
CHAPTER 1

Introduction

Sara Carter and Dylan Jones-Evans

1.1 Background

Attitudes towards entrepreneurship have changed considerably in the past 30 years. The days when an entrepreneur would be viewed as a 'deviant' individual on the margins of society are long gone. Today, people such as James Dyson, Richard Branson, Steve Jobs, Bill Gates and Mark Zuckerberg are world-renowned for their entrepreneurial prowess and revered as role models that many would wish to emulate.

In the same way that entrepreneurs have become an accepted part of everyday life, the influence of the small firm has also grown considerably. While this has been driven by various factors, such as the decline of large businesses, the development of an 'enterprise culture', market fragmentation and technological development, the increasing regard for small firms has been fuelled by a widespread recognition of their crucial economic and social roles. Indeed, new growing sectors, such as social media and networking, have been created and developed by new entrepreneurial businesses – Google, Facebook, Twitter and YouTube, for example – all of which have emerged in recent years to have profound effects on the ways we live and communicate.

Small firms are, perhaps, most valued for their contribution to employment creation. At a time when the global economy is struggling to recover from the worst recession since the 1920s, the role of small firms in creating jobs and wealth cannot be overestimated. While research shows that the ability of an individual small firm to create a large number of jobs is restricted to very few high-growth 'gazelles', the sheer number of smaller enterprises ensures their collective contribution to employment generation is substantial. For example, in the European Union, large firms have experienced employment losses in nearly every member state, while employment by small firms has grown considerably. In addition to creating employment, small firms also play a variety of other roles. While the economies of scale in production and distribution enable large firms to make a significant contribution to the economy, many of them could not survive without the existence of small companies, which sell most of the products made by large manufacturers direct as well as providing them with many of the services and supplies they require to run a competitive business. Small firms have also introduced many products and services to the consumer, especially in specialised markets that are too small for larger companies to consider worthwhile. Finally, small

businesses provide an outlet for entrepreneurial individuals, many of whom would have found it almost impossible to work for a large organisation. Therefore, an understanding of both the entrepreneur and the business they lead is of vital importance to those creating the policies that will reinvigorate the world economy. In that respect, we hope this book can make a contribution to the process.

1.2 The purpose of this book

The increased importance of entrepreneurship and the small firm sector has led to considerable growth in interest in entrepreneurs and the companies they establish and grow. As Chapter 2 explains, the study of entrepreneurship originated in the work of eighteenth-century economists such as Richard Cantillon, but the field has grown considerably during the past 30 years to encompass disciplines as varied as sociology, psychology, management studies and organisational studies. Indeed, the chapters within this book draw on various approaches to explain broad issues relating to the enterprise environment, entrepreneurial processes and individuals, as well as small business management and growth. The field of entrepreneurship and small business studies has always been diverse, and this book is intended to both reflect this diversity and present an overview of each of the key themes relating to enterprise and small businesses.

Contemporary interest in entrepreneurship essentially dates from the 1970s and 1980s, when a number of critical events saw both a loss of confidence in large-scale industry and growing popular and governmental interest in small businesses. Even before this period, however, there had been research analysing the small firms sector from historical, geographical and socio-economic perspectives. What has changed in recent years is both the volume of research undertaken and its direct role in influencing national economic policy. Accompanying these changes has been a shift in emphasis away from a focus upon small firms and towards entrepreneurship, plus the emergence of entrepreneurship as a subject domain with its own distinctive approaches, paradigms and methodologies.

The domain of entrepreneurship may be one of the newest management subjects, but it is fast maturing. Scholars (Wiklund, Davidsson, Audretsch and Karlsson, 2011: 1) described the entrepreneurship domain as:

one of the most vital, dynamic, and relevant in management, economics, regional science, and other social sciences. The Entrepreneurship Division of the Academy of Management increased its membership by 230 per cent – more than any other established division – and with over 2,700 members, it now ranks among the largest in the Academy of Management. Entrepreneurship research has gained considerable prominence in leading disciplinary and mainstream management journals. As a case in point, the best-cited – by far – article of the decade in the *Academy of Management Review* was the agenda-setting (and debated) piece by Shane and Venkataraman (2000). At the same time, the number of dedicated entrepreneurship journals listed by the Social Science Citation Index increased from one to more than half a dozen, the leading among them achieving impact factors in the same range as highly respected management and social science journals. Most importantly, entrepreneurship research has become more theory driven and coalesced around a central core of themes, issues, methodologies, and debates.

