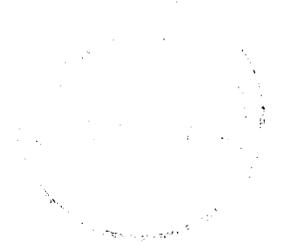**SWP 14/89   ENTERPRISE CULTURE -**
WHAT IS IT, AND HOW CAN IT BE CREATED?

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ENTERPRISE CULTURE

WHAT IS IT, AND HOW CAN IT BE CREATED ?

A DEFINITION

The word "culture", clearly refers more to people's beliefs and
attitudes that to what they actually do; since people act because of
what they believe, it is important to examine society's beliefs in
relation to any course of action which is believed to be desirable; if
the culture is not conducive to the action, efforts to train or
otherwise to assist people to do it will be in vain.

I shall for the purposes of this paper define enterprise culture as:

"a general belief that economic change is both desirable
and possible, and that such change can be successfully
initiated by individuals as well as by institutions".

Others may suggest different and better definitions; words are no more
than labels which we arbitrarily apply to real or imagined phenomena,
and I hope that my suggestion is sufficiently acceptable to form a
basis for discussion.

When we are dealing with new words or phrases, we must search for
indicators to which we can point and which will show others what we
mean, and will then demonstrate whether or not the phenomenon we wish
to describe is present or not. Graham Bannock, in his recent paper
entitled "Britain in the 1980s; Enterprise Reborn?", uses a number of
quantitative measures to demonstrate his point that there has been a
sea change in British attitudes to enterprise, such as growth in gross
domestic product, new company formations, a decline in the share of
economic activity concentrated in the hands of larger firms and
activity and innovation in capital markets.

Bannock accepts, however, that even in the United Kingdom there have been no real attempts to study social attitudes to enterprise, on a longitudinal basis, and the only quantitative evidence he adduces which relates to public attitudes, as opposed to actual economic change which may have resulted from such attitudes, is the dramatic increase in the number of business-related publications over the period from 1970 to 1987. It may be that a society which is undergoing major change is too preoccupied with the process itself to take time to measure it, but there is sufficient economic data, and anecdotal evidence of attitudinal changes, to justify the belief that something has changed in the United Kingdom in the last ten to twenty years, which we can conveniently call the growth of an enterprise culture.

We are here, however, mainly concerned with the so-called "developing countries", although the faster rates of growth which have been experienced in the last decade by many so-called "developed" countries demonstrate yet again the inappropriateness of the term. How useful is the concept of an enterprise culture in an economically less developed society, and what can be done to foster such a culture if it is lacking?

WHO "HAS" THE CULTURE?

It is important to stress that a culture of any kind is a feature of a society, which need not be, and usually is not, the same thing as a nation. Many of the enterprise development programmes which are provided in member countries of The Colombo Plan, including The United Kingdom, have as their objective not only the growth of enterprise and economic acitivity in general, but also, and often more importantly, the development of enterprise among a particular ethnic group. They may be a minority, for whom enterprise can provide a route to a more equitable position in society as a whole, such as tribals in India or West Indians in inner cities in The United Kingdom, or they may be a majority whose political dominance is not reflected by their economic position, such as the so-called indigenous people of Malaysia or parts of the South Pacific.

In some cases, there is within the country a minority group of people who may be thought to be excessively endowed with enterprise culture, possibly because they have been prevented by the majority from seeking other outlets for their energy such as political power.
The objective of entrepreneurship development programmes, and of any efforts to create an enterprise culture among the majority, is to redress the balance, and specifically not to promote more enterprise among those who are already recognised as the most enterprising. In these societies, it may be particularly desirable to approach enterprise development through the culture as opposed to using training or other means which are inevitably targetted at a small minority.

Clearly an enterprise culture is the sum total of individuals'
attitudes and beliefs, and entrepreneurship development programmes aim
to change such attitudes, and to introduce enterprise culture at the
level of the individual participant; we must recognise, however, that
such programmes can only reach a very small proportion of any
population. It is probably uneconomic, and may even be
counter-productive, to promote enterprise through these programmes if
the small minority of ex-trainees are going to have to try to be
entrepreneurs in a society which is unreceptive or even hostile to
enterprise. It would be far more efficient if we could promote
enterprise by generating an enterprise culture in a society as a whole.

