

Small Business Misconceptions - and potential new perspectives

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My proposition

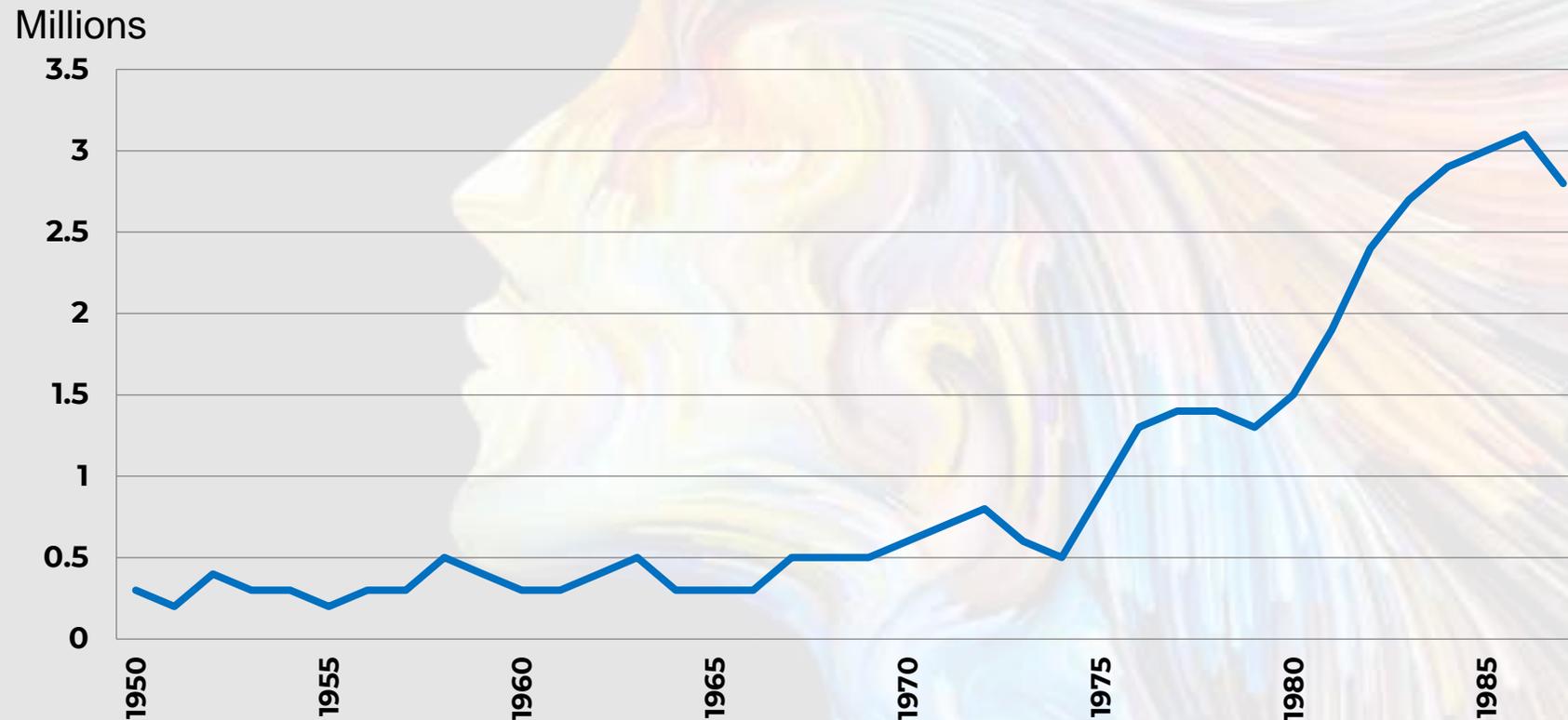
We have developed an understanding - a 'conventional wisdom'* - about enterprise which is widely shared, and upon which we often rely, but which nevertheless is very questionable.

NB 'Enterprise' here refers to that area of study and practice which includes entrepreneurship and small businesses.

