

GMS

Norin Arshed & Mike Danson

THE GLOBAL MANAGEMENT SERIES

Enterprise

Concepts and Issues

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Enterprise: Concepts and Issues

Norin Arshed and Mike Danson

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NA and MD

Dedications

We would like to thank our colleagues who helped in writing this book.

NA and MD

Biographies

Norin Arshed is Programmes Director for the Leadership and Organisational Performance suite of MSc programmes in the Department of Business Management at Heriot-Watt University. She is an economist by background with professional experience both in the public and private sectors. Her work concentrates on enterprise policy, in particular, the role and contribution from those closely linked to the formulation process (ministers and civil servants), whilst also examining how enterprise policy is implemented (national, regional and local economic development agencies), and how entrepreneurs/SMEs experience and utilize such policy initiatives. Institutional theory is the theoretical lens used to highlight the dynamics of the enterprise policy process in her work.

Harveen Chugh is a consultant in entrepreneurship for start-ups and growing companies. She specialises in working with HE students and graduates to provide mentoring and coaching. She has consulted to the UK government on the Sirius graduate entrepreneurs programme and she was formerly a Lecturer in Entrepreneurship and Strategy at Royal Holloway University of London. Harveen gained her PhD in entrepreneurship from Imperial College London and has published research on entrepreneurial learning, feedback and university start-ups. As an ethnic minority female of Indian origin, Harveen champions diversity in entrepreneurship and supports organisations such as Girls Talk London and London Geekettes.

Mike Danson is Professor of Enterprise Policy at Heriot-Watt University and has worked widely on issues about urban and regional economic development, island and rural economies and enterprises, demographic change, volunteering, Gaelic, microbreweries and poverty. He has published 13 edited books and over 200 papers. He has advised parliaments, governments, and such organisations as the OECD, European Commission, Scottish Enterprise. Mike was recently awarded the prize for the best book in regional studies and graduated with the first DLitt from the University of the West of Scotland in 2012. He is Treasurer of the Academy of Social Sciences.

Lai Hong Ng is an Associate Professor in Marketing in the School of Management and Languages at Heriot-Watt University Malaysia. She has extensive experience in administration and teaching with a career that spans over 17 years across higher education institutions in Malaysia and UK. She teaches marketing and management courses to both undergraduate and post-graduate students. Her past research efforts have focused on services marketing, teaching and learning

and student experience. Currently researching on developing learning spaces for educating Gen-Z in HEIs and the behaviour of interacting parties in service encounters – an interdisciplinary research borrowing literatures from social psychology.

Michelle Nguyen is a Programme Manager for International Trade and Investment promotion in the UK. She has previously advised and worked on projects for the Irish Government and the European Parliament. Michelle has a varied professional background in establishing new ventures, conducting international business, building client relationships and delivering corporate training. She has worked across blue chip companies, family-run enterprises and business incubation environments. Michelle holds a BA (Hons) in Economics and Social Studies from NUI Galway and an MBS in International Entrepreneurship Management from University of Limerick. Michelle's particular areas of interest are investigation of the environment required for success, the psychology of entrepreneurs and acting as a connector within industry.

Julie McFarlane is Assistant Professor for the School of Management & Languages at Heriot-Watt University, teaching areas in business, marketing and enterprise. She recently completed a PhD in Entrepreneurial Business Models in the Creative industries at the University of Strathclyde's Hunter Centre for Entrepreneurship. Prior to her PhD, Julie received a MSc (with Distinction) in Innovation, Commercialisation and Entrepreneurship from the University of Stirling as well as a BA (with Honours) in Business Studies and Marketing, and has over 10yrs experience working closely with entrepreneurs. Julie also has an interest in dynamic business models, specifically the process of entrepreneurship in the music industry.

Linda McGilvray has over 20 years' experience of working within the private, public and third sectors. As well as lecturing in social enterprise and business planning she has gained much of her professional experience researching economic and social issues for Scottish regeneration agencies. Linda has also worked in the social enterprise sector and managed a WISE project called *true GRIT* in Glasgow, which was dedicated to providing market and social research services. Lloyd, Patrick and Diarmuid were students in HW's Social Enterprise class during 2014-2015 and their contributions to the subject of social entrepreneurship were formative in the development of Chapter 5.

UmmeSalma Mujtaba is a Teaching Fellow in Management and International Business in the School of Management and Languages based at the Dubai Campus. She is also undergraduate year 1 and 2 coordinator at the School of Management and Languages.

