

Enterprise and Culture

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Introduction

The word 'enterprise' is somewhat overused, if not abused, these days by politicians, so much so that it has undergone something of a grammatical shift. From its original introduction from French as a noun to describe commercial undertakings between people, it broadened to become almost a synonym for a business or firm. Its figurative use to describe the energy, ingenuity and application of people who successfully work in businesses or firms, or even generally show skill at overcoming problems, has now transformed a fairly useful noun into an adjective. Rather abstract concepts such as 'spirit' or 'culture' and more banal fiscal policy terms such as 'allowance' or 'loan' can apparently now be made more concrete and commercial by appending 'enterprise' to them as an adjective. Language, however, is central and fundamental to a nation's culture and it is by no means clear that ordinary people have yet learned to use the word in this new way.

I have no deep-rooted objection to this transformation. On the contrary, I am sure that one of the strengths of English as the language of international business and trade is its flexibility and its healthy disregard for the limiting constraints of too formal a grammar or lexicon. Indeed, you may find some fine examples of disregard for grammar in this book. For me, the interesting point about this transformation of the word 'enterprise' is that the change reflects some very real economic and social shifts that have taken place in Britain and elsewhere. I will leave aside for the moment the origins of 'enterprise' in a world where business was dominated by trade between merchants (there is some discussion of this in the book). The years after the Second World War have seen policies supporting the growth of large enterprises give way under the pressures of economic restructuring, global competition, new patterns of work and technological change to those that support more strategic commercial alliances and seek to strengthen 'enterprise' as an element not only in national economies but also in national psyches.

These important matters are explored and discussed in detail in this book. Indeed, its broad purpose is to examine to what extent public policy can influence or shape popular attitudes and cultural values concerning work and such personal matters as ambition, expectations and business behaviour. The more specific focus of the book is on how effective the batch of policies

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aimed at increasing self-employment and small business development in Britain, since the early 1980s, have been in creating an 'enterprise culture'. The more fundamental questions of whether these policies have been properly targeted or whether they have actually transformed Britain's economic fortunes are also directly considered. However, the book is as much about whether this form of social engineering can work as it is about the application of particular policies during the 1980s. It may be useful to consider a real-life example. British Steel provides a good instance of the cultural and economic processes I have just mentioned.

The British Steel Corporation started life in an honourable British tradition – as a huge nationalised enterprise put together by the first Wilson government in the mid-1960s as Britain's champion in the highly competitive global steel industry. Excess capacity, increasing competition from abroad and the worldwide recession that followed the oil price rises of 1973 found British Steel (and the entire British economy) in deep crisis by the mid-1970s. Under Sir Charles Villiers, who took over the chair of British Steel from Sir Monty Finniston in 1976, and later under Ian MacGregor who took over from him in the wake of the steel strike of 1980, British Steel shed some 70 per cent of its workforce, more than 140,000 people. By 1987, the corporation had climbed back into profit and today is once again an important player in international steel markets. The concern of this book, however, is not with big business success but with the challenges of creating dynamic smaller enterprises. The last important decision that Sir Charles Villiers took at British Steel in June 1980 was to close the Consett steel works.

However, Consett was not doomed to wither away completely. Recognising the extent of the crisis in the steel industry, British Steel had set up BSC (Industry) in 1975 as a body charged with responsibility for regenerating areas hit by steel plant closures. The aim was to create new job opportunities by encouraging new small firms to start in premises developed from the redundant British Steel sites. This scheme encapsulates most of the features and expectations of what later came to be known in the mid-1980s as the 'enterprise culture'. Three years after the steel works was closed, a certain Roger McKechnie approached BSC (Industry) with a plan to produce well-packaged flavoured corn crisps as an adult snack food. Twelve years later, Roger and his three partners were able to sell their enterprise, Derwent Foods, and its world-beating Phileas Fogg brand for £24 million. Roger reportedly picked up £7 million personally for his hard-won and innovative success: a clear triumph for the new enterprise culture. Indeed, when I attended the 1993 Institute of Small Business Affairs annual conference in Harrogate, Roger was one of the keynote speakers as a prime example of a successful entrepreneur, which he undoubtedly is.

