoring competitor efforts and customer reactions and seeking to learn from experience in order to improve, is closely linked to 'trial and error' which is the way that most things that actually work were developed and, as Harford (2011: p.20) has explained, 'like it or not, trial and error is a tremendously powerful process for solving problems in a complex world.' However, as suggested in Chapter 7 in the section on 'Consequent Thinking', trial and error is not encouraged by a business philosophy based on assumptions of determinism where it is expected that, with appropriate prior thought and preparation, errors should not happen. Therefore that is not a good foundation for effective innovation which instead will come from approaches which accept and prepare for uncertainty and, in a spirit of 'read-fire-aim', monitor progress towards a target and apply appropriate corrections as a matter of course.

Thus, in effect, conventional wisdom has encouraged a mind-set which acts counter to the approach needed for successful innovation – and which policy makers themselves guided by that conventional wisdom try to counter by encouraging the deliberate conscious addition of innovation activity, instead of changing the underlying philosophy to one in which it comes naturally and as an integral part of normal business. (And those policy makers, while encouraging innovation by others, almost never appear to apply it to their own work.) So changing the conventional wisdom, if and when it can be done, could be one way, and possibly the best way, to help businesses to be more innovative.

IF SOCIAL INFLUENCE IS SIGNIFICANT

If social influence is significant, and if logic is not the prime factor in all business decision making, then, as the relevant section in Chapter 6 concludes, the potential power of micro-social group influence should be acknowledged and the importance of social capital recognised and included in enterprise analysis and teaching as a key factor. However another possible implication is that there may be a need to review prevalent ideas of what 'entrepreneurship is, especially if it has come to be seen as some sort of condition which inclines people towards being entrepreneurs.

Because of the significant and continuing interest in it, not least in government economic policy circles, Bridge has looked at 'entrepreneurship' including at how the concept may have originated and what it apparently means to us. However he has reflected that he 'found more questions than answers'. (Bridge, 2017)

The word first seems to have been used in the late 1920s or early 1930s and was clearly formed by English speakers adding the suffix '-ship' to the originally French word 'entrepreneur'. The first source the *Oxford English Dictionary* indicates for 'entrepreneurship' is the 1934 edition of *Webster's New International Dictionary of the English Language*. The early adoption of entrepreneurship into the field of academic discourse is indicated, for instance, in a paper by Arthur Cole of Harvard University entitled 'Entrepreneurship as an Area of Research' and published in 1942. Although Cole did not attempt to define entrepreneurship in the paper, he suggested that it had been a significant feature in American economic history and could be seen as a fifth factor in distribution after rent, wages, interest and profits. In retrospect it seems that the word was invented to refer to a loosely conceived concept, and that it was then taken up as a useful term - for instance when referring to the contribution of entrepreneurs to economic vitality.

Bridge also notes that the suffix '-ship' conveys a sense of a linking condition with common features, like leadership. Therefore, he suggests, the concept found favour in the 1980s and 1990s because, when governments wanted more entrepreneurs and therefore something which produced and stimulated entrepreneurs, they found there was already a word for it – so it was presumed that entrepreneurship did indeed exist as the condition they wanted and supposed it to be. Consequently interest in it grew, not least in academic circles. It was in 1947, in Harvard, that the first entrepreneurship course in the United States was said to have been delivered (Katz, 2003) but it was reported that by 2008

more than 5,000 entrepreneurial courses were being offered by colleges and universities in the USA and that in 2013 well over 400,000 students took courses in the subject. (Kauffman, 2013).

However, when entrepreneurship started to be considered as an academic subject it needed to establish its respectability. Bygrave commented in 1989 had that, 'in contrast with physics, entrepreneurship has no great theories' and later Shane and Venkataraman (2000) declared in their paper on the promise of entrepreneurship as a field for research that:

'For a field of social science to have usefulness, it must have a conceptual framework that explains and predicts a set of empirical phenomena not explained or predicted by conceptual frameworks already in existence in other fields.'

Therefore to give it a basis it would seem that the following assumptions were made:

- That entrepreneurship exists as a specific discrete identifiable phenomenon which somehow produces more and/or better entrepreneurs.
- That this phenomenon which is labelled entrepreneurship is deterministic in that it operates in a consistent way in accordance with 'rules' which can be identified and from which its behaviour can then be predicted.

