

ENTREPRENEURSHIP: THE ROLE OF THE INDIVIDUAL IN SMALL BUSINESS DEVELOPMENT

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While few scholars would claim nowadays that small businesses are the panacea for the economic ills of a country, there is sufficient evidence to suggest that a rising rate of new firm formation, together with efforts to improve the performance of existing firms, can add significantly to the employment base and economic efficiency of many countries. For example, Timmons (1989) argues that around 1.3 million new businesses were started in the USA in 1988 and that the great majority of the net new jobs brought into existence in the USA in the 1980s came from new and developing firms. In the United Kingdom Curran (1986) contends that, although the statistics on small business formation are far from satisfactory, there has been a significant increase in the number and scope of small business ventures since 1970.

In keeping with the increasing importance of SMEs (small and medium sized enterprises) research and conferences on entrepreneurship and small business have mushroomed over the past twenty years (Hagan et al 1989; Levitsky, 1990; Stanworth and Gray, 1991) and scholars from a variety of disciplines have been involved. Economists have examined the job generating potential of the SME sector (Storey and Johnson, 1986; Doyle and Gallagher, 1987), financial experts have assessed the need for, and the impact of, venture capital on the growth of small firms (Mason and Harrison, 1991), and sociologists have begun to examine inter-organisational networks (Johanson and Mattson, 1987; Szarka, 1990). Various units of analysis have been examined, including the individual, the organisation and the business context.

While recognising that social structures, economic factors and government policy have a major impact on new firm formation and development it is important not to underestimate the role of the individual in the process of business development. He or she relies heavily on the existence of a social and economic infrastructure and on the co-operation of many people but the individual is a crucial actor in the process of business formation and development. As Cross (1981) says, "before any other factors become important to the setting up of new companies, there must be a number of individuals with sufficient ambition and ability to establish a new firm."

If we are to understand fully the manner in which new firms emerge and develop it is important to understand the nature of the entrepreneurial process and the means by which individuals manage it.

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Entrepreneurial Choice

Before discussing in detail the key components of entrepreneurship, let us digress and explain why individuals might choose such a precarious career as entrepreneurship. It is important to explore this issue because business formation precedes development and because some of the factors, for example, motivation and ability, which are influential in bringing the individual to the decision to create a venture, are also relevant for its development and growth. In addition, by comparing entrepreneurial choice with general models of occupational choice, we discover that entrepreneurship is a unique career. As a starting point, let us turn briefly to some ideas on occupational choice. Why then, do people choose particular occupations?

First, chance factors can have an influence on the occupation people choose. It is often said that in getting a job it is important to be in the right place at the right time and coincidental happenings can be important in this respect. However, it is likely that these chance factors will merely act to modify the more fundamental factors raised below. Some writers argue that a person's basic values and beliefs will encourage him to choose an occupation that is in tune with those beliefs, (Duff and Cotgrove, 1981). For example a deeply religious person may well seek to become a member of the clergy. Trait and factor approaches are a useful approach to vocational choice (Super, 1953). Counselling psychologists sometimes help individuals to discover their basic personal traits and then inform them of the kind of attitudes and personal qualities that are necessary to perform successfully in certain jobs. They then help the person to choose an occupation where her traits match the requisite aptitudes. This is a practical approach but it may not be very precise because individuals often have a range of personal traits and could, therefore, work successfully at several jobs. Furthermore, many jobs can be performed quite successfully by people with different aptitudes. However, this approach is popular with vocational guidance personnel. Some theorists argue that people will seek jobs which allow them to fulfil their important needs, (Inkson, 1971). For example a person with a strong need for power could well seek a managerial job or a person with a strong desire for companionship might be keen to work in project teams. Self concept theory is another approach to vocational choice (Steffler, 1966). Many persons have a reasonably clear impression of the kind of individual they are and they sometimes seek jobs which, they believe, will be congruent with their image.

