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Special Issue on Entrepreneurship in Ireland

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THE IRISH JOURNAL OF **Management** incorporating IBAR

IRISH BUSINESS AND
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The *Irish Journal of Management (Incorporating IBAR – Irish Business and Administrative Research)*, aims to contribute to a wider understanding of the nature, characteristics and performance of both Irish and international organisations through the dissemination of research from a wide variety of management-related areas.

Notes for Contributors

The *Irish Journal of Management* aims to publish well-written and well-researched articles that contribute to an understanding of management related issues in both Irish and international organisations. The Journal welcomes contributions from a wide range of management viewpoints including interdisciplinary and multi-disciplinary perspectives as well as traditional disciplines and functions.

Contributions should be accompanied by a statement indicating that they have not been published elsewhere and that, if accepted for publication in *IJM*, they will not be submitted for publication elsewhere without the agreement of the editor. Authors are reminded that they must observe the usual rules and practices regarding the production of copyright material in their articles.

Articles should normally be between 6,000 and 8,000 words in length and should conform to *IJM* style as follows:

Tables and Figures should be clearly labelled and their position in the text should be indicated by ‘Insert Table 1 here’. Tables and figures should be provided on separate pages and included at the end of the article. In the case of graphs, diagrams or other illustrative material, the author will be responsible for the preparation of artwork, or for exceptional costs associated with any artwork required.

Footnotes should be avoided. Essential notes should be numbered consecutively in the text and grouped together at the end of the paper.

References should be set out in alphabetical order of the author’s name, in a separate list at the end of the article. They should be given in a standard format as in the following examples:

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References in the text should give the author(s), year of publication and page number(s). For example: as Roche (2001: 6) has argued ...

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Submissions

Contributions should be typed double-spaced on A4 paper, with ample left- and right-hand margins. A cover page should contain only the title, author's name(s), position(s) and institutional affiliation(s) and the address (one only) to which proofs should be sent, together with full contact details (email, phone and fax numbers). An abstract of 100–150 words should be included on the second page, together with 3–6 key words. To ensure anonymous review, authors should not identify themselves in the text but should include a separate sheet with a short biography of 50–75 words.

Authors are strongly advised to consult one or more recent issues of *IJM* before submitting manuscripts for publication.

Contributions should be sent, by email only, to the editor, Kathy Monks, at Dublin City University Business School (Kathy.monks@dcu.ie)

All articles are double blind refereed. The *Irish Journal of Management* aims to obtain a response to submissions within three months.

An electronic offprint of each published paper and one copy of the journal issue in which it is published is provided free of charge.

Foreword



T H O M A S M . C O O N E Y *

It is generally recognised that Ireland's economic growth in recent years has been very impressive. Indeed, the growth rate during the second half of the 1990s was four times that of the EU average. As global trade expanded at an unprecedented rate, consistent policies by successive Irish governments delivered a favourable corporate tax, fiscal and wage-setting system from which Irish-based firms could benefit. As a result, through the late 1990s and early 2000s the Irish economy experienced significant economic growth. This expansion was facilitated by a well-educated workforce, a suitable demographic profile and advancements in sectors such as information and communications technology (ICT) and life sciences.

While the 'Celtic Tiger' was welcomed by everyone, it also hid a variety of weaknesses in the structure of the economy. One of the more alarming statistics reported in the Enterprise Strategy Group Report (2004) was that approximately 89 per cent of Irish exports came from foreign-owned firms. Given the significantly increased competition from low-cost-base countries offering an array of attractive incentives for MNCs (multinational corporations) to locate within their economies, this scenario poses an obvious question – what happens if we can no longer entice as many MNCs to build a base in this country? Such an outcome would have substantial negative consequences for Ireland's trading capacity, and particularly for its export activities. Therefore, it is imperative that Ireland develops its indigenous firms by engendering a greater number of business start-ups and encouraging existing firms to grow through

* *Guest Editor*

exports. But how can this be achieved when no entrepreneurship policy currently exists within government strategy?

This Special Edition of the *Irish Journal of Management* focuses on the topic of entrepreneurship in Ireland. It begins by reviewing enterprise policy since the foundation of the state and follows with a profile of Ireland's entrepreneurship performance in comparison to countries across the globe. Given this background, the Special Edition then questions the role of entrepreneurship education within Ireland's economic future before moving into precise areas of entrepreneurship enquiry. Each paper delves deeply into a specific theme and together they offer a benchmark on entrepreneurship in Ireland at a particular time in the country's economic history.

One of the most exciting developments on the island of Ireland in recent times has been the peace process in Northern Ireland. Already the vastly increased levels of economic and social interaction taking place across the border are highly noticeable (including the establishment of the all-island body INTRE: Ireland's Network of Teachers and Researchers in Entrepreneurship). Some of the papers within the Special Edition reflect this wonderful new political, economic and social landscape. It is the ambition of this Special Edition that it will act as a baseline from which greater work will be built on the topic of entrepreneurship throughout the island, and that at both practical and theoretical levels these new entrepreneurial activities and relationships will bring a further abundance of economic, social and artistic wealth to all of the people on our island.

REFERENCE

Enterprise Strategy Group (2004) *Ahead of the Curve: Ireland's Place in the Global Economy*, Dublin: Forfás.

An Anthology of Enterprise Policy in Ireland



BILL O'GORMAN*
THOMAS M. COONEY**

ABSTRACT

Ruane and Gorg (1996: 37) remarked that 'any careful comparison of the Irish economy with other economies in the European Union immediately focuses on two key features of Ireland's pattern of industrial development: the enormous significance of foreign direct investment (FDI) and the very high export ratios in the Irish manufacturing sector among foreign-owned companies. These two features have not developed by accident, but are directly related to the industrial strategy which Ireland has pursued over the past forty years, namely, of promoting export-led growth in Irish manufacturing through various incentives and of encouraging foreign companies to establish manufacturing plants in Ireland, producing specifically for export markets'.

Key Words: Enterprise Policy; Entrepreneurship; Foreign Direct Investment.

INTRODUCTION

This paper traces the development of enterprise policy in Ireland from the foundation of the state to the present day. It analyses and

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comments upon the rationale and thinking that have forged the creation and development of Ireland's enterprise policy in the modern era of a knowledge economy. The paper begins with a brief overview of the industrial scene in Ireland prior to the foundation of the state. Following the overview, the paper reviews the evolution of enterprise policy in Ireland from protectionism in the early 1930s, through the role of foreign direct investment (FDI) in developing the state's economy and shaping its enterprise policy, to a discussion about the dilemma between having a comprehensive support package for foreign-owned multinational corporations (MNCs) and support for indigenous enterprise. This is examined within the context of both the Telesis Report (1982) and the Culliton Report (1992). The change in policy emphasis in the early-to-mid-1990s is also explored and discussed. This is followed by a general overview of the relationship between policy and new firm formation, and why having policies on entrepreneurship is so critical in today's economy. In the final section, future enterprise policy in Ireland is considered based on the outputs from the First and Second Entrepreneurship Development Forums (held in 2004 and 2005). In summary, this paper is a commentary on the evolution of enterprise policy in Ireland from the foundation of the state to the present day.

INDUSTRY IN IRELAND PRIOR TO 1922

Traditionally businesses in Ireland have been associated with produce from the land such as brewing, distilling, milling, tanning and other agri-related businesses, with a considerable number of these enterprises being family businesses. While many family businesses dating from the eighteenth and nineteenth centuries still exist in Ireland today, such as Waterford Wedgwood (1759), Punch Industries Limited (1851), Johnson and Perrott Motor Group (1820), and the Musgrave Group (1876), the vast majority of family businesses with an existence of more than two generations are ones that have been founded since the creation of the Irish Free State in 1922 (Spillane et al., 2006).

While there is a long tradition of trade and commerce in Ireland, the vast majority of trade since Norman times (1300s) has been with England and her colonies. Up until 1922 Ireland was part of the British Empire and therefore much of Ireland's produce was exported to England to help support the English economy. Even

during the famine years of the 1840s there was still a considerable amount of grain exported to England. For almost 800 years the economic structure of Ireland was dominated by landlords and businessmen who had their roots in England. While some of these landlords and businessmen settled in Ireland, they still considered themselves to be part of the British Empire and their profit and trade was geared towards 'the mainland' of England. Thus, in general terms, the Irish did not have a sense of trade or commerce in terms of business ownership, and those who did were very much limited to one market: Britain and its Empire. Although the British Empire was good to businessmen working and living in Ireland, as it was vast and it was much easier to work through the Empire's extensive trading network than it was to find new markets for oneself, Ireland was very much dependant upon its biggest trading partner. But all of this was to change with the founding of the new state in 1922.

ENTERPRISE POLICY IN IRELAND SINCE 1922

Since its independence from Britain in 1922, Ireland has had a varying collection of industrial policies. During the first ten years of independence Ireland continued to operate a free trade policy under its new government, Cumann na nGaedhael. But during this time the main opposition party, Fianna Fáil, was proposing self-sufficiency and the imposition of high tariffs on imports. When Fianna Fáil came to power in 1932 it introduced protectionism, which virtually remained in place until the introduction of the Anglo-Irish Free Trade Agreement in 1965. Whereas protectionism and self-sufficiency might have been an ideal to pursue for nationalistic reasons (and the country did well from this policy during World War II), it had a devastating effect on the Irish economy. For example, the government 'had distorted the economy by wholesale subsidisation of economic activities, rather than letting entrepreneurial activity find the correct product for the correct market' (Garvin, 2004: 33). But this policy was more devastating for economic growth after World War II, as not only did it limit competitiveness through importation, but it also limited businesses to trading internally within the state, and thus the development of export markets was restrained. A key aspect of this stifling of export markets and support of the protectionist stance was the Control of Manufacturers Acts (1932). These acts provided for

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majority Irish capital holding in Irish companies and were aimed at eliminating British control of Irish industry (Garvin, 2004: 112). The acts were put in place because of the view held by some political parties in the early years of the new State that FDI meant UK-owned companies, the presence of which were seen by some to represent a failure of Ireland to establish itself as a viable economy entity (Ruane and Gorg, 1996). It was not until 1958 that the Control of Manufacturers Acts were repealed. However, because of pressure from local manufacturers the government of the day rescinded only the acts for industries that exported the bulk of their produce. Thus the title of the act was changed from the Repeal of the Control of Manufacturers Act to the Act for the Encouragement of Export (Garvin, 2004). It was also around this time that foreign-owned companies were encouraged to set up manufacturing facilities in Ireland with the specific aim of exporting most, if not all, of their outputs. Similarly acts such as the Shops (Hours Trading) Act of 1938, had a negative effect on business since the act was declaredly intended to limit trading hours by small family-run shops trading 'unfairly' against larger and more unionised concerns (Garvin, 2004). Not only did this have a negative effect on the smaller concerns, but it also removed competition to improve from the larger business concerns. However, during this period there was some FDI into Ireland, especially after the Industrial Development Authority (IDA) was set up in 1949. However, it was only after 1965 that FDI became significant due to the positive promotion of it as a key industrial policy by the Taoiseach (Prime Minister) of the time, Sean Lemass. The significant level of FDI achieved resulted in a large increase in the numbers of people employed in manufacturing industries in Ireland.

Sweeney (1999) stated that since 1973 the growth of employment in foreign firms has been very impressive.

Therefore, even with the Irish recovery and trend reversal, it seems certain that, soon after 2000, the foreign MNC manufacturing sector will be a bigger employer of Irish workers than will Irish manufacturing firms. When internationally traded and financial services are added to these manufacturing jobs, the numbers in 1998 were 133,230 in Irish firms and 136,515 in foreign firms. Thus in 1998, for the first time, the number of jobs in

Table 1: Employment Growth from 1973 to 1998

	Irish	Foreign	Total
Employment, 1973	143,815	69,388	213,203
Employment, 1998	121,073	109,222	230,295
Net change, 1973–1998	–22,742 (–16%)	+39,834 (+57%)	+17,092 (+8%)

Source: IDA and Forfás Employment Surveys (Sweeney, 1999).

foreign firms in manufacturing and internationally traded and financial services exceeded the number of jobs in Irish firms (see Table 1) (Sweeney, 1999: 142).

This high level of FDI has helped Ireland shift away from its high dependence on the UK market. Thus in the case of Ireland, it can be seen how establishing the IDA to focus on attracting FDI has changed the country from being a rural-based economy to an industrial-based economy (Sweeney, 1999; Garvin, 2004).

In 1952, the IDA was split into the IDA proper (to promote new investment) and a new industry board (An Foras Tionscal), which assessed projects and made decisions on development grants (Garvin, 2004). According to Meyler and Strobl (2000), Ireland's enterprise policy in the early 1950s was very much focused on regional development in that they (the IDA) distinguished between *designated areas* and *non-designated areas*. The regions classified as designated areas were typically the least wealthy, least populated, least industrialised and most peripheral regions of Ireland. The first *designated areas* categorisation included Sligo, Leitrim, Roscommon, Mayo, Galway, Clare, Donegal, Kerry and west Cork. This focus on regions seems to vary from decade to decade. For example, the Buchanan Report in 1969 proposed a focus on nine regional development centres to support the regional growth argument of the 1960s. According to Meyler and Strobl (2000) the regional policy of the 1970s focused on two primary issues: (1) an attempt to avoid the rural–urban drift whereby workers migrate from rural to urban areas in search of higher paid jobs, and (2) an attempt to avoid an over-concentration of foreign-owned MNCs in certain areas.

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The IDA's 'Regional Industrial Plans for 1973–1977' focused more on towns, albeit it targeted (designated) many more than nine centres for growth. In 1982 however, after the publication of the Telesis Report, enterprise policy emphasis changed from being predominantly regionally focused to being predominantly focused on attracting strategic industries into the State.

While there has been a continuing focus on regionality in successive enterprise policies in Ireland, the degree of emphasis on regional development has varied from decade to decade. For example, in the early 2000s anecdotal evidence existed to suggest that the number of MNC facility openings was far more numerous in the Greater Dublin Area compared to the rest of Ireland, and indeed that many indigenous companies were also locating themselves (and in some cases relocating themselves from the regions) into the Greater Dublin Area in order to serve the MNCs located there. This trend was of such concern to the government that Enterprise Ireland published a 3-year strategy document, 'Driving Growth in Regional Enterprise', in 2001. The main aim of this strategy was to encourage indigenous organisations, based in the Greater Dublin Area, to move out of Dublin and/or to set up subsidiaries in the regions. While the incentives offered were good, the actual uptake was poor.

With the passage of time, even though regionality was still expressed in enterprise policy, there has been a greater emphasis on attracting and supporting foreign-owned MNCs, which by their nature have a tendency (or expressed desire) to locate in urban centres of large concentrations of population. However, pursuant of the Telesis Report (National Economic and Social Council, 1982) was the National Linkage Programme in 1985. According to the *Review of Industrial Performance and Policy* report (Department of Enterprise, Trade and Employment, 2003), the National Linkage Programme was established to develop a strong competitive sub-supply base in Ireland that would maximise local purchases of Irish materials, components and services by foreign-owned organisations located in Ireland. Based on the experience and observations of the authors of this paper, it is arguable that the programme was successful up to the early 1990s and then began to fade away. Part of the reason why the programme began to decline was that foreign-owned MNCs operating in Ireland insisted that their supply base would

have the capability of supplying all of their (the MNCs') facilities throughout the world, which small local Irish companies were incapable of achieving. Also, the MNCs were 'comfortable' working with existing foreign suppliers, and in many cases encouraged their sub-suppliers to relocate some of their operations to Ireland.

There is much evidence to suggest that the IDA has performed well in identifying, pursuing and securing prestigious FDI since the early 1950s up to and including the present time. However, there are many commentators and researchers who question Ireland's over-dependence on the level of foreign multinationals in the country (see, for example, O'Hearn, 1998; O'Sullivan, 2000). During the late 1980s and early 1990s, many politicians (including the Taoiseach of the time, Albert Reynolds) expressed concern that the IDA was overly focused on the attraction and support of foreign multinationals to the detriment of indigenous industry. Reynolds, himself a successful businessman, made some key changes to address these concerns during his tenure as Taoiseach from 1992 to 1994. One of the most notable changes was the passing of the Industrial Development Act 1993. This act was influenced by the Culliton Report of 1992, which boldly suggested the need for a total restructuring of the IDA. The report urged the government to focus on Irish industry; it particularly suggested that a state agency be established to focus solely on indigenous industry (Sweeney, 1999). The Industrial Development Act 1993 established three industry support state agencies: Forfás, Forbairt (now called Enterprise Ireland) and the IDA. In summary, Forfás is the overall state agency that is responsible for enterprise policy and development in Ireland. The implementer of policy for indigenous enterprise is Enterprise Ireland (formally Forbairt), while responsibility for attracting 'industrial undertakings from outside the State' lies with the IDA.

Another very significant government intervention to boost indigenous industry in the early 1990s was the establishment of the City and County Enterprise Boards (CEBs). In 1992, against a background of chronic unemployment and vigorous representation by local politicians for the encouragement of enterprise development (particularly new start-ups), and partially because of the demise of a major multinational company (Digital Equipment Corporation) in the west of Ireland, the Irish government embarked upon a fundamental shift regarding industrial policy. For the first

time in Irish economic history, policy moved towards a nurturing of the micro sector (fewer than ten employees) and embraced the services sector, which up to that time had been excluded from state aid. In 1993 the Irish government decided to establish a system of local enterprise agencies, where decision-making would be devolved to boards representative of local business interests, political representation, local government and social partners. These came to be known as CEBs and were established in every county and major city in Ireland (Hanley and O’Gorman, 2004).

Some businesses in Ireland did flourish during the twentieth century, but two major issues have impacted upon the longevity of these businesses: the economic policies of successive Irish governments and the growth in competitiveness and globalisation. As stated earlier, many of the older businesses were operating in traditional industry sectors. With the advancement of globalisation and increased competitiveness in the Irish economy, most of these traditional sectors came under threat in the last fifteen years of the twentieth century.

Table 2, taken from the *Review of Industrial Performance and Policy* (Department of Enterprise, Trade and Employment, 2003), summarises the evolution of enterprise policy in Ireland from the 1930s to 2000. It is the more significant and relevant policies that have been commented upon in this paper.

POLICY AND NEW FIRM FORMATION

One of the critical questions that emerges from this review is why economic policy is so relevant to the study of entrepreneurship in Ireland. In truth, there are many factors that encourage new firm formation, including government policy, economic conditions, the attitudes of entrepreneurs and the relative importance that the entrepreneurs place upon the factors affecting start-up (Corman et al., 1996). But as Birch (1987) famously pointed out, the key to job creation is entrepreneurial firms. It is now generally recognised that economies that provide the proper environment for start-ups and existing firms to expand will flourish, whereas those that fail to provide such an environment will languish. Stevenson and Lundström (2001: 17) informed us that ‘historically, entrepreneurship was rarely a stated economic policy objective (of governments) – at best, it was

Table 2: The Evolution of Enterprise Policy

1930s–1950s	1960s–1980s	1980s–1990s
1932 – Large increase in tariffs on a wide range of imported goods.	1961 – Application made to join the European Economic Community.	1986 – Industrial Development Act provides new statutory framework for enterprise support.
1932–34 – Control of Manufactures Act restricts foreign ownership of new Irish factories.	1963 – EEC application withdrawn after collapse of talks between Britain and EEC.	1987 – Financial Services Act establishes International Financial Services Centre (IFSC). Profits from eligible activities undertaken in the Centre qualify for 10% tax rate until 2005.
1933 – Establishment of Industrial Credit Corporation to provide finance for native industry.	1965 – Anglo-Irish Free Trade Area Agreement requires phasing out of tariffs on most British Goods within 10 years.	1987 – Programme for National Recovery negotiated between Govt. and social partners.
1950 – Establishment of Industrial Development Authority to promote industrial development.	1969 – Industrial Development Act merges the IDA and An Foras Tionscail.	1987 – First Minister of State for Science and Technology appointed, and Science and Technology Development programme initiated.
1952 – Establishment of An Foras Tionscail to give grants of up to 100% of cost of land & buildings and 50% of cost of machinery to companies setting up in under-developed areas of the country.	1969 – Export profit tax relief extended to 1990.	1989 – First EU-funded Industry Operational Programme launched.

(Continued)

Table 2: (Continued)

1930s–1950s	1960s–1980s	1980s–1990s
1956 – Industrial Grants Act provides that grants of up to 2/3rds of cost of land & buildings can be given for new industry in all parts of the country.	1973 – Ireland joins EEC. Tariffs on imports of almost all manufactured goods from EEC member states to be phased out over five years.	1993 – Single Market in goods, services, capital and labour takes effect in European Union.
1956 – Finance Act gives 50% remission on tax on profits from exports. Finance Act 1958 increases export tax relief to 100%. Finance Act 1960 extends export tax relief for 15 years with tapering relief for a further five years.	1981 – Industrial Development (No. 2) Act enables grants to be paid for designated internationally traded services. IDA establishes International Services Programme.	1993 – Industrial Development Act establishes 3 Agencies: IDA Ireland for overseas industry; Forbairt for indigenous industry; and Forfás as an advisory and coordination body.
<i>Economic Development</i> 1958: 'sooner or later protection will have to go and the challenge of free trade be accepted.'	1981 – Export tax relief replaced by a 10% tax on all profits in manufacturing sector, but remains in force until 1990 for companies already qualifying.	1998 – Agreement with European Commission on 12.5% standard corporation tax rate from 2003.
1958 – Easing of restrictions on foreign ownership of industry in Control of Manufactures Acts 1932 & 1934. Acts repealed in 1964.	1982 – Review of industrial policy by Telesis criticises excessive reliance on foreign industry. Proposes reduction in grant aid to foreign firms and greater emphasis on building up strong indigenous firms.	1998 – Industrial Development Act establishes Enterprise Ireland as a new development agency for indigenous industry incorporating Forbairt, An Bord Tráchtála and some activities of FÁS.

(Continued)

Table 2: (Continued)

1930s–1950s	1960s–1980s	1980s–1990s
1959 – Shannon Free Airport Development Company (SFADCO) established to promote industrial development in the Shannon Area.	1984 – White Paper on Industrial Policy proposes greater focus on developing indigenous industry.	1999 – Commencement of Economic and Monetary Union (EMU) and euro. Changeover to € to be completed by February 2002.
		2000 – Government approves €646m Technology Foresight Fund and sets up Science Foundation Ireland to manage it.
		2000 – Establishment of InterTrade Ireland to promote all-island trade and enterprise development.

Source: Department of Enterprise, Trade and Employment (2003).

a by-product of the economic development process’. However, they further stated that ‘government attention to the SME policy agenda was considerably heightened following the breakthrough research of Birch (1979) in which he discovered that over 80 per cent of new jobs were being generated in small rather than large US firms and that, in fact, new young firms were the engines of growth in the US economy’ (Stevenson and Lundström, 2001: 17).

Recently SMEs (small to medium-sized enterprises) are being given more and more attention by governments because of their importance to local and national economic development. Indeed, many researchers and economic research organisations have written about the significant economic importance of SMEs (OECD, 1998; European Commission, 1992, 1998; Lauder et al., 1994; Verheul et al., 2001; Jenssen and Havnes, 2002; Massey, 2003

are just a few examples). Lauder et al. (1994), in their comparative study analysing the support systems and institutions for SMEs in the United Kingdom and Germany, noted that approximately 66 per cent of businesses in Germany and 60 per cent of businesses in the United Kingdom employ less than 500 people. Stevenson and Lundström (2001), in their research examining the patterns and trends in entrepreneurship and SME policy and practices in ten different national economies, demonstrated that over 98 per cent of private sector organisations are SMEs, and that these figures are fairly representative of countries across Europe. Verheul et al. (2001) informed us that government intervention within the field of entrepreneurship has been inspired by the importance of the small business sector for economic growth and job creation.

It is also no surprise that the European Commission is currently placing more emphasis on entrepreneurship, enterprise creation and SME development. Some of the key EU policy documents have come from the Amsterdam Summit (1997), which made a significant breakthrough in linking economic and employment policy into the same agenda. The core policy of the Amsterdam Summit focused on employability, entrepreneurship and adaptability (Henriksen, 1999). More recent EU policy comes from the Lisbon and Barcelona Agendas (2000 and 2002). In 2000, the European Union Heads of Government met in Lisbon to discuss the economic future of Europe, resulting in a set of ambitious policies and reforms directed at both national and European levels. The main focus of these policies and reforms was to develop an effective internal market by boosting research and innovation through supporting education. The overall objective of the Lisbon Agenda was to shape Europe into 'the most dynamic and competitive knowledge-based economy in the world by 2010' (European Union, 2000). These policy objectives were reiterated at the 2002 Barcelona meeting of European Union Heads of Government, with a particular focus on upgrading 'knowledge' and increasing technology diffusion at the regional level in the belief that this may prove to be a particularly efficient route to economic growth (European Union Research Advisory Board, 2004). However, between 2000 and 2005 very little progress had been made on the

Lisbon Agenda, and therefore the European Commission aggressively re-launched the Lisbon Agenda in 2005 by setting up the Competitiveness and Innovation Framework Programme with a budget of €4.2 billion. The overall aim of this Framework Programme was to increase indigenous competitiveness and innovation across the regions of Europe through research, education and technology diffusion.