Jaydeep Pancholi is a PhD student within the School of Management and Languages at Heriot-Watt University, Edinburgh. His PhD thesis is investigating business strategy within the context of conflict zones, reviewing stakeholder influences on strategic decision and conflict resolution. Prior to this Jaydeep gained a BA (hons) in International Business and Marketing at the University of Strathclyde, Glasgow, including an exchange at Nanyang Technological University, Singapore, studying courses in management and culture. This was followed by work at a leading automotive manufacture in corporate fleet. Jaydeep's academic interests are rooted in his extensive voluntary work in personal development and corporate sustainability while being a trainer for a global NGO.

Jane Queenan is an Associate Professor in the Department of Business Management, School of Management and Languages at Heriot-Watt University. She lectures in Entrepreneurship and Business Ethics. Jane has many years of experience in the field of business development and founded and managed two successful consultancy practices prior to entering academia.

John Sanders is an Associate Professor in Management in the School of Management and Languages at Heriot-Watt University. He teaches strategic management courses to both undergraduate and post-graduate students. In addition, he teaches a small business management course to final year undergraduate students. Strategic fit within a University setting was the subject of his PhD. His past research efforts have focused on Internet portals, website quality, social networks and the market reach of rural small firms in Scotland and New Zealand.

Yen Tran is an Associate Professor of Strategy, Innovation and Entrepreneurship. She completed her PhD at Copenhagen Business School (Denmark) and Stanford University (USA), obtained her MBA at Asian Institute of Technology (Thailand) and Ohio State University (USA) and her BBA at Hanoi Foreign Trade University (Vietnam). Her research has been internationally recognised at world-class conferences (the Academy of Management Conference) and published in world-class journals such as *R&D Management*, *Management International Review*, *Long Range Planning*, *International Business Review* and the *Academy of Management Best Paper Proceedings (USA)*. Her research area is within international entrepreneurship, capability development, knowledge management and new venture creation particularly in emerging markets. She also is an active member of the Academy of Management (USA).

Preface

Entrepreneurship throughout the world is awakening a revolution that is reforming and revitalising economies at all levels, with the establishment of both new ventures and the growth of existing businesses as crucibles for change. This rising recognition of entrepreneurship and entrepreneurs means they have become global phenomena over the last 25 years, whereby entrepreneurship is seen as a key driver of economic and social development. The entrepreneurial process underpinning these developments can be found in business start-ups, in growing enterprises and in multinational corporations and so the study of entrepreneurship has generated considerable interest from academics as well as policy makers and practitioners. To improve national competitiveness and promote resilience, governments are seeking to increase business start-up rates and improve the contribution of growing firms to employment and economic growth. For scholars, the importance of entrepreneurship to employment, innovation, productivity and income growth has led to increasing numbers of researchers investigating and contributing to the field.

This book introduces many of the terms, theories and practices in the fields of entrepreneurship and enterprise. It covers their origins and development and addresses their drivers, barriers and evolution into new areas of business and economic activity. Academics continue to debate and dispute what defines an entrepreneur, often using the terms self-employed, small business owner, small business owner/manager and entrepreneur interchangeably (Lundstrom and Stevenson, 2005). While the term 'entrepreneur' is French in origin, a literal meaning might translate as 'one who takes between' (Deakins, 1996). In the literature and practice fields today entrepreneurial behaviour has been extended beyond the individual running their own business into groups operating within larger companies. To understand how entrepreneurship is being applied across the economy, it is necessary to explore these different dimensions and these are offered in different chapters and studies reported here.

The confusion between entrepreneur, enterprise and small business confounds these definitional problems. Defining the term 'small business' is very difficult anyway, since there are conflicting ideas upon which factors to base the analysis as Storey (2002, p. 8) comments: 'there is no single, uniformly acceptable, definition of a small firm'. Definitions from the Bolton Report of 1971 are regarded by many to be of dubious value to a sector that has changed in complexion, composition, contribution and structure over the last few decades (Storey, 2002).