There have been many attempts for half a century or more to substantiate the first of the two academically inspired assumptions by defining what an entrepreneur is - but they have not led to an agreed, clear, widely accepted definition. For instance, in a paper written in 1988, Gartner quoted Cole as suggesting in 1969 that 'for ten years we tried to define the entrepreneur [but] we never succeeded'. Gartner himself then presented a summary of 29 views on entrepreneurs, 21 of which included some sort of a definition and another review conducted some 25 year later found more than 20 typologies and associated descriptions of the entrepreneur that had been offered by researchers (Harris and Deacon, 2013).

It is the same for entrepreneurship and it is clear that some of the views about it are mutually inconsistent – such as the two schools of theory and practice summarised as:

- The 'economy school' which says that entrepreneurship is what entrepreneurs do and entrepreneurs create business and jobs and wealth and those things all contribute to, and indeed they comprise, the economy.

- The 'education school' which says that entrepreneurship has a broader meaning and application and that many types of initiative which need to be taken, many types of responsibility which need to be discharged and many types of problems which need to be resolved require the individual to act in an 'entrepreneurial' manner.

Why are there so many different views about entrepreneurship? Bridge (2017) has suggested that either the common link between the different perspectives has not been found or the people concerned are talking about different things (see Box 8.2). As the search for the common link has been made but so far has not been fruitful, Bridge concludes that the later interpretation is more likely to be correct and that what has variously been labelled entrepreneurship is not a single discrete phenomenon. Therefore it should not be surprising that the 'rules' which explain the operation of the phenomenon have not been identified. That means that neither of the assumptions about it summarised above appear to be correct.

Box 8.2 - Elephants or artichokes?

Bridge (2017: p.62/3) has asked whether entrepreneurship is like an elephant or an artichoke. In a comparison also used by Gartner (2001, p.34) he relates the story of three people who were blindfolded and then each asked to feel an object and say what they thought it was. It was actually an elephant but the person who felt its trunk identified it as a hose, the one who felt the ear identified it as a fan, and the third who felt a leg identified it as a tree. Nevertheless, despite their having been identified as different things, they were all related parts of the same object. Further, once it is clear that they are all parts of an elephant, then how each part will behave can be predicted from an understanding of elephants and how they move and operate.

But what about artichokes? Apparently on the basis of similar taste, globe artichokes, Jerusalem artichokes and Chinese artichokes are all called artichokes – although the bits that are eaten are the base of the flower bud of a globe artichoke, the tubers growing on the roots of a Jerusalem artichoke or the tuberous underground stems of a Chinese artichoke. Despite the similarity in taste, they are not related. Globe artichokes are a variety of thistle, Jerusalem artichokes are related to sunflowers (and are called 'Jerusalem' supposedly as a corruption of 'girasole' – the Italian word for sunflower) and Chinese artichokes are a perennial herb of the mint family. Sharing a similar taste and being called artichokes does not make them the same thing.

Which analogy best fits our perceptions of entrepreneurship? Although people may perceive it in different ways, does entrepreneurship nevertheless exist as a single, objectively distinguishable behaviour – or are the things to which different people apply the label ‘entrepreneurship’ sometimes different activities, albeit with some similar aspects, to which people have been accustomed to give the same label? If it is the latter then trying to impose, a single definition of entrepreneurship will not be productive and continuing to insist that entrepreneurship as variously defined is all the same thing will be counterproductive.

NB Gartner also concluded that ‘there is no elephant in entrepreneurship’.

