



# Entrepreneurship Policy and Practice Insights

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## Enterprise and Small Business: Can We Reduce the Confusion?

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### Executive summary

The word 'enterprise' in its wider sense can refer to being flexible, creative and adaptable in any situation - but instead is often used more narrowly to refer to the process of business start-up (sometimes also labelled entrepreneurship). Because of this, enterprise is often treated as a subset of business and consequently big business-based thinking is applied to it – such as an assumption of a profit imperative and the advocacy of business plans as the key tool for start-ups. The result is considerable confusion, not least in enterprise education. Therefore, a new paradigm is needed based on accepting the wider interpretation of 'enterprise'.

### Background

Significant government interest in 'enterprise' (or 'entrepreneurship' - the words are sometimes used interchangeably) seems to have started in the 1980s. In the previous decade in many countries, unemployment had started to rise, apparently inexorably. Therefore, Birch's findings, revealed in 1979, that small firms were the main source of new jobs attracted considerable interest in government circles. They wanted more small businesses and more of the enterprise which was supposed to lead to their creation.

That interest was backed by budgets which in turn could be said to have stimulated an enterprise industry. Consequently, the 1980s was dubbed the enterprise decade and, as Gibb (2000) declared, there was 'an explosion of research into entrepreneurship and the small and medium enterprise. All this appears to have stimulated a general perception that enterprise/entrepreneurship, especially when linked to small enterprises/ businesses, was a good thing and should be promoted. With government support, this thinking led in turn to the launch of numerous enterprise policies and programmes generally with the aim of increasing small business start-ups and growth to improve economies and create jobs.

Therefore, this link between enterprise and small business appears, not only to be clear and straightforward, but also to be convenient- and it seems to have influenced various other beliefs and practices. However, it has problems and, for instance, within enterprise education there is a



debate about whether trying to help people to be more enterprising is the same thing as helping them to start businesses and there appears to be no evidence that 'enterprise' (or 'entrepreneurship') policies which are focused on business creation have increased start-up rates.

Those policies might now be thought to be 'tried and trusted' - but that is not the same thing as 'proven and trustworthy'. The underlying thinking seems to have been that, if business founders are enterprising or entrepreneurial, then enterprise or entrepreneurship must be the factor which leads to more business creation. But is there a condition which leads to small business creation which has been labelled 'enterprise' - or has the wish for such a condition, and a name for it, led people to suppose that it exists? That supposition is convenient but, as the proverb puts it, 'you can lead a horse to water, but you cannot make it drink' and policies of making somewhere a good place in which to start or grow a business have not led to more people doing it (see Bridge and O'Neill, 2018: Ch 16). Could that be because they have ignored the real influences on people and what they want to do?

In the UK, for instance, in 2003 in order to increase the number of entrepreneurs the UK's Small Business Service (SBS) adopted the aim of 'making the UK the best place in the world to start or grow a business'. It is therefore interesting that, early in 2022, a press release from the UK's Enterprise Research Centre reported a finding that 'more than 70% of Britons believe it is easy to start a business in the UK', but, despite this, 'less [sic] than one in ten has any intention of doing so' (ERC, 2022).

### **The Source of the Confusion**

Findings like this suggest that there is considerable confusion about the nature of enterprise and the conditions which lead people to want to start businesses. Examining the apparent assumptions which appear to underlie current thinking suggests that its foundations are often misguided. For instance, in the 1980s it was acknowledged, at least by some people, that there were two main definitions of, or approaches to, enterprise:

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)

However, because of its supposed connection to start-ups, it would seem that it was the narrow view which prevailed in many quarters and enterprise was viewed and treated in effect as a subset of business and, for example, its teaching is now often assigned to business schools and its promotion to business agencies. Consequently, when we think about enterprise, we often apply business thinking to it, which is based mainly of the supposed practices of big businesses. For instance, there seems to be a widely shared assumption that all businesses, including small ones,



try to maximise their profits and therefore want to grow. As Friedman (1970) declared: 'the social responsibility of a business is to increase its profits' and as echoed in a small business bulletin: 'one of the things that most, if not all, businesses have in common is a desire to grow and expand' (Gundy, 2008).

