

ISSUES IN ENTERPRISE DEVELOPMENT: BUSINESS OWNERS PERCEPTIONS AND EXPERIENCES

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In recent years, most industrialised countries have suffered from economic recessions, high unemployment rates and fluctuations in international trade cycles, to a degree not experienced since World War II. This situation, has tended to increase the attention paid by policy-makers and political decision-makers to the potential role of innovators in helping to overcome present problems and social needs. Particularly, interest is being focused more often on the role small business can play in this process, both because of its ability to adapt flexibly to a changing environment, and because its structure allows it to adjust itself to technical change at a rate fast enough for survival. Several countries, such as the USA, Canada, Sweden, the Netherlands, the Federal Republic of Germany, the United Kingdom, and Ireland, have recognised this and are preparing new policy measures to support small firms. It is acknowledged that specific efforts are also being directed to promoting innovative activities and to improving innovation capabilities. Entrepreneurship is in vogue. It has become fashionable for policy-makers and politicians worldwide to look to the innovativeness and job creation potential of small business as a possible solution to rising unemployment rates and as a recipe for economic prosperity. It is of course acknowledged that in present circumstances, the development of native enterprise alone cannot solve these problems.

This article is based on a study of the entrepreneurial process.¹ On the basis of a series of in depth interviews it explores the reasons why people start their own business. The study describes and analyses business owners' experience of the route to business formation in terms of the importance and interaction of three main areas in the decision to initiate a new enterprise:

- Factors conducive to setting up a business: traits, social background, knowledge and experience, skills, lifestyle and personal fitness, social climate for entrepreneurship;
- Factors which act as catalysts to setting up business: life situation, opportunity, initial encouragement, economic climate;

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- Factors which relate specifically to the business venture: sources and evaluation of business idea, sources of support, financial, technical and socio-psychological.

The study is the first stage of a research programme whose main focus is the understanding of enterprise development and innovation in Ireland as well as contributing to the programme on Education for Innovation and Entrepreneurship.² This article will briefly outline some of the issues raised in this study. It is written as a contribution to the debate about small business and the role of enterprise development within Irish industrial policy. Although the in-depth interviews in this study were conducted with a small number of people they illustrate some of the essential issues surrounding the formation and growth of small business within the manufacturing and ancillary service area.

While discussion of economic development acknowledges that economic growth depends on complex interrelated factors, emphasis has increasingly shifted to the key role of those decision-making innovators, entrepreneurs. The need to modify the economic and social environment to create a climate for enterprise development is a concern of Irish government, government agencies, industrialists and business persons. However, the need for more information about entrepreneurs in Irish society is central to this development. An important element in programmes of national and regional development is the identification, selection and training of entrepreneurs. The mere existence and availability of economic resources is not by itself an automatic guarantee of growth. Rather, the ability to use and convert these resources into viable enterprises is seen as a key factor in economic growth. It is important therefore that planners, educationalists, career guidance teachers, and development agencies increase their knowledge of the process of venture initiation. Such knowledge enhances the ability to identify potential entrepreneurs and facilitates the development of educational programmes to foster entrepreneurial attitudes and behaviour in children and adults.

This type of information also serves a purpose for entrepreneurs themselves. It is intended to act as an introduction to the problems and techniques of new venture creation. It is hoped that awareness will generate greater confidence on the part of those who are contemplating going into business for themselves. The provision of profiles and case histories of venture initiation can help to relieve the sense of isolation inherent in starting and running a new enterprise. Simply knowing that others are facing the same problems can help people through the initiation phase. Additionally, the solution or otherwise of these problems can

give existing and potential entrepreneurs insight into facing and solving their own problems.