The apparent evolution of the concept of entrepreneurship from being a label for what entrepreneurs do to it being the subject of a search for its nature and mechanisms has not necessarily been straightforward or steady. To help to understand it Bridge summaries it in five broad steps or stages:

1. ‘Entrepreneurs’. The first step was the observation of certain economic actors who, following the lead of Cantillon, have been labelled ‘entrepreneurs’.
2. Entrepreneur-ship. Those observations of entrepreneurs then seem to have been followed by the invention of the word ‘entrepreneurship’ - possibly initially as no more than a way of referring to entrepreneurs doing what entrepreneurs do and creating new enterprises (Low and MacMillan, 1988).
3. The key to growth. However entrepreneurs creating new enterprises came to be seen as a crucial source of economic growth and, as entrepreneurship came to be seen as the condition which generated such entrepreneurial activity, the third step was to identify entrepreneurship was as the key factor needed for economic growth.
4. Government interest. Therefore, those who wanted more economic growth wanted more entrepreneurship and therefore wanted to know more about what it is in order to discover how to get more of it.
5. Looking for a model of it. That led to the fifth stage in this thinking which has been a search for an understanding of the entrepreneurship that people seem to want – and in particular for a deterministic model that will predict what should be done to get more of it and, as a consequence, deliver more economic growth.’ (Bridge, 2017)

However Bridge concludes that the available evidence suggests that entrepreneurship does not exist as the condition or phenomenon it is supposed to be. Further he adds that, because there are so many different views on what entrepreneurship is, the use of the word can lead to confusion. Even when different meanings are acknowledged, confusion can arise because the common label can still convey a suggestion of similarity so that false parallels are drawn. An example of this, also from the field of entrepreneurship education, is that even when it is acknowledged that entrepreneurship as ‘enterprise-for-new-venture creation’ courses differ from entrepreneurship as ‘enterprise-for-life’ courses, it sometimes appears to be assumed that they have sufficient in common to use the same course content (Bridge and Hegarty, 2016). Consequently, because a business plan-based syllabus is often already available for the former, it is frequently also used for the latter – whereas it is arguable that it is not even appropriate for the former (Bridge and Hegarty, 2013) and the latter, most would agree, needs a very different approach.

Therefore, if the assumptions about what entrepreneurship is have not been substantiated, if the use of the word is confusing because it can have different and sometimes conflicting meanings – and can lead to false parallels being drawn, and if the suffix ‘-ship’ leads to an expectation that it is more than just a label for an activity and instead indicates a deterministic condition, should we stop referring to ‘entrepreneurship’?

OVERALL

The Vocabulary Used

“When I use a word,” Humpty Dumpty said, in a rather scornful tone, “it means just what I choose it to mean - neither more nor less.”

Lewis Carroll, *Alice Through the Looking Glass*, 1871

There are many other directions in which misconceived assumptions about enterprise may have taken thinking and some of them might take time to emerge especially where the link is not recorded or immediately obvious, or where there may not be a consequential link but nevertheless a close association and/or a strong reinforcement. However one possible consequence worth noting is in the vocabulary used in this area.

While people might be aware of distinctions and/or differences, often the words used may not convey this and therefore unconsciously convey a sense of congruence. The misunderstandings that can arise from the use of the word 'entrepreneurship' have been highlighted above, together with the suggestion that it may not actually exist in the sense in which it is often used – and so its use should be dropped. However two other words which might also be differently interpreted are:

Enterprise. One use of the word 'enterprise' is when a business is referred to as an 'enterprise – to the extent that some might conclude that all endeavours referred to as 'enterprises' are actually private sector businesses. Such usage helps to reinforce the belief that all matters labelled 'enterprise' belong in the realm of business. Therefore even when the broader meaning of enterprise is acknowledged, a meaning which is not defined, delineated or bounded by 'business' (as is discussed in Chapter 6), this may still subconsciously be linked into business with the underlying assumption that business thinking can be applied to it.

Business. It is common to refer to many forms of self-employment (gaining resources while not being under a contract of employment to someone else) as 'businesses'. This may be convenient when an assessment of the number of them is required and registers of the self-employed exist – but many forms of self-employment have almost nothing in common with large incorporated firms. Nevertheless, if they are thus subconsciously viewed as 'businesses', this may lead to an assumption they are an embryo or interim form of an aspirant larger businesses – albeit possibly remaining in that form permanently as axolotls remain in larval form and do not change into regular mature adult salamanders. However a 'job' (with a formal contract of employment) especially for life and/or in a large business was only the norm for a very short time in historical terms (as is indicated above) – so self-employment is not an aberration or exception. Therefore to group such endeavours with larger incorporated organisations by describing both as 'businesses' blurs this distinction.