*(Galbraith 1958)

The evolution of our interest in enterprise

UK unemployment 1950 - 1987



In Consequence

Governments want more small businesses and the enterprise which is supposed to deliver them. Thus:

- The widespread development of enterprise policies.
- And the availability of government budgets.
- A consequent search for understanding about enterprise and “*an explosion of research into entrepreneurship and the small and medium enterprise.*” (Gibb, 2000)
- The emergence of a ‘conventional wisdom’.

Possible Assumption 1

That 'enterprise' is a sub-set of 'business'

- Why might this assumption have been made?
 - Because of the vocabulary (small 'businesses') and the policy impetus?
- What is the evidence that it was made?
 - Because enterprise is assigned to 'business' schools and 'business' agencies.
- What are its implications?

Big business-based thinking

An assumption of business homogeneity – so business thinking is applicable to all enterprises.

But most business analysis and theory, which is what most professionals learn, is based on big businesses:

- Formal hierarchical structures.
- A separation of functions - eg marketing, production, finance.
- Professional managers focussed on business goals.
- Relatively objective and rational decision making.

Dame Edith Penrose

“The differences in the administrative structure of the very small and the very large firms are so great that in many ways it is hard to see that the two species are of the same genus. ... We cannot define a caterpillar and then use the same definition for a butterfly.”

(Penrose, 1959)

Or, in other words:

Small businesses are not small big businesses.

Possible assumption 2

**That businesses want to maximise their profit
- it's all about making money?**

Does this then imply that all businesses want to grow
– in order to make more profit – and so have a grow
imperative?

*“The social responsibility of business is to increase
its profits.”*

(Milton Friedman, 1970)

*“One of the things that most, if not all, businesses
have in common is a desire to grow and expand.”*

(Gundy, 2008)

But is profit (always) the aim?

“We find that most small businesses have little desire to grow big” and, at the time of formation, “most small business owners do not want or expect their businesses to grow.” If anything, “those who reported nonpecuniary benefits as a primary motivation had a higher probability of survival .”

(Hurst and Pugsley, 2011)

“The entrepreneurs in this study measured their success primarily through customer satisfaction and respect. Other criteria related to job satisfaction, quality of products and making a reasonable living.”

(Reijonen and Komppula, 2007)

Growth can limit the life of a business.

(West, 2017)

Possible Assumption 3

That the future can reliably be predicted.

If we apply ourselves properly, we should be able to understand what is happening and from that work out what is going to happen.

“No problem can withstand the assault of sustained thinking.” (Voltaire)

So we should produce business forecasts and use them to plan our actions.

A belief in determinism

- We want forecasts and predictions. (Gimpl and Dakin, 1984)
- We think we can identify the mechanisms behind events (as Newton did for gravity and the motion of the planets).
- Thus we should be able, if we try, to determine what will happen.
- But the evidence suggests that often the future is uncertain!

Possible Assumption 4

That enterprise decisions are independently made based on evidence and logic

- and therefore we fail to recognise the strength and importance of social influence.

For instance how often in business plans is social capital considered as a key factor- and is its nature and use taught in business schools?

We are very socially influenced

“We do what we do because of other people and what they seem to be doing.”

and

“Independent thinking is to humans as swimming is to cats: we can do it if we have to.” (Earls, 2009 and 2011)

“The notion that we are rational individuals who respond to information by making decisions consciously, consistently and independently is, at best, a very partial account of who we are. A wide body of scientific knowledge is now telling us what many have long intuitively sensed – humans are a fundamentally social species, formed through and for social interaction.” (Rowson and McGilchrist, 2013)

Enterprise policy objectives

In 2003 the UK's Small Business Service declared that its aim was:
'to make the UK the best place in the world in which to start or grow a business'.

In 2021/22 a survey found that:

'more than 70% of Britons believe it is easy to start a business in the UK
but less (sic) than one in ten has any intention of doing so'.

(ERC,2022)

A growth of ignorance?

Allan Gibb (in 2000):

“Since the 1980s and particularly into the 1990s there has been an explosion of research into entrepreneurship and the small and medium enterprise. ...

[However] despite the increase in academic knowledge, indeed perhaps because of it, there has been a growth of ignorance. ...

A major manifestation of this growth of ignorance is the emergence of a number of outstanding 'mythical concepts' and 'myths' which are considerably influencing the establishment of policy priorities.”