The "graduates" of an entrepreneurship development programme would be
far more likely to be able to do what we had trained them to do if the
society they belonged to was receptive to enterprise, and it might even
be unnecessary to have any more actual training programmes, because the
culture would in itself be sufficient to generate the spirit and the
reality of enterprise, without any individual and expensive courses.

SOME EXAMPLES

It may be instructive briefly to examine the situation in four very
different countries, in order to seek clues as to why an enterprise
culture does or does not develop, and to see whether any of the causes
of such a culture relate to things which can be affected by policy
makers, or whether they are all beyond the power, or indeed the wishes,
of governments, opinion leaders, administrators or even academics or
"experts".

Let us first compare the current situation in the U.S.S.R. and the
People's Republic of China. Both these two countries are trying, in
rather different ways, and from a very different base, to foster more
individual enterprise, and, indeed, the beginnings of an enterprsie
culture. In China, one could almost say that the attempt has in some
ways been embarassingly successful, at least from the point of view of
some peope in government, and there has clearly been no lack of
individuals who have been willing to take risks, and to start and run
very entrepreneurial ventures, from a society whose recent history
might seem as opposed to individualism of this sort as any.

In the Soviet Union, on the other hand, the promotion of enterprsie has
been far more recent, and even more tentative, and the response has
been very hesitant. Individual business has been permitted in certain
fields since May the first last year, on a very restricted basis, but
very few people have taken advantage of the new concessions, and
although some rural co-operative farms have for many years been very
innovative and enterprising in their adoption of new techniques and
their establishment of a whole range of non-farm activities, individual
profit seeking enterprise has been very slow to develop; why has the
development of an enterprise culture been so much more hesitant in the
Soviet Union, even though it is a far more industrialised and
developed economy, and the Soviet people might have been expected to
grasp the opportunity for enterprise all the more enthusiastically
because they have been denied it for so long?

We should consider not the need for change, but the "culture", as it
relates to change in a more general sense. The people of the Soviet
Union have since the cataclysmic era of the Revolution and the
subsequent decade become forcibly accustomed to a rigid and autocratic
system which discouraged individual initiative and referred even the
minutiae of individual producer decisions to the centre. Such decisions
have not been permitted to be questioned; in today's more open climate
many Russian people consider that the main problem is not to decide
what to do, or how
to change, but how to cope with the fact that accepting change means
admitting that what went before was not ideal. The belief that those
in charge know best dies very hard.

In China, however, revolution is recent, and has never stopped. Some of
the present leaders were themselves involved in the original changes,
and there has been a succession of dramatic and apparently
self-induced changes, such as the Cultural Revolution, so that the
present move towards an apparently more capitalist approach, even if
not under that name, is merely the most recent in a continuing
succession of changes. The people of China, therefore, although they
may not have enjoyed an enterprise culture, have certainly had a
"change culture" for as long as they can remember; their rapid response
to the new opportunities is not the result of any ethnic predisposition
towards business, but a reflection of their continuing exposure to
change.

We can perhaps conclude from these two countries that it is easier to
introduce an enterprise culture to a society that has become accustomed
to change, of any sort, than to one that is "frozen", in any condition,
whether it be one of security, power and comfort, like the British
aristocracy, or of oppression, poverty and powerlessness, like many
minority tribal groups.

There are many other countries, and peoples, which have been
enterprising, and successful, because of external shocks which have
forced them to accept and promote change in order to survive. Japan and
Germany were discreditted and destroyed as a result of losing the
second world war. In order to restore their physical well-being and
their self-respect they had to be enterprising, and the results are all
too obvious for the victors who have had to compete with them.

Some smaller countries have in recent years been even more successful
through the application of business enterprise, which is presumably
founded in an enterprsie culture, but they too have been forced into
acceptance of change. Korea was ravaged by war, Taiwan was taken over
by the disposessed and discreditted mainland elite, Singapore lost its
main source of employment and its mainland hinterland and Hong Kong was
overwhelmed by millions of destitute and desperate immigrants. No
country would voluntarily bring such disasters upon itself, but painful
experiences have their compensations.