Research Methodology

The study was conducted in two stages. The preliminary research consisted of a series of interviews and group discussions with all the relevant development agencies and technical and financial institutions available to entrepreneurs, entrepreneurs, internal innovators and the spouses of entrepreneurs, and individuals who were thinking of setting up a business. The main objectives here were (i) to approach all the agencies that deal with business people in order to explore the sources of advice, information and assistance currently available to business people and (ii) to explore how business owners themselves felt about the perspective on entrepreneurship that was to guide our interviews and to see how it related to their own experience of business formation. These interviews helped to structure the content of the in-depth interviews to be undertaken in the main study.

The main study consisted of a series of in-depth structured interviews with thirty-five men and one woman from twenty-eight companies. To explore the process of business formation, business owners were divided into three groups representing:

- (i) Entrepreneurs who had availed of the IDA's *Enterprise Development Programme*. This group is referred to throughout the text as the *EDP* Group.
- (ii) Entrepreneurs who had availed of the *Small Industries Programme* of the IDA and SFADCo. Included in this group is one entrepreneur from the *International Service Programme*. This group is referred to throughout the text as the *SIP* group.
- (iii) Entrepreneurs who had set up ventures without any state granted aid. This group is referred to as the self-assisted (*SA*) group.

Tables 1 and 2 outline details of the type of entrepreneurs studied and the kind of business they set up. People are called entrepreneurs in a rather loose fashion and just what is meant frequently depends on the field of endeavour. For the purposes of this study, all business owners were first time entrepreneurs and their selection was guided by the following criteria:

- Length of time in business: minimum of one year to maximum of five years.
- Sector: manufacturing industry; services traditionally ancillary to manufacturing industry, technical services.
- Number of promoters in venture: sole promoter, partnership of two or more or joint venture.³

Table 1: *Business Projects Studied*

Group	Venture Structure	Interviewed	Not available	Refusal
Enterprise Development (EDP)	Sole Promoter	3	—	1
	Partnership	7	1	—
	Joint Venture	1	—	—
Small Industries (SIP)	Sole Promoter	5	1	—
	Partnership	6	—	—
	Joint Venture	—	—	—
International Service	Sole Promoter	1	—	—
Self-Assisted (SA)	Sole Promoter	2	—	—
	Partnerships	3	—	—
	Joint Venture	—	—	—

Table 2: *Business Owners/Type of Projects*

Group	Type of Project
Enterprise Development (EDP)	electronics/instrumentation engineering, food processing miscellaneous sectors
Small Industries (SIP)	engineering, textiles, electronics, food processing, timber products and agri-chemical services
International Service	industrial design area
Self-Assisted (SA)	engineering, electronics, chemical and geo-chemical areas

A simple random sample of *Enterprise Development* and *Small Industries Programme* projects was taken. In the case of the self-assisted entrepreneurs their names were acquired from a variety of sources including group discussions, references from other entrepreneurs and business publications.⁴

Main Issues and Findings

Although many publications refer to the entrepreneur as if there were only one type, the results of the study show that different types of business owners can be identified in the Irish context on the basis of (i) reasons for starting a new business and their attitude to work, and (ii) attitudes to growth and development of their business.

Reasons for Starting a New Business and Attitudes to Work: Three Types of Entrepreneurs Identified

Three types of entrepreneurs were identified on the basis of their reasons for setting up a new enterprise and their orientation to work: these were the Master Venturer, the Careerist Venturer and the Exploitative Venturer.

Master Venturer: This type of venturer has an intrinsic interest in the quality of the product, process, service or area of expertise. This is their strongest motivation coupled with a desire for independence, control and autonomy in the work situation. For this group, entrepreneurship

represents a career departure which allows for the realisation of these objectives. While this category of venturer was most often found in the SIP group, it also occurred among EDP promoters, typically among those partners with primary responsibility for venture initiation.

Careerist Venturer: This type of entrepreneur perceives entrepreneurship as a logical progression from an existing career position. Instead of regarding it as a completely new departure, entry to entrepreneurship is viewed as a further step in the chosen career path. Typically, this type of venturer has experienced continued career success and feels confident in his or her ability to meet the new challenge. Venturers in this category were exclusively drawn from the EDP group and most commonly were secondary partners in the venture. For them the Enterprise Development Programme presents a valuable mode of transition to entrepreneurship which did not exist in Irish society heretofore. The existence of this programme demonstrates how the state can engineer the supply of business owners by providing the necessary structure and support to facilitate enterprise development. In addition, it confers respectability on the entrepreneurial initiative and provides an orthodox entry channel and structure for new enterprise.