However, it is the purpose of this book to look behind the scenes to find out if a truer and more durable tale exists to explain this type of success rather than the simple view that it is all down to the individual and the

onset of a new enterprise culture. The aim is to uncover the factors that should be taken into account in policies designed to promote the more widespread establishment of enterprises of this type and, ultimately, an overall increase in prosperity and creativity. First, we need to examine the institutional and structural factors such as the state of the economy, the business cycle, the regime of regulations, access to capital, supply of the right kind of labour and so on. Then we can critically examine the personal and cultural factors that accompany the success of new enterprises such as the founder's motivation and personality, the decision to seek a self-employed career, work experience, teamwork, the role of small firms in their communities and so on. Finally, we can come to some understanding of the role that interventions such as training and education, financial incentives and public recognition may play in developing more successful enterprises to the benefit of our wider communities and the economy as a whole. The main focus of this book is on the middle area but the key issues of all three areas will be examined.

To return now to the particular case of Roger McKechnie and Derwent Foods, a number of interesting elements emerge which suggest that providing premises in old steel works and encouraging people to get on their bikes to seek new employment or start new small businesses may not be enough to encourage the replication of this success story in other fields. Let us look at Roger more closely. He left university to join Procter and Gamble as a marketing trainee, left and found a job with Tudor Foods, rising over nine years from marketing manager to become the managing director. In 1981, Associated Biscuits (the parent of Tudor and owner of Smiths Crisps) asked him to take over Smiths. He had already had his ideas for producing adult snack foods turned down and the move would have entailed a relocation which he was not inclined to accept, so he refused and left: clearly a lucky decision, as history demonstrated. But Roger was not just a man off the street seeking to start a small business in an old steel works. He had education, excellent marketing and management training, and plenty of high-level responsibility and management experience in a relevant field. There was also an element of being pushed and suffering some degree of work frustration. However, the most important success factor seems to have been Roger's knowledge of his market and the research he put into identifying what he felt to be the right product. This reflected his extensive experience and enabled him to control his risks.

He managed to control his financial risks. Without doubt, the support and finance he received from BSC (Industry) was welcome, but so too were a government regional grant and finance from Britain's biggest venture capital organisation 3i (Investors in Industry) which took a 25 per cent stake. Indeed, Roger did not start as a single individual but began with three partners, all of whom helped to spread the risk and provided their own experience. To obtain their £500,000 start-up capital they had to produce a well-considered, viable business plan. This further controlled the risk.

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And the support extended beyond the realm of business. Roger had decided to resist moving to Smiths for family and community reasons; this meant, in turn, tremendous emotional and psychological support from those quarters. Thus, even though the actual decision to start required courage and confidence, all the manageable risks had been addressed and controlled to the extent that fate allows. This picture of a successful entrepreneur is quite at odds with the popular myth of the loner starting in a garage to emerge several years later as an industrial giant; it is also at odds with the realities encountered by thousands of unemployed people encouraged by enterprise culture policies to turn to self-employment. I have never met Roger McKechnie in person but, from his story as it has appeared in various articles, I have a clear picture of enterprise at work, of an entrepreneur, but not of a typical self-employed person or small business owner.

In this book, I am trying to examine critically the broader economic and personal psychological factors at work behind the scenes of the enterprise culture policies and the sort of small firm development that such policies are likely to produce. Many of the empirical data referred to are publicly available, mostly from government sources or international agencies. The more specific studies are usually based on surveys conducted by the Small Business Research Trust (SBRT), an independent educational charity that has been actively researching small firms in Britain since 1984. I have had the privilege of being the deputy director general of the SBRT since 1985, an experience which has brought me into contact with a constant flow of fresh information on the small firm sector, with most leading small firm academics, with influential small firm lobbyists and, above all, with countless small firm owners and managers. Indeed, it was not by chance that I chose the story of British Steel and Phileas Fogg adult snacks in order to highlight some of the key issues in entrepreneurial development covered in this book. Sir Charles Villiers was the first chairman of the SBRT and an enormous influence. One of the early reports published by the SBRT was on the job-generating record of the BSC (Industry) converted steelworks sites (the net balance was positive but most of the new firms would have started anyway, very few were founded by former steel workers and even fewer were as successful as Derwent Foods).