These and other factors are influential in determining the kind of occupation that people choose and a schema of entrepreneurial choice, adapted from the work of Blau et al (1956), is presented in Figure 1. Those items on the left hand side of the figure are felt to be important in bringing a person to the decision to choose entrepreneurship as a career:

FIGURE 1**Choosing Entrepreneurship – A Conceptual Schema for Entrepreneurial Entry**

Perceiving Individual

IMMEDIATE DETERMINANTS

- Personal motives
- Opportunity structure & experience in most recent job
- Job attachment and dislikes
- Managerial and technical skill
- Labour market conditions

PSYCHO-SOCIAL VARIABLES

- Career progress
- Basic values
- Self-concept
- Parental Influence & family structure

Business Reality

IMMEDIATE DETERMINANTS

- Viability of business idea
- Demand for product or service
- Return on investment
- Availability of resources
- Contacts with resource providers
- Organisation structure and teams

SOCIO-ECONOMIC FACTORS

- Labour mobility
- Division of labour
- Stage of the business cycle
- Government policies

Adapted from Blau et al (1956)

Misconceptions About Occupations

It is important to raise an issue at this point. In the philosophical, trait and factor, need and self concept approaches just mentioned people are working on suppositions. They have an image of their own values, desires, etc. and they seek jobs which, they believe will enable them to meet their needs, etc. However, much guesswork is involved. Problems can arise because individuals do not truly understand themselves but they are making even greater suppositions about the nature of jobs. A person may believe that job x has certain features but until he actually attains the job and experience it, he is guessing. In practice the reality of a job may not match up with the expectation and this may lead to job dissatisfaction.

In entrepreneurial choice unrealistic expectations may be a particular problem. Entrepreneurship is a unique occupation characterised by risk taking, fluid work roles, untried organisational structures, and a myriad of requisite skill which many individuals with extensive experience of work organisations may misunderstand.

In addition, the entrepreneur, often has to develop a feasible business idea, validate the idea, acquire resources and design structures to link the business concept to the needs of the consumer (Carsrud, 1989). Viable business ideas are often based on a creative process wherein individuals respond to external stimuli from sociological,

economic and technological events but challenge existing wisdom and reconcile opposing forces: they mould external information with their individual decision making processes to develop business concepts which are then exposed to the realities of the market place. Several 'market reality factors' are shown on the right hand side of Figure 1.

The Role of Selectors in Occupational Choice

There is another feature which is particular to entrepreneurship: the absence of selectors (Vroom, 1964). In the general occupational choice process, selectors are available to correct the misconceptions of job applicants. Selectors decide whether job candidates have the ability to perform an occupational role and they may well turn down applicants who believe firmly that they are suitable for the job.

Socially marginal groups are traditionally attracted to entrepreneurship, and this may occur because proprietorship allows them to avoid selection criteria based on gender, race, etc. While it is possible to avoid selectors and their screening processes, it must be pointed out that this, together with the general misconception of the nature of entrepreneurship, can lead to individuals with serious deficiencies in technical and managerial areas creating businesses (Walkins, 1982).

In a general model of occupational choice, the activities of selection agencies would appear alongside those factors which cause individuals to choose entrepreneurship. However, in contrast with other occupations, there are no selectors in entrepreneurship but certain factors, factors associated with business reality, replace selection agency practices. Considerations such as the viability of the business idea, the demand for the goods or service, the availability of suitable resources, together with economic factors, such as the state of the economy, will determine whether the business survives and grows in the long run. These business reality factors may eventually sort out the wheat from the chaff, but initially, poorly prepared individuals can become entrepreneurs.

The schema presented in Figure 1 is useful in envisaging the process of entrepreneurial choice from the point of view of the individual who must assess his motivation and aptitude and make a judgement of socio-economic realities faced by the embryo business. However, Gibb and Ritchie (1982) believe that four variables in Figure 1 capture the essence of the entrepreneurial process. The key variables are personal motives, managerial and technical skill, the viability of the business idea and the availability of resources. Let us comment briefly on these crucial components in the process of entrepreneurship.

Personal motives

Before a venture is launched or expanded the key actor(s) must want to expend the requisite time and energy on this activity and they are unlikely to do so unless they derive specific benefits from business formation. The literature reveals that most entrepreneurs seek and experience personal autonomy, a sense of achievement and enhanced job

satisfaction from proprietorship and that the potential to earn substantial sums of money acts as a powerful reinforcer of behaviour, (McClelland, 1961; Brockhaus, 1981; Chell, 1986; and Hamilton, 1987). Most business proprietors are keen to be in control of their own lives rather than accept the subordination frequently encountered in bureaucratic organisations. Putting a venture together and making a success of it requires a good deal of independent action on the part of the entrepreneur but it also affords a strong sense of accomplishment to those individuals who manage to do so.