Exploitative Venturer: The main distinguishing criterion of this entrepreneurial type is the opportunistic motivation displayed. This venturer manipulates opportunities, people and events to the full. An extrinsic orientation to work is also typical, with financial gain as a strong motivating force. These venturers were found mainly in the SA group but a few instances among the EDP and SIP group also conformed to this pattern.

This typology can be of value to those involved in the identification and assessment of potential entrepreneurs by providing a sharper focus for selecting potential entrepreneurs on the basis of their motivation and providing guidelines for identifying target populations. A second advantage of this typology is that it may serve to alert the relevant agencies to the varied needs of potential entrepreneurs at the different phases in the assessment and initiation stage of a new venture. It also has implications for the expansion of small business on the basis of the owners' attitudes to the growth and development of their business.

In general all business owners exhibited an individualistic orientation to work in that they tended to set their own standards and, inevitably, found it difficult to conform to the dictates of employers. They initiated their own ventures in order to control the balance of the intrinsic and extrinsic demands of work which is typically denied them in employment situations. This characteristic was more likely to be found among sole pro-

moters but it was found to be dominant in all three groups of business owners studied.

Attitudes to Growth and Development: Three Types of Entrepreneurs Identified

Growth orientations of business owners differ and three entrepreneurial types may be identified on the basis of the growth orientations found: these were the Survival Venturer, the Limited Growth Venturer and the Growth Venturer.

Survival Venturer: This type of venturer's primary objective is to be successfully self-employed rather than to build a business. This orientation was found in the SIP group.

Limited Growth Venturer: Here the promoter sets pre-defined limits to growth so that control of the venture is retained by him. However, he is not averse to growth and diversification within these set limits. The prevalence of this orientation is significant among all groups — SIP, EDP and SA.

Growth Venturer: These types of venturers are responsive to all opportunities for the successful growth of their business. The prevalence of this orientation was not as significant as might have been anticipated, particularly in the case of the EDP group. The study shows that growth orientation changes over time, therefore possibilities for intervention are apparent. Awareness of this variation in growth orientation could usefully inform entrepreneurial promotion and development policies.

The establishment and provision of a network of after-care services for business, paid for by business owners themselves, constitutes one means of directing the growth orientation of a new venture. The needs of business owners vary and are related to the different stages of setting-up and running a business. After-care provision could be structured by development agencies and the private sector around these different stages: Post-grant Approval, Start-up and Consolidation and Growth and Development.

Each stage or phase presents particular problems which could be reduced by formal after-care inputs from people possessing those skills demanded by the entrepreneurial situation and which are still being developed or acquired by the new venturer. It is essential that the business owners themselves take the initiative in using these services. The dangers of fostering a dependency on state services must be addressed as this intervention strategy could stifle initiative if structured incorrectly. Entrepreneurs need to be encouraged to identify their own particular needs and to address the issues by tapping into the resources themselves. The state's role here is to facilitate and enable this to happen. An assessment of the growth potential of firms established for eighteen months, for ex-

ample, may require the re-development of their business plan to maximise their potential. The expertise needed to do this is available in the community. As the business grows, the study shows that the needs of both the business and the business owner and his or her family change. An after-care system or network of services integrating technical, marketing, administrative, management, legal and research and development activities would be a useful resource which the entrepreneur could tap as the need arose. This resource needs to be accessible and geared to the needs of the business person. The study also highlights that the existence of a service does not necessarily mean that it is delivered to the people who need it. Therefore, considerable attention needs to be given to the delivery of such a service to the people who need and want to use it.