'Entrepreneurship', 'enterprise' and 'business' may only be three examples of this potentially misleading vocabulary but it is suggested that they are crucial and illustrate the way that language, and especially many terms in common use, may be imprecise but do nevertheless sub-consciously influence thinking.

IN CONCLUSION

'What we should do, I suggest, is give up the idea of ultimate sources of knowledge and admit that all knowledge is human; that it is mixed with our errors, our prejudices, our dreams, and our hopes.' (Popper, 1989: p.30)

The conclusion therefore is that there is a *prima face* case for re-examining the foundations of our supposed knowledge about enterprise, together with its derivatives and other associated thinking. Making such a shift could amount to a change of paradigm but that may be necessary if understanding about enterprise is to evolve and more is to be done to help it – although it may not be easy (see Box 8.3). As medicine had to abandon the humours theory and its implications if it was to improve, so is there a need to begin to identify and abandon some of the inherited prejudices about enterprise? If so, might some of the ideas presented above provide a start?

Box 8.3 - Some views from Kuhn on anomalies and changes of paradigm (Kuhn, 1970)

'Normal science, for example, often suppresses fundamental novelties because they are necessarily subversive of its basic commitments.' (p.5)

'In its established usage, a paradigm is an accepted model or pattern.' (p.23)

'In the development of any science, the first received paradigm is usually felt to account quite successfully for most of the observations and experiments easily accessible to that science's practitioners.' (p.64)

'There are always some discrepancies. Even the most stubborn ones usually respond at last to normal practice.' (p.81)

'Falsification, though it surely occurs, does not happen with, or simply because of, the emergence of an anomaly or falsifying instance.' (p.147)

'But that is not to say that the search for assumptions cannot be an effective way to weaken the grip of a tradition on the mind and to suggest the basis for a new one.' (p.88)

[However] 'a scientific theory is declared invalid only if an alternate candidate is available to take its place.' (p.77)

'How, then, are scientists brought to make this transposition? Part of the answer is that they are very often not. Copernicanism made few converts for almost a century after Copernicus' death. Newton's work was not generally accepted, particularly on the Continent, for more than half a century after the *Principia* appeared.' (p.150)

'And Max Planck ... sadly remarked that "a new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die, and a new generation grows up that is familiar with it." ... The transfer of allegiance from paradigm to paradigm is a conversion experience that cannot be forced. Lifelong resistance, particularly from those whose productive careers have committed them to an older tradition of normal science, is not a violation of scientific standards but an index to the nature of scientific research itself.' (p.151)

SOME IMPLICATIONS

The following paragraphs indicate some of the contributions this review of enterprise thinking might make to the three audiences of academics, policy makers and the wider public.

For academics

Commentators such as Popper have indicated that it would be normal for the establishment of knowledge about a relatively new subject to have started with suppositions and assumptions which, if not tested, can have a considerable ability to survive. The study of enterprise is such a subject and in 2000 Gibb indicated that the increase in academic interest in it did indeed appear to be accompanied by a growth in ignorance. This research suggests that, nearly a generation later, that is still be the case and that much current enterprise thinking it is underpinned by an inherited but questionable conventional wisdom.

The implication is that those working in this area of academic study and teaching should consider the possibility that at least part of the widely shared understanding about enterprise may be unreliable. While people may be aware of limitations to parts of the knowledge in their particular area, they may not realise that these are not isolated exceptions but an indication of questionable foundations to the conventional wisdom. For example here are some of the questions that might be considered:

- How much of the understanding applied to enterprise matters, and therefore the content of enterprise literature, is essentially based on studies of big businesses? This thesis has specifically indicated questionable assumptions about business aims and growth, about business planning and about the relevance of social capital – but are there more?
- How much research is based on aspects of this conventional wisdom - not least policy related research (as policy itself appears to be informed by the conventional wisdom)? How much research has followed a 'paradigm mentality' and accepted the foundations and attempted to build on them - rather than testing them as the scientific method would advocate?
- In 'enterprise education', how much conventional wisdom is taken for granted and passed on as correct and appropriate? As an example has the teaching and advocating of business plans become the norm from which it is uncomfortable to depart? And is this to the detriment of pointing out other, and possibly more helpful, ways to prepare for a future which must be uncertain?