In more recent times, entrepreneurship has become a media favourite and is showcased in such spectacles as 'The Apprentice' and 'Dragon's Den' and individuals such as Mark Zuckerberg, Richard Branson and the likes of Jay Z are held in high esteem as enterprising celebrities. Despite this enhanced interest and profile, however, many would still claim that they do not know any entrepreneurs. Do you? Are any of your close relatives entrepreneurs, as family businesses are a significant part of the overall enterprising economy? Data on entrepreneurship, enterprises and SMEs (small and medium enterprises) have improved with the expansion of this sector of the economy, but the business structure does not fully reflect the diversity of society. So why might many women, young people, the unemployed and those living in social (rented) housing not have recognised that they knew an entrepreneur and why are they so under-represented amongst small business owners? These features of the 'entrepreneurial class' are examined in various chapters of this book to give some insights into the barriers, challenges and policies active in different and contrasting economies.

There is a significant degree of overlap between the characteristics of successful entrepreneurs and successful firms with leadership, creativity and innovation featuring in both academic studies and practitioner strategies. Each of these is introduced and analysed in this collection both in their entrepreneurship and wider economic and business contexts. Again there are benefits to both the individual and the company in research and practice from an appreciation of the transferability of the skills, attributes and behaviours underpinning these elemental factors.

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1

Understanding Entrepreneurship: An introduction

Mike Danson

The idea of 'enterprise' has entered the lexicon of economic development tools, active labour market policies, and employability skills for graduates, amongst other areas of public and private life in recent years. A quick look at the literature, however, shows a much narrower application of the term even as late as the 1980s and 1990s, when 'multinational enterprises' was the dominant use of 'enterprise' in business and economics texts. 'Entrepreneurship' and 'entrepreneur' have longer histories but these have tended also to accrue new powers as economies have restructured and developed in new ways. As with other sub-disciplines, though enterprise and entrepreneurship have spread gradually beyond their traditional social cores, their study, application and analysis have evolved over time to embrace a wide range of strategic, social, political and economic areas. This chapter introduces the concept of 'entrepreneurship' and offers a launching platform for the remainder of the book.

The definition

There are many definitions and lists of characteristics of 'entrepreneurship' and what it means to be 'an entrepreneur'. None is accepted by all, and examples of individuals who do not fit the stereotype or profile can also be found. Most commentators and scholars, however, will work with:

... the role of the entrepreneur: the Knightian approach, which highlights the risk-bearing and uncertainty-reducing role of entrepreneurs; and the Schumpeterian approach in which the entrepreneur is an innovator (Deakins and Freel, 2003, p9).

Timmons and Spinelli (2008), who have been highly influential in promoting the concept and application of entrepreneurship to the creation of new firms, identified the central themes or driving forces that dominate the dynamic entrepreneurial process as being:

- ☐ Opportunity driven
- ☐ Driven by a lead entrepreneur and an entrepreneurial team
- ☐ Resource parsimonious and creative
- ☐ Depending on the fit and balance among these
- ☐ Integrated and holistic.

If we unpick such working definitions, it can be seen they include the proposition that an entrepreneur is an individual – and so many studies focus on the personal characteristics, as we shall explore, although family businesses have always been a key part of the economy and so a focus of the research agenda. Also, however, the rise of not-for-profit businesses, which are run by entrepreneurs for a common or wider good, have attracted much attention and these are now an essential part of any consideration of where and how entrepreneurship is practised. Interestingly, the idea of the lone entrepreneur, with characteristics of risk taking, creativity, motivation to be their own boss and so forth, has been applied beyond the context of small and medium enterprises to much larger corporations where specialist managers operate within departments; this has led to interest in corporate entrepreneurship being linked to the core study of new, small and growing enterprises.

Within this brief introduction, it is apparent already that these terms of ‘enterprise’ and ‘entrepreneurship’ are fuzzy concepts which mean different things to different people, and are applied somewhat loosely in different contexts, disciplines and policy areas.

Do you know an entrepreneur?

In the mid-1990s, when the regional development agency for Scotland investigated why there was a lower rate of new business start-ups than in other parts of the UK, and indeed than much of the European Union as constituted at that time, they surveyed members of under-represented groups about their knowledge and attitudes to entrepreneurship and enterprise. However it was defined, and despite using prompts to try and make the concept clear, still over half of respondents claimed they did not know an entrepreneur. For most people in society, and in just about any economy in modern times, it might be thought they must surely be related to, know of or otherwise recognize someone in their community who could be considered as an entrepreneur, so this finding was surprising.