The dual mandate of most governmental policies towards entrepreneurship is to increase innovation and to reduce levels of unemployment. In the view of some experts, these aspects are closely linked. For example, according to Henriksen (1999: 216), 'there is no doubt that if the job challenge is to be met, we must stimulate the growth of firms. We should target our support at small firms...'. According to Stevenson and Lundström (2001), not only are new firms necessary to replace businesses and jobs which are lost due to the disappearance and downsizing of existing businesses, but also they are critical to innovation activity, 'as entrepreneurship is considered by many to be a recipe for economic prosperity, there is an obvious need to increase the supply of entrepreneurial talent to create and grow new businesses that will generate employment and create wealth for the local economy' (Henry et al., 2003: 5). Wennekers and Thurik (2001) and De (2001) also argued that another key role for government was in stimulating culture or social capital and creating the appropriate institutional framework at the country level to address the supply side of entrepreneurship (i.e. focusing on the number of people who have the motivation, the financial means and the skills to launch a new business).

Market forces obviously have an impact on the level of entrepreneurial activity within a national economy. However, government policy-makers and politicians are aware of the critical role SMEs and new ventures play in national economies, and therefore governments are inclined to intervene in market conditions in an attempt to stimulate entrepreneurial activity and growth. But, according to Jøensen and Havnes (2002), if governments want to promote entrepreneurship they have to focus on the factors that make individuals entrepreneurs, and not just focus on the traditional approach of financial assistance. Equally, there seems to be a belief that 'entrepreneurship can be developed and fostered by government action so

that even the most economically deprived regions can be developed' (Henry et al., 2003: 5).

Even though the European Union has provided an overall framework for entrepreneurial activity and support (and in particular it has articulated a set of policies and objectives aimed at stimulating further wealth creation in Europe and its regions through entrepreneurial activity, research, innovation and new venture creation), each country has its own set of policies. Policies at national level are influenced by many factors such as a nation's wealth, culture and politics. An example of the variances in national-specific policies is demonstrated by Lauder et al. (1994) in comparing the systems of supports for SMEs in the United Kingdom and Germany. Their paper, primarily based on secondary data, found that policies towards SMEs in both countries share the common objective of maintaining a healthy and competitive SME sector within a free market economy. However, there are differences in the policy instruments employed to achieve these goals. While German policy-making is based on attempts to improve economic efficiency by compensating SMEs for recognised disadvantages of small scale, British policy-making is based on the belief that intervention is only justified when it is used to remove, or to compensate for, perceived market imperfections. As previously mentioned, there was little defined, focused policy for SMEs in Ireland until the early 1990s (most of the emphasis was on attracting FDI), and support to small businesses until that time was extremely fragmented, and very much focused on large businesses with export potential. It was only in the early 1990s that there was a much more concise focus on SMEs and micro-enterprises, and in particular there was a move away from solely supporting enterprises qualifying under national policy criteria to a more regionally based dimension aimed at supporting and developing local economies (Hanley and O'Gorman, 2004).

Even though enterprise policy is influenced by a nation's specific needs and by global competitiveness at a given point in time, Verheul et al. (2001), in their paper dealing with the determinants of entrepreneurship, developed an eclectic theory that provides an integrated framework which enables a better understanding of the

different roles that entrepreneurship plays in different countries at different times. In their paper they argue that government is able to influence the rate of entrepreneurship through five different groups of determinants of entrepreneurship:

- G1: Government intervention on the demand side of entrepreneurship – influencing the number and type of entrepreneurial opportunities.
- G2: Government intervention on the supply side of entrepreneurship – influencing the number and type of potential entrepreneurs.
- G3: Government policies aimed at influencing the availability of resources, skills and knowledge of individuals. These policies generally deal with the input factors of entrepreneurship (i.e. labour, finance and information).
- G4: Government policies aimed at influencing the preferences (i.e. values and attitudes) of individuals.
- G5: Government policies (directly) aimed at the decision-making process of individuals. Given certain opportunities and individual characteristics, this type of government intervention directly influences the risk–reward profile of entrepreneurship.

Traditionally the Irish government has been involved with G2 and G3 type policies, and in more recent times (2004/2005) has got more involved with G4 type policies. However, policy in Ireland is still centralised and while there may be some element of local interpretation of national policy by regionally based policy implementers to meet regional specific needs, the degree of interpretation does not stray much beyond national policy guidelines (Hanley and O’Gorman, 2004).

As previously stated, policy means different things to different governments. Therefore, in order to fully comprehend, develop and implement policy, it is necessary to understand the context of policy in different country settings (Gibb, 2000). Arguably it is true to say that there are some commonalities and underlying principles within policy, such as creating and maintaining a sustainable healthy and competitive SME sector within a free market economy

(Lauder et al., 1994). Stevenson and Lundström (2001) identified entrepreneurship policy as:

- policy measures taken to stimulate entrepreneurship;
- that are aimed at the pre-start, the start-up and the post-start-up phases of the entrepreneurial process;
- designed and delivered to address the areas of motivation, opportunity and skills;
- with the primary objective of encouraging more people to start their own businesses.

This generic understanding of entrepreneurship policy is widely accepted, but it does not convey the reality in most countries where the focus is on those firms that have the ability to succeed. For example, the focus of Enterprise Ireland (Ireland's main state agency responsible for supporting the creation and development of indigenous enterprises) since they were officially formed in 1992 has been on high potential start-ups (HPSUs), high-growth enterprises with significant export potential. In fact, Enterprise Ireland's recent publication, 'Transforming Irish Industry: Enterprise Ireland Strategy 2005–2007', remains expressly focused on HPSUs with internationalisation and export growth potential.

The concept of state enterprise support agencies 'picking winners' is not isolated to the Republic of Ireland. This strategy appears to be the pattern in most European countries that have government agencies supporting enterprise development. For example, Hart et al. (2000), in their study on public policy and SME performance in Northern Ireland, used a database of 1,600 firms, comprising of growth and established clients of the Local Enterprise Development Unit, and found that a greater concentration of effort on firms with growth potential would appear to have been successful. They also reported that one way for the state enterprise support agency in Northern Ireland to maximise the benefits of its resources was to support firms who have demonstrated some degree of movement along a growth trajectory. Even though there is no general agreement among researchers as to the validity of supporting just the 'high flyers', many enterprise support agencies are focusing

more on 'picking winners' (Freel, 1998). As Freel points out in his study analysing the sensibility of picking winners, there are innumerable factors influencing the growth of firms at different times of their development. While his research was based on a longitudinal study of a small sample size of six firms, he demonstrated that developing a predictive model was implausible, but yet public policy continues to be developed based upon the increasingly untenable proposition that one can 'pick winners'. Thus, is it a case that firms that use assistance programmes do become more effective and contribute to the economy as a whole (Massey, 2003), is it that market forces are not working efficiently with regard to new business development (Jenssen and Havnes, 2002), is it that these firms are going to succeed anyway and therefore supporting these firms gives them an unfair advantage over others (Storey, 1992), or is there a need for intervention in the process of new venture creation (Henry et al., 2003)? This is an extremely difficult question to answer because there is general lack of clarity on policy objectives and an even greater lack of defined methodology to measure these objectives (Storey, 1998), and the lack of business-specific performance measures only serve to complicate further the evaluation process (Henry et al., 2003). Spilling (1998), in his review on the effectiveness of public measures designed to stimulate entrepreneurship, questioned the effectiveness of such interventions. Jenssen and Havnes (2002) suggested in their study of three Norwegian entrepreneurs that these same entrepreneurs would have done without the support of the (enterprise support) programmes, if necessary. They concluded in their extensive literature review of public intervention in the entrepreneurial process that the focus of public policy towards entrepreneurship should be aimed at:

- entrepreneurs in general, or targeted groups of entrepreneurs, in the idea development, the planning and/or the establishment phase(s);
- newly established businesses/small businesses of entrepreneurs in general or of targeted groups of entrepreneurs;
- the national, regional and local entrepreneurial environment (culture and infrastructure).

While this may be so, sometimes it appears as if governments view entrepreneurship and the entrepreneurial process as a separated, corralled, measurable entity. From the research for this paper, a complete comprehensive, seamless, all-embracing enterprise support policy (except maybe in the case of Switzerland as reported by Gibb (2000)) does not appear to exist. Certainly in the case of Ireland, while there are different policies for different aspects of the entrepreneurial process, enterprise policy is not fully integrated into the nation's economic fabric, nor are all the various aspects of policy fully comprehensive, coherent or compatible with each other.

ENTERPRISE POLICY IN THE TWENTY-FIRST CENTURY

It is now generally accepted that the principal industrial policy issue currently facing Ireland is its overdependence on FDI and the fact that 90 per cent of exports emanate from these foreign companies. Should these companies leave Ireland for more competitive labour nations such as China, India and some of the Baltic states, then Ireland will struggle economically as its indigenous industry is considered weak and lacking in research, innovation and international marketing capabilities. There has been little export growth from indigenous firms over the last fifteen years while Ireland's labour costs have continued to rise sharply (with the second highest minimum wage in the European Union).

There is no doubt that Ireland has benefited from the policies that it has pursued in relation to FDI. Equally there is no doubt that Ireland should continue creating an environment whereby foreign-owned companies are encouraged to set up facilities in Ireland. As Ruane and Gorg (1996: 71) stated, 'what many people would like to see is the *absolute* importance of FDI continuing to increase while its *relative* importance declines' (emphases in original). However, as indicated in the Telesis (1982) and Culliton (1992) Reports, there is a need to target FDI investment that will not alone create additional employment but will also increase the value-added and knowledge base of Irish industry. The Culliton Report further suggested that indigenous industry must be nurtured at the same time as wooing investment from foreign-owned businesses, and that an element of this nurturing must be concerned with increasing the value-added and knowledge content of

indigenous operations. This can be achieved through creating an enterprise environment with relevant infrastructures and employees with relevant skills, and developing owner-managers with both the relevant skills and the capacity to build international operations.

While Ireland's overdependence on FDI is considered the principal issue facing Ireland's ability to grow economically, many other areas of concern also exist. These issues include a poor transport infrastructure with a cumbersome planning process, question marks over Ireland's pro-enterprise policy, an evermore intrusive set of labour relations regulations, an incoherent national public policy and a critical need to secure a strong counterpoint to Dublin. The Enterprise Strategy Group report (2004) identified two further critical areas requiring urgent attention if indigenous industry is to become the centrepiece of economic development in Ireland. These are: (1) a greater focus on research and development (R&D) within indigenous industry as well as enabling technology transfer and more interactive links between industry and R&D capability in both public and private sector organisations; and (2) a greater capability and focus on international marketing and sales thus positioning indigenous industry to maximise both its exports and positioning in the global economy. While Ireland's achievements over the past decade have been widely acknowledged, unless the issues highlighted are addressed then the country faces a difficult future. The report of the Small Business Forum (2006) highlighted that the 'government should formally adopt a National Entrepreneurship Policy focused on optimising the number of start-up businesses, and in particular on maximising the number of start-ups aspiring to and achieving high-growth'. The report further identified three specific platforms on which the policy should be built:

- stimulating latent entrepreneurship potential
- reinforcing entrepreneurship in the education system
- enhancing the culture for entrepreneurship

The report further argued that existing initiatives aimed at stimulating entrepreneurship should be incorporated into this policy to ensure a cohesive, coordinated approach (Small Business Forum, 2006).

At the Second Entrepreneurship Development Forum ('Creating a High-Tech High-Growth Economy', 2005) many similar concerns were raised by the entrepreneurs, policy-makers, academics and financiers who attended the forum. These concerns varied in terms of the intensity and depth of the debate and contributed significantly to the recommendations brought forward at the end of the event. The primary recommendations illustrated the need to find a model that can reach across many different perspectives and that can offer benefits to those having alternative world-views. The following recommendations capture the key suggestions for continued growth and sustainability of indigenous industry in Ireland as proposed at the Forum:

1. There is a need to have a clearly stated vision for the future of the economy.
2. Enterprise planning should be focused on local, regional and national terms, and there must be counterpoints to the Greater Dublin Area.
3. Ireland should seek to achieve a 'brain gain' by bringing in the best people from around the world.
4. Enterprise in Ireland should more effectively tap into its diaspora.
5. There is a critical need to reform the education system (including increasing people's language capabilities) to achieve the goals of the future.
6. FDI targets as regards both investment and technology should be clearly stated and pursued by the relevant state agencies.
7. Ireland needs to be branded effectively internationally.
8. Enterprise must be facilitated to increase its R&D capabilities.
9. Promoting entrepreneurship throughout all sectors of Irish society is a must.
10. There is a need to develop an effective process to get capital and other funds into firms.

The perceived limitations that may hold back the successful implementation of enterprise policy that were highlighted by the attendees at the Forum included:

1. That Irish people still retain an 'islander mentality' in that they do not look beyond the shores (of Ireland) and specifically do not recognise the markets that Europe offers.

2. That Irish people have an ‘ostrich mentality’ and fail to acknowledge the challenges that face the country economically.
3. The willingness/unwillingness to ‘kick on’, that Irish firms/people reach a comfort zone and do not want to grow from there but instead enjoy the fruits of their labour.
(O’Gorman and Cooney, 2006)

As can be seen from the recommendations and limitations highlighted, the challenges that Ireland faces in terms of developing appropriate industrial policy retains many of the same challenges that it faced in previous times. There is a need to begin by identifying a clear vision of the future and then developing industrial policies to make that vision happen. It is arguable that the vision offered by many governments has not extended beyond their term of office and so the country moves from one short-term solution to another. From a government perspective, pursuing a long-term vision may be tantamount to political suicide.

CONCLUSION

Ireland is currently in transition to becoming a knowledge-based economy. While low value-added activities continue to migrate to lower economies with lower costs, the economy has become increasingly knowledge based. Recent evaluations of this situation have concluded that a greater proportion of the country’s wealth will need to be generated from indigenous enterprise. In order to grow the economy in this way policy measures in the fields of innovation and entrepreneurship must be developed as well as further defined to progress towards adopting a comprehensive growth policy.

There is currently no comprehensive policy for entrepreneurship. Following recommendations in the report of the Small Business Forum (2006), an entrepreneurship policy is currently being developed. The policy will aim to deliver an Ireland that is characterised by a strong entrepreneurial culture, recognised for the innovative quality of its entrepreneurs and acknowledged by entrepreneurs as a world-class environment in which to start and grow a business.

There is a very low uptake of R&D and innovation activities. New initiatives have been launched to encourage micro-enterprises

and SMEs towards innovating activity. Innovation vouchers and knowledge acquisition grants are intended to enable companies to develop new services and products, to adopt new business models, cut costs and exploit new technologies. These supports have been designed to encourage innovation and the awareness of its benefits throughout enterprise whilst increasing the levels of R&D active companies in Ireland.

The links between innovation and entrepreneurship are often implied in government strategy statements but never formally defined. Current strategy shows no sign of consolidating the areas into a more comprehensive growth policy. A more cohesive approach to entrepreneurship and innovation policy is needed to optimise the return on investment in both areas as well as sustaining growth in the economy. Policy documents overlap in both areas without the strategic coordination necessary for a comprehensive approach to growth policy. Innovation and enterprise policy documents maintain an over-emphasis on FDI and require a new strategy to further develop an innovative entrepreneurial culture and climate.

The initiatives of government bodies and agencies involving growth policy are often duplicitous. This overlap in the main activities for policy and sub-policy areas reduces the effective management of resources and does not facilitate a balanced approach to regional development. Local agencies frequently duplicate the grant aid services offered at regional and national levels, when localised soft supports would be more successful for sustaining high levels of innovative entrepreneurship.

The current policy relating to the fields of entrepreneurship and innovation fails to provide an adequate number of targeted initiatives for underrepresented groups. Increasing resources invested in the promotion and research of both innovation and entrepreneurship could positively influence the comprehensiveness of government initiatives for target groups such as youths, women, disabled persons and ethnic minorities. Diversity in entrepreneurship and innovative entrepreneurship is essential for uncovering dormant activity. The rate of entrepreneurship could be greatly influenced by an expansion of policy measures to facilitate underrepresented groups.

It is difficult to identify weaknesses in particular policy areas. Given that there is not a formal entrepreneurship or innovation policy, the areas are embedded in other frameworks and could be regarded as being sub-policy and therefore become difficult to trace. For that reason calculating the budget or evaluating the use of resources within innovation and entrepreneurship policy implementation is complex and difficult to state. The focused nature of entrepreneurship or start-up-related policy is significantly different to that of a very broad-based government approach to innovation (e.g. at all stages of business). For this reason innovation may have been portrayed by the comprehensiveness index as weaker than it is in reality.

The conclusions of this paper highlight the need for a more focused approach to growth policy. Entrepreneurship policy has reached a turning point and is currently under development, yet the promotion and encouragement of an innovative culture amongst entrepreneurs is in need of evaluation. The lack of systematic and frequent monitoring of policy measures for innovation and entrepreneurship hinders the development of indigenous enterprise and, given the advantageous context, the level of growth activity is not realising its full potential.

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Entrepreneurial Activity in Ireland: Evidence from the Global Entrepreneurship Monitor¹



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ABSTRACT

It is generally accepted that entrepreneurial activity is important for economic growth. Entrepreneurial activity, however, is widely considered not to have been an important driver of the recent period of economic growth in Ireland. This paper explores the level of early-stage entrepreneurial activity currently prevalent in Ireland, and specifically asks if Ireland has enough entrepreneurs. To answer this question, first it is necessary to know both the level and the nature of entrepreneurial activity in Ireland and how this compares with other countries. Data is used from the Global Entrepreneurship Monitor for 2001–2004 to explore this issue. As will be seen, relative to other developed European economies Ireland is quite entrepreneurial. However, relative to some other developed OECD economies such as the United States and Australia, Ireland has less entrepreneurial activity. It is argued that Ireland needs more entrepreneurial activity to sustain future economic growth and prosperity.

Key Words: Entrepreneurship; Entrepreneurs; Entrepreneurial Activity; Ireland; Public Policy; GEM.

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INTRODUCTION

Ireland is an interesting case study of entrepreneurship and economic growth. During long periods of low economic growth, analysts emphasised the relative poor development of Irish industry as a major contributory factor to the relative lack of entrepreneurial activity. The Telesis Report (National Economic Social Council, 1982) highlighted the poor performance of Irish industry in terms of low levels of profitability, over-dependence on the domestic and UK markets, and the production of commodity products that compete on cost. Barry et al. (1999) demonstrated the striking differences between indigenous and overseas industry in Ireland in terms of innovation, exporting, productivity and sector composition, with indigenous industry having low levels of innovation, low levels of exporting and lower levels of productivity, and tending to be concentrated in traditional rather than modern sectors. Despite this historical entrepreneurial deficit Ireland has experienced significant economic growth during the last decade.

In describing the factors that account for the 'Celtic Tiger', indigenous entrepreneurial activity is rarely mentioned. For example, Barry (2003) argued that broadly speaking many factors explain Ireland's economic growth in the 1990s. First, a new fiscal strategy was adopted by the government in 1987. While the expected economic effect of the strategy was a contraction in the economy, factors such as growth in world demand, the inflow of foreign direct investment (FDI) and improvements in competitiveness allowed the economy to grow. The second factor was the development of a model of social partnership. The third broad factor that explains the Celtic Tiger was the structural and cohesion funds that transferred from the European Union to Ireland. These funds accounted for 3 per cent of the economy for the decade 1989–1999, allowing investment in infrastructure and capital projects, which had been put on hold in the 1980s. These funds were spent on three areas: (1) human resource development, (2) physical infrastructure, and (3) production and investment aids to the private sector. In terms of industrial policy, explanations of the Celtic Tiger typically refer to high levels of inward FDI by multinational enterprises (MNEs) into Ireland to

produce goods and services for overseas markets. During the 1990s there was a rapid growth in such investment, particularly from US firms. In contrast, there is little mention of indigenous entrepreneurial activity.

Increasingly entrepreneurship is seen as an important component of industrial development in developed economies for a number of reasons. Firstly, entrepreneurial activity is important because increased entrepreneurial activity is associated with economic growth (Austretch, 2004) and because the shortage of entrepreneurial talent is associated with low levels of economic development in developing economies (Kilby, 2004). Secondly, entrepreneurial activity is an important component of knowledge-intensive clusters as entrepreneurial activity is an important mechanism through which new innovation is brought to market (Austretch, 2004). Thirdly, entrepreneurial activity may also be important to attracting inward FDI in knowledge-intensive sectors, as ‘asset-seeking’ FDI may seek a dynamic environment where entrepreneurs are active in creating new knowledge. For example, while multinational firms played an important role in the development of the indigenous software sector in Ireland, indigenous firms also played an important role in attracting MNEs to Ireland (O’Malley and O’Gorman, 2001). Specifically, indigenous firms acted as sub-suppliers to MNEs involved in software translation, and indigenous software firms have played an important role in developing and upgrading the labour skills in the sector – a factor that MNEs cite as a reason for locating in Ireland. Fourthly, entrepreneurial activity contributes to overall competitiveness and productivity improvements.

This paper explores entrepreneurial activity in Ireland by asking the question, ‘does Ireland have enough entrepreneurs?’ To answer this question, the paper first examines both the level and the nature of early-stage entrepreneurial activity in Ireland and how this compares with other countries. If, as is argued here, Ireland needs more entrepreneurs, then it is necessary to identify what aspects of the environment in Ireland facilitate entrepreneurial activity and in what areas there are barriers to entrepreneurial activity; that is, what factors affect the supply of, and demand for, entrepreneurs. The findings of the Global Entrepreneurship

Monitor (GEM) for Ireland for the period 2001–2004 are used to explore these issues.

THE GLOBAL ENTREPRENEURSHIP MONITOR

GEM is a cross-country comparison of early-stage entrepreneurial activity. The project has sought to identify the level of entrepreneurial activity within national economies and then to identify what aspects of the socio-economic institutional environment might be associated with higher levels of entrepreneurial activity. The project is an annual assessment across a range of participating countries. Since 2001, forty-one countries have conducted at least one annual survey, though many have participated for more than one year, and some for all four years.

This paper draws on the GEM databases for 2004, 2003, 2002 and 2001 (Acs et al., 2005; Reynolds et al., 2004) and the analysis presented each year in the Irish GEM report (e.g. see Fitzsimons and O’Gorman, 2005).² Based on a population survey in each participating country, the GEM project seeks to identify levels of entrepreneurial activity, including nascent entrepreneurial activity, by directly asking people are they engaged in such activity – for a more complete description of the GEM model and methodology see the Irish GEM report (Fitzsimons and O’Gorman, 2005) and Reynolds et al. (2005).

In Ireland, the annual population survey is a telephone survey of approximately 2,000 adults. This survey provides measures of entrepreneurial activity and informal investment activity for the adult population. In addition it captures attitudes towards entrepreneurship in the adult population that are used to create a measure of the national cultural context. It also provides data on aspects of the personal context of the population that are important in determining entrepreneurial activity. In addition, the entrepreneurs and informal investors identified in the survey are asked additional questions. In discussing the entrepreneurs and informal investors, data from 2004, 2003 and 2002 are employed as it is assumed that the difference between years is not significant. From the surveys 402 entrepreneurs are considered: 131 female entrepreneurs and 271 male entrepreneurs. These include both nascent entrepreneurs and new firm entrepreneurs. In addition,

156 informal investors were identified. While the absolute number of informal investors is small, this reflects the relative rareness of the phenomenon.

Within GEM, a nascent entrepreneur is someone who responded positively to the following statement, 'you are, alone or with others, currently trying to start a new business, including any self-employment or selling any goods or services to others', provided they have not yet paid themselves a wage for more than three months. A new firm entrepreneur is someone who has started a new business, of which they are part owner and manager, in the previous 42 months. Informal investors are those who have, in the previous three years, provided funds for a new business started by someone else (though excluding the purchase of shares and mutual funds).

A second source of data collected for GEM is the opinions of experts and entrepreneurs. Experts and entrepreneurs are selected to represent critical aspects of the environment that influences entrepreneurial activity. These experts and entrepreneurs are asked each year to complete a questionnaire. All of them have been interviewed, using a semi-structured interviewing format, at least once as part of the GEM annual research cycle.