While monetary gain is rarely the principal motive for business founding it is quite important. Making money is sometimes regarded as less important for its own sake than for what it symbolises. In effect, money is a measure of success which reinforces the entrepreneurial drive for achievement. Attaining personal goals such as achievement and autonomy is important for many entrepreneurs but they may not be realized unless the venture succeeds. Consequently market opportunities are important. While few studies of entrepreneurial motivation place the exploitation of a market opportunity at the top of the list some studies, notably Hamilton (1987), do record this as an important motive. Understanding motivation is important if we are to increase the supply of entrepreneurs and we will examine some relevant policy issues later.

Entrepreneurial Skill

The second component of Gibb and Ritchie's model is ability and in the earlier discussion on occupational choice it was noted that, because of its unique features, less than competent individuals may be attracted to entrepreneurship. In these circumstances, it comes as no surprise to learn that many entrepreneurs have serious deficiencies in terms of skills (Cromie, 1987). Lack of ability in technical and managerial areas can have serious consequence for the future performance of ventures, and Storey (1989) confirms that this is so. In his study of fast and slow growing SMEs the rapidly growing firms had better prepared owners than the slow growers.

Inadequately equipped entrepreneurs are an unfortunate reality and in these circumstances the failure of small firms is quite common. In spite of the statistical difficulties in defining small firms and defining business failure in different countries there is general agreement that smallness and newness cause difficulties for businesses. For example, Timmons (1989) asserts that, in recent years in the USA, "For every three new businesses formed, two close their doors" and that "over 53% of all business failures and bankruptcies occur in the first five years of a new firm's life...". He points out also that the chances of achieving sales in excess of \$1 million are small. We have mentioned that poor preparation is common in entrepreneurship but firms fail for a variety of reasons. Sometimes failure results from a general downturn in economic activity with the result that relatively little can be done to counteract the problems but in other cases lack of knowledge or experience in key business areas can lead to failure. An extensive review of the literature by Cromie (1991) shows that problems occur primarily in connection with markets, finance, staffing and self-management. Many

small venturers have a product orientation and neglect or pay insufficient attention to marketing issues. Funding is another problem. Much of the start-up finance for small firms is provided from personal sources or from banks, (Storey, 1982), and consequently firms are often improperly capitalised. Several writers report that business proprietors, even in a period of serious unemployment, experience difficulty in attracting staff with the requisite skills and in managing their employees.

Timmons (1989) reports that total commitment to the business is necessary to ensure business survival. This normally means that long hours are worked and that personal and family relationships come under strain. Timmons cites evidence from two recent research studies which suggest that entrepreneurs simultaneously experience stress and job satisfaction. The hustle and bustle, along with the need to master lots of skills can be intensely stimulating, but if excessive work loads continue for a long time prolonged anxiety can lead to depression and other stress related illnesses. Personal problems are commonly experienced by entrepreneurs and it is important for the would-be entrepreneur to develop mechanisms for coping with them.

Availability of Resources

All organisations procure resources to allow them to conduct their business. Timmons (1989) points out that the proprietors of young businesses are rather skilled at economising on the use of resources. They often use their own property as business premises, they lease equipment rather than buy it, they work very long hours, and quite frequently in the early years of the firm they pay themselves a salary which is below the market rate. However, as Dubini and Aldrich (1991) argue, the location and acquisition of vital resources is a key task for the entrepreneur.

Large organisations employ staff specialists to search for resources and they create administrative systems to regulate the flow and quality of incoming goods. The entrepreneur has often to perform these tasks by himself and consequently he needs to identify key contacts who will organise this activity. He needs reliable contacts who will do what they say they will do and allow the entrepreneur to get on with his other tasks.

Large organisations are in a powerful position when procuring necessary items but the entrepreneur rarely is. As a result he will need to be skilled in negotiation and persuasion and he will be well advised to create a network of interacting individuals who benefit one another through the reciprocal exchange of goods, services and information.

The Business Idea

The final issue in Gibb and Ritchie's model of business development is the business idea. It is generally agreed that ideas emerge as a result of "effort to create purposeful, focused changes in an enterprise's economic or social potential", (Drucker, 1985). They emerge from planned investigations of situations which are likely to throw up new business ideas. One of the most productive situations for ideas generation is when

“...gaps appear in society’s economic fabric, making traditional modes of doing business... obsolete” (Dubini and Aldrich, 1991). However, even in more stable times these authors suggest that “hidden opportunities for linking new products ... to untapped markets may be available if only entrepreneurs could obtain information about where they lie”. Search, data collection, conversation, and investigations are part and parcel of the process. Successful innovators must know about the most productive areas in which to search and they must meet people, pick their brains, listen to their views and have a keen eye for likely opportunities. In Drucker’s (1985) view “innovation is work rather than genius”. At the end of the day “what innovation requires is hard, focused, purposeful work”. A key aspect of this work is the skill of networking. Knowing who is likely to have up to date information, the people with the most ingenuity, the financiers who might support a new idea, finding out how customers might react to a new service or product and convincing others that the new idea has business potential.