This need is recognised in the after-care services provided to EDP promoters following grant approval. The extension of this provision to include the services of external financial consultants as an integral part of after-care in the EDP programme is a welcome development as financial control can be a serious problem after start-up. However, it is suggested that after-care provision could beneficially be extended further to incorporate the growth and development phase of EDP ventures. Consideration of a similar after-care initiative for the SIP programme would be worthwhile. Recent initiatives by the IDA, SFADCo and AnCO in this regard are to be welcomed.

Assumptions Challenged

Many of the popular assumptions about entrepreneurs are questioned by the findings of the study. Firstly, the perception of the entrepreneur as being solely motivated by monetary considerations is seen to be inaccurate in view of their major concern with the provision of a good product, service or process. While money is a very important factor, it is used as a tool to achieve aims and a means of keeping score. Additionally, the finding that among the entrepreneurs interviewed in this study many feel a personal obligation to their customers and employees, as well as a social responsibility to national development, negates the traditional image of the entrepreneur as a selfish opportunist. Thirdly, the social and familial characteristics of the entrepreneurs interviewed differ from those popularly ascribed to them. For example, the majority of entrepreneurs studied are drawn from middle class rather than working class backgrounds; there is little evidence of broken homes or disrupted family lives and their educational level is higher than the norm. It is also important to stress that the expertise of entrepreneurs more often lies in the management and organisational, rather than in specialised technical areas.

In interviews with business owners the same central qualities were repeatedly emphasised in the characteristics of the business person,

despite the small number interviewed. This enables us to present a profile of the people interviewed, who had successfully established their own business. While a specific personality type proved an elusive goal, the study indicates that for potential business people the probabilities of success may be expected to be proportional to the extent to which they possess characteristics which appear to be common to people who have started and successfully run a new business. The study shows that if characteristics are missing, or perhaps are less evident, they can be, and are, offset by careful selection of partners and associates.

Advantages of Partnerships

Partnership arrangements highlighted the importance of complementary skills, shared responsibilities and complementary personality profiles. Attention needs to be given to these three elements by promoters themselves as well as by the promotional and development agencies.

Setting up a Business is a Complex Process

The study underlines the importance of social, economic and psychological factors involved in setting up a new venture. While economic factors are of major importance in business formation, the subtle but pervasive influence of social and psychological factors is highlighted. The importance of paying these factors serious and direct attention in efforts to promote entrepreneurship is emphasised. The setting up of a business is a gradual development measured over years. The educational system has a major role to play in presenting entrepreneurship as a possible career option and in creating an orientation to learning which is not specifically exam-centred but views learning as a life-long process. This has major implications for curriculum development at both primary, secondary and third level institutions. The role of the state in enterprise development and in the creation of a social climate favourable to entrepreneurship was clearly shown by the results of the study. In particular, the Enterprise Development Programme of the IDA provided a transition to entrepreneurship for established managers in business who came to view the setting up of a new business as another career option. This illustrates clearly that specific programmes aimed at a well-defined group can increase both the demand for and supply of entrepreneurial activity.

Role of Spouse and Family: Critical Ingredient

The experience of business people interviewed suggests that the support given by those near to them can be critical. The results of the study illustrate the role of the family, in particular the wife, in enterprise development. The nature of the marital relationship and the role of the wife is crucial to any understanding of the formation and growth of business enterprise. This type of support tends to be taken for granted by

the financial and development agencies who are involved with first-time business people. It was found that socio-psychological support was in many cases an essential ingredient in venture initiation. Consideration should be given to involving spouses in the evaluation of projects and individuals by both the development agencies and financial institutions. Socio-psychological support is also related to the future growth and development of enterprises. Since the growth orientations of entrepreneurs may be influenced by spouses,⁵ it may be worthwhile involving them in planned intervention at this phase.

Stress

The lifestyle and coping skills of entrepreneurs, particularly in relation to the management of stress and the conflicting demands of work and personal life need to be addressed by the venturers themselves. Serious consideration needs to be given to these dimensions and their long-term effect on the viability of their enterprises and to the implications for the individual business person and his family on a more personal level.