GEM RESULTS FOR IRELAND

The Level of Early-Stage Entrepreneurial Activity in Ireland

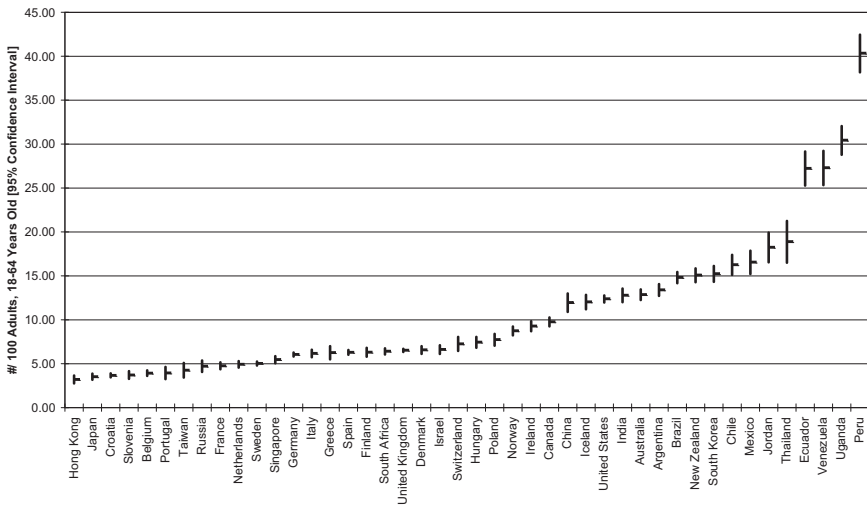
The level of early-stage entrepreneurial activity (total early-stage entrepreneurial activity or TEA rate) in Ireland has averaged at 8.31 per cent for the period 2002–2004 (Table 1). The TEA rate in 2004 was 7.7 per cent. The rate has decreased each year since 2001. The average rate for nascent entrepreneurial activity for 2002–2004 is 5.05 per cent. The average rate for new firm entrepreneurial activity for 2002–2004 is 3.85 per cent.³ Extrapolating from the 2004 GEM survey to the population suggests that there are approximately 193,000 individuals in Ireland active as early-stage entrepreneurs. Of these, 110,000 are active in planning to start a business, though many of these are still in employment. Approximately 83,000 people have started a business in the previous 42 months, which is approximately 24,000 per annum.

Table 1: Total Entrepreneurial Activity (TEA) in Ireland 2001–2004

Measure of Entrepreneurial Activity	2001 (%)	2002 (%)	2003 (%)	2004 (%)
TEA*	12.20	9.14	8.10	7.70
Nascent entrepreneurs	7.34	5.66	5.10	4.39
New firm entrepreneurs	4.88	4.20	3.76	3.59

*TEA is less than the combined percentages for nascent and new firm entrepreneurs as individuals who are both nascent and new firm entrepreneurs are only counted once in the TEA calculation.

Figure 1: Total Entrepreneurial Activity (TEA Prevalence) 2000–2004



Source: Global Entrepreneurship Monitor: 2004 Executive Report.

Compared to the forty-one countries that have participated in GEM to date, Ireland is ranked nineteenth in terms of TEA rate. A more meaningful comparison is to compare Ireland with countries that have a similar level of economic development or that operate in similar economic contexts. For the twenty-five OECD countries, Ireland ranks eighth, and Ireland ranks first of the fifteen pre-accession EU countries (see Figure 1).⁴

Irish Entrepreneurs: Gender, Age, Education, Work Status and Motivation

TEA rates are significantly higher for males than they are for females. The average rate of early-stage entrepreneurial activity for males for the period 2002–2004 was 11.77 per cent. In comparison, the average rate for females was 4.73 per cent. Internationally participation rates by men tend to be 50 per cent higher than those for women; though in high-income countries the difference tends to be smaller at only 33 per cent. The difference in the TEA rate between men and women in Ireland is particularly high.

The mean age for early-stage entrepreneurs is 35. The distribution of entrepreneurs across age categories is as follows: 19 per cent of entrepreneurs are in the 18–24 age group, 33 per cent in the 25–34 age group, 28 per cent in the 35–44 age group, 12 per cent in the 45–54 age group, and 7 per cent in the 55–64 age group.

Irish entrepreneurs are relatively well educated. The distribution of entrepreneurs by education category is as follows: 12 per cent of entrepreneurs have not completed secondary school, 32 per cent have completed no more than the Leaving Certificate, 41 per cent have completed third level education and 15 per cent have a post-graduate education.

The vast majority of new-firm entrepreneurs are working full-time in their new business (85 per cent). For nascent entrepreneurs, the majority are still in employment prior to starting-up (full-time 64 per cent, part-time 12 per cent), though 17 per cent report that they are ‘not working’ (‘not working’ 14 per cent, ‘homemaker’ 3 per cent), while 6 per cent are either retired or students.

The vast majority of Irish entrepreneurs are motivated by positive factors such as the desire to exploit an opportunity (85 per cent). A small number of all Irish entrepreneurs (15 per cent) responded that they are entrepreneurially active because they have ‘no better alternative’.

New Venture Financing

The majority of entrepreneurs planning new businesses in Ireland typically require relatively small amounts of money to start their new

Table 2: Profile of Irish Entrepreneurs' Start-up Funding Requirements (2002–2004)

	Range of Finance Required		
	Less than €112,000	€112,000– €1,112,000	Greater than €1,112,000
Percentage of entrepreneurs	70	24	6
Amount needed (average)	€17,100	€291,500	€3,500,000
Entrepreneurs' funds (average)	€12,200	€107,700	€1,176,000
External funds (average)	€4,900	€183,800	€2,324,000
Entrepreneurs' funds (%)	71	37	34
External funds (%)	29	63	66

businesses, though the average amount required to start a business in Ireland is relatively high at €116,000 (Table 2). 70 per cent of nascent entrepreneurs expect to start with less than €112,000. Of these entrepreneurs the average cost of start-up is €17,100. One in four entrepreneurs (24 per cent), however, anticipate that their new business will need €290,000 at the initial stages and a further one in twelve (6 per cent) will need millions to start.

The most important source of finance for entrepreneurs is their own resources (borrowing and savings). The importance of the entrepreneurs' own contribution to their financing needs is particularly evident among those entrepreneurs who anticipate their start-up financing requirements to be less than €112,000. On average these entrepreneurs need as little as €4,900 in external finance.

New Ventures: Sector, Export Orientation and Growth Orientation

Entrepreneurial activity is most frequent in three sectors: (1) business services, (2) retail, hotels and restaurants, and (3) consumer services. Combined, these sectors account for 53 per cent of entrepreneurial activity (Table 3). Manufacturing accounts for only 7 per cent of all entrepreneurial activity. Compared to other high-income

Table 3: Entrepreneurial Activity by Sector

Standard Industry Code (1 digit)	Ireland (2002–2004) (%)	High-Income Countries (2004) (%)
Agriculture, forestry, fishing	6	6
Mining, construction	11	7
Manufacturing	7	7
Transportation, communication, utilities	8	5
Wholesale, motor vehicle sales and service	6	5
Retail, hotels, restaurants	17	22
Financial, insurance and real estate	3	6
Business services	21	30
Health, education and social services	7	1
Consumer services	15	12

High-income countries are Australia, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Japan, the Netherlands, Norway, Sweden, the United Kingdom and the United States.

countries, the distribution of entrepreneurial activity in Ireland is different. In particular, Ireland appears to have a lower level of entrepreneurial activity in business services (which would include such activities as computer and related activities, and research and development).

GEM data suggests that Irish entrepreneurs are active in terms of exporting and in growing their new businesses. In GEM, exports are measured in terms of the percentage of customers in overseas markets. Only one quarter of all Irish entrepreneurs (27 per cent) expect to have no overseas customers. Half of all entrepreneurs (51 per cent) expect to have between 1 per cent and 25 per cent of their customers in export markets. Approximately one in five (22 per cent of all entrepreneurs) expect to have greater than 25 per cent of

customers in export markets. In terms of growth, most entrepreneurs (61 per cent) expect to stay small (employing less than five people). That said, GEM reports that an average of 15 per cent of all Irish early-stage entrepreneurs expect to grow to employ at least twenty people within five years.

The Context for Entrepreneurial Activity in Ireland

Cultural Context

GEM provides a unique cross-country index of whether there is an environment supportive of entrepreneurial activity. This index measures the attitudes of the population in terms of whether entrepreneurship is considered a good career choice, whether successful entrepreneurs are held in high regard, and whether there is much media attention devoted to entrepreneurial activity.

GEM suggests that Ireland has one of the most positive cultural contexts for entrepreneurship. For example, in 2004 Ireland's cultural context for entrepreneurship was the most supportive when compared to other EU countries. In 2004, successful entrepreneurs were perceived to have a very high status by 85 per cent of the Irish adult population (the highest among all GEM countries). Two out of three (66 per cent) of the adult population considered that becoming an entrepreneur was a good career choice. The Irish media was also perceived by Irish adults to be highly supportive of entrepreneurship and to reflect it in a good light (77 per cent).

Personal Context

GEM research has shown a strong positive correlation between the rate of entrepreneurial activity in a country and the personal context of individuals in that country. To illustrate the personal context, GEM measures the proportion of those that perceive good opportunities to start new businesses, those that believe that they have the skills to start and successfully run new businesses, and those who know recent entrepreneurs within their social network – personal role models as it were. Besides these positive predispositions to entrepreneurial activity, GEM also measures the inhibitors, in particular the fear of failure.

The percentage of Irish people who perceive ‘good opportunities to start a new business’ is 45 per cent; those who know an entrepreneur who recently set up a new business is 41 per cent; and those who believe that they have the necessary skills is 41 per cent. These are all positive influences on entrepreneurial activity. Fear of failure would, however, deter 39 per cent of the population from becoming active as entrepreneurs. The number of individuals who perceive that they have the necessary skills to start a new business (48 per cent) is behind the levels evident in New Zealand (66 per cent), Australia (56 per cent), Canada (55 per cent) and the United States (54 per cent), but it is very much ahead of many countries in mainland Europe such as Germany (36 per cent), France (33 per cent) and Italy (33 per cent).

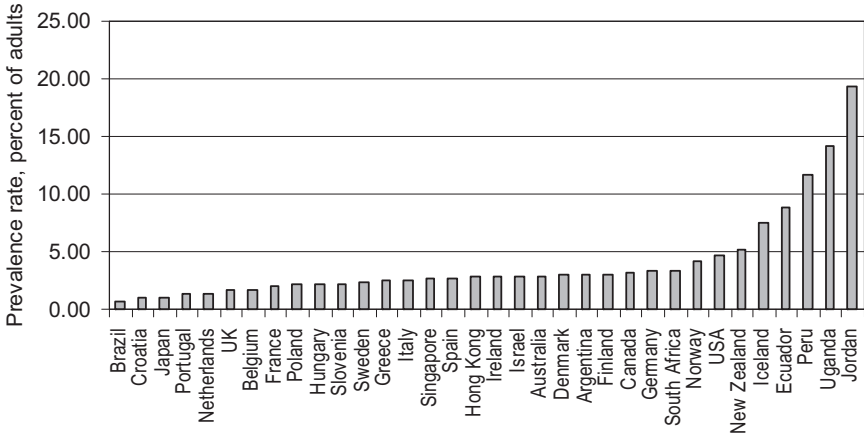
The Availability of Finance

The most important external source of finance (that is finance not provided by the founder) is access to informal investors. Informal investors are typically family, friends and, occasionally, so-called ‘fool-hardy’ investors. While the absolute amount of informal investment in Ireland might be high – GEM estimates that over €1 billion was invested over the last three years – the level of informal investment in Ireland is comparatively low. For 2002–2004 the average reported rate of informal investment activity in Ireland was 2.7 per cent of the adult population.

In Ireland in 2004, just over two out of every hundred adults (2.28 per cent) had, in the past three years, personally provided funds for a new business started by someone else (excluding any purchase of stocks or mutual funds). This rate of involvement as informal investors, while higher than in the United Kingdom (1.37 per cent), is relatively low. The rate of informal investment among the adult population in New Zealand and the United States, for example, is almost twice what it is in Ireland and in Iceland it is twice that again (Figure 2).

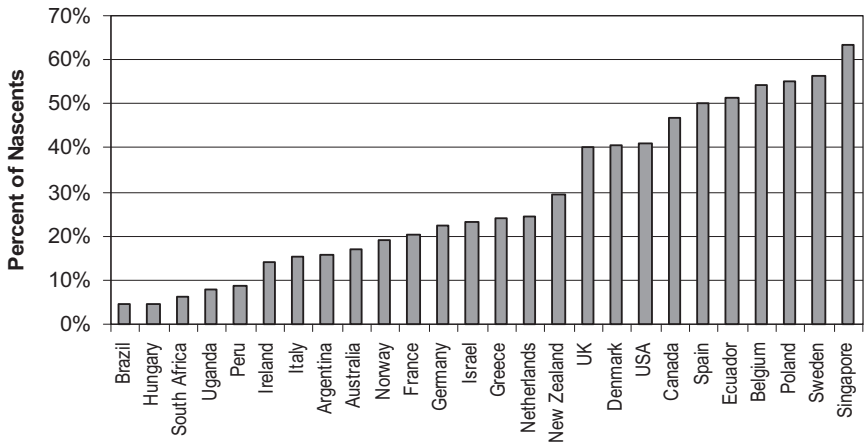
The low level of informal investment activity means that the overall amount of funds available to new businesses in Ireland is comparatively low. Comparing the amount of external finance nascent entrepreneurs expect to require with the amount of finance available from informal investors suggests that in most countries nascent entrepreneurs require more finance than is available (Figure 3)

Figure 2: Informal Investor Prevalence Rate 2001–2004



Source: GEM 2004 Financing Report.

Figure 3: Percentage of Nascent Businesses that Could Be Funded with Available Informal Investment



Source: GEM 2004 Financing Report.

(Bygrave, 2005). However, this may be expected as not all nascent entrepreneurs start new business. In Ireland the amount of informal investment invested would fund only 14 per cent of nascent entrepreneurs. This figure is low when compared to other countries.

The Views of Irish Entrepreneurs and Experts

According to the experts and entrepreneurs interviewed and surveyed as part of the GEM Ireland study, Ireland has many positive features. These include a positive cultural context in which entrepreneurs and entrepreneurial activity are held in high regard; very positive media coverage within the country; many aspects of government policy that are supportive of entrepreneurs and entrepreneurial activity, for example, a pro-business attitude, continuing low-interest rates, and a fiscal regime that does not penalize success; government programmes that support entrepreneurs; a range of benefits flowing from the strong high-tech FDI presence in the country; a buoyant economy; a highly skilled workforce; a vibrant capital city; and a growing range of networks and advisors.

Set against these very positive features in the environment, however, are other less positive features. In particular, the negatives noted included difficulties in accessing finance; the lack of a champion for entrepreneurship within the government; shortcomings in the development agencies related to their coordination, the appropriateness of the background and experience of many of their executives, and the time and effort required to access their support, which are considered to impose unnecessary difficulties on entrepreneurs; the increasing regulatory burden that is flowing from the European Union and government which is adding to the cost and difficulties for new firms; a skills deficit in entrepreneurs with regard to sales, internationalisation and growth; difficulties in accessing information on entrepreneurship; the high-cost economy; an educational sector which is not particularly supportive of entrepreneurship or effective in equipping entrepreneurs with the skills that they need; the limited size of the home market; physical infrastructure deficits that impact on international trade; and skills gaps in the labour force.

DISCUSSION

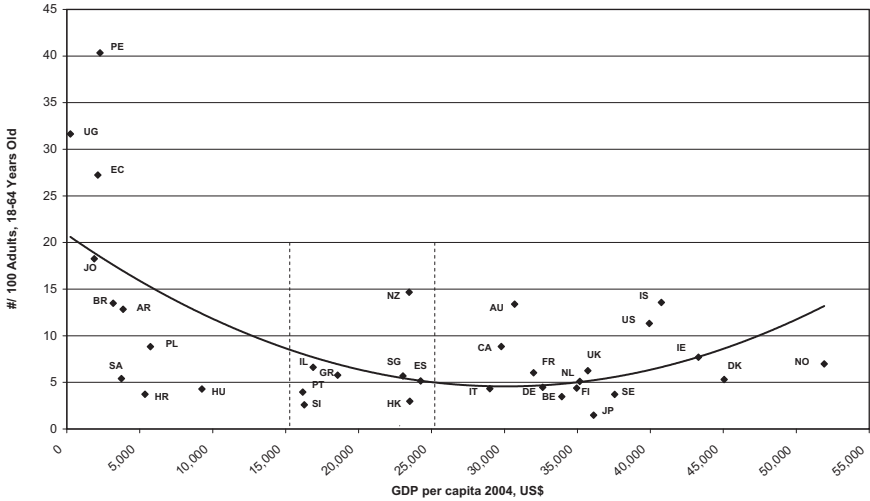
Does Ireland Need More Entrepreneurs?

Ireland has experienced high levels of economic growth, high levels of employment creation and has, compared to European economies, a relatively high rate of early-stage entrepreneurial activity. As such

it could be argued that Ireland does not need more entrepreneurs. However, the GEM reports for Ireland have consistently argued that Ireland needs more entrepreneurs. In arguing that Ireland needs more entrepreneurs it is important to recognise that not all entrepreneurial activity has the same economic impact. As such, the argument advanced here is that Ireland needs more entrepreneurs that will positively impact on economic development. The reasons for advocating that Ireland needs more entrepreneurs are discussed below.

One reason for the need for more entrepreneurs in Ireland is that there is increasing evidence that entrepreneurial activity is associated with economic growth, and in particular that the relationship between the level of entrepreneurial activity and economic growth depends on a country's stage of development. GEM research suggests that the extent and nature of entrepreneurial activity varies depending on the stage of economic development (Figure 4). In developing countries high rates of entrepreneurial activity, motivated to a large degree by necessity, reflect the relatively few alternatives available for paid employment in those countries. As a country develops the rate of necessity entrepreneurial activity declines, as greater economies of scale become possible. The growth of larger firms is facilitated by better transportation and communications systems and by the emergence of more sophisticated credit markets. The emergence of larger firms means that fewer entrepreneurs can provide more employment to others, thereby lessening the need for a high proportion of the population to make a livelihood through self-employment, as had previously been the case. For countries within this income group, it can therefore be expected that fewer people will need or will want to start new businesses. However, with the emergence of the 'new economy', as a country becomes wealthier and its economy further develops, there is a shift away from larger firms and the importance of entrepreneurial activity increases. Ireland appears to be at a stage of economic development for which the theory suggests that increased levels of entrepreneurial activity will be associated with increased economic growth. So while the rate of entrepreneurial activity in Ireland is favourable when compared to European economies, it is much less favourable when compared to other high-income countries

Figure 4: Total Entrepreneurial Activity 2004 and Economic Development: Fitted Parabolic Trend



Countries above the curve: Low income: Peru, Uganda, Ecuador and India; Middle income: New Zealand; High income: Canada, Australia, Iceland and the United States.

Countries on the curve: Low income: Jordan, Brazil and Argentina; Middle income: Israel, Greece, Singapore and Spain; High income: France, Germany, the Netherlands, Belgium, the United Kingdom, Finland, Ireland and Italy.

Countries below the curve: Low income: Poland, South Africa, Croatia, Hungary and China; Middle income: Slovenia, Portugal and Hong Kong; High income: Japan, Sweden, Denmark and Norway.

Source: Global Entrepreneurship Monitor: 2004 Executive Report.

such as the United States. Furthermore, the rate of entrepreneurial activity in Ireland has decreased in recent years.

A second reason for advocating that Ireland needs more entrepreneurs is that entrepreneurs are critical to knowledge economies. Irish government policy is directed towards developing Ireland as a knowledge-intensive economy, with clusters of economic activity in sectors such as software, bio-technology and financial services. Entrepreneurship is a central component of knowledge-intensive regions and clusters. As part of its strategy to build a knowledge economy, the Irish government has committed to funding research in the third-level education sector. To maximize the economic benefits of

such research, entrepreneurs will need to commercialize the outputs of such research and bring these to the market. GEM data suggests that entrepreneurial activity in the business services sector is under-represented in Ireland and that Ireland needs entrepreneurs to commercialise research and development (R&D).

One component of the policy to develop Ireland as a knowledge economy is to attract inward FDI by MNEs in higher value-added activities such as R&D and marketing, and to encourage MNEs already located in Ireland to upgrade their activities. Extant theory and emerging research suggests that in many ways large MNEs increasingly depend on the strength of the supporting cast as much as their own strengths (Gomes-Casseres, 1996). As such, the ability to attract higher value-added inward FDI will depend on the success of indigenous entrepreneurial activity.

A third reason for increasing the number of entrepreneurs in Ireland is that entrepreneurial activity contributes to the overall competitiveness of the Irish economy through increased competition in both local and internationally traded products and through increases in productivity. Reports by the OECD and the Competition Authority have demonstrated that some government regulations reduce competition, and in doing so have reduced the competitiveness of the Irish economy (e.g. see the Competition Authority's website, <<http://www.tca.ie>>, for reports on various sectors of the economy and OECD, 2001). While GEM research does not systematically capture the 'demand' for entrepreneurial activity, beyond a measure of the population's perception of opportunity for entrepreneurship, the 2000 Irish GEM report argued that there are systematic barriers to entrepreneurship across a range of sectors due to barriers to entry that typically result from government regulation.

A fourth reason for advocating that Ireland needs more entrepreneurs is that entrepreneurial activity among women entrepreneurs is especially low in Ireland (when compared to other high-income economies). In particular there appears to be a much lower number of women who have recently set up a business, yet there is a pool of well-educated women who are considering starting new businesses. Why are rates of entrepreneurial activity low for Irish women? GEM suggests that the reasons for this may be due to the

personal context of women in the Irish population. Compared to Irish men, women are much less likely to perceive opportunities, have much lower perceptions of having the required knowledge, skills and experience necessary to start a business, and are much less likely to have an entrepreneurial role model (in that they are less likely to personally know an entrepreneur who has recently started a new business). Added to this, women entrepreneurs are less likely to have recently been engaged in full-time employment. Presumably full-time employment provides access to market opportunities and to networks of contacts.

Increasing the Level of Entrepreneurial Activity in Ireland: Policy Challenges

There are two main thrusts to industrial and economic policy for entrepreneurs in Ireland. Firstly, there are measures that improve the environment for entrepreneurs and, secondly, there are specific supports for entrepreneurs. Supports for entrepreneurs in Ireland have generally been focused narrowly on firms that export, typically manufacturing firms and internationally traded services such as software. These firms are generally referred to as *high potential start-ups*. The following is a brief review of the policy challenges for increasing the level of entrepreneurial activity under these two policy domains.

The Environment for Entrepreneurs

GEM research suggests that there are many aspects of the environment in Ireland that are supportive of entrepreneurial activity. In particular, it suggests that there is a very positive cultural context for entrepreneurial activity – one of the best in the world. GEM research also suggests that Irish adults in general have a personal context that is positively associated with entrepreneurial activity. The current and projected growth in the Irish population and the age structure of the Irish population suggest that Ireland should be able to increase its rate of entrepreneurial activity. However, there are a number of aspects of the environment that are not supportive of entrepreneurial activity.

Firstly, Ireland has a low level of informal investment activity. While entrepreneurs typically find it difficult to access finance in all

countries, GEM research suggests that the availability of funds for entrepreneurs in Ireland is low. Specifically GEM research suggests that there is a relatively low level of informal investment activity among Irish adults. It also suggests that the availability of informal investment is particularly low as a percentage of the funding requirements of all nascent entrepreneurs. For most entrepreneurs such investment is the most important external source of finance after their own personal investment (both savings and borrowings). International evidence suggests that many high-growth firms rely on such funding during their early stages of development.

GEM research suggests that there are a large number of entrepreneurs (over 30 per cent of nascent entrepreneurs) expecting to need in excess of €112,000. Such entrepreneurs may need to access funds from business angels and, for a small number of entrepreneurs, from venture capitalists. The formal venture capital market in Ireland is relatively small. The amounts invested in firms are also relatively small, particularly when compared to US firms. The US market is an important market for many high-tech firms that receive venture capital in Ireland, and they may expect to compete with many firms, including new firms that are much better resourced. However, the view of many venture capitalists is that there is a shortage of attractive investment prospects rather than a shortage of venture capital.

Secondly, according to the entrepreneurs and experts surveyed as part of the GEM research, there is an increasing regulatory burden on entrepreneurs, stemming both from Irish government policy and EU policies. The burden of regulation impacts entrepreneurial activity in two ways: firstly, regulations can increase the time and cost of doing business, thus making it more expensive to start a new business; and secondly, regulations can restrict entry into markets, reducing opportunities for entrepreneurs.

Thirdly, comparably speaking, many Irish adults perceive that they lack the knowledge, skills and experience required to start a new business. This is an important aspect of personal context that is associated with entrepreneurial activity. Many experts and entrepreneurs suggested that the educational sector does not recognise the importance of entrepreneurship or does not prepare individuals for an entrepreneurial career. In particular women have a poor personal context.

Supports for Entrepreneurs

To the extent that policy directly supports entrepreneurs, the focus of support has been targeted support for high potential start-ups (HPSUs). These firms are considered to be innovative and to have the potential to grow rapidly in international markets. Typically HPSUs are in newer sectors of the economy, such as ICT (information and communications technology) and biotechnology. Such firms have been the focus of policy because of the contribution they can make to economic growth and because it is assumed that there are a number of market failures that impact on the emergence of such firms. Such a targeted approach is probably appropriate to Ireland's stage of economic development. Indeed, it is one that many developed economies are seeking to emulate.