In general, success in developing new viable ideas and marshalling the resources to exploit them will depend to a considerable extent on the information that entrepreneurs can glean. While some of this information can be accessed from written reports, trade journals etc., the bulk of it will emerge from conversations with a large, diverse network of contacts who can keep the entrepreneur fully up to date on relevant issues. As Peterson and Rondstadt (1986) say, business know how is important but no more so than business know who.

In view of the importance of business networking it is disappointing to note that in a recent study of the personal contacts of owner managers in Northern Ireland, (Birley et al, 1991), it was found that local entrepreneurs have smaller direct and indirect networks than counterparts overseas, and that they devote less time and energy to developing new contacts. In addition, local entrepreneurs rely on friends and relations to a greater extent than overseas groups and these contacts are unlikely to provide the necessary diversity of viewpoints. Very few employees, fellow owner managers, or representatives of small firms’ support agencies, are to be found among the personal contact networks of local entrepreneurs.

These results suggest that there is considerable scope for improving the networking capabilities of local entrepreneurs but we shall reserve some comments on this issue for the final section of this paper.

Policy Implications

In summary, we have argued that small and medium sized firms are important to many economies and are crucial in increasing the stock of firms. In addition, some small firms do grow into impressive concerns which have a major beneficial impact on communities and support for them seems sensible.

In the final section of this paper it is proposed to consider some policy implications of the issues which were considered above both for the more prosaic SME

and the rapid developers. Before doing so, however, some issues concerned with the growth of firms need to be discussed briefly.

Growth of Organisations

The growth of a firm normally occurs because of conscious choices by key decision makers and in the SME the key decision maker is the owner manager. Sexton (1989) argues that the decision to seek rapid growth is attributable to a “psychological propensity for growth” by the CEO and that growth will ensue if the CEO has the ability to manage expansion. A desire for growth will probably mean that a viable market will be sought and if this is coupled with an ability to manage growth high growth firms may well emerge. If the entrepreneur is willing and able to grow rapid development should ensue. If neither are present the firm will remain as a marginal concern. If motivation is high but the entrepreneur lacks ability Sexton suggests that the business will be a “life style small firm”. Finally, above average ability but reluctance to grow will produce the “successful small firm”. The motivation and capability of the owner manager are crucial determinants of the growth and development of a business.

Sexton’s (1989) model of growth is quite similar to Gibb and Ritchie’s (1982) model of business development which we mentioned above. It could well be that at crucial stages of the development of an organisation the key issues of motivation, ability, resources and markets/ideas need to be re-addressed. Different issues and variables may enter the field of enquiry but the basic model obtains. With Gibb and Ritchie’s model of development and Sexton’s growth model in mind let us discuss how policy initiatives might encourage the launch, initial development and growth of small firms.

Acquiring Motivation

Individuals are motivated largely from within, but it is important to create awareness. People become motivated when they value an outcome and engage in behaviour which produces the desired result. By creating awareness and letting individuals know that business proprietorship can lead to personal autonomy and achievement, together with job and career satisfaction, potential entrepreneurs could be attracted to this career.

If we are to uncover entrepreneurs from populations of artisans, managers and the like, a recognition that certain personality traits predispose individuals to seek entrepreneurship, could prove useful. Recent evidence shows that managers who express an interest in proprietorship, score more highly on Caird’s (1988) General Enterprising Test than others and test scores on this and similar instruments are one useful sign of potential (Cromie and O’Donoghue, 1991). However, just as selectors would rarely choose a candidate for a job on the basis of a test score alone, entrepreneurial talent spotters would need to rely on a range of predictive variables, to supplement scores on appropriate psychometric tests.

Research on motivation could also have implications for the large number of

state and semi-state agencies which offer advice to emerging enterprises. Since most entrepreneurs strongly value autonomy, advisers should recognise that they are dealing with independent people who may be suspicious of government agents and resist accepting advice. For this reason, state advisors might consider adopting a consulting style more akin to that of the counsellor, and they might pay as much attention to process, as they do the content issues, when dealing with owner managers.