For policy makers

Kay and King (2020: p.218) suggest that, when faced with uncertainty, people try to form a coherent and credible answer to the question "What is going on here?". In addressing a perceived problem, policy makers need, in effect, a diagnosis and a cure for that problem and a prescription of delivering that cure – and, for each of those issues, they need to have some understanding of 'what is going on here'.

Therefore, in the 1980s, when faced with rising unemployment, governments heeded the reports from David Birch that it was not big businesses, but small ones, which created net new jobs. That explanation of 'what was going on' indicated that the cure for unemployment might be more small businesses so, since then, enterprise policies have tried to deliver that cure.

However, to deliver the cure they needed to have a feel for ‘what is going on’ when people start new businesses but, at that time, there was no established body of proven knowledge about ‘enterprise’. Therefore, this thesis suggests, assumptions were made which have subsequently become the conventional wisdom – and it is those assumptions which have guided policy. In this case it would appear that the policy of facilitating start-up and growth is based on an assumption that people want to do it but are hindered by things like red tape and insufficient support.

Therefore, for policy, makers an implication of this thesis is the need to accept that the conventional wisdom may be wrong – especially as enterprise policies apparently based on it generally have not worked in that they have not delivered the increases in start-ups growth that were projected? If they are failing, then this thesis does not definitively state what will work to deliver that outcome – but it does indicate the need to look. Also, if the requirement is still for more business starts, then, instead of assuming individual responses in response to the provision of institutional support, it suggest that the area of ‘culture’ - the influence of social norms and ‘society rules’ on human actions (see Box 8.4) – is something which might usefully be explored.

Adopting a new enterprise paradigm might be uncomfortable but it could provide a better view of ‘what is going on’. For example, in seeking to present enterprise as something wider than just a part of business activity, a new perspective would lead to considerations of how enterprising people might respond to other developments affecting human livelihoods, such as global warming and ecological damage. That therefore also raises the question of what sort of continuous business growth can and should continue to be a sustainable policy objective.

For the general public

Being enterprising does not just mean starting or running a business – but instead is a potentially helpful approach to many things in life. Having their own business is not just a way for someone to make more money (and often it does not do that) but it can provide a more satisfactory way of working and a better fit with a desired lifestyle. Self-employment and/or business ownership is a valid work option but is often subject to social pressures, such as peers and/or parents thinking there are more acceptable occupations. So if someone wants to do it, they may wish to find friends who will encourage and support them (see Box 8.4).

Box 8.4 – Culture, peer influence and/or social conditioning

Dennis (2011) suggests that, in the field of entrepreneurship, 'cultural' support and 'institutional' support are both important but, in effect, act in different dimensions so they do not necessarily reinforce each other and cannot be substituted one for another. What, therefore, is that 'cultural' support?

Baumol (1990) had spoken of the influence, in the application of entrepreneurial activity, of socially imposed 'rules of the game': the reward structure and the relative payoffs that society offers, for instance imposing social disgrace on those who engage in activity contrary to the 'rules'. More recently the example of 'David' in Box 6.7 illustrates the influence of peer influence (in his case very unhelpful influence) on someone wanting to start a new business.

This could be considered to be an aspect of social capital which, Coleman has suggested, consists of 'a variety of different entities having two characteristics in common: They all consist of some aspect of social structure, and they facilitate certain actions of individuals who are within the structure' (1990: p.302) He also suggest that these entities include 'norms and effective sanctions' that encourage people to 'forgo self-interest and act in the interest of the collectivity' (1988: p.104). A similar view is also indicated by Earls who, in examining the mechanics of mass behaviour, comments that 'we do what we do because of *other people and what they seem to be doing*' (2009: p.5). This sort of influence is also being recognised and explored in examinations of behavioural public policy (Ewert *et al*, 2021).