However, GEM evidence suggests that the remit of the government development agencies may be too targeted and that there are many other entrepreneurs who can deliver high growth and export activity. GEM suggests that there is a much larger cohort of Irish firms that are growth-orientated and export-orientated than are typically supported by Irish development agencies. That is, supports, while appropriately targeted at high-growth firms, are perhaps targeted too narrowly at a subset of all growth-orientated entrepreneurs.

GEM also suggests there are many entrepreneurs who achieve some growth in that they employ more than twenty people. Few, however, attain significant competitive scale when compared to international competitors. In the opinions of the experts and the entrepreneurs this inability to attain scale reflects a skills deficit. Entrepreneurs and their new firms often lack the skills to build sales in international markets and to grow the business.

GEM suggests that there are a number of deficiencies in the delivery of government programmes targeted at entrepreneurs. These are a lack of coordination of the efforts of separate State agencies, a lack of market or sector experience among agency executives, and too much agency bureaucracy.

CONCLUSIONS

This paper has reported the results of the GEM study for Ireland. GEM suggests that the level of early-stage entrepreneurial activity

in Ireland is relatively high when compared to other developed EU economies, though it is relatively low when compared to some high-income economies such as the United States and Australia. The typical early-stage entrepreneur in Ireland is a well-educated male in his mid-30s. Most entrepreneurs require relatively small amounts of money to start their new business. Typically the entrepreneur provides most of this finance (through savings and borrowings). In seeking external finance, most entrepreneurs seek funds from informal investors such as family members. The level of informal investment in Ireland is relatively low. Most entrepreneurs expect their new business to remain small, though as many as 15 per cent expect to grow to employ twenty people within five years. Over two-thirds of all entrepreneurs (73 per cent) expect that their new business will have some customers in overseas markets.

This paper argues that there is a clear need for an entrepreneurship policy in Ireland. Developing such a policy requires a systematic review of existing supports for entrepreneurs and for encouraging entrepreneurship (fiscal, educational, financial and advisory among others). If, as argued here, Ireland needs more entrepreneurs, what should policy-makers do? The following are some suggestions:

- The availability of pre- and start-up seed capital for different types of business needs should be reviewed and any gaps in the availability of financing should be addressed. The relative attractiveness for investors of investing in early stage enterprises should also be examined and the risk/reward of such investment made more attractive as necessary.
- More women must be actively encouraged and supported to become entrepreneurs.
- Means of transferring the significant research, technological development and innovation (RTDI) investment, currently being implemented, into new entrepreneurial initiatives should be actively encouraged and any barriers to its transfer should be identified and removed.
- Regulations that impede low-cost market entry should be removed. The government should seek to facilitate easy, low-cost market

entry across all sectors of the economy. As such, the recommendations of the Competition Authority should be implemented.

- Skills deficits in entrepreneurship need to be addressed.

Does Ireland need more entrepreneurs? This paper suggests that the answer is ‘yes’. However, not all entrepreneurs have the same economic impact and, as such, this paper has argued that Ireland needs more entrepreneurs who might be expected to impact on economic growth. More entrepreneurs are needed to develop new knowledge intensive activities and realise Ireland’s objective of becoming a knowledge-based economy, entrepreneurs are needed to realise the objective of attracting higher value-added inward investment projects, and entrepreneurs are needed to increase Ireland’s overall competitiveness.

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- 1 This article was first submitted to the *Irish Journal of Management* Special Edition in June 2005.
 - 2 The Irish GEM reports, the Executive Global GEM reports, a study of female entrepreneurship and an annual GEM finance report are available to the public free of charge at <<http://www.gemconsortium.org>>.
 - 3 The level of nascent entrepreneurial activity and new firm entrepreneurial activity sums to greater than the TEA rate because some individuals are both nascent and new firm entrepreneurs. In calculating TEA such individuals are only counted once.
 - 4 The OECD 25 group consists of (in rank order) Mexico, South Korea, New Zealand, Australia, the United States, Iceland, Canada, Ireland, Norway, Poland, Hungary, Switzerland, Denmark, the United Kingdom, Finland, Spain, Greece, Italy, Germany, Portugal, Sweden, the Netherlands, France, Belgium and Japan. The EU pre-accession member states that participated in GEM in 2001–2004 were Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.

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Academic Entrepreneurship on the Island of Ireland: Re-Orientating Academia Within the Knowledge Economy



M I C H A E L B R E N N A N *
P H I L I P M C G O V E R N * *
P A U R I C M C G O W A N *

ABSTRACT

The aim of the paper is to profile the current practice and understanding of entrepreneurship in the context of academic institutions on the island of Ireland. A qualitative, sense-making methodology is used involving a purposeful sampling of perceptions from staff at academic institutions in the Republic of Ireland and Northern Ireland. First, the concept of academic entrepreneurship is explored both from an individual and from a corporate perspective. Second, comparative evidence of academic entrepreneurship is presented to highlight significant differences between the Republic of Ireland and Northern Ireland. Recent contrasting policy differences are also identified. Third, a profile of the current state of academic entrepreneurship in Ireland is presented. The discussion then explores the main findings of the exercise and implications in terms of how academic institutions best engage with entrepreneurship. The conclusion outlines key areas for future

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research given the changing role of academic institutions in knowledge-based economies.

Key Words: Academic; Entrepreneurship; Entrepreneur; Universities; Innovation.

INTRODUCTION

Academic institutions are not only important *for* national and regional economies; they are integral parts *of* such economies. Such a distinction may seem semantic at first reading but it captures the reality that policy-makers increasingly look to academic institutions to function more fully as parts of so-called knowledge-based economies. This is the explicit message in policy documents concerning higher education in both the Republic of Ireland (Enterprise Strategy Group, 2004) and the United Kingdom (DfES, 2003). Therefore, institutions are increasingly expected to demonstrate how they create value within such economies in addition to their established roles of teaching and research. They are after all the traditional organisational settings for the production and dissemination of new knowledge (i.e. knowledge produced from within a particular discipline context), what Gibbons et al. (1994) call mode 1 knowledge production. For academic institutions the recognition of such policy expectations is important in that it is invariably linked to future funding and measures of institutional success. For the practice of entrepreneurship, the recognition of academic institutions as reservoirs (or more proactively as generators) of new knowledge through innovation suggests the need for a re-evaluation of how such institutions best execute this function.

Entrepreneurship in academic institutions has conventionally been associated with entrepreneurship education and training in the context of small business start-ups (including academic spinout firms – Shane, 2004) and small business development. Indeed two publications explicitly reflect this emphasis and include Irish examples in a European context. (Henry et al., 2003; Hytti and Kuopusjarvi, 2004). Such a focus rightly addresses the important issue of how best to design and deliver programmes of education that effectively equip nascent and practicing entrepreneurs. However, there is a growing interest in thinking about entrepreneurship as

taking place within the context of established organisations – the concept of corporate entrepreneurship. Corporate entrepreneurship centres on the ideas of venturing, innovation and strategic renewal (Burgelman, 1984; Guth and Ginsberg, 1990; Sharma and Chrisman, 1999; Miles and Covin, 2002; Dess et al., 2003). The authors of this paper suggest that understanding academic entrepreneurship on the island of Ireland from an organisational/corporate perspective has significant merit given current policy aspirations and expectations. Furthermore, there is a need for more understanding of the phenomenon of academic entrepreneurs given the reported paucity of research in this area of entrepreneurship (Jones-Evans, 1997; Tidd et al., 2005).

The aim of this paper is to profile the current practice and understanding of academic entrepreneurship on the island of Ireland, and in particular to compare the situation north and south. The paper attempts to profile the current situation rather than further develop theoretical models or report on empirical research (see Brennan et al., 2005; Brennan and McGowan, 2006, for examples of such model building and empirical research). The paper is intended as a selective review of the organisational and policy contexts within which entrepreneurship takes place and is understood. This is an important point in that such a perspective recognises the underlying influence of academic institutional policies, structures and processes on entrepreneurship in higher education – an observation previously made with regard to teaching and research (Skilbeck, 2001). Such an approach is also consistent with the fundamental questions posed by the Global Entrepreneurship Monitor (GEM) research programme concerning county/jurisdiction/regional differences in entrepreneurship activity (Fitzsimons et al., 2004).

In Part 2, *Academic Entrepreneurship – an Integrated Approach*, an attempt is made to explore the domain of academic entrepreneurship and demonstrate how the role of academic institutions is changing from one that is primarily concerned with entrepreneurship education and to a lesser extent spinouts, to one that sees the institution as part of an entrepreneurship system (Neck et al., 2004) with an increased mission to encompass economic and social development in addition to the traditional teaching and research missions – what

Etzkowitz (2003a) called the entrepreneurial university. In this paper the authors consider academic entrepreneurship as a phenomenon that takes place in universities, institutes of technology and higher education colleges. The authors also argue that academic entrepreneurship needs to consider three issues more fully in order to understand entrepreneurship in the context of such academic institutions. These issues centre on:

- the commercialisation of discipline knowledge
- the changing role of academic organisations in society
- the nature of knowledge- and technology-based firms

Part 3, *Academic Entrepreneurship on the Island of Ireland – the Evidence*, presents selected published research that compares the Republic of Ireland and Northern Ireland, including findings from a GEM survey. It also highlights recent policy initiatives that are of particular relevance to academic entrepreneurship. Such a consideration demonstrates the existence of significant differences in terms of the practice of entrepreneurship but also similarities in terms of recent policy emphasis.

Part 4, *Academic Entrepreneurship Potential*, presents an attempt to characterise the capacity for academic entrepreneurship on the island of Ireland with reference to key measures and through the questioning of key informants. Part 5, the *Discussion*, explores the findings from the research and relates these to previous evidence. In particular, the merit of understanding academic entrepreneurship as a multi-layered phenomenon is addressed. In addition the need to more clearly link entrepreneurship to academic innovation is highlighted. Part 6, the *Conclusion*, summarises the outcomes of the study and suggests areas for future research in the context of a new approach to understanding the evolving nature of the entrepreneurial academic institution.

As a final introductory point the authors' definitional understanding of entrepreneurship and entrepreneur is acknowledged as:

Entrepreneurship encompasses acts of organisational creation, renewal, or innovation that occur within or outside an existing organisation (Sharma and Chrisman, 1999: 18).

Further that:

Entrepreneurs are individuals or groups of individuals, acting independently or as part of a corporate system, who create new organisations, or instigate renewal or innovation within an existing organisation (Sharma and Chrisman, 1999: 18).

For this study the authors suggest that the organisational context of the academic institutional setting is central in understanding how academic entrepreneurship takes place.

ACADEMIC ENTREPRENEURSHIP – AN INTEGRATED APPROACH

Individual Typologies

Previous research on academics involved in the practice of entrepreneurship (as opposed to teaching the subject) has tended to focus on those individuals from science- or technology-based disciplines. For example, in a study of technical entrepreneurs Jones-Evans (1997) found that the occupational/work background of the entrepreneur was an important factor in understanding how such individuals approached entrepreneurship. The *research entrepreneur* was identified as the category of technical entrepreneur most likely to be involved in a university/academic setting. This type of individual was described as having

... a knowledge-oriented, science and technology background having worked in higher education/academia or in a non-commercial laboratory (Cooper, 2000: 237).

Dickson et al. (1998) identified three types of entrepreneur based on a perceived transition from a posture of being purely academic to one of exploiting science. First, the *academic entrepreneur* was identified as someone who engaged in entrepreneurial endeavours, but only as an adjunct to their academic work. Second, the *entrepreneurial scientist* was described as a scientist operating full-time in a business venture whilst still essentially dedicated to scientific interests. Third, the *scientific entrepreneur* was identified as someone

with both science and business qualifications, operating in a venture and regarding science as business.

Birley (2002) suggested a typology based on distinct types of spinouts: first, the *orthodox spinout*, described as a company formed by one or more academics who leave their host university to form the company (interestingly, in a seeming contradiction to the Dickson et al. (1998) description, Birley identified these founders as academic entrepreneurs). Second, the *technology spinout*, described as a situation where an outside investor/manager buys or leases the intellectual property (IP) from the university and forms a new company. The inventor academic was described as having no involvement with the running of the company. Third, the *hybrid spinout*, identified as the predominant form of spinout in Imperial College London – the focus of the Birley study. It was also suggested that in the hybrid form of spinout there was a combination of inventor and founding academics with varying degrees of involvement with spinout companies. In the context of promoting entrepreneurship amongst academics, Birley also reported a shift in university policy:

... from a technology transfer strategy that focused upon licensing technologies to large organisations and positively discouraged faculty entrepreneurial activity to one that focuses upon actively encouraging the creation of new ventures from faculty research (Birley, 2002: 135).

In a more recent paper Meyer (2003) identified the entrepreneurial academic as one who differed from the classic entrepreneur in that the vehicle for entrepreneurship – the spinout – was from a university or public sector research organisation. He distinguished between such entrepreneurial academics and academic entrepreneurs in that the latter was characterised by not necessarily being growth oriented or aware of their innovation and development needs. In other words, he suggested that academic entrepreneurs appear to be less engaged with the practice of entrepreneurship when compared to entrepreneurial academics.

What is clear from the above is that there are differing and, to some extent, contradictory definitions of what is academic entrepreneurship

and who are the academic entrepreneurs. What is also apparent is that entrepreneurship related to academia is perceived as being different from normal or classic entrepreneurship. In an attempt to reconcile the apparent difficulties Brennan and McGowan (2006) have suggested a way of accommodating the nature of academic entrepreneurship based on the idea of 'switching' behaviour between different forms of knowledge production (i.e. between discipline-based mode 1 knowledge production and interdisciplinary mode 2 knowledge production). Such switching behaviour takes place through opportunity, novelty and advantage seeking processes. The particular emphasis in such behaviour is suggested as an explanation and reconciliation of the different typologies apparent in the existing literature.

Institutional Perspectives

An alternative to understanding academic entrepreneurship as an individual endeavour is the emerging concept of the entrepreneurial university. The purpose of the entrepreneurial university is to transform academic knowledge into economic and social utility (Clark, 1998). On the basis of a review of five leading European universities judged as entrepreneurial, Clark further identified pathways important for academic organisations to be considered as entrepreneurial:

- a strengthening steering core – an entrepreneurial university has a strong body that governs with vision and sets out a strategy
- boundary spanning structures (e.g. a technology transfer office) and mechanisms to interact with the 'outside' world (region and industry)
- a diversified funding base – an entrepreneurial university does not entirely rely on government funding but has a balanced portfolio of first, second and third income streams
- a strong academic heartland – inter-/multi-/trans-disciplinary research is a necessity to be among the best of universities
- an integrated institutional entrepreneurial culture

In a similar way Etzkowitz (2003b) explained academic entrepreneurship as encompassing more than individual academics and the

nature of their involvement with spinout firms. Indeed he characterised some groups of academic researchers as exhibiting the characteristics of ‘quasi-firms’. He also argued that such groups played a transformational role in how universities operate as regional innovation organisers. What is interesting, from a knowledge economy perspective, was the idea presented which viewed the transformation role of the university in terms of a form of holding company for a pool of intellectual property en-route to market.

Etzkowitz (2003a) also developed an understanding of academic entrepreneurship through the concept of the entrepreneurial university. This is described as having five key elements:

1. the organisation of group research
2. the creation of a research base with commercial potential
3. the development of organisational mechanisms to move research out of the university as protected intellectual property
4. the capacity to organise firms within the university
5. the integration of academic and business elements into new formats such as university–industry research centres

The value of the work developed by Clark and Etzkowitz is in expanding the idea of academic entrepreneurship to encompass both the individual with entrepreneurial inclinations *and* the academic organisation with a requirement to demonstrate engagement with entrepreneurship.

An Integrated Approach

The growing interest in corporate entrepreneurship, as an alternative to the dominant perception of entrepreneurship as an individual endeavour, is not simply a re-badging of the term *intrapreneurship* (i.e. being entrepreneurial within an existing organisation) popularised by Pinchot (1986). It can be considered as the working out of an inner logic of understanding on the nature of entrepreneurship as a basic philosophy (Kao et al., 2002). Kao et al. explored the historical understanding of entrepreneurship from a view that emphasised self-employment/small business, to one that focused on action orientation and job creation, and ultimately to an emphasis on the creation of socio-economic value.

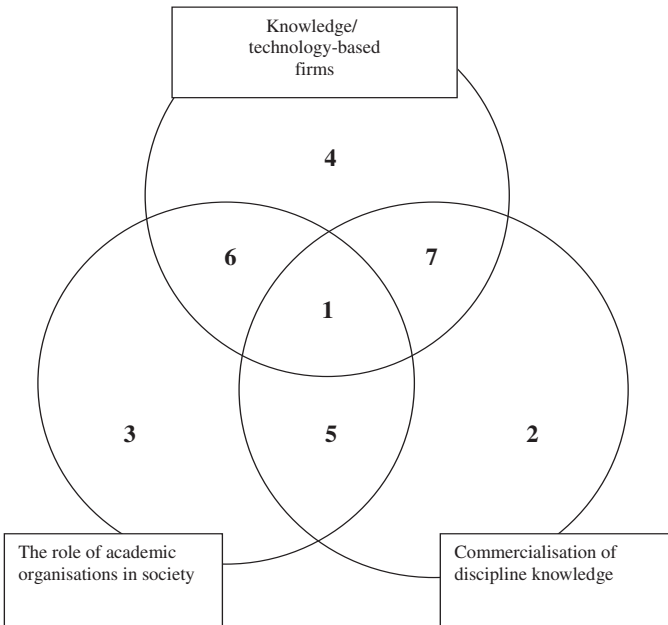
A corporate entrepreneurship perspective can therefore be construed as a frame of reference with which to understand how socio-economic value is created in organisations (i.e. through venturing, innovation and strategic renewal).

Applying the above argument to academic institutions allows the identification of three overlapping elements that represent and bound the domain of academic entrepreneurship:

1. knowledge/technology-based firms (i.e. venturing)
2. commercialisation of discipline knowledge (i.e. innovation)
3. the role of academic institutions in society (i.e. strategic renewal)

A series of seven component phenomena can be identified by combining the elements, and viewing them from a corporate entrepreneurship perspective. These are illustrated in Figure 1. The

Figure 1: The Domain of Academic Entrepreneurship



Source: Brennan et al. (2005: 311).

component phenomena of academic entrepreneurship can be identified as follows:

1. the academic entrepreneur who balances disciplinary considerations with the technology transfer strategy of a host academic institution and opportunities arising from exploiting intellectual capital through knowledge/technology-based firms
2. a discipline context that determines academic credibility, especially in terms of innovation
3. an academic organisation context that increasingly recognises organisational knowledge capital as well as individual knowledge capital
4. knowledge/technology-based firms with a competitive position reliant on specialist knowledge
5. academic organisation interventions to commercialise organisational knowledge
6. academic organisation interventions to create/support/own science-, engineering- and technology-based firms
7. academics who engage with knowledge/technology-based firms independent of a host academic organisation (after Brennan et al., 2005: 312)

The above takes place in the knowledge-based economy in which academic organisations, markets and policy-makers exist.

The authors suggest that the complexity of academic entrepreneurship is perhaps best understood in terms of such complementary and overlapping components. In this way the organisational influence of the academic institution can be taken into account while still recognising the central role of the individual academic.

ACADEMIC ENTREPRENEURSHIP ON THE ISLAND OF IRELAND – THE EVIDENCE

Previous evidence of academic entrepreneurship on the island of Ireland has been fragmentary and couched in general terms – often as part of wider studies. Such studies have themselves suffered from

a lack of clarity due in part to the nature of the subject. Tidd et al. (2005) put the case succinctly:

There are relatively few data on the characteristics of the academic entrepreneur, partly due to the low numbers involved, but also because the traditional context within which they have operated...has meant that many have been unwilling to be researched (Tidd et al., 2005: 528).

Notwithstanding the above point, the following is offered by way of demonstrating the reported differences in academic-related entrepreneurship on the island of Ireland.

In a review and comparison of seven EU regions Jones-Evans (1997) investigated universities, technology transfer and spin-off activities. The study is of value for two reasons. First, it re-affirmed the notion that academic entrepreneurship is much more than an investigation of academic spinout firms. Second, it presented information that allowed an historical comparison of the Republic of Ireland and Northern Ireland. Tables 1 and 2 present key aspects of that comparison:

Table 1: A Comparison of Academic Entrepreneurship

Involvement by Academics in Entrepreneurship Activities	Republic of Ireland (%) N = 663	Northern Ireland (%) N = 538
1. Large-scale science	68	50
2. Contracted research	69	56
3. Consulting	68	51
4. Patent/licensing	26	17
5. Spin-off firms	19	13
6. External teaching	73	42
7. Sales	6	6
8. Testing	40	35

Source: Adapted from Jones-Evans (1997: 63).

Table 2: Comparisons of Organisational Background and Context

Background of Individual Academic and Perception of Institutional Context for Entrepreneurship	Republic of Ireland (%) N = 663	Northern Ireland (%) N = 538
Previously employed full time outside the university sector	63	57
Industrial experience		
• No direct industry contact in last five years	28	32
• Approached industrial organisation	52	46
• Approached by industrial organisation	56	50
View of the university environment for entrepreneurship		
• Supportive	58	51
• No effect	33	34
• Hindrance	10	18
University industrial liaison office		
• Awareness of existence	71	62
• Have used to develop external linkages	22	33

Source: Adapted from Jones-Evans (1997: 57, 61, 64, 65).

Three significant differences are immediately apparent from the above: first, the greater involvement of Republic of Ireland academics in large-scale science projects; second, a greater involvement in contracted research; and finally, much more evidence of external teaching.

An examination of the organisational background and context in Table 2 highlights the noticeable differences that are apparent in terms of the amount of industrial experience of Republic of Ireland academics in comparison to those from Northern Ireland and the presence of a more positive attitude to institutional support in the Republic.

Overall the study found that at a European level, common barriers existed to universities developing increased collaborative links with industry:

- lack of internal resources, especially time from normal academic duties
- differences in culture between academia and industry
- lack of a reward system for academics involved in collaborative projects (Jones-Evans, 1997: 38)

The need to address these barriers and the case for considering academic entrepreneurship as an important phenomenon was strongly supported by the report *Entrepreneurship on the Island of Ireland 2003* (Fitzsimons et al., 2004). The report was based on the findings of the 2003 Global Entrepreneurship Monitor research exercise and the Republic of Ireland–Northern Ireland comparison continued to highlight significant differences. For example, the total entrepreneurial activity (TEA) rate was higher in the Republic of Ireland (8.1 per cent) compared to Northern Ireland (5.2 per cent). Furthermore, the higher entrepreneurial activity rate in the Republic of Ireland was attributed to a much higher rate of participation in entrepreneurial activity amongst those with higher levels of education. Finally, the cultural context for entrepreneurship was also identified as being particularly strong in the Republic of Ireland and less well developed in Northern Ireland.

The comparison of entrepreneurship activity by education level is produced in Table 3 and serves to clearly demonstrate the divergence of experience at the graduate and postgraduate levels. This is particularly important because the report suggested that opportunity-based entrepreneurship (rather than necessity-based entrepreneurship) was more likely to be associated with those with higher education. Further, it was noted that those with higher qualifications create businesses with higher growth potential.

Overall, for both jurisdictions the report highlighted a series of policy recommendations of which one-third are directly related to academic institutions:

- harness the resources of the education and training sector

Table 3: Entrepreneurship Activity Rates by Education Level Attained

	Republic of Ireland (%)	Northern Ireland (%)
Some second level	4	4
Completed second level	6	5
Third level	13.5	4.5
Postgraduate	12.5	7

Source: Adapted from Fitzsimons et al. (2004: 15).

- maximise the number of innovative and high-growth new ventures
- support the development and exploitation of research

It is suggested that these recommendations have received little support thus far from political parties.

Policy Perspectives

The GEM policy recommendations highlighted above reflect a broadly held perception that academic institutions have the potential to do more in terms of entrepreneurship. Extracts from recent policy reviews serve as a final source of evidence for considering academic entrepreneurship.

Republic of Ireland

The Enterprise Strategy Group (2004) identified two issues requiring particular attention within the academic community: the need for better and more effective interaction between higher education and business; and the need for academic institutions to address internal structural and management systems in order to better facilitate increased interaction:

Higher education should be underpinned by a coherent policy approach that includes the public and private sector (including the universities, institutes of technology, colleges of education and private higher education colleges). A cohesive policy should be agreed between education, enterprise, and government to

ensure that the skills necessary for enterprise success are developed ... (Enterprise Strategy Group, 2004: 74).

The structures and management of higher education are no longer adequate to meet the complex demands of society in general, and enterprise in particular. Governing bodies are too large to permit flexibility and responsiveness (Enterprise Strategy Group, 2004: 75).

Northern Ireland

The policy perspective in Northern Ireland reflects what is happening in a wider UK context. Implicit in such policy discussions is the need for the government–industry–higher education ‘triple helix’ to be re-assessed and developed in order to be more responsive to the needs of modern economies:

Universities will have to get better at identifying their areas of competitive strength in research. Government will have to learn to do more to support business–university collaboration. Business will have to learn how to exploit the innovative ideas that are being developed in the university sector (Lambert, 2003: 2).