While there have been significant developments in entrepreneurship research, there have been equally important developments with regard to the teaching of entrepreneurship, evidenced by the growing number of university-based entrepreneurship centres. Many of these centres have developed courses in entrepreneurship for undergraduate and postgraduate students, either as an integral element of business and management courses or as degrees in their own right. While the USA was an early leader in entrepreneurship education, business schools in Europe, Asia and Australasia have followed in developing courses in entrepreneurship and small business studies.

To explain the popularity of entrepreneurship education, one has to look at emerging and future graduate employment trends. University graduates are more likely than ever to start their own businesses and work within small- and medium-sized enterprises (SMEs). The current economic conditions will lead increasing numbers of people towards self-employment and business start-up. Even graduates whose first career step is within the corporate sector are increasingly expected to work in project-based corporate venture teams. For new graduates entering the labour market, enterprising skills are essential for career success. Unlike their parents' generation, new graduates are likely to experience a portfolio-based working life, working for several employers combined with periods of self-employment or freelance work. Today's graduate has to adopt a more self-reliant ethos, and this much looser connection with employers means that the option of starting their own business through choice or necessity becomes much greater. Increasingly, universities want their graduates to start their business careers well-prepared and with a full understanding of what entrepreneurship entails.

While the rationale for teaching entrepreneurship at university level is strong, many people remain unconvinced that entrepreneurship can be taught. Entrepreneurship is still popularly viewed as an innate talent and entrepreneurs are seen as being different from the rest of us – born with a gift for it. In fact, entrepreneurship is not the only new subject where its 'teachability' has been questioned. Neither is it unusual for new subjects to be viewed more as an individual's innate gift or talent than a discrete set of knowledge and skills that can be deconstructed into component elements and communicated within the classroom. Each time a new subject domain has been introduced to the university curriculum, the same 'teachability' question has been posed. Some 50 years ago, the new subject introduced into the management curriculum was marketing and the same question was debated at great length. Around 50 years before that, the new subject being debated was psychology and, a century before then, the new subject was medicine. It is worth remembering that, in pre-industrial societies, medicine was regarded as the domain of individuals with an innate gift for healing. Just as we no longer question the legitimacy and professionalisation of these well-established subjects, we no longer question whether or not they can be taught.

The analogy with marketing is especially useful for understanding how entrepreneurship has developed as a subject domain and is emerging as a core element of management education. It was commonly believed 50 years ago that marketing could not be taught. Marketing was regarded merely as an individual's ability to sell and this was seen as an innate skill – confined to those born with the 'gift of the gab'. Nowadays, marketing courses exist in almost every university and college, and there is widespread and unquestioned appreciation of marketing as an essential and multi-dimensional business skill required within all organisations. We no longer question

that marketing and selling can be taught – these subjects have been central to the management education curriculum for decades. Over time, this will also be the case for entrepreneurship.

Entrepreneurship education focuses on the new venture creation process and its constituent elements:

- opportunity identification
- resource acquisition and mobilisation
- new venture start-up
- subsequent business growth.

Of course, some of this may be learned ‘on the job’, but trial and error is time-consuming, expensive and produces poor results.

University entrepreneurship courses tend to use a range of teaching and learning methods to teach entrepreneurship. Formal lectures are complemented by interactive activities, class discussions, tutorials, case studies and interaction with entrepreneurs in the classroom and through field interviews, team exercises, workshops and student placements in high-growth entrepreneurial ventures. This book is designed to accompany such courses by providing students with an overview of the entire subject domain, its history and development and current research debates.

This book addresses the need for a single reference point for the growing number of students undertaking courses in small business and entrepreneurial studies. In determining the themes to be included in this book, guidance was taken from the syllabi of several university and college courses. Many of the initial small business courses taught in universities were designed to encourage and enable students to actually start an enterprise, but courses are now designed to provide a more comprehensive insight into the entrepreneurship process. This reflects both the broad policy imperative to encourage students to start in business for themselves and the future careers of graduates, who are increasingly likely to be employed within the small business sector or in occupations that directly or indirectly support the sector.