Identifying individuals who are seeking autonomy, self esteem etc. is all very well but these are personal motives which may not lead owners to develop their firms. It is worth asking whether the state should support the 'self indulgence' of these individuals. Storey (1989) shows that the owners of rapidly growing firms are motivated by the desire to exploit a market opportunity, not by the desire to gain autonomy nor by the desire to self actualise, and Sexton (1989) shows that thrusters have significantly different personality traits than other owner-managers. It might be more sensible to identify these expansion minded individuals and offer them generous state assistance, than to offer basic financial assistance to a large number of proprietors.

Entrepreneurial Ability

Offering incentives, motivating start-ups and encouraging growth is one aspect of a small firms policy but a reduction in the attrition rate could be another. We have shown that individual entrepreneurs are often poorly prepared for their task and that this situation can come about because of the absence of selectors. While no one can prevent a determined individual from creating their own firm representatives of state agencies might well be charged with the task of seeking out and selecting individuals with the best credentials for the job. While it might be argued that selection criteria should be less rigorous for life style entrepreneur the same should not apply to potential high growth firms. Selectors will assess motivation, the viability of the business idea and potential ability.

In connection with entrepreneurial ability Storey's (1989) research is relevant. He shows that there are some differences between the backgrounds of the owners of fast and slow growing firms. Fast growing owners were better educated although their education was of the pre-university and more practical type and they had more varied job histories than slow growing owners. The thrusters worked in various organisations but then settled down in the same type of industry as that of their own firm. Owners of both fast and slow growing firms started off their employment in large organisation but moved to small concerns prior to founding. Around one third of both fast and slow growers had previous experience of business founding and 20% of both started their firms of a part-time basis. Turning to the degree of managerial experience in Storey's sample he finds that the owners of fast growing firms were much more likely to have been managers immediately prior to business founding.

Advice and Assistance for the Owners of Small Firms

The intervention of selectors should improve the capacity of individuals to manage their firms more effectively but we argued above that entrepreneurship is quite unlike any other job and it is perfectly possible that even individuals who have appropriate backgrounds and experiences will have problems with their firms. If we accept that problems can lead to failure we might ask how policy makers might address the issue of the difficulties faced by small concerns. It has been suggested that if we want to have a thriving small firms sector, state resources should be committed to allow small firms to survive and grow. However, it must be recognised that firms fail for many reasons and that, in certain situations, interventions to try to prevent failure are a waste of national resources. Pursuing this line of argument we could go so far as to argue that the custodians of public funds should let potential proprietors know how precarious entrepreneurial life can be and discourage people from creating their own firm or they should at least paint a realistic picture of the potential pitfalls.

In the field of recruitment and selection Wanous (1980) argues that honesty on the part of organisational selectors is essential in preventing a mis-match between the occupational role expectation of job applicants and reality. In a similar vein potential entrepreneurs should be warned that, "entrepreneurship can seriously damage your wealth!" It is all very well to develop an "Enterprise Culture" but to do so without illustrating the problems of proprietorship is inadvisable.

Another approach might be to do nothing. After all, the free market does distinguish between successful and unsuccessful firms. Storey (1985) suggests that by assisting small firms the "logic of the market place" may be circumvented. Storey indicates that new firms in Cleveland had deficient demand and inadequate supplies of skilled labour. Manipulating demand and labour supply is not easily accomplished by interventions aimed at the level of the owner-manager. Many new firms are "me too" businesses who are competing for a share of a static market and it may not be sensible to offer them state support.

Firms might also fail because their owners are inept or grossly incompetent and it is in no-one's interest to support these ventures but firms may experience temporary market difficulties and assistance to see them through a difficult phase could be beneficial to society in the longer term.

Firms may also face problems because of a lack of experience, knowledge or confidence by proprietors. It takes some time to learn how to manage a business and support and assistance during this phase of development could benefit business founders. In addition, owners need to be masters of many business functions and effective training packages could prove invaluable. We should note, however, that in addition to general models and principles, training and organisational development should also be tailored to the specific needs of an owner.

Research indicates that difficulties occur in some areas more frequently than others (Cromie, 1991). The availability of educational material and training packages in those areas which are regularly problematic for small firms could assist in the development of the sector.

Owners may be competent but lack confidence. Business ownership is a lonely job and, because of their dominant position within their organisations, owners rarely receive feedback from their employees. Gill (1988) recommend that to develop confidence business advisers should know how to create a helping relationship. This requires a good deal of trust between adviser and owner, and an ability to listen.