In a knowledge-based economy both our economic competitiveness and improvements in our quality of life depend on the effectiveness of knowledge sharing between business and higher education (DfES, 2003: 36).

A Comparison

As a final observation, a review of funding of higher education in Northern Ireland (ERINI, 2004) suggested the need for greater insight into a number of issues applicable to both parts of the island:

- the need for better understanding of the benefits of cooperation between universities to achieve a critical mass of postgraduate training and research (ERINI, 2004: 38)
- consideration of bench-marking regional federations and mergers (ERINI, 2004: 38)
- better understanding of the merits of the different approaches to research funding (comparing a utilitarian approach to research in

the United Kingdom to a transactional approach in the Republic of Ireland) (ERINI, 2004: 41)

It is clear from such policy-related reports that there is a perception that academia is not maximising its potential in terms of relevancy to the knowledge-based economy and that much work needs to be done to engender more entrepreneurial activity within academia. The following section attempts to scope the nature of that potential.

ACADEMIC ENTREPRENEURSHIP POTENTIAL

In the previous section an attempt was made to draw on published evidence to gain an understanding of the recent interest in academic entrepreneurship. The evidence suggested that the experience of academic entrepreneurship is different when comparing the Republic of Ireland and Northern Ireland. However, what is shared is a policy context that requires (perhaps even demands) that academic entrepreneurship increases significantly in both jurisdictions. This section builds on such insights by profiling the nature and scope of that academic entrepreneurship potential. Two stages were involved in this part of the research:

1. a profile of academic entrepreneurship capacity – that is, what is the nature and scope of the academic capacity available on the island?
2. the views of key informants – that is, what do academics think about entrepreneurship and higher education?

A Profile of Academic Entrepreneurship Capacity

An assessment of the academic capacity of direct relevance to entrepreneurship proved difficult to undertake. This was due to the variety of methods used for collecting information in different jurisdictions, the inevitable delays in collating information at an institutional level, and the dynamic nature of the phenomena under consideration. Table 4 captures some key parameters that the authors felt were indicators of academic entrepreneurship capacity. It is readily acknowledged that such a profile is very much an estimate but it was felt to have merit in capturing the scope of the capacity.

Table 4: A Profile of Academic Entrepreneurship Capacity

Element	Republic of Ireland	Northern Ireland	Ireland Total
Institutions (2004)			
• Universities (plus the Open University)	7	2	10
• Institutes of Technology	14	0	14
• Further Education Colleges	21	14	35
(InterTradeIreland, 2004)			
Research and contract income (2001/2002)			
• Euro (thousands)	322	56	378
• Pounds (thousands)	216	38	254
(ERINI, 2004)			
Academic experts (2005)			
• Entrepreneurship	37	22	59
• Enterprise	185	21	206
• Small Business	69	23	92
(Expertiseireland.com, 2005)			
Student numbers (2002/2003)			
• Undergraduate	143,076	52,692	195,768
• Postgraduate	24,811	11,738	36,549
(ERINI, 2004)			
Incubation spaces (2005)			
• available/planned	350	100	450
Spin-off firms	39	32	71
(Enterprise Ireland, 2005; Blair, 1999)			

In aggregate there are almost sixty academic organisations with a combined student population of over 225,000 and a research/contract income in excess of €378 million. Over 350 academics are explicitly involved in teaching and researching entrepreneurship. In

addition there are in excess of 450 campus incubation spaces and over seventy spinout firms. Such rudimentary profiling demonstrates the considerable capacity of higher education in a knowledge-based economy and its potential as a key organiser for entrepreneurship.

The Views of Key Informants

The second stage of understanding academic entrepreneurship potential was a series of interviews undertaken with key informants. A purposeful selection strategy was used to identify practicing academics with a recognised interest in entrepreneurship. A total of twenty-nine individuals were questioned during the first six months of 2005 – seventeen from the South and twelve from the North. A ‘sense-making’ approach (Weick, 1995) to the research was taken, involving the tasks of information gathering, summary and synthesis. Such an approach was felt appropriate given the reportedly underdeveloped nature of the study of academic entrepreneurship (Tidd et al., 2005). Questions were asked in four general areas:

- what makes an academic institution entrepreneurial?
- what does entrepreneurship mean to you as a practicing academic?
- what do students gain from entrepreneurship?
- what are the enablers and barriers to entrepreneurship within academic institutions?

The first three questions were intended to investigate academic entrepreneurship as a multi-layered phenomenon. In this way key informants were first asked about their experience of entrepreneurship at the level of the organisation. The second question was aimed at their experience of entrepreneurship at a personal level. The third question was aimed at capturing their perception of entrepreneurship as it relates to the student population. The fourth and final question asked respondents to identify enablers and barriers to the development of entrepreneurship within academic institutions. Interviews were taped, transcribed and explored using thematic analysis. The key outcomes are presented below for each question area, in order of most frequency, followed by a brief description of the results.

Entrepreneurship and the Academic Organisation

The predominant observation concerning the factors that make academic institutions entrepreneurial was the linkage between entrepreneurship and innovation. Several respondents commented on the need to widen the concept of entrepreneurship from a focus on small businesses and spinout firms to an understanding that explicitly encompassed innovation as an academic activity. In particular, the relationship between innovation and entrepreneurship as a means of adding value was seen as important. Institutions with units and/or individuals dedicated to facilitating and encouraging the innovation–entrepreneurship link were seen as being particularly important. A variety of organisational activities and approaches were seen as supporting such a stance with the need to cultivate linkages/alliances with other economic partners seen as a crucial activity, especially for senior managers. This applied not only to partners outside the institution but also to cooperation within institutions. Several respondents commented on inter-discipline rivalry and the need to ‘span’ discipline-based faculty knowledge silos. Institutions that encouraged such activity through structures, systems and an appropriate reward structure were seen as entrepreneurial in their approach.

Entrepreneurship and the Academic

At the level of the individual academic, respondents identified entrepreneurship as a powerful way of engaging with key economic partners. Such engagement took place through a number of mechanisms. The focus on value creation was reported as creating credibility with colleagues within the institution, with full- and part-time students, and with a wide range of organisations in the broader economy. The increasing emphasis on entrepreneurship as a cultural and social phenomenon was also seen as reinforcing the relevance of academics as producers of knowledge. Entrepreneurship education was seen as particularly powerful as a mechanism for linking new knowledge production to application through venture projects – both as new start-up ventures and as corporate ventures within existing organisations. Several respondents commented on the ability of entrepreneurship to encompass theory and practice in a holistic way.

Entrepreneurship and the Student

Respondents reported that they felt students benefited from entrepreneurship in a variety of ways. In terms of personal development the linkage between entrepreneurship, innovation and creativity was seen as particularly important. Venture project activity was seen as being demanding by students but also of immense value in terms of career planning and the practicalities of individual career profile development and employability. Students were reported to have commented on the relevance and applicability of entrepreneurship both as an academic topic and as a practical learning experience. Some respondents commented on student perceptions of the need for institutions to make more from the knowledge available for exploitation.

Enablers and Barriers to Entrepreneurship in Academic Institutions

When asked about what institutions should do to enable more entrepreneurship, respondents commented on the need to have alternative organisational structures in addition to traditional faculty structures. A move to academic 'quasi-firms' supported by smaller, central administrations was identified as reflecting trends in other knowledge-based organisations. The need to reframe attitudes to research in order to encompass creativity, innovation and entrepreneurship was seen as an important cultural change that ought to be supported and developed. The role of the institution was seen as particularly important in this regard in terms of support and reward strategies. Traditional faculty structures were perceived as unintentional barriers to entrepreneurship. Respondents mentioned the need for mode 2 knowledge production (i.e. knowledge produced outside traditional discipline fields) as important in complementing traditional mode 1, discipline-based knowledge production. Institutions as hierarchical structures were also perceived as barriers to entrepreneurship. The need for flatter structures and more responsive organisational units was seen as imperative in fulfilling the expectations of policy-makers and the wider societal partners. In addition there was an identifiable need for institutions to communicate internally in terms of promoting entrepreneurship.

DISCUSSION

Entrepreneurship in higher education is not well understood and increasingly entrepreneurship researchers are moving from a consideration of entrepreneurship education and academic spinout firms to a wider concept of entrepreneurship. That wider concept sees academic institutions as knowledge organisations that play a central role within knowledge-based economies. It is suggested in this paper that a corporate entrepreneurship perspective supports such a view and encompasses issues of real concern to higher education:

- the commercialisation of discipline knowledge
- the strategic renewal of academic institutions within modern economies
- the support of knowledge/technology-based firms

The interplay between the above issues allows the identification of several phenomena that form the domain or area of interest for academic entrepreneurship (see Figure 1). The authors suggest that understanding academic entrepreneurship as a broad phenomenon is the first step in re-orientating academia within the knowledge economy. Such a re-orientation takes into account new modes of knowledge production outside traditional discipline structures and the reality of funding for academic organisations.

Previous research into academic entrepreneurship on the island of Ireland has demonstrated a noticeable difference in terms of the experiences of individual academics and their host institutions. However, what is clear from policy-makers and GEM research is the need for academia to become more entrepreneurial – in both the Republic of Ireland and Northern Ireland. This is clearly an opportunity for academic institutions and individual academics to create and exploit a new ‘space’ within the economy. The profile of academic entrepreneurship capacity detailed in Table 4 demonstrates the resources and potential available on the island. However, there is a real need to address the issues raised by key informants in terms of what needs to be done to promote and develop entrepreneurship within academia.

Table 5: The Entrepreneurial Academic Institution

Academic Entrepreneurship	Paradigm	
	The Managerial Institution	The Entrepreneurial Institution
Work relationships	Individual entrepreneurship	Corporate entrepreneurship
Knowledge production	Discipline focus (Mode 1)	Inter-discipline focus (Modes 1 and 2)
Knowledge acquisition	Central gatekeepers	Multiple gatekeepers in a knowledge market
Organisation orientation	Internal–external (Dichotomous thinking)	The entrepreneurial system ('Trialectic' thinking)

Source: Adapted from Brennan and McGowan (2006).

Other research by Brennan and McGowan (2006) and the outcomes of the current paper suggest that the presence of entrepreneurship activity within an academic institution does not necessarily make it entrepreneurial. In particular it is suggested that the four paradigmatic issues identified in Table 5 need to be addressed at a fundamental level:

1. the reality of academic work relationships suggests the need to view entrepreneurship as corporate rather than simply an individual phenomenon
2. the inter-discipline aspect of mode 2 knowledge production suggests the need for thinking outside the rigours of individual disciplines whilst still recognising the fundamental role such disciplines have for academic innovation
3. attempts to funnel interaction with partners in the wider knowledge economy through central units can be counter-productive. Multiple gatekeepers need to be welcomed and reflect the reality of interdisciplinary knowledge production
4. the dichotomous thinking that simplifies academia into theory (inside the institution) and practice (outside the university) does not reflect the nature of academic entrepreneurship. 'Trialectic'

thinking, encompassing the idea of multiple parts that attract, and the triple helix concept of multiple relationships, offer a more meaningful framework for understanding academic entrepreneurship

Underpinning the above is the belief that the ways in which knowledge is produced, shared and exchanged has changed fundamentally in a competitive global economy.

CONCLUSION

The subtitle of this paper – re-orientating academia within the knowledge economy – is based upon the belief that academic institutions need to reassess their roles, systems, structures and approaches given the imperative for greater value and wealth creation by academia. Such a view is supported by both academic theory (the concept of corporate entrepreneurship) and by public policy pronouncements. Research on entrepreneurship education and spinout firms is an essential part of the new agenda for academic entrepreneurship but that agenda requires a broader understanding of academic context and in particular:

1. the commercialisation of discipline knowledge
2. the role of academic organisations in society
3. the interaction between academics and knowledge/technology-based firms

The idea of a need for a re-orientation of academia in terms of entrepreneurship reflects what has previously been suggested for the broader study of innovation. Rothwell (1992) argued that models of innovation evolved from linear type, fourth generation models to a fifth generation with a focus on systems integration, extensive networking, flexibility and customised response. In the same way the authors of this paper suggest that a re-orientation of academia on the island of Ireland can be thought of as moving from a view of academic organisations as the final stage in a process of preparing individuals for work, to a position where such organisations are seen as elements of an entrepreneurial system. Indeed the space occupied by such organisations in a

knowledge economy could be argued as being central to such an economy.

In terms of future research, the authors suggest the following:

1. there needs to be greater understanding of the interaction of the seven component elements suggested as representing the domain of academic entrepreneurship
2. the Jones-Evans study of 1997 should be updated to reflect the current emphasis on knowledge-based entrepreneurship
3. there should be a detailed investigation into the widely different experiences of graduate entrepreneurship when comparing North and South
4. the contrasting utilitarian and transactional approaches to university research merits investigation
5. there needs to be fuller understanding of entrepreneurial potential at the level of individual academic institutions

A clear opportunity exists to undertake the above through comparing the very different experiences in the Republic of Ireland and Northern Ireland. Such a comparison will itself allow the development of new knowledge networks and the sharing of best practice that will allow academic institutions to effectively function as integral parts of a knowledge economy.

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The Schumpeterian and Universal Hero Myth in Stories of Irish Entrepreneurs



G A R V A N W H E L A N *
C O L M O ' G O R M A N * *

ABSTRACT

As part of a mapping of the current state of entrepreneurship in Ireland, this paper explores the presentation of three Irish entrepreneurial stories. It is argued that entrepreneurial stories reflect the universal hero myth and the Schumpeterian emphasis on the achievements of the individual entrepreneur. An analysis of the presentation of stories in the popular media of three successful and well-known Irish entrepreneurs suggests that the recurring themes of the universal hero myth are found in the stories of Irish entrepreneurs. However, it was established that while the stories of the entrepreneurs studied emphasised the achievements of the individual, in the sense of the Schumpeterian hero myth, it was complemented with an appreciation of the importance of teamwork for business success. The paper concludes by suggesting that policy-makers can use the hero myth to encourage entrepreneurial activity, but in doing so they should emphasise the main character's ordinary background and how it *could* indeed be anyone.

Key Words: Entrepreneurship; Ireland; Schumpeter; Hero; Myth; Stories.

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INTRODUCTION

There is evidence to suggest that entrepreneurship has a high degree of popular support in Ireland and that such support has contributed to increased levels of entrepreneurial activity in Ireland (Fitzsimons et al., 2004). Reports of recent years support the view that entrepreneurs in Ireland are perceived as ‘local heroes’ in recognition of the important role that they play in creating wealth and employment (Goodbody, 2002). This has not always been the case. Historically, the regard for entrepreneurship as a career option has been relatively low (O’Farrell, 1986), and Irish entrepreneurs were viewed with jealousy as newly rich ‘upstarts’ (Ardagh, 1994). However, as the economy has grown begrudgery towards successful entrepreneurs in Ireland has diminished (McCarthy, 2000). Indeed, the Global Entrepreneurship Monitor indicates that entrepreneurs now have a higher status throughout the island of Ireland compared with many other developed countries, including the United States (Fitzsimons et al., 2004).

Increased popular support for entrepreneurial activity may reflect the increased media coverage of entrepreneurs and, in particular, of entrepreneurial success stories. Entrepreneurial stories are considered important because reported accounts of heroic individual innovations may act as a stimulus to latent entrepreneurial activity (Cooper, 2000). In areas where there appears to be less popular support for entrepreneurs, such as Northern Ireland (Fitzsimons et al., 2005), it is not uncommon for policy-makers to advocate the profiling and promotion of ‘success stories’. For example, government policy for the promotion of enterprise in Northern Ireland places the task of changing attitudes and culture as a top priority; as part of this strategy, stories of successful entrepreneurs will be promoted as role models (Morrison and Scott, 2003). Using content analysis of newspaper articles on entrepreneurs in the United Kingdom, Nicholson and Anderson (2005) found evidence to support their contention that British entrepreneurs were portrayed ‘as giants’ in 1989, but by 2000, ‘they were discovered to have feet of clay’ (2005: 153). In Ireland, the opposite appears to have occurred: hitherto entrepreneurs were previously demonised but more recently they have been celebrated (Goodbody, 2002).

Why do stories of entrepreneurs attract attention in popular media in Ireland? How are stories of entrepreneurs presented in the Irish media? In what way might the presentation of an entrepreneur’s

story influence how entrepreneurs are understood in society? This paper seeks to address these issues by presenting an analysis of the stories of three Irish entrepreneurs. The authors believe that analysing and interpreting the stories of entrepreneurs is an important part of the process of mapping entrepreneurship in Ireland. It can help in the understanding of how entrepreneurs are perceived by society, and how the entrepreneurial story can be used to encourage innovative activity. Furthermore, such an investigation will provide a benchmark for comparing the presentation of Irish entrepreneurs against their standing at future points in time. It should also allow the comparative analysis of Irish entrepreneurial stories to be evaluated against narratives from other countries. The paper proceeds as follows. First, the paper clarifies the meaning of the terms 'Schumpeterian' and 'universal hero myth'. This entails the identification of common and recurring themes from both narrative frameworks. The paper then critiques this vision of individual endeavour, and considers an alternative viewpoint encapsulated in Reich's (1987) phrase 'the team as hero'. Following that, the paper outlines the issues relating to the methodological approach. This involves examining the stories, as portrayed in the popular media, of three well-known Irish entrepreneurs, and seeking to identify elements of the Schumpeterian and universal hero myth therein. The case studies presented are based on a review of publicly available sources of biographical material. In doing this the authors draw on methods used by researchers from other countries who have written on the pervasive role of mythic themes in entrepreneurial narratives (e.g. Nicholson and Anderson, 2005; Ogbor, 2000). A discussion of the three cases is presented in terms of the recurring themes from the Schumpeterian and universal hero myth. The paper concludes by considering the implications of the analysis for policy-makers and others concerned with the portrayal of entrepreneurs in Ireland.

LITERATURE REVIEW

The Schumpeterian Hero Myth

The Schumpeterian hero myth is a romantic vision of the entrepreneur as a great individual who carries out acts of innovation that are

vital for economic development (Casson, 1990). Schumpeter asserts that entrepreneurs are unique individuals insofar as they engage in a special type of conduct that is 'accessible in very unequal measure and to relatively few people' (1934: 81). Schumpeterian entrepreneurs carry out new combinations and are prepared to step outside the 'boundaries of routine where many people can go no further' (p. 80).

These unique individuals (by behaviour only, it must be stressed) who bravely go beyond these boundaries must overcome a number of difficulties. First, since they are venturing into areas outside the 'accustomed channels', entrepreneurs must deal with uncertain situations which may lead to failures and setbacks (pp. 84–5). Therefore, the individual who dares to embark upon the entrepreneurial journey must be prepared to make mistakes and to commit 'other kinds of errors than those occurring in customary action' (p. 85). Another difficulty outlined by Schumpeter refers to the special 'effort of will' required to conceive of the new combination 'as a real possibility' as opposed to 'merely a day-dream' (p. 86). A third difficulty is the reaction by the wider 'social group' against the individual 'who wishes to do something new' (p. 86). This will most likely be initiated by 'the groups threatened by the innovation' and can manifest itself in different forms of 'pressure on the individual' including 'social ostracism' (p. 87). However, the entrepreneur will overcome these adversities, and will even use the 'social opposition' as a stimulus to continue on with the 'special kind of task' or innovation (p. 87). In summary, Schumpeter views the entrepreneur as a unique individual who exercises the 'mental freedom' (p. 86) to conceive of a new way of doing things and is brave enough to follow this vision even if it means risking the possibility of failure and incurring the ridicule of other members of the social group – business or otherwise.

This romantic view of the entrepreneur as an individual hero in the world of business came to prominence in Europe and North America in the late nineteenth century (Kavanagh and O'Leary, 2004). Examples include the story of Henry Ford as a poor Irish immigrant who achieved business greatness through individual effort and the ability to organise others (Longnecker et al., 1999), and reports of the 'Thomas Edison-like drama of the lonely inventor

struggling for a breakthrough' (Weiss, 2003: 740). Historically, entrepreneurs in America have been held in high regard, and are often portrayed as heroes (Jackson and Brophy, 1986). Shapiro has remarked that this hero status for entrepreneurs is based on the mythic figure of the cowboy who was a loner and who focused on 'individual accomplishments' (1993: 57). Santarelli and Pesciarilli (1990) credit Schumpeter with highlighting the importance of individual effort and innovation for the economy. Schumpeter's works also provide the foundation for entrepreneurial narratives whereby individuals who overcome adversity against all the odds are portrayed as heroes (Swedburg, 1991).

The Universal Hero Myth

What is the 'hero myth'? The term 'myth' is generally taken to mean a story containing imaginary or exaggerated events. In everyday usage the term has negative connotations. Leach notes that some use the word as if it meant 'false history', whereas the usual anthropological and cultural view is that myth is a 'sacred, traditional tale' (1970: 54–55). He claims that the idea that history is true and myth false is 'whimsical' and observes that any body of social tradition starts with a creation story, followed by tales of the adventures and achievements of its cultural heroes (Leach, 1970: 55).

Tales of heroic deeds have endured through the ages because the need for heroes is a 'fundamental part of the human condition' (Kavanagh and O'Leary, 2004: 124). They are communicated through stories that are 'told through the ages' (Moyers, 1988). Campbell (1949), in his book *The Hero with a Thousand Faces*, reports on the findings from his review of stories and myths from different countries and historical time periods. He noted that these stories contained similar, recurring themes and moral lessons 'valid for all of mankind' (Campbell, 1949: 19). Campbell used the term 'monomyth' to describe the basic repeating pattern found in myths that were 'timeless and multicultural' (Saxby, 1979: 175). Following on from this, and from Giambruno's observation that the story structure of hero myths is 'universal among human beings' (1997: 2), the term 'universal hero myth' is used to describe such stories in this paper.

In his *Two Essays on Analytical Psychology*, Jung (1990) asserted that there is a universal myth-making or archetypal level of

mind that he termed the ‘collective unconscious’ (1990: 66). Jung saw this as responsible for the underlying similarities between myths, visions, religious ideas, and certain types of dreams from various cultures and different historical periods. Bartunek (1984) has argued that hero myths dramatise the struggles that many people face and provide a cognitive schema that map one’s psychological progress through life. This progress is exemplified in the ageless mythic tale of the hero’s journey (Storr, 1973: 37).

The purpose of this ‘ubiquitous myth of the hero’s passage’ is to provide a ‘general pattern’ or blueprint for dealing with life’s difficulties and hazards (Campbell, 1949: 121). Campbell also explains that for the archetypal hero, symbolic rites of passage and the theme of a perilous journey are typical in such stories. The dangerous journey itself has three common motifs: *separation*, *initiation* and *return*. The initial call to adventure is usually precipitated by a chance circumstance and the most dangerous part of the journey may be overland or on water but fundamentally it is *inward*, into the deepest recesses of the self, where the demons of fear lie in wait. Then the hero emerges transformed, possessing the power to bestow great benefits on humanity. Upon return, however, he or she is faced by ‘uncomprehending opposition’ to the message before it is eventually accepted (1949: 217).

This universal mythic journey is similar to the pattern of entrepreneurial behaviour identified by Schumpeter (1934). He observed that the fundamental difficulty faced by any person who is contemplating an innovative act ‘lies *in the psyche*’ of the individual entrepreneur (p. 86, emphasis added). This individual must overcome a fear of unknown situations that will arise as a result of stepping outside ‘a boundary beyond which the majority of people’ will not venture (p. 87). While Campbell was concerned with universal themes that can be identified in stories and myths from different cultures throughout the ages, Schumpeter’s observations (unwittingly?) refer to those same universal themes in the context of economic and business behaviour in the Western industrialised nations in the early part of the twentieth century. From this, one could conclude that Schumpeter’s insights pertain to the archetypal behaviour that follows a pattern identified by Campbell as the journey undertaken in the universal hero myth.

The 'Team' as a Hero?

Schumpeter's conceptualisation of the heroic individual entrepreneur has popular appeal (Casson, 1990), and his influence on researchers in the field of entrepreneurship has been overwhelming (Blaug, 1996). Some writers have been critical of the widespread acceptance of the Schumpeterian view of entrepreneurship. Gibb claims that the 'pervasive ideology of the heroic entrepreneur' needs to be replaced with a newer paradigm for the teaching and researching of entrepreneurship (2002: 233). Others have pointed out that the vision of the lone individual hero may not be appropriate for a high-tech business environment that requires high levels of collaboration and teamwork (e.g. Cooney and Bygrave, 1997; Weiss, 2003). For this reason, the (early) Schumpeterian view of the entrepreneur with its emphasis on individual innovations has been labelled as 'myth' (i.e. as false history). This is partly justifiable since many innovations do take place in a team setting. In his later work, Schumpeter himself recognised that the majority of innovation was being carried out by 'teams of trained specialists' (1942: 132). Reich (1987) observed that firms operate in a global networked economy with greater emphasis on cooperation within and between groups. He proposed the concept of 'the team as a hero' as an alternative to the popular myth of the entrepreneur as a lone hero.