Even where it seems that there should be recognition and agreement over the use and meaning of the terms, such as in this survey, many had difficulties in understanding what and who is being referred to. This book therefore introduces entrepreneurship and enterprise from an academic perspective, based on theories and applications. It provides the basis for understanding the concepts, their origins and development, and how they have evolved and been applied. Knowledge and appreciation of the growing use of enterprise and entrepreneurship in wider forms is introduced in chapters on creativity, leadership, internationalization and other features which demonstrate the porous boundaries of the subject. Being able to integrate these various dimensions into analyses of individuals, firms, industries and economies, and to borrow from other disciplines to inform such work will enhance understanding.

Research on the role of SMEs and of new firms in the economy has revealed that regions and nations with high rates of start-ups also show high 'death' rates and, in aggregate, overall growth in the numbers of enterprises (Ashcroft and Love, 1996; Greene and Mole, p. 25-26). The significance of this churn, which is greater in the more dynamic cultural environments of the core regions of most economies, means that being aware of the drivers of exits, closures and failures of firms is essential if start-ups and entrepreneurship are to be understood more fully (Deakins and Freel, 2006, p. 5).

Growth of the firm through expansion into new markets and internationalization has been studied from the early days of interest in enterprise and multinational enterprises especially, but the different factors, features, constraints and opportunities faced by smaller companies requires a dedicated appreciation and discussion of these issues for new and growing businesses.

As larger operations are considered in entrepreneurship, with separate parts of the firm having their own managers, objectives and relationships, so the divorce of ownership and management leads to a need to consider the role of leadership within the company. An examination of different aspects of entrepreneurial leadership within the organization has therefore come to feature in wider considerations of all sizes of business. Managing risk is a key role and responsibility for those who and manage enterprises, regardless of size, sector or complexity, so that within the underlying theories on enterprise and entrepreneurship, rewards for taking risk is cited as crucial to understanding economic and personal motivations; together with the extension of entrepreneurship into larger firm environments, these demand consideration of the importance of business ethics in these contrasting contexts.

Although there is a tendency amongst some academic and business development agency practitioners genuinely to conflate the study and the application of entrepreneurship, this book is not, however, about how to start a business, raise

finance, identify market opportunities, gain access to export markets, manage risk or to address any of the other features involved in being an entrepreneur or being enterprising. Rather it is to allow you to gain a grounded and informed grasp of the subject area so that you can take your new knowledge, skills and understanding and apply it in research and application. The remainder of this Introduction presents each of the chapters, to open up their aims, objectives and approach to understanding entrepreneurship.

Entrepreneurship

As is described in Chapters 2 and 3, the first scholarly discussions on ‘entrepreneurship’ and ‘entrepreneurs’ can be traced back over two centuries ago. The twentieth century could be said to be about the increasingly dominant role of massive corporations in economies, industries and markets, and so analyses and policies research have been focused on these major players also. Oligopolies operating across national and then international markets seemed to be on an inexorable rise in such globalized sectors as oil, cars, computers, and steel, as companies with massive monopoly power applied their production and marketing economies of scale to exert pressure on domestic markets progressively across the world. In some cases, natural monopolies were nationalized by the state to offer home businesses protection from super-profits being made and, in some cases, these state-owned firms entered international markets or international cartel agreements to create barriers to imports.

Despite this, from the early 1970s onwards there was a growing unease at the demise of the small and medium enterprise in the USA and UK, especially, in contrast to the continuing strength of the *mittelstadt* (SMEs) in Germany. The oil crises of that decade, the recession of the early 1980s, deregulation and privatization under Reaganism and Thatcherism led to and were led by major restructuring of the European and North American economies, with the USA and UK again leading many of the strategic and policy developments. As Keynesian interventionism gave way to *laissez faire* monetarism so there was a concomitant move towards a promotion of endogenous recovery and growth for communities, regions and sectors. And so the environment was set for increased global interest in entrepreneurship both by theorists and by institutions.

Chapter 2 explains, since the early 1980s this has generated “a remarkable renaissance in terms of the recognition of small firms’ centrality as a necessary competitive instrument in the development of a modern, vibrant and progressive economy” (Beaver and Prince, 2004, p. 34). Entrepreneurs are recognized as now having a central role in economic development at all levels, and in the creation of income, wealth and evolutionary change. As well as official statistics

and government bodies at national, regional and local levels, today there are organizations in the UK representing micro- and small enterprises, such as the Federation of Small Business, which reports that 99 per cent of the country's 5.2 million businesses are SMEs, accounting for 14.5 million people in employed positions (Federation of Small Business, 2015). As recorded in Chapter 2, commentators now argue that entrepreneurs have replaced the nationalized and large multinational enterprises as the driving force of economic restructuring. These developments are even more dramatic in some other parts of the world; for example in China and the transition countries of central and Eastern Europe, where their contributions to the transformation of their economies have been key. So as well as renewing and regenerating those economies adversely impacted by recessions and restructuring worldwide, they have been contributing to employment, cultural revolutions and economic, social and political stability.