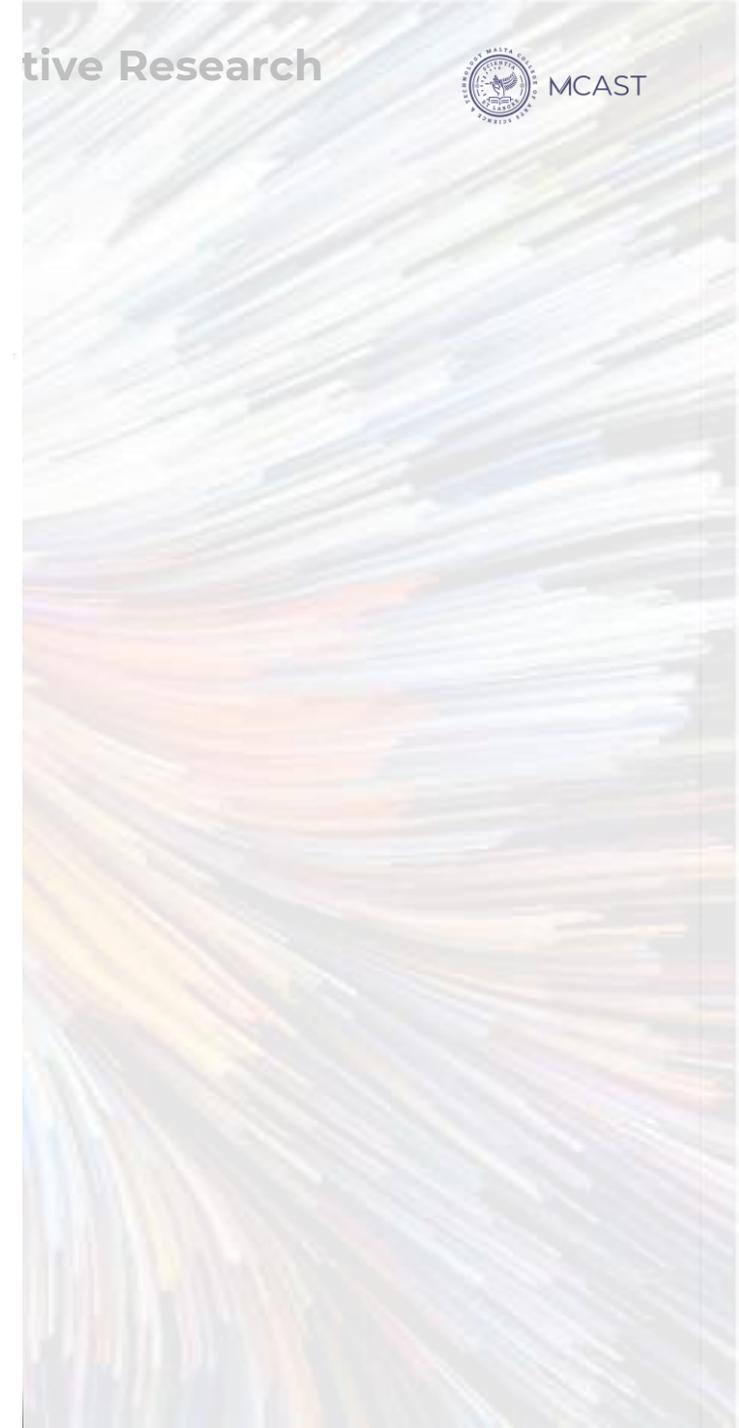
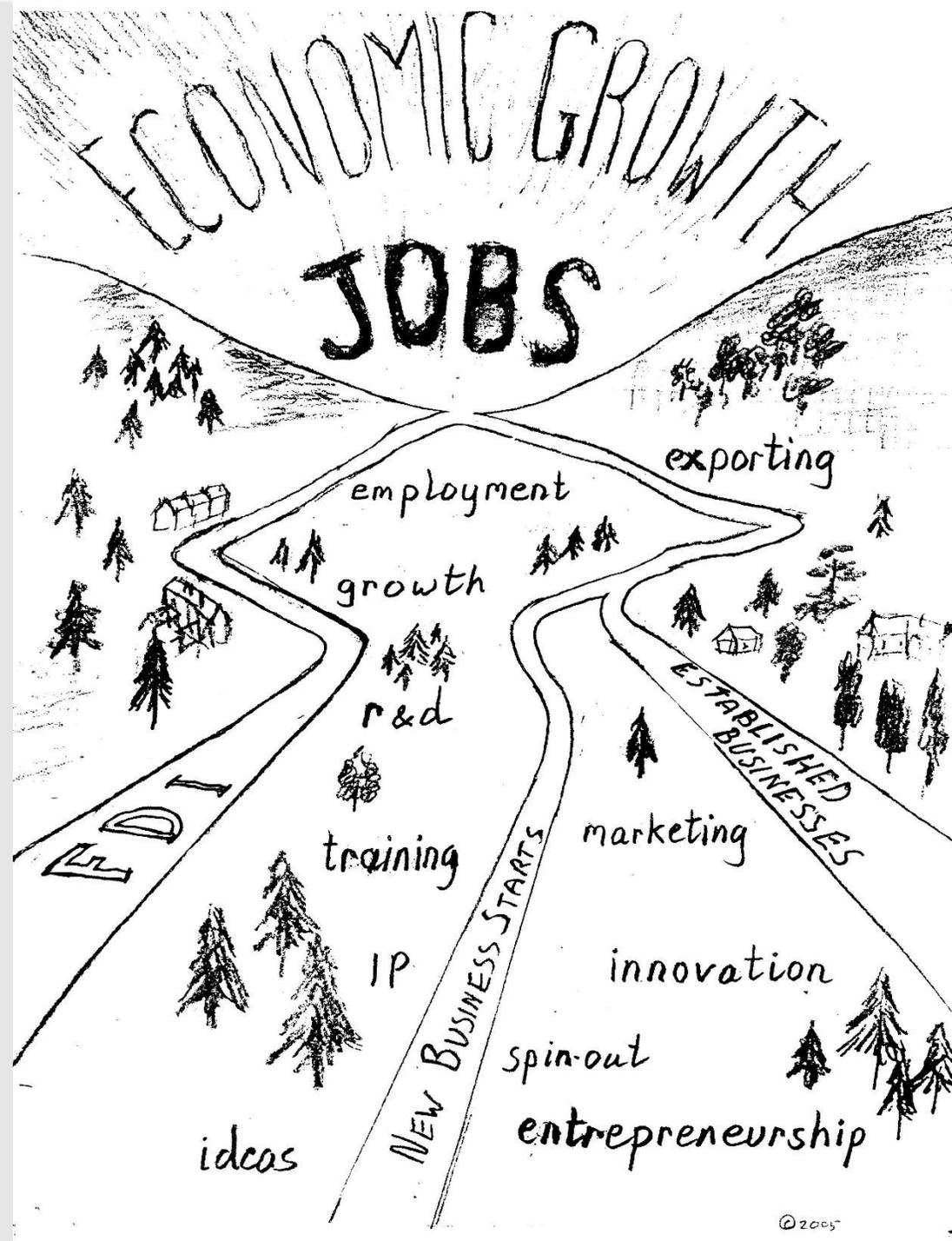
Four ways to respond:

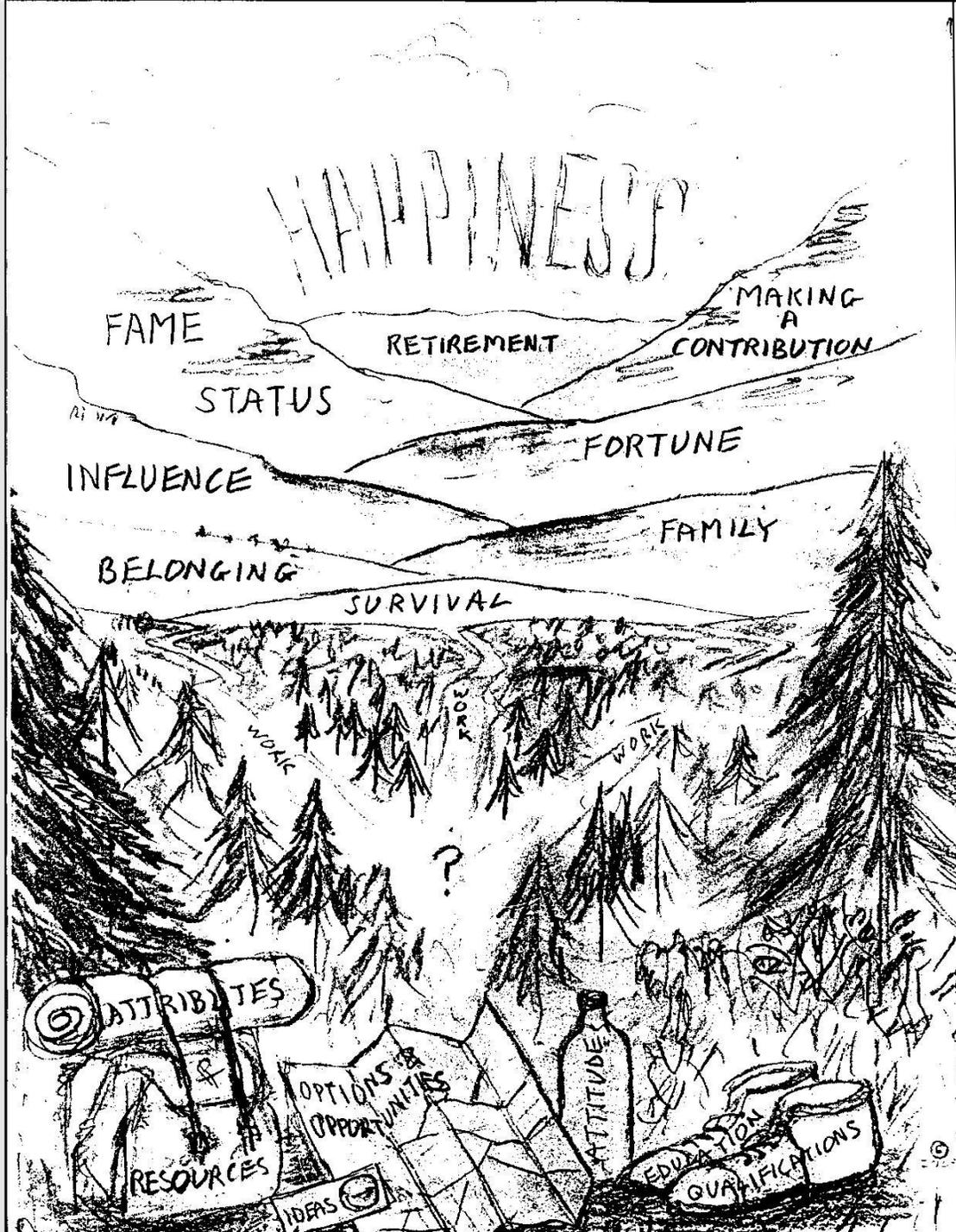
By exception - that's an exception to the rule (not an exception which disproves the rule).