Based on the above literature it could be anticipated that stories of Irish entrepreneurs will contain extensive reference to the recurring themes of the universal hero myth, and as such will emphasise individual rather than team efforts. These recurring themes can be summarised as follows: (i) the hero's humble or obscure background; (ii) the hero's need to leave the group and embark on a journey; (iii) the hero overcomes adversity, setbacks and temporary failures; (iv) the hero takes on a formidable enemy, usually in the form of a giant; and (v) in the final stage of the heroic journey, the hero returns to popular acclaim and is honoured for individual accomplishments. This literature leads the authors to suggest the following propositions:

Proposition 1: *Stories of Irish entrepreneurs contain the recurring themes of the hero myth.*

Proposition 2: *Stories of Irish entrepreneurs emphasise great individual achievements rather than the contribution of the team.*

The next section outlines the research methodology used in exploring the stories presented.

METHODOLOGY

This paper examines the stories of Irish entrepreneurs for evidence of the hero myth. Stories of entrepreneurship have been used by other researchers to provide evidence of the mythicising and romanticising of entrepreneurs, and of the status of entrepreneurs (Koiranen, 1995; Steyaert and Bouwen, 1997; Pitt, 1998; Ogbor, 2000). The approach taken here is to employ a theoretical framework, that of the Schumpeterian and universal hero myth, to analyse the published material on three Irish entrepreneurs. The hero myth represents a conceptual and descriptive framework which can be used to categorise, in summary format, multiple sources of data on a given entrepreneur's story. In using this particular framework the authors are in effect exploring if an analysis of the content of published material allows one to re-tell or reconstruct the story of each entrepreneur in terms of the universal hero myth, and if such stories emphasise individual or team elements. Such an analytical procedure represents a form of pattern matching between a theoretical framework and case material (Yin, 1994) in that it was predicted that a pattern of outcomes – recurring themes from the Schumpeterian and universal hero myth – would be present in the material to be examined.

The authors reviewed the published material on three Irish entrepreneurs. In choosing entrepreneurs to include in the study, examples were sought that would most likely be known broadly, and therefore could be considered as representative of the popular understanding of entrepreneurs in Ireland. Three entrepreneurs were selected for the study: Moya Doherty, Pádraig O'Ceidigh and Peter Fitzgerald. The three entrepreneurs were all prior winners of the Ernst & Young Irish Entrepreneur of the Year Award. This award recognises entrepreneurs who are 'driving, building, and sustaining the successful, confident, modern Ireland' (Ernst & Young, 2005). The award is presented annually on RTE, the state national

broadcasting television channel, and receives extensive coverage in print media as it is part-sponsored by one of the leading Irish daily newspapers. In choosing which prior winners to include, entrepreneurs were sought that represented some diversity in both business context and location throughout the island of Ireland. The entrepreneurs chosen operate respectively in the entertainment, airline and medical equipment business sectors, and are located in Dublin, Galway and Antrim (Northern Ireland).

Substantial media material was gathered on all three entrepreneurs. The search was restricted to recent accounts of each entrepreneur's story, including material from 1999 to 2005. This material was collected from the *LexisNexis* database and publicly available sources such as books, newspapers, magazines and websites. Extracts were organised around a chronological sequence of events. The specific sources for each case were as follows: *Moya Doherty*: Dodd (2001); Ernst & Young (2005); Fallon (1995); Garvey (2003); Noonan (2005a, 2005b); O'Conneide (2003); O'Connell (2002); O'Toole (2000); and Travers (2001). For *Padraig O'Ceidigh*: Aer Arann (2005); Electric News.Net (2005); Enright (2005); Ernst & Young (2005); McManus (2004); O'Mahony (2003); and Tierney (2003). For *Peter Fitzgerald*: Ernst & Young (2005); Fitzgerald (2004); McDonnell (2001); Mooney (2004); and Randox Laboratories (2005). The authors then familiarised themselves with this material through repeated reading of the collected information. Three chronological case histories of the entrepreneurs were compiled, as told through these secondary source materials. In choosing to present the case histories as chronological stories elements of the hero myth were allowed to emerge. The three case histories of the entrepreneurs are presented in the findings.

The method used to examine the propositions was biographical analysis of case histories. This approach has some inherent limitations. First, the case studies are based on information that can be manipulated and distorted (Morrison, 2001). The authors have interpreted published texts in their efforts to seek evidence of language patterns consistent with those of hero myths. This involved a certain amount of manipulation in that the data compiled on each entrepreneur was classified according to the structural themes and patterns previously identified in the literature. However, since the

material for the cases had been compiled from published texts, the interpretation of the material and the classification of the elements therein can be reviewed by other researchers. Identification of structural elements in stories is a useful way of analysing this type of material and lends itself to comparative analysis (Coffey et al., 1996).

Second, in common with other case study methods, there are issues relating to the validity of the findings. Case study research has been questioned on the grounds that the resulting theory is idiosyncratic (McCarthy, 2000) and cannot be relied upon since its small sample size leads to concerns regarding internal and external validity (Ryan et al., 1992). Internal validity refers to unreliability of the conclusions (if any) reached whereas external validity is concerned with whether the findings can be generalised to other contexts. Much of this disquiet arises from the lack of transparency in the way data is collected and the open-ended nature of the issues raised in the discussion of the cases (Saunders et al., 2003). By formulating theories into testable propositions, the authors sought to improve the validity of the research findings (Popper, 1972).

FINDINGS: CASE STUDIES

The stories of the three entrepreneurs studied are presented below. These stories are constructed from the secondary material reviewed and are presented to illustrate how elements of the hero myth are common in the telling of the story of an entrepreneur. The purpose of each of these cases is to illustrate how the published material can be presented around the recurring themes of the universal hero myth.

Case History: Moya Doherty

Moya Doherty was selected, along with her business partner, John McColgan, as Ernst & Young Irish Entrepreneur of the Year in 1999 to honour their achievement in developing Riverdance. Moya, the daughter of two teachers, was born in Donegal, but grew up from an early age in Clontarf, Dublin. As a teenager she considered herself to be somewhat of a rebel. After completing school, Moya opted for a course in drama instead of attending university. She spent a year touring as an actor, and then she joined RTE, the state television

broadcasting company, as a production assistant. While she enjoyed the work in RTE she was never content as an employee in a large bureaucratic organisation. In 1982 she left RTE and moved to London, where she spent five years working in various roles for breakfast television in London. In 1987, Moya returned to RTE on a producer training course, which included a 2-year producer's contract.

In the same year Moya started Tyrone Productions, a small independent television production company, with John McColgan, whom she had met in London. However, competition for contracts in Ireland was intense and the first four years were very lean times for the new business. Both Moya and John teetered on the brink of giving up and returning to England. Moya and John started a family around this time. Moya found this period of her life very difficult, because she had two children under the age of two and was working very long hours. The couple struggled with the business until, in 1994, Moya was given the task of producing the Eurovision Song Contest final. The budget was tight, but she was determined to make an impact and channelled much of her energy into the interval act – a new piece of music by Bill Whelan and a troupe of Irish dancers led by two Irish-Americans, Jean Butler and Michael Flatley. With a story based on Irish myth and legend, it was a visual spectacle that embraced speed, sound and rhythm. The 7-minute interval act, titled 'Riverdance', brought the audience to their feet.

While John and Moya had no experience of large-scale theatrical performance, and she had no business training, they re-mortgaged their house to help fund the initial investment required to put the Riverdance show on the road. Moya expanded the original Riverdance piece into a 2-hour show and adapted it to suit an international audience. The Riverdance show proved to be very popular, but there were many problems along the way. For example, for the second run of the show in London Michael Flatley, the star attraction, withdrew, and Jean Butler, the other star, pulled ligaments in her leg the day before opening night. Riverdance had to survive opening night with neither of their headline acts. Furthermore, there was extensive litigation between Riverdance's original performers and the Riverdance show developed by Moya and John. Riverdance went on to become an Irish success story which has been universally

acclaimed. By 2005 it had been staged in twenty-seven countries across four continents and before a worldwide television audience of over 1.5 billion.

In 1997, Moya and John became involved in another venture, Radio Ireland, a new national radio broadcasting station. The investment in radio got off to a bumpy start. They were the front members of the consortium that won the licence to be a national broadcaster but, in its first incarnation, Radio Ireland was a commercial and critical failure. The investors were called on a number of times to invest more. The schedule was changed, new presenters were hired and the station was re-launched as Today FM. The ratings increased. In total, Moya and John invested €3 million in this venture, and five years later they sold their shares to Scottish Radio Holdings for €17 million.

Moya Doherty has won many awards and accolades over the years. She has been named *Veuve Clicquot Business Woman of the Year*, the *Sunday Business Post* named her as one of the leading role models for women achievers, and she has been bestowed with honorary doctorates. While she has received financial rewards for her ventures, she measures success on a different scale. Moya claims that the most satisfying part of her career is the enjoyment she gets from being involved with a team that works well together, regardless of the size of the project.

Case History: Pdraig O'Ceidigh

Pdraig O'Ceidigh was selected as the Ernst & Young Irish Entrepreneur of the Year in 2002 for revitalising and then growing an 'island-hopping' aircraft travel service into a new market space and developing a business model to deliver a 'regional superhighway' aircraft travel service in Ireland. Pdraig O'Ceidigh came from a working class background in rural Ireland. At the age of ten, the Connemara-born Pdraig was picking periwinkles from a beach in Spiddal and travelling to Galway to sell them to fish exporters. From an early age, he learned to work hard and graft for any kind of rewards and, in hindsight at least, it was probably obvious to those who knew him in his younger days that he would become an entrepreneur. After secondary school Pdraig attended university in Galway, completed a commerce degree and then worked for a

period with KPMG accountants. In his early twenties he took a career break and went teaching for approximately ten years.

In the 1980s he started to study law at night and he then set up his own legal practice in 1992. In May 1994 he became part owner of Aer Arann, a Connemara-based airline that served the three Aran Islands (which are popular tourist destinations off the coast of Galway). At that time the airline was running at a loss, Pádraig had no track record in the airline industry and the industry was considered highly competitive, with a large number of failures in the preceding ten years. With an acute sense of its business potential, Pádraig steered Aer Arann from its situation as a small Irish domestic carrier to its current position as one of the fastest growing regional airlines in Europe. It had a turnover in excess of €80 million and passenger numbers of nearly one million in 2004. The airline operates over 500 flights per week across six Irish, seventeen UK and two French routes. From its tiny origins, Aer Arann is now competing for business with Aer Lingus and Ryanair. Following the takeover of CityJet by Air France in 2003, and the collapse of JetGreen in 2004, Pádraig is now the 'last man standing' when it comes to small Irish airlines.

Pádraig O'Ceidigh attributes the success of his company to its culture of using cross-functional teams in formulating policy and strategy. He involves the teams in all main decision-making points. He states that the teams are very focused and supportive of each other, that everybody in the company has a passion for success, and that the company's ethos is based on openness and flexibility and a commitment to continually improve customer service. Pádraig O'Ceidigh has also started a number of other businesses. For example, in 1995 the Irish-speaking Pádraig set up *Foinse*, which became one of the best-selling Irish language newspapers. He is also the owner of a printing company, Clódóirí Lurgan Teo, which is based in Connemara, as well as a local summer language school.

As a testament to Aer Arann's achievements Pádraig O'Ceidigh was named Ernst & Young Irish Entrepreneur of the Year 2002. Other awards include Best Regional Airline as voted by the Irish Travel Agents' Association in 2002 and Best Online Services Award 2003 presented by the Air Transport Users' Council of the Chambers

of Commerce of Ireland, and the ERA Bronze Airline of the Year Award 2004.

Case History: Dr Peter Fitzgerald

Dr Peter Fitzgerald was named as Ernst & Young Irish Entrepreneur of the Year in 2004 in recognition of the international success of his company, Randox Laboratories, a business that specialises in medical diagnostics. Randox Limited is a private company (Peter Fitzgerald owns 98 per cent of the shares) with annual revenues of £48 million and 450 employees in Ireland and another 120 worldwide. Peter Fitzgerald was born in south Antrim, and he attended school in Lisburn. He went to university in Glasgow where he graduated in 1973 with a degree in biochemistry. After that, he completed a Ph.D. in the National Institute of Medical Research in London. He was very keen on medical research, as he wanted to help improve medical healthcare. He returned to Northern Ireland to Queen's University in Belfast where he carried out research on multiple sclerosis and other medical conditions.

Peter always had an urge to create something and to improve society. While working as a researcher, he looked around for ideas on how to start a business that would help improve healthcare and contribute to society by generating employment. In 1982 he came across an area of the medical field called diagnostics. He set up a small laboratory in the back of his parents' house in a building that was previously used as a stable and hen house. Peter started on a very small scale. Working in the evenings and at weekends, he developed his first products. They were evaluated at the local hospitals and they performed well. Peter decided to go into business full-time and started a company called Randox Laboratories Limited.

It was a tough time to start a business in Northern Ireland, as 1982 was one of the worst years of the Troubles, with bombings and shootings taking place almost every week, and a political process that was in stalemate. His colleagues at Queen's University thought he was mad to leave a safe, secure position in order to start up his own company. When he approached government agencies for assistance, they were very reluctant to help since he had no knowledge about starting his own business. Peter had already spent his own

savings and his parents' money in developing the new products. He approached a number of banks for a loan, but was turned down on the grounds that he had no profits or cash-flow. Furthermore, he had no assets to offer as security. Eventually he came across a bank manager who believed in what he was trying to achieve. Peter received a £30,000 unsecured loan. His next task was to find customers. He received very little support from organisations in Northern Ireland in the early stages. Peter later reflected that 'often a prophet is never accepted in his own land'. In England, it was difficult to convince hospitals that a small company in the outback of County Antrim in Northern Ireland could manufacture and deliver quality clinical diagnostic products. He travelled throughout Ireland looking for business. The hospitals in the southern part of Ireland and those in Scotland and Wales were more supportive. Gradually he grew the business as customers came to realise that his products were technically superior and could be delivered faster. In the past twenty years, the company's average revenue growth has been 60 per cent per annum.

Peter is aware that his success means that multinationals such as Roche, Abbott and Bayer will see him as a potential takeover target. However, he is confident that with self-belief, hard work and teamwork, his company will prevail over his major competitors. In so doing, Peter will have achieved his twin goals: improving medical healthcare and making a contribution to society by creating wealth and jobs in Northern Ireland.

Dr Peter Fitzgerald's success has been recognised by a series of awards – he is a four times winner of the Queen's Award for Export Achievement; in 2003, on behalf of Randox, Peter accepted the MacRobert Award, which is the UK's most prestigious engineering award (other finalists for the prize included Rolls Royce Plc); and in 2004 he was named Ernst & Young Irish Entrepreneur of the Year.

DISCUSSION

The first proposition of the paper was that the stories of Irish entrepreneurs would contain the recurring themes of the universal hero myth. Having reviewed published material of three Irish entrepreneurs, and summarised these in the three case studies outlined

above, it has been shown how these cases, which are drawn solely from published accounts of the stories of these entrepreneurs, contain the elements of the universal hero myth. Evidence was also found that in telling their stories, and in the telling of their stories by others, references were made to events and outcomes that illustrate that the entrepreneurial story is frequently retold in terms of the Schumpeterian and universal hero myth. Indicative elements from these stories are presented and categorised under the themes found in hero myths, for each of the three entrepreneurs, in Table 1.

In terms of the entrepreneurs' background, stories of two of the entrepreneurs, Padraig O'Ceidigh and Peter Fitzgerald, emphasise how they came from obscure backgrounds. Padraig O'Ceidigh tells how he was reared on a small farm in Galway, illustrating his upbringing with reference to 'picking and selling periwinkles' as a youngster (Electric News.net, 2005). Peter Fitzgerald also makes use of the 'humble background' metaphor by pointing out that his company started out in a converted stable/hen house at the back of his parents' house (Fitzgerald, 2004), though he came from what could be described as an ordinary but comfortable middle-class background (Mooney, 2004). The 'obscure origin' image is also found in his story in the emphasis that is frequently placed on the rural and isolated location of his business (Randox, 2005). Moya Doherty also came from what could be described as a reasonably comfortable middle-class background, though the telling of her story often suggests that she was somewhat of an 'outsider' in her choice of study (drama) which it is suggested was an atypical choice when compared to her socio-economic peers (O'Toole, 2000).

The second common theme in the hero myth is the hero's need to leave the group and embark on a journey – what Schumpeter describes as the decision to 'swim against the stream' (Schumpeter, 1934: 78–79). The story of each of the entrepreneurs tells how they left secure and comfortable jobs to start their businesses. Moya Doherty tells how she had a yearning for independence, that she was 'a bit of a rebel' and that she could not be 'a corporate person' (Fallon, 1995). Padraig O'Ceidigh tells how he moved from secure professional jobs in accountancy into teaching, and then how he left teaching to start his legal practice, and eventually became involved with Aer Arann and a number of other ventures (Enright, 2005).

Table 1: The Hero Myth in Stories of Irish Entrepreneurs

Themes	Moya Doherty	Padraig O’Ceidigh	Dr Peter Fitzgerald
The hero’s humble or obscure background	Daughter to two County Donegal teachers ‘Somewhat of a rebel’	Working class background in rural Ireland: ‘picking periwinkles from a beach in Spiddal and travelling to Galway to sell them to fish exporters’	Remoteness of Northern Ireland Starting the business in a hen house/stable
The hero’s need to leave the group and embark on a journey	Choosing a course in drama instead of attending University Leaving RTE and moving to London	Leaves accountancy, then leaves teaching, and then leaves his legal practice	Leaving Queen’s University’s ‘safe, secure position’ to start his own company Seeking business outside Northern Ireland: ‘a prophet in his own land is never accepted’

(Continued)

Table 1: (Continued)

Themes	Moya Doherty	Padraig O’Ceidigh	Dr Peter Fitzgerald
<p>The hero overcomes adversity, setbacks and temporary failures</p>	<p>The early years of Tyrone Production ‘teetered on the brink of giving up’</p> <p>Running the new business and starting a family</p> <p>Difficulties in staging show, e.g. surviving opening night with neither of the headline acts</p> <p>The radio station venture</p>	<p>Aer Arann is making losses prior to involvement of Padraig</p> <p>Padraig is the ‘last man standing’ when it comes to small Irish airlines</p>	<p>1982 was a bad time to start a business in Northern Ireland due to the Troubles</p> <p>Government agencies reluctant to support his business but Peter uses own and parents’ money, and then finds a banker to back his firm</p> <p>Overcomes customer reluctance to deal with small start-up from Northern Ireland</p>

(Continued)

Table 1: (Continued)

Themes	Moya Doherty	Padraig O'Ceidigh	Dr Peter Fitzgerald
The hero takes on a formidable enemy	Successfully challenged the 'old guard' of the European Broadcasting Union	Aer Arann competing with Aer Lingus and Ryanair. A small Irish domestic carrier grows to be one of the fastest growing regional airlines in Europe	Describes multi-national competitors (Roche, Bayer, etc.) as 'dinosaurs'. Claims that his company will 'prevail' over these larger firms
The hero returns to popular acclaim and is honoured for individual accomplishments	Ernst & Young Irish Entrepreneur of the Year Veuve Clicquot Business Woman of the Year; the <i>Sunday Business Post</i> named her as one of the leading role models for women achievers Awarded honorary doctorate by NUI Maynooth and by the University of Ulster	Ernst & Young Irish Entrepreneur of the Year Member of judging panel for the National Small Business Awards Guest on Ireland's leading television talk show	Ernst & Young Irish Entrepreneur of the Year Queen's Award for Export Achievement MacRobert Award for engineering excellence

Fitzgerald (2004) recalls that his colleagues could not understand how he could leave a 'safe, secure position' in a university to establish a new firm. He also remarked that he had to travel out of Northern Ireland to generate sales, citing 'a prophet is never accepted in his own land' (Fitzgerald, 2004).

The third common theme in the hero myth is that the hero overcomes adversity, setbacks and temporary failures. Moya Doherty recalls how she had to make sacrifices along the way, how they 'teetered on the brink of giving up', the difficulties in staging a live performance, and how the failure of Radio Ireland was at first 'dismal' but is now seen as 'a great learning experience' (Noonan, 2005b). Pádraig O'Ceidigh is described as 'the last man standing' in the small- to medium-sized airline category by the *Irish Times* (a leading daily newspaper in Ireland), thus evoking an image of one who has battled successfully against enemies and adversaries (McManus, 2004). Peter Fitzgerald tells of his difficulties in convincing hospitals that a high-tech firm from rural Northern Ireland could deliver quality products on time (Mooney, 2004).

The fourth common theme in the hero myth is that the hero takes on a formidable enemy, usually in the form of a giant. This is not a strong theme in the story of Moya Doherty, though there is a reference to 'a contest within a contest' when she 'fought very hard' against the 'old guard' in the European Broadcasting Union in a successful effort to scrap the 'antiquated' telephone-based voting system for the Eurovision (Travers, 2001: 26). In contrast, the stories of both Peter Fitzgerald and Pádraig O'Ceidigh emphasise on a number of occasions how their companies competed against larger organisations. For instance, writing in the *Sunday Business Post* (an Irish Sunday newspaper), Catherine O'Mahony hints at a 'David versus Goliath' scenario when she summarises the growth of Pádraig O'Ceidigh's company: 'from its tiny origins, Aer Arann is now competing for business with Aer Lingus and Ryanair' (O'Mahony, 2003). Peter Fitzgerald speaks of 'endeavouring to sell our products *against* multinational organisations such as Roche, Abbot and Bayer' (Randox, 2005, emphasis added). He describes them as 'dinosaurs' who are not responding quickly enough to changing market conditions and he predicts that his company 'will prevail' over the larger multinationals (Fitzgerald, 2004).

The fifth common theme in the hero myth is that in the final stage of the heroic journey, the hero returns to popular acclaim and is honoured for individual accomplishments. The entrepreneurs selected for this study had received such recognition and it is therefore unsurprising that their stories contain references to such accolades. Frequently the context of the story is the presentation of an award, and the award partly explains why the entrepreneurs received widespread media attention. That said, references can be found – in many news stories about these three entrepreneurs – to not only the Ernst & Young Entrepreneur of the Year Award, but also to other awards and accolades that the entrepreneurs or their firms have received.

The second proposition argued that stories of Irish entrepreneurs emphasise great individual achievements rather than the importance of teamwork. The choice of entrepreneurs studied meant that the paper focuses on stories of individuals who have been recognised for their outstanding individual achievements, though in the case of Moya Doherty the award was to both herself and her partner John McColgan. However, the primary interest is the telling of the stories in the media: do the stories told by, and of, these entrepreneurs emphasise the individual achievements or do they recognise the role of a wider team?

Moya Doherty is accorded iconic status when she is described as ‘Queen of the Dance’ (O’Toole, 2000), and Noonan headlines a profile of Doherty with the phrase: ‘Moya’s Midas touch’ (2005b). It is widely acknowledged that Moya Doherty provided the inspiration and motivation for Riverdance (e.g. Dodd, 2001; O’Toole, 2000) and, in so doing, she carried out the Schumpeterian act of innovation by combining the elements of Irish dance, tap dancing, flamenco and other artistic traditions to produce Riverdance. In 2005 the *Sunday Business Post* listed Moya Doherty as one of the top two role models for Irish women achievers (Noonan, 2005a). However, Moya herself refers to the importance of her collaboration with John McColgan, and she maintains that she derives most satisfaction from coordinating the many elements of a project into a coherent completed show (Noonan, 2005b). So while the story of Moya Doherty emphasises her individual accomplishments, she also refers to importance of a wider team in her success.

Padraig O'Ceidigh is typically portrayed as a 'local hero', and has been described as a 'High Flying Entrepreneur' in the local Galway press (Tierney, 2003), where his achievements are commented upon favourably. At a national level, Padraig was one of the invited key speakers at a conference with the theme 'Being Brave in Business', organised by the Marketing Institute of Ireland (Power, 2001). In August 2005, Padraig appeared as the main guest on Ireland's leading television talk show (the *Late Late Show*). The introduction to the show noted that '*he* dreamed the impossible dream' and made that dream come true because '*he* runs' the world's fastest growing regional airline (RTE, 2005, emphasis added). Also in 2005, Padraig was a judge on the panel for the National Small Business Awards organised by the Small Firms' Association. However, in explaining his success Padraig O'Ceidigh tells how he incorporated the concept of teamwork into his style of management and claims to use cross-functional teams in key business decisions, including those at a strategic level (Enright, 2005).

In a similar vein, various commentators have praised Peter Fitzgerald for the phenomenal growth of Randox Laboratories (e.g. McDonnell, 2001; Mooney, 2004). In the stories there is very little evidence of Peter Fitzgerald's individual heroic status. This may be due to the collaborative nature of developing new products in the medical diagnostics business, or possibly because of his reticence regarding personal publicity (*Business Eye*, 2004). Peter Fitzgerald credits the success of his company to the extraordinary efforts of his staff and cites 'team building' as an essential part of a successful business start-up (Ernst & Young, 2005).