Chapter 2 demonstrates that economists have often struggled with understanding the 'entrepreneur', despite their central position in the economy as described above. Therefore, an understanding and knowledge of the complex field of entrepreneurship is crucial, and this is offered through a critique of the history of the theory and literature, followed by an evaluation and analysis of their wider contributions to the distinctive economic theories of the entrepreneur.

Case study: Enterprise in Scotland

Scotland has long recognized that it has a lower rate of business start-ups than comparable economies so that it has been a crucible for innovations in understanding, analysing and promoting entrepreneurship (Danson, 1995, 1996; Deakins and Freel, 2006). In the mid-1990s, this led to a programme of research, commissioned by Scottish Enterprise, on the contribution of new enterprises and entrepreneurs to economic development, and the factors explaining the low levels of start-ups in Scotland. Comparative data, research and experiences from across the UK, European Union and US were called upon to improve the understanding of the processes involved. The findings were sometimes unsuspected, challenging the super-structure of business development agencies and their attitudes and behaviour towards indigenous potential entrepreneurs.

The research revealed no anti-enterprise or dependency culture, suggested as the cause of the poor rate of new businesses being formed, but rather the desire to set up as entrepreneur oneself was as strong elsewhere. The forensic analysis, however, demonstrated that many key intermediaries – bankers, accountants, business advisors and the staff of the development agencies were creating the barriers to disadvantaged groups becoming entrepreneurs. Stunted and narrow social networks, the anticipated negative impacts of failure on family life, and the lack of alternative opportunities after exit were also cited as major concerns of potential entrepreneurs (Scottish Enterprise, 1993: p. 24).

The research for Scottish Enterprise on entrepreneurship and business start-ups was followed by strategic interventions, culminating in the launch of the 'Business Birth Rate Strategy'. This was aimed particularly at broadening the cohort of the population who were actively seeking to start their own business, to approach the levels in other areas of the UK (Ashcroft and Love, 1996; Whittam and Kirk, 1996). The efforts to change the culture of enterprise are discussed in Chapter 11, with exploration of the many policies and initiatives across Scotland, the UK and beyond into the European Union. Many of these policies and instruments have aimed to incorporate support for more start-ups by women, the young and individuals from socially excluded groups, as these were identified, in the studies commissioned by Scottish Enterprise, as being less likely to establish a new firm (Danson, 1995, 1996); they are reviewed and examined further in Chapter 4.

Over the years, the Global Entrepreneurship Monitor (GEM) (published regularly but see Levie *et al.*, 2003 for an example of analysis) has provided further underpinning to the promotion of entrepreneurial activity by 'excluded' groups. As the business development landscape has evolved, so specific groups have been offered dedicated advice and assistance in establishing new firms. Often immigrant populations and non-white migrants into the UK and Europe are significantly more likely to behave entrepreneurially than other groups.

In a globalized and highly competitive world economy, we have seen the continuing dominance of national and international markets by transnational and multinational enterprises – furthered by the rise of common, single markets (such as the European Union and NAFTA, the North America Free Trade Agreement) and world trade agreements. However, as discussed earlier, some key smaller economies, including the Nordic countries and Singapore, have led the way in developing their economies through 'smart specialization', innovation and enterprise. Chapter 3 introduces the relationship between creativity and economic development, therefore, and recounts this in the context of the increasing recognition of the role and importance of creative activities. Increasingly over the last quarter of a century these concepts of creativity and innovation have been acknowledged in the fields of business and management and in the high level objectives of nations and the EU, as they recognize the need to gain forms of competitiveness. Just thinking of many of the changes in life across the world since 1990, particularly regarding developments in ITC in everyday and household activities, it is then apparent that many of these were introduced to the world by small companies – Nokia, Apple, Microsoft, Google, Amazon. The drivers, forms and entrepreneurship models underpinning these enterprises are considered in Chapter 3, with an exploration of how governments and agencies countries have come to accept that new markets and market growth are often only to be attained through creative and innovative solutions.