I also owe a debt of gratitude to the other people who helped to found the SBRT for many of the ideas and insights in this book; Graham Bannock (research director of the Bolton Report and a successful economic consultant in the small firm field), Stan Mendham (one of Britain's most tenacious small firm campaigners and the present chairman of the SBRT) and John Stanworth (director general of the SBRT and held by many to be Britain's first small business professor). Colleagues at the Open University Business School (where I am responsible for the open-learning materials and course for small businesses), fellow members of the board of the Institute of Small Business Affairs and the people who keep small but lively Camden Enterprise in the business of helping new and established local enterprises have all

informed the ideas presented in this book (wittingly or otherwise). Gratitude also to Formez (the Italian state agency that used to be responsible for developing small and medium enterprises in the underdeveloped economy of southern Italy, the *mezzogiorno*) for providing me with many opportunities to evaluate their programmes that tried to introduce the vibrant entrepreneurial culture of northern Italy into the different cultures and structures of southern Italy. Finally, a sort of amorphous thanks must go to countless people I have learned something from as a researcher, as a humble self-employed freelance journalist and as a manager of my own small radio news agency.

The ideas presented in this book, however, are my own and I take responsibility for them. It opens with a consideration of the historical and political context that gave birth to enterprise culture policies, and moves on to consider the enterprise culture model of small firm development itself in more detail, then the evidence on how effective these policies have been in encouraging entrepreneur-led development in Britain. Alternative models are then considered before a closer look at the importance of culture in this sort of development process and the importance of individual and social psychological factors in cultural and enterprise development. The book closes with a consideration of how the different, and sometimes conflicting, individual and broader socio-economic forces might be combined to produce development policies that stand a chance of benefiting not only individuals but also local communities and entire economies. As the book started life as a more serious academic work, its origins may sometime creep through in places but I hope it remains readable. Above all, I hope it provokes some thoughts and even some new ideas.

1 The politics of 'enterprise'

Policies designed to promote pro-business attitudes and a stronger spirit of enterprise in Britain – in short, the creation of an *enterprise culture* – are among the most recent of many attempts by successive post-war governments to stem Britain's seemingly relentless economic decline. As each set of policies has failed to stem the slide, new sets of policies which rejected the old were introduced. Even many of the macro-economic monetarist policies of the first Thatcher government were thrust aside as Nigel Lawson, the Chancellor, and Lord Young, the Secretary of State for Trade and Industry (or 'Enterprise' as he preferred to call his department), pursued a growth policy of encouraging 'enterprise'. What marks out *enterprise culture* policies as unique, however, is not the rejection of previous policies but the reliance on personal motivation, attitude shifts and behavioural change – basically psychological concepts – as both instruments and targets of economic policy. In particular, enterprise culture policies explicitly envisage the regeneration of the British economy as flowing from the creation of new, innovative commercial enterprises which are expected to perform two key economic roles: the improvement of economic efficiency and competitiveness, and the attraction of inward capital investment (both resulting from a sustained supply of new advanced products and services).

The role and determination of individual motivation and behaviour in the processes and structures of economic development are matters of debate. Given the different social, political, economic and cultural factors involved, the issues are complex and simple solutions hard to find. However, one clear point of common reference has to be recognised. Economic and industrial policy in Britain in the twentieth century, no matter which political party has held power, has been about improving the efficiency of the capitalist system and no attempt to understand entrepreneurial development, the encouragement of entrepreneurs or the promotion of an enterprise culture can ignore this central point. It is also important to stress that accepting this point does not entail an acceptance of the currently prevailing *neo-classical* model of economic and individual behaviour.

Although the various industrial and economic policies pursued by Conservative British governments since 1979 have been wide-ranging and

reflect a strong and fairly coherent ideological position, their main overall policy target in 1983–91 – the fostering of a more entrepreneurial spirit in British business life (the *enterprise culture*) – has been politically linked more to the growth of the small enterprise sector rather than to the promotion of large enterprises. Since the publication of the Bolton Report (Bolton, 1971), the official inquiry into the post-war weakness of Britain's small firm sector, the role of small businesses in the national economy and public consciousness has grown, steadily during the 1970s and rather dramatically during the 1980s. However, this recent growth in Britain's small business sector has been extremely uneven, the economic consequences are unclear and the permanence of the political-economic changes remains uncertain. What does seem beyond dispute is that small business growth since the early 1980s reflects a genuine and fundamental socio-economic shift not only in Britain but also elsewhere in the industrialised world. The extent of this shift, its true beneficiaries and the exact nature of the economic mechanisms which brought it about are, however, matters for debate.