In summary, it is unlikely that any government will do nothing in a situation where small firms are valued yet experience considerable problems. The introduction of a sense of realism with advice for some not to contemplate start-up seems sensible but for those firms in existence a twin track policy of offering modest levels of advice and assistance to the bulk of organisations while at the same time offering significant support for firms with the potential to grow is the most likely direction for policy to take.

Improving Networking

It was argued above that networking is a vital element of entrepreneurship and it was suggested that local entrepreneurs are less effective networkers than people from overseas. In this situation it is incumbent upon policy makers to enhance the quality of networking by local business founders. This might proceed at two levels. At the first, individual owner-managers could be made aware of the importance of networking and given advice on how to develop large, active personal contact networks.

Networkers must meet the right people. They must therefore consider what resources or ideas they want, or the problems they want solved, and consciously seek out people with the requisite knowledge. In addition, they would do well to be present at social gatherings which are attended by informed and influential persons. The entrepreneur would do well to follow the example of politicians. Speaking of the President of the USA, Neustadt (1960) argues that the incumbent “must reach out as widely as he can for every scrap of fact, opinion, gossip, bearing on his interests and relationships as President. He must become his own director of his own central intelligence”. While many entrepreneurs will do this naturally some guidance by expert networkers on the need to keep records of contacts, on means of identifying useful sources of information and on ways of eliciting data would be invaluable.

Meeting a contact is one thing; gathering information is another. To be effective at the latter the entrepreneurs needs a degree of interpersonal skill. Hayes (1991) defines interpersonal skill as “goal directed behaviours used in face-to-face interactions that are effective in bringing about a desired state of affairs”. Entrepreneurs must enter personal encounters knowing what they want and conscious of the fact that their behaviour will have a strong bearing on the success of the discussion. Mangham (1986) argues that the

crucial skill is the ability to interpret the “actual or potential behaviour of others” and to be able to make an appropriate response. An understanding of what is going on depends on the use of skills such as listening, perceiving, information gathering, clarification seeking etc. while the formation of an appropriate response relies on the use of skills such as communicating, influencing and explaining. Interpersonal skills can be taught and by attending to them the entrepreneur can ensure that social encounters are productive.

Interpersonal skill is important but many business contacts will be used on an on-going basis and developing a relationship becomes important. If people are to do business over time it is important that they get to know one another; they need to establish rapport. In an effective relationship the parties understand both their own points of view and those of their counterparts, they rarely coerce and prefer persuasion, they are effective listeners and communicators, they take others seriously and they consider that others have a legitimate right to have their ideas, they neither underplay nor make excessive use of emotions and above all, they are reliable and trustworthy (Fisher and Brown, 1989). Trustworthy people simplify relationships and introduce an element of steadiness into what is normally an uncertain environment. Some interpersonal and relationship skills can be developed through training but we must remember that because we are dealing with human behaviours an understanding of the principles of building effective relationships do not guarantee that this will occur in practice. However, they can provide a framework for appropriate behaviour on the part of the entrepreneur, and while he will do well to retain a healthy scepticism when dealing with others, the other party may well reciprocate and cement the relationship.

Conclusion

Small enterprise development is important for many economies, and a twin track policy of encouraging new business creation, together with the growth of existing enterprises, is required to encourage economic growth. While recognising that the individual is a key actor in the whole entrepreneurial process, and that motivation, competency and networking are vital, the individual will make his way more effectively, in a complex world, if a range of supporting mechanisms exist. For example, by promoting entrepreneurship, the individual could be sensitised to the possibility of business founding, economic profiling could highlight where viable business ideas are to be found, and for those persons who approach state agencies, the use of appropriate selection procedures and the provision of initial seed and early stage equity financing, could reduce the likelihood of failure. By offering management, technical and network training, and by encouraging action based methods of learning, and technology transfer, owners might well be in a better position to address their real problems and analyze their needs. These supporting mechanisms will be most effective, when there is an integrated and holistic approach towards small business policy and research.

If we are to derive the greatest benefit from the small business sector, efforts are required urgently, to bring together entrepreneurs, financiers, small business support agencies, policy makers and research centres, to develop a holistic approach to the issues that confront the small firms sector. The ad hoc arrangements that currently prevail in many parts of the world dissipate energy and are unlikely to offer a comprehensive service to the SME sector.

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