The creation and application of knowledge is core to many of these developments and, given that R&D and exploitation is so expensive in many sectors that it creates both barriers to entry and oligopoly powers, for new firms and SMEs to compete requires a high degree of enterprise and entrepreneurship. Studies into these and their relationships with growth have become increasingly important for economic development. To fully appreciate the role of creativity and innovation, it is necessary to understand the nature of entrepreneurship and, specifically, the creativity required to identify and exploit opportunities, and to acquire the necessary resources.

Chapter 3 provides an overview of these theories and issues and develops the discussion of who entrepreneurial individuals are, and what they do. The significance of dynamic processes is underlined with special attention given to theories of opportunity recognition. That leads onto examination of what entrepreneurs and innovators do, why they do it, where they do it, when they do it and of course how.

As noted in the text box on the relatively low enterprise birth rate in Scotland, research suggested that particular groups are less likely to start up a new business and so a better understanding of why this is the case and what barriers may be in their way should be useful in improving the rate of new firm formation overall. Studies from across the world, in both developing and developed countries, reveal that which groups suffer such exclusion and why can vary due to institutional, cultural, social, economic and other reasons. To explore and understand these, Chapter 4 considers diversity in terms of individuals of varied race, culture, gender, ethnicity, sexual orientation, social background, age, disability, political beliefs and other traits. Under the assumptions of neoclassical economic theories, free market systems should not tolerate or be hindered by discrimination or other impediments to individuals establishing and exploiting their own businesses. Extending this, diversity within the global population should be reflected in different propensities to undertake entrepreneurial activity as different preferences are revealed. However, within limits, entrepreneurship is relatively homogenous, but below aggregated data research has shown that diversity affects entrepreneurship (Audretsch *et al.*, 2008). Therefore, understanding diversity itself should allow a better appreciation of the motivations and challenges affecting entrepreneurs as a whole and within their diverse communities.

Given the usual groups in society recording lower rates of business start-up, this chapter examines the importance of diversity in entrepreneurship by focusing on women entrepreneurs, ethnic minority entrepreneurs, other minority entrepreneurs (including student and graduate entrepreneurs, lesbian, gay, bisexual and transgender (LGBT) entrepreneurs, older or grey entrepreneurs,

and disabled entrepreneurs). As experienced in Scotland, this discussion leads onto a consideration of the implications for governments of all levels and government policies.

In terms of strategies and policies for entrepreneurship and enterprise (see Chapter 11), these analyses in different environments and landscapes should inform developments for change. Identifying and breaking down barriers to potential entrepreneurs in starting up and growing their businesses should be to the advantage of the individual and to the economy as a whole. Therefore, this chapter has an important role to play by increasing understanding of diversity, and this promises to be of value not only to entrepreneurs, who may face barriers to establishing and growing their own enterprise, but also to educators, researchers and policymakers.

In the restructuring of old industrial economies in the 1980s, away from a dependence on large branch plants of nationalized and multinational companies and towards indigenous enterprises, there were periods of very high unemployment and poverty. To fill the gaps created by these changes and the reliance on an endogenous economy that was slow in being established, many disadvantaged communities turned to new forms of business: social enterprises. Variously described as not-for-profit, social economy, third sector, voluntary sector, community enterprises etc., these have become an important if not critical employer and player in many neighbourhood, local and regional economies, and the role of their leaders and managers therefore needs to be considered. Chapter 5 introduces and explores social entrepreneurship, focusing on the similarities and differences between social entrepreneurship and such commercial activities as corporate social responsibility (CSR). Definitional issues abound in this sector so that some of the challenges facing academics and practitioners alike when attempting to define social enterprises and social entrepreneurs are examined.

In the same way that entrepreneurship can be considered as a practice, a process and a concept, so this chapter considers these in the context of social entrepreneurship. As social entrepreneurship is taken to describe the pursuit of an opportunity to deliver social value, so the term is considered within the wider genus of entrepreneur. The similarities between them are discussed from the vantage of their respective definitions. Comparisons of the parallels between the notion of the 'entrepreneurial firm', with its emphasis on being opportunity- and growth-focused and sustainable, and the distinguishing characteristic of social entrepreneurship as a social change agent, and ultimately as a creator of social value, are presented to set the scene for more detailed and expansive discussion of this form of entrepreneur.