The causes of Britain's variable industrial performance have been publicly discussed and disputed for more than a century. Britain has been a net exporter of capital since Victorian times and there are firm economic reasons for expecting an industrial decline as a result of falling domestic investment. Yet the belief is often expressed that Victorian Britons were more enterprising than present-day business owners. It is now clear, however, that the social and economic structure of eighteenth- and nineteenth-century Britain created the conditions for the country's global dominance during the latter half of Victoria's reign rather than some special British 'entrepreneurial' quality which foreigners lacked. For instance, capitalism began to emerge from mercantilism at about the same time in Britain, France, Italy and Germany, but countless wars and revolutions stunted its development on mainland Europe for the best part of seventy years, indicating that 'entrepreneurship' is not a *sufficient* condition for advanced economic development (lack of severe, if not violent, social disorder may be another equally important prior structural condition).

This is not to suggest that individual capitalists and adventurers had no role to play in Britain's success or that they did not display qualities enabling them to succeed, but more that the prevailing socio-economic structures gave rise to the opportunities and channels for certain active and enterprising people to express and satisfy themselves. A central theme of this book is that psychological characteristics are not independently sufficient causal factors but they are necessary for a proper understanding of the processes of economic development. Individual expectations and behavioural patterns are themselves functions of (and contribute to) the social, economic and, therefore, cultural structures that open or constrict economic outlets for action by certain types of people. The further implication is that different characteristics or strengths will be at a premium during different stages of economic development. The personal qualities demanded of a

successful Georgian or Victorian entrepreneur may be quite different from those of an entrepreneur in the new millennium.

This means that there are at least two reasons why it may be misleading to speak of 'entrepreneurial personalities' in the context of economic development even if, for the sake of argument, it is conceded that it is possible to identify 'active and enterprising' behaviour as a personality trait. First, it is apparent that some enterprising people from a bourgeois business and other backgrounds may well seek careers as independent business owners and be described as entrepreneurs, yet equally enterprising people from the same backgrounds or, say, bourgeois academic, petit-bourgeois bureaucratic or industrial working-class backgrounds are more likely to seek their occupational satisfactions through equally demanding careers more valid in their own eyes (and sometimes yielding higher financial rewards). Second, it appears that the socio-economic structures which foster entrepreneurial opportunities are created and maintained by fairly non-entrepreneurial people (for instance administrators, planners and other bureaucrats). If so, economic development may be more a function of supposedly non-entrepreneurial behaviour, with different business skills coming to the fore at different stages of the process. David McClelland (1961), whose influential idea that national economic development depends on enterprising and achievement-oriented attitudes in society, is seen as providing important psychological underpinning for enterprise culture policies. McClelland indicated that innovative managers with budget responsibilities in large firms could also be considered entrepreneurs. Nowadays, where the major political parties appear to subscribe to a *managerial* rather than an enterprise culture, it may be more appropriate to refer to successful managers in both small and large enterprises as capable, efficient or even enterprising, but not entrepreneurial.

Entrepreneurship – in the sense of individual decision makers introducing successful innovations – may not even be a *necessary* condition for sustained economic development and is highly likely to require different personal qualities for success in different industries. It makes more sense to view individual business success in terms of skills and abilities necessary to achieve certain outcomes rather than in terms of behavioural or personality traits. As mentioned above, it seems clear that notions of what constitutes entrepreneurial behaviour may need to be constantly adapted as economic development progresses. During the closing stages of the Victorian era it was Britain's stranglehold over world shipping and insurance, plus *de facto* protection in imperial markets, which meant that the free trade policies advocated by British capital and pursued by successive British governments produced formidable economic benefits despite a declining industrial base. Foreign traders used British ships and insurance to facilitate their own trade with each other yet often found it difficult to penetrate the large internal trade of the British Empire. Who were the entrepreneurs: the risk-taking

traders, who undoubtedly made more than adequate profits, or the secure custodians of world trade who accumulated fortunes?