The results of hardship are no less positive, in terms of enterprise
culture, for individuals and for groups. Most entrepreneurs can point
to a personal "determining event" which shocked them out of the familar
path into a new venture, and refugees from persecution, such as Jews,
the "boat people", the French Huguenots or the Pilgrim Fathers and
their successors in what became the United States have demonstrated
again and again that enterprise is not an racial phenomenon; a people
or an individual who have initiated nothing for a long period can be
stimulated into dramatic innovation by a painful experience.

THE BRITISH EXPERIENCE

Let us now compare two very different countries, both from one another
and from the previous examples. The United States has for many decades
been considered the archetype of enterprise, while Great Britain has
been the epitome of resistance to change, genteel decline and gradual
decay. We need only look at the language of advertising and popular
culture; in the United States, "different" is synonomous with "better",
"what's new?" means "what's interesting?" and "there must be a better
way" is an article of national, corporate and individual faith.

In my own country, the best way to sell something is to claim that the
supplier was "by appointment" not even to a member of the present Royal
Family, but to Queen Victoria or a member of her court, or that the
company was founded in the nineteenth century or before. While
Americans move West, change cars or spouses and search for new
solutions, we "grin and bear it", "keep a stiff upper lip" and prefer
the mediocrity of what we know to the uncertain excellence of the
unknown.

In recent years, however, something does appear to have happened in the United Kingdom, and it has not been precipitated by the type of shock which we have referred to earlier; has there been a genuine change, is there now an enterprise culture which did not exist before, and why has it happened ?

Bannock, in his paper to which we have already referred, gives a number of quantitatiive indicators both of improving economic performance and, more importantly in relation to our theme, of the growth of enterprise. British GDP grew between 1950 and 1970 at an average rate which was around sixty per cent of the growth achieved by the rest of the OECD. In the six years from 1980 to 1986 our rate of growth was 91% of the OECD as a whole, and in 1986 alone we finally exceeded the average, achieving a growth rate of 2.7% while the OECD as a whole grew at the slower rate of two and a half per cent.

This result might have been achieved by greater putput from the existing stucture; Bannock adduces a number of figures to demonstarte that this is not the case, and that the fundamental structure of our economy is changing. Any one or two of the figures might be taken as aberrant or irrelevant, but together they make a convincing argument for change, in the direction of enterprsie, as well as growth.

The number of new firms registered each year has approximately quadrupled over the period from 1970 until 1986, and the increase has been maintained at a more or less steady rate over that period. Less dramatically, but perhaps equally importantly, the share of the one hundred largest private sector businesses in output and employment changed as follows between 1980 and 1984:

Year	Share of Output	Share of Employment
1980	40.5 %	37.2 %
1984	38.7 %	33.1 %

(Source, Bannock, Op. Cit., Table A3)

Management buy-outs are perhaps as good an indicator as any of the activities of enterprising individuals as opposed to existing corporations, since they represent a clear de-concentration of activity, There were in 1980 one hundred and seven such transactions, of a scale meriting recording as such, and in 1986 there were two hundred and sixty.

Similarly dramatic changes have taken place in capital markets, both in terms of the numbers of firms raising finance and new institutional approaches:

Year	Number of new firms raising money on UK stock markets	Number of Venture Capital Institutions operating in UK
1980	58	27
1986	209	126

(Source, Bannock, Op. Cit., Tables 6 and 8)

It should be clear to all but the most sceptical that something has happened in Great Britain; what has stimulated the change, and what can we learn from the experience that is of relevance to othet countries and communities?

Bannock suggests that the British people finally lost patience with themselves and their own decline, and that they finally realised that "something has got to be done", to use the words of the future Edward the eighth when he visited the coal fields in South Wales during the Great Depression of the 1930s. Experience from elsewhere suggests, however, that a shock is needed, rather than a gradual decline. At an individual and a local level, massive and regionally concentrated unemployment may have provided such a shock in the 1970s, and those who had savings on which to rely may also have been shocked to find that their value was being eroded by inflation to the extent of almost thirty per cent a year during the same period.

We probably have to admit, however, that much of the credit must go to government; this will be a comforting conclusion to those who believe in the power of governments to induce change, although they will have to accept that government itself has to change, and that the process has involved pain, and some reduction in the power of government itself.