Another case of the extension of the concept of 'entrepreneurship' from the individual person is found with corporations. As Chapter 6 argues, corporations of every size cannot be static, but must continually adapt and redefine themselves as they face competition from rivals and new players in the development and enhancement of new products, services, processes and technologies. In the long term, the barriers to entry that protect oligopolies and other large corporations break down, so that they need to be entrepreneurial to remain competitive. This chapter therefore establishes an understanding of corporate entrepreneurship and the approaches corporations can use as pathways to becoming sustainable and successful organizations. Corporate entrepreneurial actions are identified and evaluated in terms of their capacity to offer the path to sustainable competitive advantage and success in organizations of all types and sizes. The analysis suggests that time and investment are required in these processes, and the commitment to continual reinforcement by managers is vital to integrate the corporate entrepreneurial spirit into the mission, goals, strategies, structure, processes and values of the organization. In the exploration of corporate entrepreneurship, crucial terms and factors identified elsewhere in this collection are revealed: flexibility, speed, innovation and entrepreneurial leadership. A corporate entrepreneurial orientation is seen as an essential driver in the sustainability, growth and development of the firm, making the consideration of the crossovers between entrepreneurship and corporate leadership important in industry- and economy-wide studies.

A particular and very traditional form of enterprise, and so context for entrepreneurship, is the family firm. As Chapter 7 argues, these can be difficult to define and categorize, as they are active in many sectors and environments and take many forms. Nevertheless, common patterns and characteristics of working can be traced amongst family-owned firms and to do this effectively requires an understanding of these unique characteristics and how they develop. Research and experience reveals that, alongside all the usual traits and characteristics, these include the influence of family relationships, company culture and succession planning.

Inter-personal relationships within these firms means they tend to have enhanced and different levels and forms of communications than the norm, with naturally high levels of trust because of close family ties. However, the counter to these positive dimensions of social capital can be nepotism, with the exclusion of non-family members who have greater experience and qualifications for company positions taken by close relatives. Company culture can be different and nurtured over several generations in family firms, leading to better team building and working than in other forms of enterprise. Specific to the particular milieu of the family business, this often leads to the development

of superior teamwork, a common vision and greater resilience than non-family businesses. The reasons and impacts of this are examined with examples in this chapter.

However, problems of path dependency can create problems for family firms and this is often considered as an issue of succession planning. As with any enterprise there is a need for forward planning but in a family business this can be confused and conflicted with reluctance to make difficult decisions, a closeness between owners and managers – often across generations – and all this can lead to considerable relationship conflict. As with nepotism and internal culture, dissatisfaction and destructive competition within the firm can undermine its long term success and viability. This chapter discloses the remaining gaps in the comprehensive study of family businesses, which include the gender and ethnic minority dimensions, mirroring the concerns of Chapter 4.

In the early chapters, there is identification of the attributes and characteristics of entrepreneurs and of successful members of the species especially. One of the keys to success is suggested as leadership, and Chapter 8 concentrates on leadership styles and theories and, as with the other elements of this volume, it begins by defining leadership. In parallel with some other analyses here, it considers the intersection of entrepreneurship and leadership by incorporating entrepreneurial leadership specifically. The discussion reflects the different major styles in this field and then offers an approach that might answer the question ‘What type of leadership actions and behaviours are appropriate?’ with the phrase ‘It depends on the circumstances.’ There is often a tendency in the media and popular discourse around entrepreneurs and entrepreneurship to over-emphasise the leadership role and so to identify and privilege the ‘great man’; we just have to think of shows such as *The Apprentice*. The academic approach has applied theories, such as trait studies, followed by the behavioural school of thought, which assumes that leadership capability can be learned, rather than being inherent. To understand leadership in the entrepreneurship context, this led to the proposition that either ‘transactional leadership’ where leaders and followers are in some type of exchange relationship in order to get needs met, or ‘transformational leadership’, which serves to change the status quo by appealing to followers’ values and their sense of higher purpose, were the two options available.

Subsequently, entrepreneurial leadership has been favoured as representing those identifiable traits of entrepreneurial leaders, including being risk averse, proactive and innovative. Building on the discussions in Chapters 2 and 3, the entrepreneurial dimension of leaders focuses on innovativeness through the search for creative and meaningful solutions to operational problems and needs. Again picking up those earlier explorations, risk-taking is considered as

involving the willingness to commit resources to opportunities, while proactiveness is concerned with execution, and assisting to make actions materialize through appropriate means, which typically includes the efforts of others. In this way, the exercise of effective entrepreneurial leadership is seen as being fulfilled within an array of exciting activities and new creative developments.