Another apparently big business-based assumption often made about businesses, including small ones, is that they should prepare for the future by forecasting and planning, and hence the business plan is advocated as the key preparation tool for start-ups. For instance, business plans have been likened to maps: 'The business plan ... is your final route map showing you what you need to do to launch and grow your new venture' (Burns, 2014). However reliable maps can only be produced when the territory in question has been explored and surveyed- yet the future is uncertain and unknown and is thus unexplored and unmapped. As Mintzberg has reminded us: '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?' (Mintzberg, 1994). So instead, should we not prepare for uncertainty?

Do we also assume that all business decisions are based on business logic, not influenced by social pressures? Thus, social capital is not included in business plan considerations, and we overlook the possibility of peer group influence on start-up decisions. Yet, as Earls has observed: "We do what we do because of other people and what they seem to be doing" (Earls, 2009). Look, for instance, at *The Rainforest* (Hwang and Horowitz, 2012) and its portrayal of the pros and cons of start-up. The traditional view, it suggests, is that, while there is the possibility of making money, the drawbacks include sacrificing existing career prospects and a loss of social standing - whereas in the Silicon Valley, as well as the possibility of making money, the potential benefits are perceived to include social approval, the joy of discovery, making a difference and independence.

## Reflection

Because of the supposed connection between enterprise and small business, have we thought of 'enterprise', and treated it, as a form of business? Viewing 'enterprise' as a part of the business domain may not have been a conscious decision but, as illustrated above, it does appear to be the foundation for much of our current thinking about this area of endeavour. In the belief that small businesses are good for an economy, the business start-up (and growth) interpretation of enterprise has become paramount - and the processes of being enterprising and of starting a business have become conflated. However, when that happens, the focus tends to be on helping to start businesses, not on being enterprising - but there is confusion because the two are not clearly distinguished.

And what about 'entrepreneurship'? Is it just another word for 'enterprise' and have we attached the label 'entrepreneurship' to both being enterprising and starting a business because we think they are essentially the same thing? Or do we think they are more or less the same thing because they have both been labelled 'entrepreneurship'? The answer is probably a combination of both, not least because, as Sir Karl Popper (1989) suggested: 'the way in which knowledge progresses ... is by unjustified (and unjustifiable) anticipations, by guesses, by tentative solutions to our



problems, by conjectures'. Also questions like that highlight the problem of using words such as 'entrepreneurship' for which there isn't a single, commonly accepted, clear definition and which can therefore be interpreted in different and sometimes conflicting ways.

### Policy and practice recommendations

Realising that the current 'wisdom' is questionable does not necessarily indicate what should replace it. Nevertheless, this analysis highlights the need to look and might indicate some pointers towards a new paradigm. For example it suggests that we could:

Revert to a broader view of enterprise and accept that it is not the same thing as business start-up? While enterprising people might start businesses, they can be enterprising in lots of other ways and some businesses are started by people who are not very enterprising.

Recognise that businesses are very heterogeneous and they do not all want to grow.

Stop thinking that small businesses are essentially small big businesses and recognise that social endorsement and support can be a bigger influence on start-up than the official support provision.

Recognise that the future is uncertain and prepare accordingly – for instance through flexibility and not making and sticking, come-what-may, to pre-prepared plans.

And, if we want to increase start-up decisions, try to make it socially desirable. Look, for instance, at *The Rainforest* and its view of Silicon Valley where start-ups are popular, not as the result of government assistance, but because of the social support in that community.

Knowledge is not static – but identifying where current understanding needs to be improved does not itself indicate what that improvement may be. According to John Maynard Keynes: 'the difficulty lies not in the new ideas, but in escaping from the old ones' and Mark Twain observed that: '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'. Also, among his many other observations, Sir Karl Popper (1989).pointed out that 'we should ... 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'.

Therefore, to reduce confusion and to provide a better basis for policy, we should revisit being enterprising and the encouragement people receive to do it. And we should recognise that this may have impacts in many aspects of people's lives, not just in the economic sphere? Nevertheless, if we promoted enterprise in that way, economic benefit would still be a likely outcome.

It is suggested that our current received 'knowledge' is the result of lazy thinking and the adoption of what appears to be the conventional wisdom – which is convenient but not helpful. Hence this paper advocates the adoption of a new perspective/paradigm (and see Bridge, 2022). However new paradigms do not arise complete and ready formed but, like any really useful product, they need to be developed through iteration and 'trial and error'. However, if we do not try to question and improve in this way, we will stagnate.



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