During the period of the present Administration, there have been many changes, not all deliberate, and many of them painful ones. The Government itself has been headed by a women for the first time in our history, and that may in itself have been a shock. The numbers of people unemployed have been higher than ever before, and the numbers of companies liquidated each year have doubled since 1970, and are still increasing. There have been many other changes which have meant that people, and businesses, have to make more decisions, because they are no longer so bound by regulations; all foreign exchange controls have been removed, retailers can set whatever prices they wish for most products, and it may be that we shall soon have to decide for ourselves when to have a drink in a pub! Job security has been reduced, and there are more suppliers for nearly every product and service, with their offerings differentiated in a greater variety of ways.

Enterprise has also become fashionable, partly, it must be admitted, because Government has made it easier. Anybody who has been unemployed for eight weeks and who has an even vaguely reasonable idea for a new business can satisfy the requirements for the Enterprsie Allowance Scheme, which gives them a weekly allowance of forty pounds and free access to a number of other forms of assistance. There is a whole range of programmes for almost every category of person who might want to start a business; although few of them have been rigourously evaluated, and enormous sums of public and private money have been wasted, becoming self-employed has become socially acceptable.

Even ten years ago, it would have been most unusual for a student about to graduate from university even to be aware that self-employment was an option, but now there are special programmes for graduates who wish to go into business for themselves; they have been designed so that the recruitment and selection activities have a very high profile, so that they may plant the idea of starting a business in the minds of far greater numbers than those who actually apply and are accepted.

It may also be significant that many of the various rogrammes, of which I have mentioned only a small sample, are funded but not actually implemented by Government, but by entrepreneurial organisations, many of which have been set up in response to the opportunity. This has led to the somewhat incestuous growth of an industry which itself promotes industry, but this is probably to be preferred to the growth of government; if my earlier optimistic forecast for the next decade is correct, the worst excesses of this "industry" will be curtailed, and enterprise will feed on enterprise as it should.

Our Government has therefore successfully built on a deep-seated sense of national frustration, and on more immediately uncomfortable phenomena such as unemployment and inflation, to promote an enterprise culture; how can other governments learn from this, in their attempts to promote more enterprise in whole nations or in particular regions or communities ?

It may be that a sense of national disillusionment is a prerequisite, but this may not be too hard to find, at least in some member states. Given that this condition is satisfied, a government that wants to promote an enterprise culture should from the very beginning proclaim itself as a government of change. Politicians should not be afraid to promise pain before the rewards, and to admit that there will be hardship. The promotion of new enterprise, and the programmes designed to assist entrepreneurs, must have wide media exposure, and politicians must be willing to give up some at least of the headlines to entrepreneurs.

Most importantly, perhaps, governments must recognise, say they recognise and act on the recognition that they cannot themselves do very much. All they can do is to publicise opportunities and allow and from time to time assist people to do things for themselves. Individuals, and businesses, must be free to fail as well as to succeed. Such functions as cannot be carried out by the private sector, and there are very few, must be carried out by public organisations which are as subject to client pressures, and to the threat of dissolution, as any private firm.

These principles can and should apply at the community level just as much as at the national level. People must be helped to help themselves, and not merely helped, and every programme of assistance must have a firm date for being wound up before it starts; if its work is not completed when that date is reached, it has failed and must be stopped, and if it has succeeded, it can be stopped. In neither case is there a role for permanent pensionable employment, and candidates for new positions in the field of enterprise promotion should be judged on the tasks they have completed and the programmes they have closed, not on the funds they have raised and the institutions they have built.

At an individual level, we should try personally to force ourselves into an enterprising state of mind, by self-consciously preventing ourselves and our colleagues from saying, or thinking, "this cannot be changed". There is a famous prayer which asks for the strength to change what can be changed, the patience to bear what cannot be changed, and the wisdom to know the difference. Maybe we should err more towards trying to do the impossible, in the recognition that the pleasure of achievement comes from the attempt and not the success.

Institutionally, we should accept and even foment rebellion, tolerate and even surreptitiously encourage "skunk groups" which, according to "The Pursuit of Excellence", are the origin of beneficial change, and be ready ourselves to break away, to buy out or to get out, The phrase "Enterprise Culture" is, after all, somewhat of a contradiction in terms; a culture is about what is acceptable, but entrepreneurs do the unacceptable. We should be willing ourselves to break the rules and to tolerate if not to welcome others who do the same, and we may thus find that our family, our community and even our whole nation is of a like mind.

Reference: Graham Bannock, "Britain in the 1980s: Enterprise Reborn?". Investors in Industry, London, 1987.

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