For many start-ups and SMEs, satisficing behaviour is their main driver with no particular interest or ambition to grow. However, for other entrepreneurs and businesses, long term aspirations are to develop and grow, eventually internationally. To explore this growth-oriented enterprise, Chapter 9 looks at internationalization and globalization. Business development agencies often have policies and support programmes based on ideas of stages of growth with an expectation that some firms will seek to develop towards internationalization as a way to expand into new markets, achieve economies of scale and gain higher profits. In extremis, globalization allows not only the international expansion of multinational enterprises but also the evolving success of early internationalized firms or young international start-ups, which internationalized and succeeded in multiple foreign markets at birth or early in their operation. Limited resources, lack of knowledge, the need for appreciably higher working capital, and so forth are all obstacles to rapid or unproblematic growth into foreign markets. This chapter focuses on these early internationalizing firms and examines theories and examples of how successful firms excel with their performance in competitive global markets. As an entry into this discourse, and similar to the coverage of other forms of business and entrepreneurs, essential definitions underpin an understanding of globalization influences, the emergence of early internationalized firms or global start-ups. The theoretical foundations and motivations of international entrepreneurship are then used to introduce an examination of the characteristics and traits of an international entrepreneur. Finally, with examples from developing and developed economies, the chapter discusses what international entrepreneurial capabilities are required for starting an international venture.

As pointed out at the outset of this Introduction, regional and metropolitan economies with the highest rates of business start-up and entrepreneurship also have the highest levels of churn, and therefore of business failure (Ashcroft and Love, 1996). In considering the international research and the findings of the GEM surveys over the years, it is apparent also that attitudes to business failure and exit vary by culture and society. Even where the objective of a textbook, programme or agency is to start and run a successful business, it is important to understand why about 10 per cent of all firms in the US fail each year, according to the U.S. Small Business Administration, while in the UK the rate is similar, with 20 per cent failing in their first year and 30 per cent within the first three

years. Chapter 10 assesses the theories, causes and reasons for business exit and failure. It explores the meaning and importance of business failure followed by why firms fail and the effect this can have on the entrepreneur. Given the costs – financial, opportunity and psychic – to the entrepreneur and their family and associates, and to the public purse where state support is offered, it is a priority for potential and existing entrepreneurs and for governments that there is a good understanding of these challenges and drivers. By a better appreciation of the effectiveness of theories and policies to address failure, it should be possible to improve responses. The chapter also discusses how to avoid such failures and provides an insight into some famous failures.

In the chapters on the growing importance of entrepreneurship in creating income and employment, on driving and being driven by innovation, and in providing opportunities for productivity enhancement and income growth, it has been clear that market and other failures provide a rationale for government interventions. This has led to an interest in enterprise policy at all levels from community to EU. Enterprise policies are discussed and explored in Chapter 11. Strategies and policies are becoming ubiquitous in developed, developing and transitional economies, often with the aim of meeting economic and social challenges in difficult neighbourhoods, in highly competitive sectors and where there are other high barriers to entry. Local business development agencies through national organizations up to and with supra-national bodies such as the EU are involved in forming, implementing and delivering such support for new and existing entrepreneurs.

The chapter considers how acknowledging the importance of entrepreneurs and SMEs drives the attention and significance being paid to enterprise policy. To define, understand and review enterprise policy, it addresses such issues as the nature and form of enterprise policy, the economic rationale for undertaking it, its evolution into such a core element of economic strategy, and the main instruments of enterprise policy. Examples of effective and successful approaches are offered, as well as lessons for their transfer to other contexts.

The final chapter in this volume addresses the principles of ethical business practice and explores their application in greater depth within the broad environment of modern business management. This examination of business ethics is included as a way of considering business management decision making that is substantially different from other areas of business management and entrepreneurship theory. Consistent with the discussions on social enterprises, social entrepreneurship and corporate social responsibility in Chapter 5, the discourse here stretches our understanding away from asking about what a business should do in order to achieve a particular objective, but rather asks about what a business should do – what might constitute good behaviour. Again, mirroring

the discussions in Chapter 5, the discussions in Chapter 12 allow us to contrast the fundamental aims and modus operandi of social enterprises with the aim of private businesses generally which is to make profit. In pursuing this examination of what constitutes good behaviour within the framework of business ethics, it encourages an exploration of how good ethical practice contributes to commercial success.

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