All these sources indicate that humans can have a significant influence on each other which, in default of a better label for it and following Dennis, is often referred to above as 'culture'. It suggests, for instance, that, while a potentially enterprising person may be offered support, that alone is not enough and people have to want to pursue that course because they feel that it is encouraged and supported in their social circle. As an example the author, while assisting Young Enterprise, encountered a student who was showing considerable promise in his Young Enterprise 'company' but was persuaded by his parents to withdraw in order to devote more time to his A level studies. Apparently they wanted him to get the grades he needed to study medicine – with the implication that it was perceived to be the more desirable career.

Appendixes:

8A Of men and wolves – observations on a difficult relationship

8B Scaling and growth

8C Assumptions about what 'entrepreneurs' are and do

OF MEN AND WOLVES – OBSERVATIONS ON A DIFFICULT RELATIONSHIP

‘There are [so] many different aspects of the wolf-human relationship that it isn't possible to speak in general terms, just as we can't speak about the wolf as such. In the end the wolf exists in the eye of the beholder. There is the wolf as described by science, but there is also the wolf who exists in human minds: a construction created from our individual, cultural or social conditioning. This wolf is the sum of everything we know about the animal and how we want it to be. And what comes into play here is precisely what has made our lives difficult from the start, and not only when dealing with wolves: our prejudices.

We all have certain resentments. ... They are basically a trick of the mind in order to save energy in the processing of information. The quicker a human being can arrange their surroundings, the more capacity remains for other thought processes, and the quicker they can react to dangers. However, if prejudices are internalized, it is difficult to get rid of them again because they assume control over the processing of information - and thus repeatedly confirm themselves. The fact is that we need 'pre-judgements' for our orientation through life. If we analysed all the things we experience individually, it would put too much of a strain on us. For that reason, in our perception we rely on simplifying matters and arranging them into categories.

Prejudices are complex and diverse and hence difficult to shake off. Consequently man's attitude to wolves is generally influenced from childhood onwards. Many myths and stories, including the one about the little girl with the red hood who is eaten by him, have shaped our image of the 'big bad wolf. And, not least, the opinion of the population is easily influenced by false or inadequate reports in the media. Negative attitudes make it hard to find a compromise between human interests and the protection of species.’

(Radinger, 2019: p.190)

SCALING AND GROWTH

A plank of wood might be used as a simple bridge to cross a small stream. Therefore, to cross a stream twice as wide it might be supposed that a plank twice as big (i.e. scaled up by a factor of two) would be required. This would be twice as long, twice as wide and twice as deep. Therefore its cross sectional area would be four times that of the first plank – and so would its strength as that rises in proportion to the cross-sectional area. However its weight is proportional to its volume and so that would rise by a factor of eight. So weight increases much faster than strength which means that, if increasingly larger planks are used to try to cross ever wider streams, eventually the stage will be reached at which the bridge would collapse under its own weight.

This an example of sublinear scaling in which, because weight increases faster than length and strength, a point is reached beyond which the bridge is no longer sustainable. If longer bridges are nevertheless required then different materials have to be used, such as steel, and then different structures, such as girder trusses, and eventually different forms, such as suspension bridges.

In his book *Scale* (2017) West investigates the way different things scale and shows that cities scale superlinearly in that, as they grow, the size of key service components increases less than the size of the city. A city which doubles in size does not need arterial roads which are twice as wide, or even more than that, and so they do not impose a limit on a city's growth.

West also looks at organisms and finds that, like bridges, they also scale sublinearly. He shows that the subtleties of networks, such as the mammalian circulatory system for blood, means that mammals smaller than shrews are not viable – and neither are mammals larger than blue whales. In all mammals blood is pumped by the hearts to the extremities of the system, the capillaries, which are the same size in all mammals. Blood leaves the heart in pulses but as it passed through the different level of branches in the arteries it becomes non-pulsile through the last fifteen or so levels. Impedance matching in the larger pulsile vessels means most of the heart's effort is expended in pumping the blood through the smaller non-pulsile vessels. Therefore, for smaller mammals such as shrews, there are few pulsile vessels so their hearts have to beat very fast to maintain a

constant flow of blood at the extremities but it is proportionally much easier for bigger animals. Bigger animals have different constraints such as the need to get enough oxygen to the extremities and, for land mammals, the need for legs strong enough to support their body weight.