Phases of Enterprise Development

The study highlights the importance and complexity of each phase of venture initiation. The results indicate that the formulation and development of a venture idea is not a straightforward process. Considerable skills are displayed at an early stage. It is also clear that for most venturers the search for venture ideas is a deliberate undertaking requiring considerable time and effort. The importance of providing services at this stage to facilitate enterprise development is strongly indicated. Finally, aid for research and development endeavours on a phased basis was perceived by promoters as vital. Extension of the Entrepreneurial Intern Scheme⁶ may be considered a useful development.

Technical and Financial Services: Access and Delivery

Access to and delivery of the support services offered to potential business owners were perceived to be major issues by the promoters. Lack of promoter information emerges as a critical issue with widespread ramifications. Thus, although adequate provision exists as laid out in Appendix 1, many promoters were not in a position to avail of the services supporting entrepreneurship for two main reasons: they were unclear about the type of services provided by support agencies, particularly those concerned with technical and financial support. In addition, there was ambiguity in inter-relationships between agencies, in that they were unsure how agencies related to them and to one another. The results suggest that business owners felt the need to be able to link into information networks on demand. They clearly felt a lack of accessible and acceptably presented information. The effective provision of a client oriented information in-

frasturcture needs to be addressed by all agencies dealing with potential business owners.

There was a clear lack of awareness of the sources of finance available and the type of finance provided by different financial institutions and agencies. Promoters often left sources of financial support untapped and unused.

Role of Financial Institutions

The business owners studied had very low expectations of what the Associated Banks would do to help them set up a new venture. All promoters were clear about the type of problems that would be encountered when negotiating finance with the Associated Banks, so that while problems were encountered, the business person expected them. Business owners, on the other hand, had very high expectations of what the ICC would do to help them set up a new business. The special facilities it offered were commended and appreciated. Promoters expectations were centred around procedures and criteria for securing funding. These expectations were unrealistic and in most cases unrealisable. The role of the ICC in venture initiation requires clarification for promoters. The perception of the ICC, by those business owners who used it, as a bureaucratic organisation subject to considerable delays in processing requests for funding needs to be addressed. Consideration needs to be given to these experiences and mechanisms explored that might ameliorate the situation. The role of the Associated Banks and the ICC in setting up new ventures needs to be clearly defined. The results suggest that mechanisms for interaction at local and regional levels with the development agencies should be considered.

Venture Capital

The issue of venture capital needs to be clarified and a standard definition and approach utilised. Business owners interviewed were very reluctant to seek venture capital mainly because they are averse to ceding equity shares in their business. The establishment of a Venture Capital Trust Fund⁷ is to be welcomed, but similar problems may arise if the criteria on which it operates are not realistic and clearly specified so that promoters know what to expect.

Entitlements not Understood

Difficulty in understanding the application of the various entrepreneurial schemes and entitlements was widespread. Efforts to simplify the criteria of entitlement would be beneficial.

Marketing Services Needed

The need for marketing services on the domestic level was perceived by business owners as a critical issue. Promoters generally felt that this ser-

vice should be provided by the state. Consideration needs to be given to the most effective provision of this type of support. However, business concerns should be encouraged to explore market opportunities themselves through the existing marketing services in the public and private sectors.

Grants and Loans

Mechanisms to facilitate the administration of grants and loans need to be streamlined by both development agencies and the banks.

Project Evaluation

Evaluation of projects is another area that promoters found problematic. The particular difficulties experienced here refer mainly to the criteria of evaluation. While individual project executives were highly commended, promoters were found to be unsure of the basis on which their ventures were evaluated. They thus came to depend on the project executive staff to negotiate the process for them. The creation of such a dependent relationship may have repercussions in that it may act to frustrate the entrepreneur's need for control and autonomy and, it may leave the potential business owner with unrealistic expectations of what others, particularly development agencies' staff, can do for him and make him or her unduly dependent on these agencies thus restricting entrepreneurial flair.