CONCLUSIONS AND IMPLICATIONS

This paper examined the stories of three Irish entrepreneurs based on material published between 1999 and 2005. The authors sought to identify the themes of the universal hero myth in these entrepreneurial stories. They also examined the data for evidence of the Schumpeterian hero, with its emphasis on the entrepreneur as an individual, as opposed to the more modern emphasis on the team as a hero (Reich, 1987). It was found that the stories of the three entrepreneurs from different parts of the island of Ireland are

generally consistent with the structure of the universal hero myth, but with less weight attached to Schumpeterian individual accomplishments in some of the stories. This may be due to a growing recognition of the importance of teamwork in a complex business environment. The stories of the three entrepreneurs each tell of people who perceived themselves as coming from ordinary or humble origins, of choosing to leave the group and swim against the stream, of overcoming adversity, and perhaps of taking on, and beating, a larger foe. The heroes additionally received recognition for these achievements.

The Schumpeterian hero myth (based on recurring themes from the universal hero myth) views the entrepreneur as an economic hero who carries out individual acts of innovation. This romantic vision of the entrepreneur appears to be central to popular understanding of entrepreneurs in Ireland. There is some evidence from the data in this paper to suggest that the story has been updated to include references to the importance of teamwork. A view of entrepreneurship that blends individual acts of innovation with the necessary collaboration of other parties is recognised in the stories. In the stories these other people include business partners, family and bank officials. The support provided by these parties was recognised by the entrepreneurs as playing an important role in the entrepreneur's individual achievements.

One interpretation of the hero myth is that it is only the special, chosen few who possess the extraordinary set of personality traits required to achieve success. However, another interpretation that takes into account the various elements of the hero myth is to view these stories as a roadmap for a journey that anyone could embark upon, to a greater or lesser extent, provided that they had sufficient determination to overcome the various obstacles that are encountered along the way. This is why hero myths emphasise the main character's ordinary background; it *could* be anyone. As Campbell noted, in the mythic journey the hero 'ventures forth from the world of common day' (1949: 30).

The deep-rooted need for heroes is reflected in the words of Yeats: 'children play at being great and wonderful people' (1904: xv). Mythic stories about heroic individual innovators can have a positive influence on entrepreneurship provided those telling the

stories of entrepreneurs are aware of the constituent elements of the mythic story and which aspects should be emphasised. This might be particularly important in Northern Ireland as there is evidence to suggest that popular culture does not encourage entrepreneurial activity (Fitzsimons et al., 2005). If government agencies wish to promote increased entrepreneurial activities through the use of role models and the publication of their stories, then they should be aware of the enduring popularity of the great individual as hero myth. For example, any misleading aspects of the myth, such as the misconception that it takes a person with unique personality traits to become an entrepreneur, should be downplayed in promotional material. On the other hand, the notion that many successful individuals started from relatively modest backgrounds and learned to treat initial failures as temporary setbacks are constructive aspects of the hero myth. The tales of individual achievement can be complemented by emphasising the importance of teamwork and collaboration. These features of a successful venture should be highlighted in the stories that publicise entrepreneurs as role models.

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Female Entrepreneurs – Out of the Frying Pan, Into the Fire?



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ABSTRACT

This paper seeks to highlight and discuss two related issues pertaining to female entrepreneurs using recent Irish research. The first strand of the argument seeks to critically evaluate aspects of EU and Irish enterprise policy and its impact on female self-employed entrepreneurs. The European Union aims to become the most competitive and dynamic knowledge-based economy in the world and this involves *moving up the value chain* through the development of more technologically orientated industries where women are minority stakeholders (either as owners or employees). It is implicit in this policy that all participants will have acquired a high level of technical skills and literacy and this may place female entrepreneurs at a significant disadvantage. A second strand seeks to link the well-trodden debate on gender disadvantage in the labour market to disadvantages as female entrepreneurs. The paper argues that the issues which drive women from the labour market and into self-employment negatively impacts upon their performance as self-employed entrepreneurs – out of the frying pan and into the fire. This argument relies on the international literature for support, which suggests that females, moving from the labour market to self-employment, often do not have the business acumen and skill-set to

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make that transition successfully. It is arguable therefore that female self-employed entrepreneurs in Ireland may be doubly disadvantaged. In the first place, the skill-set that they have acquired through employment lacks critical business acumen. Secondly, the sectors to which they migrate are predominantly low-tech services with limited growth potential. This paper argues that economic policies and enterprise support policies contribute to the perpetuation of disadvantages faced by many female entrepreneurs. The paper is based on research findings carried out in the Dublin region.

Key Words: Female Entrepreneurship; Skills; Self-Employment; Business Acumen; Disadvantage.

INTRODUCTION

Increasingly, over the past twenty years women are taking a more active role in the European workforce. However, as noted by Helms and Guffey (1997), in Europe, as in the United States, this revolution in the workforce is not reflected in the board rooms and executive suites where strategy is set and power resides. While EU equality legislation has had a major impact on promoting equal opportunities in the workplace (Helms and Guffey note that from 1980 to 1987 over three million jobs were gained by women that were previously held by men), the rise in jobs has not meant equality in wages, benefits and opportunities. This difference in pay and earnings is accounted for by the highly segregated nature of the labour market with women concentrated in what is generally referred to as the “secondary” labour market. Typically, the secondary market is poorly organised, consisting of low pay, low status, part-time or temporary employment. This is further compounded by the rapid expansion of the service sector, where women predominate.

In the United States, the structure of the labour market is similar to Europe. In an issue of *Working Knowledge* from Harvard Business School, Brush et al. (2004) discuss the issue of financing for female entrepreneurs, in which they identified and highlighted the earnings differential between male and female employees in the United States. For example, US professional women earn approximately 73 per cent of what their male counterparts are paid for the same work at commensurate levels of responsibility. In 1999, only

5 per cent of women executives were earning \$80,000 or more; in comparison 23 per cent of male executives were in the \$80,000 plus bracket.

The situation in Ireland's labour market reflects similar gender disparities with increased participation and increased activity in the service sector, but not necessarily equality of pay and promotion prospects. Ruane and Sutherland (1999) report that most sectors experienced significant increases in the proportion of females employed between 1987 and 1997, with the largest increase occurring in insurance, finance and business services, which rose by 78.9 per cent.

The issues identified by the equal opportunities debate have not been extrapolated to cover females in self-employment. It is arguable that for a significant number of women who leave the labour market to establish their own business, they experience considerable barriers in building their business, which are similar in many ways to those experienced by women in the labour market. For example, women continue to lag behind men in acquiring and building the substantial cash reserves necessary to finance a new business venture. Despite the closing of the wage gap between males and females, raising funds for starting their own business continues to be a greater challenge for women. For many female entrepreneurs, it is easier and cheaper to set up a business in the service sector, where a significant number of the start-ups are home-based with low technology and plant requirements. This pattern of start-ups for women contributes to the perpetuation of locating women in a sector with low income, low technology, low growth and over-subscription.

EU AND IRISH ENTERPRISE POLICY AND GENDER DISADVANTAGE

Small and medium enterprises (SMEs) represent a significant part of the European industrial landscape. They account for approximately 92 per cent of companies in Ireland and the European Union and almost two-thirds of employment. The majority of female entrepreneurs are located within the small and micro-sectors. The Lisbon European Council (March 2000) imparted a new impetus to enterprise policy by setting a new strategic goal for the European Union,

‘to become the most competitive and dynamic knowledge-based economy in the world ... by 2010’. The articulation of the European Union’s Enterprise Policy specifically includes (among other things) the promotion of entrepreneurship and a dynamic enterprise culture primarily through the development and exploitation of a knowledge-based economy. It is not surprising to find that Irish enterprise policy reflects similar goals and objectives to the European Union. Ireland’s economic vision is for the Irish economy to be highly productive and profitable in international terms, have a strong Irish-owned business sector (particularly in the high-growth, high-productivity, knowledge-intensive sectors), as well as to become a leader in the adoption and use of e-business. The Irish National Development Plan 2000–2006 (Government Publications, 2000) stresses the importance of developing a knowledge-based economy and the promotion of entrepreneurship in Ireland forms a significant part of government enterprise development strategy. It is worth noting that Irish enterprise policy recognises the importance of fostering a female enterprise culture and this is specifically mentioned in the Sustaining Progress Partnership Agreement. However, the agreement is lacking in detail on the nature of the supports that female entrepreneurs can expect to be available or created in the future.

A core value of EU economic policy is to promote and reward innovation and risk takers in business start-ups (European Commission, 2003), particularly among target groups such as women and the unemployed. When this value is articulated as an economic objective, it is referred to as *moving up the value chain* and involves the promotion and development of higher value jobs. It is arguable that an unforeseen spin-off of this objective is the exclusion of female entrepreneurs in this economic vision of ‘moving up the value chain’. A significant percentage of female entrepreneurs and self-employed are located in low-tech micro enterprises within the service sector. Implicit in this economic vision and policy objective is for participants to have a high level of technical skills, knowledge and competence. The drive to achieve Ireland’s economic vision inadvertently risks excluding a majority of female entrepreneurs operating micro-enterprises within the service sector. The pursuit of this economic vision acts a double-edged sword for a significant number of female entrepreneurs as many female entrepreneurs lack the critical business skills and acumen and

are ill equipped to face the varying demands of business – micro, small or medium – which is a direct result of their experience in a labour market based on vertical and horizontal occupational segregation (and skills acquisition) in a manner which broadly disadvantages them. A considerable body of literature supports this view (Bradshaw et al., 2003; OECD, 2002; Helms and Guffey, 1997; Carter, Anderson and Shaw, 2003). Female entrepreneurs in Ireland and Europe therefore risk being doubly disadvantaged. In the first place, the skill-set they have acquired through employment lacks critical business acumen. Second, the sector to which they migrate for start-ups is predominantly the low-tech service with limited growth potential. Thus, the European Union and Irish economic vision and enterprise support policy contributes to the perpetuation of disadvantage of female entrepreneurs.

In embracing the EU economic vision, Ireland has developed a number of initiatives to assist companies in moving up the value chain. For example, there is an initiative in place that is designed to identify and support high potential start-ups (HPSUs), which are defined as small in start-up, export-orientated and having high-growth potential. Once a company has been identified as a HPSU, it becomes eligible for an intensive level of support from Enterprise Ireland. However, where start-ups fall outside the definition of a HPSU, the County Enterprise Boards may provide assistance – including information, finance and ‘soft supports’. In Ireland, the majority of female entrepreneur start-ups fall within the County Enterprise Board’s remit of supports. Due to the location of the majority of female business start-ups in the service sector, they risk being excluded in sharing Ireland’s economic vision of moving Ireland up the value chain, and hence the perpetuation of the position of female entrepreneurs in the service sector. This vision therefore risks producing a two-tiered enterprise support model.

GROWTH AND ALIENATION

Irish economic policy stresses the need for growth and business expansion, in particular for the development of HPSUs and ITS (internationally traded services) companies. This emphasis on growth has implications for female entrepreneurs rarely articulated or reflected in debates on economic policy. A Northern Ireland study (McMurray, 2002) on the implications of growth and female

entrepreneurs reported on findings of alienation experienced by female entrepreneurs feeling pressurised to grow and expand their business based on economic and enterprise policy. The findings suggested that the emphasis on growth may not be compatible with the goals and objectives of female entrepreneurs. McMurray (2002) argues that these models do not ‘fit’ the needs of many business-women who require a more flexible model which can accommodate a number of ‘leave and re-entry’ routes and stages to business growth. It is argued that Ireland’s economic model – based on growth – reflects and favours a male-oriented business model. This model is designed in a linear fashion, whereby the entrepreneurial business venture passes through a predetermined sequence of stages dictated by the business life cycle or ‘journey’. This ‘one size fits all’ economic model will not succeed and will risk distancing the majority of female entrepreneurs from growing their business. Based on the Northern Ireland research findings it would appear that female entrepreneurs need and take a different type of ‘journey’ to that of their male counterparts for family-related reasons.

US research findings also support the concept of a different journey when referring to female entrepreneurs. A study from the Kaufmann Foundation (2001) highlighted that women who have achieved fast growth for their firms have taken a more varied path to business ownership than their male counterparts. A recurring theme emerging from the literature is that female entrepreneurs are less likely to have relevant managerial or executive experience, despite the fact that increasingly they are likely to have a professional background (Mattis, 2000).

WOMEN AND SELF-EMPLOYMENT: THE *GHETTOISATION* FACTOR

A number of studies have investigated why women leave the corporate sector to pursue entrepreneurship. The research of Fielden et al. (2003) highlighted a number of the key issues in determining why they might leave:

- women corporate workers have consistently encountered a glass ceiling that has resulted in a lack of mobility, poorer pay and less advancement

- not being taken seriously
- feeling isolated in their organisations
- seeing others (males) promoted ahead of them

Some women experiencing the glass ceiling in their employment seek a solution by becoming entrepreneurs and setting up their own business, although such a solution may not solve the problem. A recurring theme within the literature suggests that women who become business owners lack many of the characteristics essential for business success (Moore, 1999; Marlow and Carter, 2004). Their location mainly within the service sector with low income (McMahon, 1994), low turnover and limited growth potential fuels the *ghettoisation* factor, although there are many social, economic and political issues contributing to and perpetuating the ghettoisation of female entrepreneurs. According to Mattis (2004), female entrepreneurs have fewer role models available to them than men. Another limiting factor identified by Fielden et al. (2003), based on a UK study, showed that when UK women experience horizontal occupational segregation, at management level, most of their management experience is in marketing and human resources. Moore and Buttner (1997) and Fielden et al. (2003) further argue that women have limited experience in financial and business services, and do not have managerial and business start-up experience. They further point out that a significant proportion of female start-ups in the United Kingdom end up in low income, low equity and slow growing micro-enterprises (Carter, 2000). Research in the United States regarding female start-ups reported that only 38 per cent of new firms started by women were still in operation after six years. They further made the point that these women business owners had limited access to venture capital, fewer employees and expanded at a slower rate than male-owned enterprises (2003). Several studies investigating the motivation of females in becoming entrepreneurs identified job dissatisfaction in employment as a major contributory factor. Some of the motivational research utilised a 'push-pull' framework to explain the motivation (Brush, 1992; Moore and Buttner, 1997). A further US study of female entrepreneurs (Mattis, 2004)

identified the following factors which contribute to women becoming entrepreneurs:

- they wanted to be in charge of their own destiny
- the need for more flexibility, especially with regard to children
- the ‘glass ceiling’
- an unhappy work environment
- feeling unchallenged in their job

Some studies on the rationale for women becoming entrepreneurs point to the desire for a better work–life balance (Cromie, 1987; Carter and Jones-Evans, 1993; Moore and Buttner, 1997; Moore, 2002). There is a significant body of US and European research literature on the motivational factors on women’s migration to the world of entrepreneurship that supports the view that women are pushed more than pulled to become self-employed and entrepreneurs. Furthermore, it would also appear from the research literature referred to above, that female entrepreneurs are generally ill prepared from a business skills perspective to take on this new role. Equally, it could be argued that the ‘pull’ factors responsible for the recruitment of women becoming self-employed and entrepreneurs have not delivered the life style that this new status promised. For example, some research suggests that women are attracted to self-employment because it gives them greater flexibility, more control over their lives and a better family work–life balance. The belief held by some women is that self-employment and entrepreneurship is more family friendly, giving women greater opportunities to spend more time with their family and achieve a better work–life balance. In a review of literature, McKay (2001) identified the primary reasons for women to become self-employed as independence (Sacirbey, 1998), autonomy (Kleinman, 1998; Moore and Buttner, 1997) and job loss (Omar and Sacirbey, 1998). Stills and Timms (2000) found that women also start their own businesses with the objective of ‘making a difference’. This paper explores the motivational factors for women becoming self-employed and refers to the findings from an Irish study (Scaife, 2004).

THE KNOWLEDGE-BASED ECONOMY AND THE DIGITAL DIVIDE

The OECD definition of the knowledge-based economy refers to ‘an economy in which the production, distribution, and use of knowledge is the main driver of growth, wealth creation, and employment across all industries’ (1996). The majority of female entrepreneurs in Ireland are not active participants in the knowledge economy due to their location in specific service areas. Furthermore, the majority of female entrepreneurs in Ireland are not active participants in the digital economy, again due to their service industry orientation. The non-participation of female entrepreneurs in two of Ireland’s primary areas of economic growth – the knowledge economy and the digital economy – risks the alienation of women entrepreneurs within this digital divide. Ireland’s economic policy is based on the Lisbon strategy for a European knowledge economy and reflects the European Commission’s (2000b) economic vision for Europe. Cullen (2001) reviewed a number of research and policy papers which critiqued the digital divide and identified specific groups of people as being especially disadvantaged in their uptake of information communication technology (ICT) (these included people with low income and educational qualifications, the elderly and women). The ongoing debate on the *digital divide* refers to the gap that exists in most countries between those with ready access to the tools of information and communication technologies (and the knowledge that they provide), and those without such access or skills. It is possible that a significant proportion of female self-employed entrepreneurs in Ireland risk becoming victims of the digital divide as identified by Cullen. In a US report, *The Digital Divide and the American Society* (Gartner Group, 2001), it is argued that there is a very strong correlation between socio-economic status and participation in the digital economy, suggesting a strong cause and effect relationship. The barriers to women entering the technology sector have been identified by Liu and Wilson (2001) and include gender stereotypes and attitudes, family responsibility, working time constraints and lack of confidence. The ICT sector is often perceived to be a male domain and so the gender technology debate raises key issues and identifies the

problems and challenges of the global information society, specifically the challenge of inclusivity.

Ireland's economic vision of *moving up the value chain* in the high-tech and high skills sector, which is based on the European Commission's economic vision (2000a), perpetuates a gendered economic landscape operating on two tiers: the higher tier mainly high-tech and male with significant enterprise supports, the lower tier mainly low-tech and female with significant barriers. Female entrepreneurs who inhabit the low-tech service sector will be reluctant participants in the knowledge-based economy, as reported in a survey of female entrepreneurs in the Dublin region (Scaife, 2004). The next section examines some of the research findings in this study and explores some of the issues and questions raised in the literature reviewed.

SURVEY FINDINGS – METHODOLOGY

This paper explores two central questions: firstly, does European and Irish economic policy run the risk of marginalising female entrepreneurs in its promotion of entrepreneurship and increase the risk of them becoming 'ghettoised' within the service sector? Secondly, to what extent do female entrepreneurs experience a new form of 'glass ceiling' and other barriers which are similar to women in employment? The first question is addressed in the earlier sections, while the second question is addressed in the section that follows and refers to the survey carried out on female entrepreneurs in the Dublin region. The methodology consisted of qualitative and quantitative research using a focus group of nine self-employed women in the Dublin region and a survey using a pre-coded questionnaire. The rationale for using focus groups was based on Domegan and Fleming (2003) who stated that qualitative research does not provide statistical answers. It is predominantly a diagnostic tool to find out what the issues are and how respondents feel about them.

The survey consisted of a sample of self-employed women in the Dublin region. For the purpose of the study the population was defined as all self-employed women registered on the County Enterprise Boards (CEBs) Women's Network (Dublin region), the database of Dublin-based female entrepreneurs who participated in

the NDP Gender Equality Unit study (2003) and female clients identified by the Dublin Business Innovation Centre (DBIC). There are four County Enterprise Boards in Dublin. Consent was sought from the CEO of each Board to contact their Women's Network group for the purpose of distributing the questionnaire. It should be noted that the issue of sampling did not arise in the present study, as the survey included all those self-employed women on the CEBs' Women's Networks, the NDP Gender Equality Unit database of Dublin-based female entrepreneurs, and the database of female entrepreneurs provided by the DBIC. At the time of this survey, the South Dublin CEB (SDCEB) did not operate a Women's Network. In this case, a postal survey was conducted of all female clients of the SDCEB. The study therefore utilises both quantitative and qualitative research for profiling women entrepreneurs in the Dublin region. At the time of conducting this research (February–April 2004) there were approximately 766 women in the Dublin region who had made contact with the County Enterprise Boards for financial and/or soft support services. Of this group, 129 women were members of the Women in Business Network. A further 72 were identified from the Enterprising Women's Network coordinated by the County and City Enterprise Boards. In total 201 questionnaires were distributed (i.e. 94 postal surveys and 107 on-site surveys) with 141 women responding to the survey. Ten of these questionnaires returned were incomplete. Therefore the total number of completed surveys received was 131, which gave a valid response rate of 65 per cent.

FINDINGS

From an analysis of the research data, the following profile of the female entrepreneur emerged. This profile is at odds with Ireland's vision of moving up the value chain and becoming a leading knowledge-based economy by 2010. The emerging profile – low turnover, low-tech, service industry located – suggests that this group of entrepreneurs may be bypassed in Ireland's attempt at moving up the value chain due to their profile which falls outside the knowledge-based economy.

Table 1 shows the sectors in which the female entrepreneur respondents in the Dublin region are currently located. The table shows that almost 70 per cent are located within the service sector,

Table 1: Current Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	manufacturing	11	8.4	8.5	8.5
	services	91	69.5	70.5	79.1
	IT/legal/finance	10	7.6	7.8	86.8
	other	17	13	13.2	100
	Total	129	98.5	100	
Missing	System	2	1.5		
Total		131	100		

and supports the existing body of research which shows that female entrepreneurs are mainly located in the low-tech service sector. It is also worth noting that less than 8 per cent identified themselves as operating in the IT (information technology) sector, which supports the research findings of Richardson (2002).

From the survey, the emerging demographic profile of the female entrepreneur in the Dublin region shows that:

- nearly 80 per cent of respondents have business ventures located in the service sector
- the majority of respondents are aged in the 30–49 age groups
- a significant number of respondents hold some form of third-level educational qualification
- nearly a quarter of respondents are pursuing an educational qualification or training programme
- over 60 per cent of respondents have completed a ‘Start Your Own Business’ course (SYOB) or equivalent
- there is a near equal split between those who reported to have children and those who did not
- of those with children, the majority had two children
- half of respondents (with children) indicated that they have children eleven years old and younger. A further half indicated that they had children 12+ years old

- the most frequent forms of childcare reported was the use of a child-minder service either in the childminder’s home or in the home of the respondent
- the majority of respondents indicated that they are the main breadwinners
- there is a near equal split between those who are first generation women in self-employment, and those who have parents who are currently (or have been) self-employed
- of those who reported to have a family background in self-employment, nearly half had business ventures in the service sector (i.e. services/ IT/legal/finance)

Table 2 shows that prior to becoming self-employed the majority of respondents were employees (65 per cent). A further 15 per cent of respondents were housewives, while 14 per cent described themselves as being either unemployed or redundant. The findings from the survey challenge OECD (2001) findings which suggested that there is a comparatively large ‘push group’ consisting of women who are more or less forced into setting up a business as an alternative to being unemployed. It is also worth noting the findings of the

Table 2: Employment Status Prior to Self-Employment

Status Prior to Self-Employment		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Redundant/unemployed	18	13.7	13.8	13.8
	Employee	85	64.9	65.4	79.2
	Student	6	4.6	4.6	83.8
	Housewife	20	15.3	15.4	99.2
	Other	1	0.8	0.8	100.0
	Total	130	99.2	100.0	
Missing	System	1	0.8		
Total		131	100.0		

N = 130 (99.2%).

NDP Gender Equality Unit (2003) which showed that men are more likely to set up businesses as a direct consequence of redundancy.

For the purpose of the survey, three broad categories of occupational status were used for analysis. These categories are frequently used in Irish and international studies. While the categories do not give specific details of occupational status in terms of job title, they do provide a valuable insight as to the level of responsibility and organisational hierarchical position.

Table 3 shows that an overwhelming majority of respondents (79 per cent) were employed in either professional/manager or administrative/clerical occupations prior to setting up their business. This is an important finding, particularly when considered in conjunction with the findings of Fielden et al. (2003) in the United Kingdom, which showed that female entrepreneurs, prior to becoming entrepreneurs, experience horizontal occupational segregation with the majority of their careers being spent in marketing and human resources with limited experience of financial and business services. Moore (1999) also pointed out that women have limited

Table 3: Occupational Status Prior to Self-Employment

Occupational Status Prior to Self-Employment		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Professional/management	76	58.0	58.5	58.5
	Admin/clerical	27	20.6	20.8	79.2
	Skilled/semi-skilled	18	13.7	13.8	93.1
	Non-skilled	5	3.8	3.8	96.9
	Other	3	2.3	2.3	99.2
	Missing value	1	0.8	0.8	100.0
	Total	130	99.2	100.0	
Missing	System	1	0.8		
Total		131	100.0		

$N = 130$ (99.2%).

experience in financial and business services, and they do not have managerial and business start-up experience. Moore (1999) further argued that a significant proportion of female start-ups in the United Kingdom end up in low income, low equity and slow-growing micro-enterprises. These women business owners have limited access to venture capital, fewer employees and expand at a slower rate than male-owned enterprises. It is unsurprising then that US research on female start-ups reported that only 38 per cent of new firms started by women were still in operation after six years.