Incremental - change so slowly as to be hardly noticeable.

Like a pendulum - abandon all current thinking and go to the other extreme.

Paradigm change - consciously develop a new way of thinking. (Ferguson, 1987)





What should be the focus?

Business growth

or

Business success

Addressing an uncertain future

- Forecasting and prediction
- Detailed planning
- Causation
or
 - Trial and ‘error’ (and lean start-up)
 - Antifragility (Taleb, 2013)
 - ‘Ready - Fire – Aim’
 - Effectuation (Sarasvathy, 2008)
and exploration (Bridge and Hegarty, 2013)

Enterprise Education: The Context

Why Study Enterprise/Entrepreneurship?

- To gain an understanding of entrepreneurship,
- To learn how to become entrepreneurial, or
- To learn how to become an entrepreneur.

Being Enterprising

and

Starting a Business

Knowledge doesn't evolve easily

"A long habit of not thinking something is WRONG, gives it a superficial appearance of being RIGHT, and raises at first a formidable outcry in defence of custom."
(Thomas Paine)

"For the great enemy of truth is very often not the lie - deliberate, contrived and dishonest - but the myth - persistent, persuasive, and unrealistic. Too often we hold fast to the clichés of our forebears. ... We enjoy the comfort of opinion without the discomfort of thought."
(John F. Kennedy)

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so."
(Mark Twain)