It was not until after two world wars and the disintegration of the Empire that Britain's economic performance began to mirror its industrial decline. In retrospect, it is now clear that the British economy was displaying all the symptoms of old age. Indeed, many economists and politicians at the time did begin to voice their concerns but there was a considerable lag before Britain's economic weakness penetrated public consciousness. To some extent, the political and economic dominance of the United States in the industrialised world for much of the post-Second World War period obscured the internal causes of Britain's economic decline. Indeed, the United States was held up – and is held up today by some – as a role model of a successful economy. Over the past twenty to thirty years, however, new role models have emerged, with the spectacular resurgence of the Japanese and German economies and the appearance of fast-growth economies in eastern Asia. During this period, global competition has intensified and Britain's economic weaknesses have been ever more cruelly exposed. The first response in Britain, and elsewhere in Europe, was to see successful international competition as a function of size. The European solution was to expand existing European agreements controlling the iron, steel and coal industries into the Common Market. Caught in a post-imperial time-lag and increasingly in its 'special relationship' with the United States, Britain first decided to go it alone and create its own mega-corporations.

The Industrial Reorganisation Corporation, the mergers that formed GEC, British Leyland, British Steel Corporation and a host of nationalised industries were all a result of the 'build it big' strategy. The creation of big national corporations, however, was not the solution to Britain's economic problems either in the short term or in the longer term. The glamour of the post-war US multinational began to wear thin as a role model for burnt-out Britain. Interest in Japan and Germany as successful economies increased from a broad impression of them as general role models to a more particular appreciation of the factors that brought them success. This general change from fairly uncritical, impressionistic thinking to more analytic appraisal took two broad courses – both heavily infused with cultural and psychological concepts.

The first was a historical tendency which looked back to the qualities of the founders of the industrial revolution, the 'golden age' when Britain was at the forefront of technological innovation and seen as the workshop of the world. Ideologically, this era tends to be lauded by proponents of the enterprise culture policies as the heyday of neo-classical ideas and 'proof' that a sturdy *individualism* lies at the heart of entrepreneurial innovation and national vigour. A second, more competitive tendency wanted to identify and analyse the secret strengths of Britain's commercial rivals with the

aim of emulating and then surpassing them. Consequently, great effort has been spent in demonstrating that, for one reason or another, the Japanese, Germans and Americans work harder or more efficiently than the British. Others have concentrated on how rivals *manage* their enterprises more efficiently. Better and more appropriate educational and training systems were – and are currently – another favourite. Yet one feature that stood out in the late 1960s was that the more successful economies had larger and better-developed small business sectors than Britain's.

The Committee of Inquiry set up by the Wilson government and chaired by John Bolton (1971) found significant weaknesses, though also a strong resilience and shared values, among Britain's small enterprises during the 1960s, perhaps partly as a result of the prevailing 'big is best' policy. As a benchmark to inform the issues discussed in this book, it is helpful to be reminded of the main small enterprise weaknesses found by John Bolton's committee. A strong desire to retain personal autonomy and independence, plus a linked widespread aversion to training and other forms of systematic management development, was a strong feature of the small enterprise sector. As these features characterise the small enterprise sector today, not only in Britain but also across Europe (Stanworth and Gray, 1991; Storey, 1994; ENSR, 1995), it is worth listing the main management weaknesses identified by Bolton:

- 1 raising and using finance;
- 2 costing and control of information;
- 3 organisation and delegation;
- 4 marketing;
- 5 information use and retrieval;
- 6 personnel management;
- 7 technological change;
- 8 production scheduling and purchase control.

Over the past twenty-five years, many of these problems have been extensively researched. For instance, problems with raising and using finance and with obtaining and applying information on costs and control, as much due to external constraints as lack of financial management skills, remain at the top of the list to this day. However, the nature of each problem and the enterprise challenges that each poses clearly change over time and in different regions, in some cases quite considerably. In fact, the information provided by Bolton was of policy interest more to regional development than to enterprise or broader economic development. The detailed and interesting picture of a distinctive small business culture was almost completely overlooked.

In 1979, the arrival of the first Thatcher government heralded a radical change of approach and a much more public role for small businesses. Various strands of thought – the nostalgic backward look to the 'bygone golden age'; the eclipse of the multinational as a model by the pioneering