Another factor relevant to animals is the entropy which leads to cell damage and that ultimately leads to death. However the rate at which damage occurs decreases with increasing size of the animal – so larger animals live longer, but all still ultimately die. All this, accord to West, follows from the physics of the systems building and sustaining life:

‘Notice that just as we saw when discussing growth, the mismatch between the scaling of the sources of energy and therefore the sources of damage (the terminal units) and the scaling of the sinks of energy (cells that need to be sustained) has enormous consequences. In the one case, it ensures that we cease growing, and in the other it ensures that larger animals have expanded lifetimes. And all of this follows from the constraint of the networks.’ (West, 2017: p.203)

But, for this paper, it is West’s reflections on the size of businesses which is of interest, as he finds that, like organisms, many of their key metrics also scale sublinearly – and therefore eventually companies stop growing and ultimately die. An analysis of all 28,853 companies that were traded on US markets in the sixty years between 1950 and 2009 indicated their life and death conformed to a universal dynamic. The percentage of five year old companies that died before they were six years old was the same as the percentage of fifty year old companies that died before they were fifty one. In other words the companies had a half-life - which was about 10.5 years.

The analysis also indicated that those companies which did survive for a period initially grew relatively rapidly before slowing down to steady but slow exponential growth and that all the large mature companies had stopped growing – and one of the issues behind this, West suggests, is that markets become saturated and many then decline. When markets are growing the companies in them need to keep up with that growth if they are to survive but when markets saturate and decline growth become much harder and companies which are not growing are like older animals and are more vulnerable to unexpected setbacks: the business equivalent of flue or pneumonia.

ASSUMPTIONS ABOUT WHAT 'ENTREPRENEURS' ARE AND DO

Åsvoll (2019) emphasises Gartner's (2001) suggestion that, 'in the field of entrepreneurship we are too often unaware of the assumptions that we make in our theoretical perspectives' and suggests instead viewing the study and teaching of entrepreneurship from a perspective of the philosophical thinking of Heidegger. Much emphasis, he suggests is placed on what an entrepreneur is supposed to do especially in decision-making, based apparently on the assumption that this is the essence of entrepreneurship, whereas Heidegger asked about being rather than just doing – so what is an entrepreneur when he or she is not doing it?

It also leads to the question of whether someone has to be acting entrepreneurially in the way that entrepreneurs are supposed to act to be an entrepreneur? This question is particularly relevant when, as is often the case, it is assumed that anyone who is self-employed is an entrepreneur. That may be done because it is relatively easy to count the self-employed but it also lies at the heart of influential measures such as the Global Entrepreneurship Monitor's index of Total (early stage) Entrepreneurial Activity (TEA) which is the sum of those actively starting a new business plus those already running a new business but for less than 42 months.

Thus the assumption seems to be that people are either employed (working for someone else under a contract of employment), unemployed (not earning an income from their work but depending instead on unemployment benefits, pensions, investments and/or inheritance) or self-employed – and that the latter category are all entrepreneurs. Yet this category includes artists, self-sufficient farmers and hunter-gatherers as well as the (relatively few) people who start businesses primarily as a route to a personal fortune.

Some people do it by choice and some because they cannot find employment – but many are self-employed because that is how they can be best, or most comfortably, practice the craft or trade they have chosen to follow (for example this is often how people such as artists, hairdressers and plumbers often work).

But how many of them are motivated to maximise their income and are thus constantly and proactively seeking opportunities so to do? Although that was not how Cantillon

originally characterised entrepreneurs, is it now assumed to be what entrepreneurs do – and therefore what motivates most, if not all, self-employed people because they are assumed to be entrepreneurs?

Or are many self-employed people expecting, hoping and/or wanting to continue just to do more or less the same thing, for instance because they are motivated to practice an art or craft, to have a sustainable life-style, to be self-sufficient, to be independent or just to continue to do what they are accustomed to do – and only when that ceases to be viable do they reactively seek other opportunities?

Nevertheless is the common understanding of self-employed people based, not on observations of what they actually are and do, but on a shared conventional wisdom based on assumptions about what entrepreneurs should be and do?

Questioning Conventional Enterprise Wisdom

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