Business owners had high, and to some extent unrealistic, expectations of development agencies staff. It would be helpful to place more of the responsibility on the potential business person during all the stages in obtaining grant approval.

The Transition to Business Owner

The study also suggests that a double transition is required of the entrepreneur, particularly the EDP group. Not only is he required to initiate a venture but he must also become a business owner. Many promoters appear to be unprepared for this second transition. Overall, it is not generally recognised that the entrepreneurial process requires a wide range of skills including management, marketing, negotiation and production expertise. It is important to note that in many cases, these skills will have to be deliberately developed. Consideration could be given to the provision of a training package to first-time entrepreneurs to help them in this transition. Provision of case study material and video recordings of the experience of existing entrepreneurs could be a useful and personal illustration of the process. The introduction of a systematic interview outlining the factors involved from the economic, social and psychological points of view may be a useful exercise for both the entrepreneur and the development agencies.

The Link between Industry and Education

Meaningful links between individuals, business training agencies and educational and research institutions may be seen as a principal mechanism of interface through which technology can be translated into entrepreneurial activity. It is essential that links be established and maintained between third-level institutions and the industrial community. Technological or Science Parks on campus grounds can provide facilities for product development and manufacture in close proximity to high technology sources. A Technological Park can be seen as a site for the development of modern industries and can contribute to the development of an entrepreneur-orientated high-technology infrastructure. This is currently underway in Plassey Technological Park, National Institute for Higher Education, Limerick. Similar developments are underway in University College Galway and Sligo Regional Technical College. The number of Innovation Centres in the USA has increased in the last few years and a number are also in operation in Europe and the U.K. Consideration needs to be given to the extension of the existing Innovation Centre in Plassey Technological Park through a network system or through the provision of local Enterprise Centres in other regions.

Social Climate can Foster Entrepreneurship

The study findings suggest the contribution of the social and economic climate in fostering entrepreneurship. That is, while entrepreneurs do appear to possess a number of common characteristics, whether a business will be established or not is contingent upon a wide variety of factors including educational and promotional activities, a supportive social and economic environment and the promoter's acquisition of a range of management, marketing and technical skills. The results suggest the benefits to be gained from incorporating a broader perspective on entrepreneurship in educational and promotional activities.

Conclusion

This article summarises the results of a study about people who set up their own business. By exploring the actual experiences of business owners, it provides insights into the essential issues surrounding the development of new enterprise. A knowledge of the practical experience of business owners represents an additional source of information for policy makers, potential entrepreneurs, educationalists, financial institutions and researchers.

NOTES

1. This study is based on O'Connor, Joyce and Lyons, Mary. *Enterprise: The Irish Approach* (Dublin: Industrial Development Authority), 1983. A more detailed account is available in O'Connor, Joyce and Lyons, Mary *Venture Initiation in Irish Society: A Pilot Study of the Entrepreneurial Process*. (Dublin: Industrial Development Authority), 1983.

2. The National Working Party of Deans of Science, Engineering and Commerce. *Education for Innovation and Entrepreneurship* National Board for Science and Technology, Dublin, 1982.
3. Joint venture: a venture founded by an Irish company together with an overseas company.
4. Throughout, promoters are referred to as follows
 - Enterprise Development Programme Promoters: EDP Group
 - Small Industries Programme Promoters: SIP Group
 - Self Assisted Promoters: SA Group
5. In this study all spouses were wives.
6. Entrepreneurial Intern Scheme of the Innovation Centre, Limerick offers financial assistance (including salary) and project development back-up services to progress an idea from the *idea stage* to *commercialisation* to:
 - a) a potential entrepreneur *with* a product idea which requires development
 - b) a potential entrepreneur *seeking* a product idea (in which case the Centre supplies a product idea which requires development).
7. Venture Capital Fund is to be launched by Allied Irish Investment Bank in 1983.