As each of the contributions in this volume demonstrates, research undertaken over the past 30 years has led to substantial theoretical and methodological advances. The field is far from exhausted, however. Each chapter within this volume demonstrates the extent – and also the incompleteness – of our understanding of many issues surrounding entrepreneurship and new firms.

This book contains 23 chapters from 38 contributors. Each contributing author was asked to present an overview of a specific body of work and explain how the field had developed over time. Even in such a large volume as this, not all issues can be explained in the depth that may be required. However, we believe that each chapter amply fulfils the criteria of providing a strong starting point for students. One of the advantages of an edited collection of work is the ability to draw on acknowledged subject experts to provide specialised accounts of their specific research areas.

We would like to thank each contributor for not only their chapter contributions but also giving their time and enthusiasm so freely. This book represents a substantial body of knowledge that we hope will provide an excellent reference point for students, researchers and teachers alike.

1.3 Structure of this book

The book is divided into four parts that essentially reflect the four areas that concern the small firm today.

Part 1 introduces the subject of entrepreneurship, the history of entrepreneurship theory and the environment surrounding small business ownership. Part 2 explores the entrepreneurial process. Perhaps the most significant research developments in more recent years have focused on understanding the process entrepreneurs go through, from the very inception of an idea onwards, while a growing body of knowledge is emerging that tries to uncover the experience and consequences of business failure. Part 3 examines some of the main ‘types’ of individuals who start and subsequently manage ventures. Finally, Part 4 of the book examines the various management functions and activities of new and growing firms. As you will see when reading the various chapters, there are often no distinct boundaries between the issues discussed within the various chapters and, where possible, we have linked the relevant sections to other chapters within the book.

As mentioned, Part 1 introduces the subject of entrepreneurship, beginning with Chapter 2, which presents and explains the development of entrepreneurship theory over time, focusing on the way in which the definition of entrepreneurship has varied for different theories and thinkers. Building on this, Chapter 3 examines the role of entrepreneurship in stimulating economic development and growth, at national, regional and local levels. Chapter 4 then examines, in detail, the role of government in supporting and influencing entrepreneurs and the small firm sector. The final chapter in this section looks at the ‘real world of the entrepreneur’, focusing on the influence of context and the external environment on entrepreneurial behaviour.

Part 2 focuses on the process of entrepreneurship within the small firm. One of the defining characteristics of entrepreneurs is their ability to recognise and develop opportunities. This theme is examined in Per Davidsson’s Chapter 6, which introduces the entrepreneurial process and, more specifically, by Dimo Dimov in Chapter 7 in his account of entrepreneurial opportunities. The next two chapters look specifically at influences upon the entrepreneur. Chapter 8 presents an introduction to effectuation – one of the most compelling developments in our understanding of the entrepreneurial process – by exploring the key elements of entrepreneurial expertise with a view to identifying, understanding and evaluating particular decisions, actions, strategies and mechanisms. Chapter 9, by Frédéric Delmar and Frédéric C. Witte, explores the various approaches to the psychology of the entrepreneur. Part 2 is concluded by a discussion in Chapter 10 of an issue that is rarely found in textbooks on small businesses – namely, entrepreneurial failure.

Part 3 contains seven chapters, each examining a distinctive type of entrepreneur. The first three chapters in this section explore the influence of ethnicity, gender and family on the experience of entrepreneurship. These are followed by chapters exploring habitual, technical, social and community entrepreneurship – each group demonstrating specific characteristics and influences that differentiate them from other types of owner-managers.

Part 4 focuses on the specific management functions within small businesses. Mainstream management subjects such as strategy, HRM, finance and marketing are

discussed from the specific viewpoint of the small firm and its stakeholders, alongside key areas such as growth, networking and internationalisation – all of which are critical to the development of such businesses.

At the end of each chapter, there is a series of questions designed to provoke classroom-based discussion and reinforce your understanding of the main points, plus links to relevant websites.