Table 4 shows that those who indicated their motivation to become self-employed did so for a variety of reasons. However, the majority of these responses reflect a ‘glass ceiling’ theme. It could be argued, therefore, that the factors contributing to the ‘glass ceiling’ experienced by women in employment, as discussed in the literature, provide a significant ‘push’ for this group of women to become self-employed. Similarly, research conducted by the Sia Group (2001), cited by Henry and Kennedy (2004), argued that the ‘glass ceiling’ social attitudes and ‘old boys’ network’ have been

Table 4: Motivation for Self-Employment: ‘Glass Ceiling’

Reasons Why Self-Employed	Percentage of Respondents (%)
‘Don’t want to work for someone else’	10.9
‘Flexibility’	6.3
‘Challenge’	3.9
‘Glass ceiling’	3.1
‘Better return on labour’	3.1
‘Redundancy’	3.1
‘Self-development’	3.1
‘To do things my way’	2.3
‘Better use of skills’	2.3
Total	38.1

N = 29 (38.1%) – Due to the receipt of multiple answers from respondents, figures do not equal the total number.

identified as key issues still encountered by women in terms of progressing their careers or attempting to start their own business. Other motives cited by respondents in the focus group in the study included personal/lifestyle reasons. For example, some respondents cited such things as, ‘the love of it’, ‘to follow a dream’, ‘to do something worthwhile’, ‘kids are grown up’ and ‘retirement project’. Stills and Timms (2000) found that many women start their own businesses with the objective of ‘making a difference’.

Another key motivator highlighted by the survey is the need to achieve a work–life balance (22 per cent). Table 5 presents an analysis of comments received from respondents regarding work–life balance.

Table 5 shows that almost 22 per cent of respondents in the survey cited issues related to ‘work–life balance’ as their key motivator for opting for self-employment. Several international studies report that women see becoming an entrepreneur as a means of accommodating their work–life balance needs (Cromie, 1987; Moore and Buttner, 1997; Brush et al., 2004). Orhan and Scott (2001) showed that one female-specific push factor is the need for a flexible schedule, reflective of the family caring role still expected from women today. Because of their mothering role, women experience truncated or stopped careers more often than men.

Table 5: Motivation for Self-Employment: Work–Life Balance

Reasons Why Self-Employed	Percentage of Respondents (%)
‘Independence’	7.8
‘Flexibility’	6.3
‘Child rearing requires flexibility’	3.9
‘Want to work from home’	1.6
‘Freedom’	1.6
‘Work–life balance’	0.8
Total	22.0

N = 17 (22%) – Due to the receipt of multiple answers from respondents, figures do not equal the total number.

Cromie (1987: 259) argued that women are more dissatisfied with their careers and see entrepreneurship as a means of accommodating their work and child-rearing roles simultaneously.

The focus group findings suggest that some of the reasons for business start-up are as follows:

I am done with the 'housewife bit', my children are more independent now, I am bored, and I'm not the type to do the golf and coffee morning circuit... I want something for me!

You can't find this type of fulfilment in part-time employment.

This is a serious moneymaking business, not a hobby. I am able to manage to work around the needs of my children. I need and enjoy this flexibility.

If you chose to work in part-time employment, you may as well kiss your career good-bye. Employers do not take part-time employees seriously. They think we are not committed to the job. In my opinion the only way to have a career and some quality of life, as a mother of young children, is to set up in business where you can use your skills but have control over the time issue.

Another comment made reflects international research on the low level of confidence that women display with respect to career and business prospects (Sia Group, 2001; Goodbody, 2002; Henry and Kennedy, 2004; Winn, 2004): 'Sure, who would employ me?' The general consensus emerging from this group of women was that their personal circumstances had rendered them unemployable (in terms of the business sectors they had chosen, their childcare responsibilities, and their lifestyle choices). Self-employment is perceived to offer a solution.

Several studies investigating the motivation of females in becoming entrepreneurs identified job dissatisfaction in employment as a major contributory factor to women becoming entrepreneurs (Mattis, 2000; Arenius and Minniti, 2003). The motivational research utilised a 'push-pull' framework to explain the motivation. (Brush, 1992; Hisrich and Brush, 1996; Moore and Buttner, 1997; Mattis, 2000; GEM, 2003). The OECD (2001: 9) suggested that there is a comparatively large 'push group', consisting of women who are more or less forced into setting up a business as an alternative to being

unemployed and also a smaller but increasing 'pull group' of women who are drawn to become entrepreneurs by a wish to be independent, and use self-employment as a means to advance their specific skills. Hisrich and Brush (1996) found that apart from the 'glass ceiling' barrier, acting as a mechanism to persuade women to leave larger businesses and to start their own business operations, most factors are quite similar for men, with independence and the need for self-achievement always being ranked first.

Research conducted on behalf of the Louth County Enterprise Board – Report for Louth County Enterprise Board Women in Enterprise Programme (Louth County Enterprise Board, 2004) – reported on the positive aspects of self-employment for women and found the majority of respondents listed 'wanted to use my skills and talents' as their primary motivation. This report suggested that personal job satisfaction rather than family balance may be more important than originally assumed (Henry and Kennedy, 2004).

The current survey required respondents to indicate their attitudes to a series of statements, on a 5-point Likert type scale. For example, respondents were invited to indicate whether they 'strongly agree', 'agree', 'neither agree nor disagree', 'disagree' or 'disagree strongly', with the following statement: 'It is difficult for women with young children to combine business and family' with Table 6 setting out their response. Table 6 shows that of respondents, 71 per cent agree or strongly agree with the statement 'It is difficult for women with young children to combine business and family life'. This finding reflects the strong feeling held by the respondents on this subject, and further highlights the difficulties and barriers experienced by self-employed women with dependant children in the Dublin area. International research shows that women frequently seek business opportunities that can be combined with family responsibilities (Brush, 1992).

Table 7 shows that almost 70 per cent of respondents who answered this question indicated that they used their own personal savings to finance their business. Only 9 per cent indicated they used a bank. The high level of female respondents using personal savings to finance their business is an indication of a lack of business acumen and an inability to avail fully of the wider sources of funds available. It is interesting to note the comments from one

Table 6: “It is Difficult for Women with Young Children to Combine Business and Family”

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Strongly agree	38	29.0	29.2	29.2
	Agree	54	41.2	41.5	70.8
	Neither agree nor disagree	16	12.2	12.3	83.1
	Disagree	13	9.9	10.0	93.1
	Strongly disagree	2	1.5	1.5	94.6
	Missing value	7	5.3	5.4	100.0
	Total	130	99.2	100.0	
Missing	System	1	0.8		
Total		131	100.0		

N = 130 (99.2%).

focus group interviewee who sought access to seed capital from a number of financial institutions:

If you want to raise money for your business venture, you need to ‘box clever’. The banks are not interested in supporting women in small business. The ‘pin-money’ mentality among bank officials is still at large. Any of my female self-employed friends who have got money for their business venture from the bank, approached them (the financial institution) for a car loan, a holiday loan or a home-improvement loan instead. Take my advice, don’t mention you are setting up a business – you won’t have a hope.

This viewpoint, once articulated, was endorsed by the majority of the focus group interviewees. Another focus group interviewee expressed another perspective:

The banks are falling over themselves to give me [my business] money... I think the reason for this is that my husband has

Table 7: Sources of Finance for Current Business

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Personal savings	85	64.9	69.7	69.7
	Investor	1	0.8	0.8	70.5
	Partner	2	1.5	1.6	72.1
	Family/friend	12	9.2	9.8	82.0
	Non-refundable grant	2	1.5	1.6	83.6
	Refundable grant	3	2.3	2.5	86.1
	Bank	11	8.4	9.0	95.1
	Other	6	4.6	4.9	100.0
	Total	122	93.1	100.0	
Missing	System	9	6.9		
Total		131	100.0		

$N = 122$ (93.1%).

established a good track record with the business section of the bank and they know that my husband will be instrumental in the running of my company. These views aside, I believe that the banks are not necessarily sexist when it comes to providing seed capital. Rather, they need evidence of thorough research of the business concept and a professional approach to the business plan. Once you can demonstrate a market opportunity and your own business acumen, you should have no difficulty in securing a business loan.

Research conducted by Henry and Kennedy (2004: 6) found that 65 per cent of their respondents reported that a lack of finance was one of the most common difficulties experienced by women in attempting to set up or develop their business. It is interesting to

note that a minority of these respondents indicated that the difficulties that they experienced with accessing finance were directly related to the fact that they were women (Henry and Kennedy, 2004: 17).

CONCLUSION

This paper sought to explore and critically examine the following questions: firstly, does European and Irish economic policy run the risk of marginalising female self-employed entrepreneurs in its promotion of entrepreneurship and increase the risk of them becoming ‘ghettoised’ within the service sector? Secondly, to what extent do female self-employed entrepreneurs experience a new form of ‘glass ceiling’ and other barriers which are similar to women in employment? In exploring these questions this paper referred to an Irish study carried out by Scaife (2004). The following points have emerged from the literature and survey, and assist in answering the questions raised in this paper:

- Women’s participation in the labour market has increased significantly over the last fifteen years. However, the glass ceiling continues to be a dominant feature in their work life.
- Ireland’s economic vision – moving up the value chain, involving the digital economy, with a growth agenda, risks alienating many female self-employed entrepreneurs due to their perpetuation and location within the service sector.
- Many females moving into self-employment experience low income. This is due to the fact that the majority of female self-employed entrepreneurs operate in the service sector with low growth potential. This ghettoisation of female self-employed entrepreneurs in the low growth, low profit sectors within the service sector perpetuates their economic disadvantage.
- Many females who become self-employed entrepreneurs do not appear to have the required business acumen and skill-set for their new role. For many this move could be compared to moving from the frying pan into the fire. Furthermore, for those women who opted to move from employment in the labour market to self-employment, to escape the glass ceiling effect, may well face a new set of barriers as self-employed businesswomen.

The above exploratory findings suggest that female self-employed entrepreneurs continue to experience a parallel set of barriers to those that they are attempting to overcome when they migrate from the labour market. This paper concludes that there is an urgent need for further research to explore this issue.

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Under the Microscope: A Profile of the Family Business in Ireland



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ABSTRACT

A review of the entrepreneurship and small business literature indicates that little to no research has examined family businesses in Ireland in terms of their structure and composition, the management of the family business, and the training conducted by family businesses. The purpose of this paper is to examine these dynamics through the findings of primary research, thereby providing a profile of family businesses in Ireland. First, the paper aims to examine the demographics of the family business members and to understand the composition and structure of the family business. Second, the paper aims to understand how the family business is managed, and third, how training is carried out within the family business. The research methodology adopted for this study was that of a postal questionnaire. The questionnaire-based survey was applied to a sample of 500 family businesses in Ireland and a total of 121 valid responses were received, which resulted in a valid response rate of 24.2 per cent. The findings of the study identifies that family businesses are a source of employment for family members and typically the owner/manager is heavily involved in the day-to-day operations of the business. The most prevalent form of ownership is that of a husband and wife team. Results indicate that when the family business is small, the

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management team is comprised of family members only. However, as the business grows the presence of the family on the management team is reduced considerably. Finally, training in family businesses occurs on an informal, ad-hoc basis.

Key Words: Family Business; Family Business Structure; Management Team; Training in Family Businesses.

INTRODUCTION

With the exception of the ever fewer socialist economies, family businesses are the predominant form of enterprise throughout the world (Lank, 1994). Very few studies on family business have been conducted in Ireland – even though there are approximately 200,000 Irish family businesses and it is estimated that between 40 per cent and 50 per cent of the private sector workforce are employed in family-owned businesses (Hickie, 1995; Smiddy, 2002). The Small Firms Association (2000) stated that the majority of small and medium-sized enterprises (SMEs) in Ireland are comprised of family businesses. Brendan Butler, Director of the Small Firms Association, stated that:

The reality is that the vast majority of small businesses, especially those employing 10 people or less, are family owned, so the family venture is a huge part of the economic fabric of the country. (Butler, 1995: 29)

However, a review of the literature indicates that little to no research has examined family businesses in Ireland in terms of their structure and composition, the management of the family business, and the training conducted by family businesses in Ireland.

The field of family business is a rather young academic field of inquiry, uniting a diverse group of people such as family therapists, psychologists, family business owners, family business members, consultants, solicitors, accountants, academics and researchers. Academics, consultants, professionals and practitioners struggled to define these terms even before the field of study emerged in the 1980s. One indication that a research paradigm's development is still nascent is if it lacks agreement on the basic definitions

(Lakatos, 1970). The field of entrepreneurship went through much debate regarding the definition of 'entrepreneur' and 'entrepreneurship' although little agreement was reached. A sort of academic pragmatism now exists with each researcher specifically stating his or her own definition (Katz et al., 1993). Unfortunately this makes any kind of constructive and comparative effort practically impossible. The developments in the family business arena are similarly frustrating. This is evidenced by the numerous definitions outlined in Table 1.

The definitional problem is compounded by a lack of consensus about what constitutes a family: whether it should include only parents and children, or all blood relations and in-laws. The difficulty with the definition of a family business is compounded with the finding that a family business relationship changes according to the structure and size of the business (Birley, 2000). The husband-wife business is largely different from a large family company considering the participation of family members in ownership and day-to-day management. Gersick et al. (1997) proposed a three-dimensional view of the family business taking account of the position of a company in terms of family, ownership and business life cycles. Birley (2000) maintained that without family involvement in both the ownership and the management of the business, one does not have a family business.

Handler (1989) identified four dimensions used by writers in the family business literature to define the family firm: (1) degree of ownership and management by family members, (2) interdependent sub-systems, (3) generational transfer and (4) multiple conditions. She observed that although there is no consensus as to what uniquely defines a family business, there seems to be a general agreement that the dimensions to be considered are the first three. Some authors use only one of the aforementioned dimensions to define a family business although their writings do recognise the importance of the others. If all of these dimensions are important in defining the family business, then a definition must incorporate them all to be widely acceptable. Handler's (1989) attempt provides a conceptual clarification of the dimensions involved in defining the family business. Therefore, in order to understand what a family business is, one should look at each of the four components within the definition.

Table 1: Definitions of Family Business

Author (Year)	Definition
Alcorn (1982: 230)	'A profit-making concern that is either a proprietorship, a partnership, or a corporation.... If part of the stock is publicly owned, the family must also operate the business'
Barnes and Hershon (1976: 106)	'[A business in which] controlling ownership is rested in the hands of an individual or of the members of a single family'
Beckhard and Dyer (1983: 6)	'A business in which the subsystems include (1) the business as an entity, (2) the family as an entity, (3) the founder as an entity, and (4) such linking organisations as the board of directors'
Birdthistle (2003: 76)	'A proprietorship, partnership, corporation or any form of business association, which is classified as an SME and where the majority ownership is held by the family and family members are employed in the family business and/or the family is represented on the Board of Directors'
Handler (1989: 262)	'An organisation whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board'
Klein (2000: 158)	'A family business is a company that is influenced by one or more families in a substantial way. A family is defined as a group of people who are descendants of one couple and their in-laws as well as the couple itself'
Lansberg et al. (1988: 2)	'Any business in which members of a family have legal control over ownership'
Litz (1995: 72)	'A business can be defined as a family business when its ownership and management are concentrated within a family unit'
Morris et al. (1997: 343)	'A firm is considered a family business when its ownership and/or management are concentrated within a family'

Based on the numerous definitions of family business posed in Table 1, there appears to be total agreement that a business owned and managed by a family is a family business. For the purpose of this study, the family business is defined as:

A proprietorship, partnership, corporation or any form of business association, which is classified as an SME and where the majority ownership is held by the family and family members are employed in the family business and/or the family is represented on the Board of Directors. (Birdthistle, 2003: 76)

Based on the presentation of Handler's four dimensions, some dimensions are treated as variables for the definition of the unit of analysis presented in this paper, most notably ownership, structure and family size. Therefore the unit of analysis for this study is a business that is classified as an SME and where the family holds the majority ownership of the business, the business is a source of employment for family members and the Board of Directors is composed of at least one family member.

THE IMPORTANCE OF THE FAMILY SME

According to the European Commission, an SME can be classified as an enterprise that has fewer than 250 employees and has either an annual turnover not exceeding €50 million or an annual balance sheet not exceeding €43 million. The 'small enterprise' is defined as an enterprise that has fewer than fifty employees and has either an annual turnover not exceeding €10 million or an annual balance sheet total not exceeding €10 million. Micro-enterprises are defined as enterprises that have fewer than ten employees, and have either an annual turnover not exceeding €2 million or an annual balance sheet total not exceeding €2 million (European Commission, 2002: 5). The Observatory of European SMEs report by the European Commission in 2003 identified that there are 20.5 million enterprises in the European Union and they provide employment for 122 million people. Some 93 per cent of these are micro (0–9 employees), 6 per cent are small (10–49 employees),

less than 1 per cent are medium-sized (50–249 employees) and only 0.2 per cent are large enterprises (250+). Furthermore, two-thirds of all jobs in Europe are in SMEs with total employment roughly equal between micro-enterprises and small and medium-sized enterprises (European Commission, 2003a).

According to Riehle (2003), Chairman and President of the European Group of Owner-Managed and Family Enterprises (GEEF), there are some 17 million owner-managed and/or family enterprises in the fields of manufacturing, commerce and services in Europe. Riehle (2003) found that European family businesses employ more than 100 million people (almost 80 per cent of employment in Europe), which are further broken down based on enterprise size: 30 per cent are employed in micro-enterprises, 25 per cent are employed in small enterprises, 15 per cent are employed in medium-sized enterprises, and 30 per cent are employed in large enterprises. Riehle further stated that the future wealth of the European economy depends to a large degree on this entrepreneurial sector and, in the future, society will need significant contributions from owner-managed and family businesses in social and economic developments (Riehle, 2003). Family businesses form the fundamentals of the European economy and the dynamism of the economy depends largely on the performance of family businesses in the future. Given the appropriate fiscal and social conditions owner-managed and family firms could provide an even greater contribution to the Irish and European enterprise economy.

As already stated above, of the 20.5 million enterprises in Europe, approximately 17 million are owner-managed and/or family enterprises. Through the analysis of reports and literature, it was found that no official figures exist stating exactly how many family businesses there are in Ireland and what proportion are SMEs. Based on the findings above by Riehle (2003) and the European Commission (2003a), one can infer that since the majority of enterprises in Ireland are SMEs and some 70 per cent of European SMEs are family businesses, the likelihood is that the majority of Irish SMEs are owner-managed and family SMEs. Additionally, according to Hickie (1995) family businesses in Ireland employ approximately 40–50 per cent of the private sector

workforce. These approximations indicate that family businesses are important contributors to the Irish and European economies. Furthermore, there are indications that family SMEs preponderate over non-family SMEs. Therefore, even though SMEs are composed of family and non-family businesses, this study adopted the unit of analysis as family SMEs due to their estimated dominance in the Irish SME structure.

FAMILY BUSINESS HISTORY IN IRELAND

Family businesses in Ireland make very important contributions to Gross National Product (GNP) and to employment (Butler, 1995; Hickie, 1995; Smiddy, 2002). The economic value provided by family businesses is enhanced by their tendency toward long-term strategies rather than a need for quarterly results, and their aversion to debt and inclination to reinvest dividends (Gallo and Estap, 1994). A family business is therefore by its very nature more inclined than other types of companies to re-invest in itself, and to support and perpetuate wealth in future generations. While family businesses have reasonably poor survival statistics, they are unlikely to get up and go on the whim of head office from another country. Furthermore, the words 'firm' and 'company' mean, to most people, large, publicly owned concerns. In contrast, what automatically springs to mind when one talks of a family business is a corner shop or a small factory (Smyth and Leach, 1993). This distinction is not valid and the following examples of the oldest family businesses in Ireland support the fact that family businesses have a long history in Ireland. Avoca Handweavers is Ireland's oldest surviving family business and has been in existence since 1723. The oldest existing family-owned pub in Ireland is Mansworth Pub in Cobh, which was established in 1890 (Cork Chamber of Commerce, 2005). The Cork-based car dealers Johnson and Perrott can trace its origins back to 1810, though its owners, the Whitaker family, did not purchase the business until the 1860s. Thomas Crosbie Holdings, the Cork-based media and publishing company, dates back to 1841. However, the Crosbie family did not become shareholders of the business until the 1870s. The Musgrave Group was established in 1876 and the business is currently run by the descendants of the group's founders (Kehoe, 2005). G&T Crampton

(Holdings) was established in Dublin in 1879 by George Crampton; his nephew, T.A. Crampton, joined the business twenty-six years later and added the 'T' to the firm's name. Thomas McDonagh & Sons is a well-known Galway family business. The old merchant firm first started trading to customers travelling to Galway from the islands and Connemara at a shop on Merchant Road in 1845. The McMahon Group, a Limerick-headquartered timber importer and builders' provider, began business in 1830 (Kehoe, 2005). These are just some of the many thousands of old family businesses in Ireland, and they help give some sense of the length of history involved.

THEORETICAL PERSPECTIVES OF FAMILY BUSINESS

Davis and Tagiuri (1982) suggested that family businesses have several unique inherent bivalent attributes derived directly from the overlap of family, ownership and management status. These attributes include such notions as simultaneous roles, shared identity, a lifelong common history, emotional involvement and ambivalence, the private language of relatives, mutual awareness and privacy, and the meaning of the family company. Because of these bivalent attributes, family businesses behave differently by caring more about providing jobs for people, treating workers fairly and socialising family members into the business. The following discussion examines the theoretical nature of family businesses based on: (1) ownership and control, (2) management and (3) training.

Ownership and Control of Family Businesses

The separation of ownership and management is often said to be a fundamental characteristic of the modern capitalist corporation. This separation problem, first described by Berle and Means (1932), leaves managers of such a firm in effective control of the firm's operations. Researchers on this issue believe that this may impair the firm's performance, as managers might pursue their own interests to the detriment of shareholders' interest. The nature and extent of this conflict, also known as the principal-agent or agency problem, depends on the extent to which shareholders (principals) can control managers' performance (agents) and on the differing objectives and incentives of managers and shareholders. Consequently, the economic performance of the firm is expected to differ depending

on the presence and extent of the separation of ownership from control. Furthermore, Gomez-Mejia et al. (2001: 82) stated that in a family firm a relational contract between the firm and a family member (an agent) 'involves a common bond and a set of mutual expectations that are more likely to be based on emotions and sentiments than a non-family relational contract'. Therefore, in a family firm, the family bonds engender agency contracts that are prone to depart from economic rationality. In contrast, in situations where ownership is dispersed and diluted, the manager-shareholder divergence in interests may be greater. Authors that supported this line of reasoning argued that owner-controlled family businesses are more likely to outperform management-controlled non-family businesses (Daily and Dollinger, 1992). This is because owners of family firms are more likely to maximise firm value, enabling them to personally realise any financial and economic gains. In contrast, professional managers of non-family businesses may not pursue profit maximisation and growth-orientated strategies because they prefer to maximise their own benefits (e.g. realise financial gains for themselves directly) by pursuing other activities such as the maximisation of short-run sales revenues. That being said, not everybody shared this perspective of an inherent conflict of interest between managers and owners in non-family businesses because they believed that managers are effectively constrained from taking actions that are not in the best interests of shareholders, via several disciplining mechanisms (Chrisman et al., 2003; Daily and Dollinger, 1992; Gomez-Mejia et al., 2001).

Another key characteristic of family businesses is that family members are generally represented in senior management and new recruitment (Levering and Moskowitz, 1993). Although this might be a potential benefit for the family business in terms of lower recruitment and human resources costs, the reality is that for many family businesses this is potentially damaging as these managers may not always possess the appropriate skills nor be the best possible candidates for the position (Levering and Moskowitz, 1993). In short, a characteristic of family firms is that they are not solely profit maximisers, but that they also pursue other important objectives such as maintaining or enhancing the lifestyle of the owners, and providing employment for family members in the management

team (Westhead and Cowling, 1997). As a result, in some family businesses there is a potential conflict between financial and non-financial objectives. The pursuit of such non-financial objectives (family issues) may potentially impede the performance of the company.

Management of Family Businesses

One of the most marked differences between family and non-family businesses concerns the management of people. Leach (1991) argued that senior managers in family businesses are often torn between the demands of family values and business principles. Business maxims demand that organisations should only employ competent performers but jobs in family businesses may be found for family members regardless of their ability. Family businesses often pursue a unique set of management strategies and adopt different management styles that facilitate the development of more efficient approaches to business management and problem-solving, such as flat management, customer service, leaner structures, quicker decision processes and the commitment of qualified personnel. Arguments in support of this view generally fall under one of the following two broad categories: (1) commitment, loyalty and trust of managers and customers, and (2) centralisation of the decision process. This is said to allow family businesses to achieve natural performance efficiencies that many publicly quoted companies struggle to implement through painful restructuring and reorganisation (Donckels and Aerts, 1998).

Commitment and loyalty of managers and customers highlights the relationship dynamics within family businesses. The unique family-oriented atmosphere in the working environment may inspire greater employee loyalty, motivation and trust (Davis and Tagiuri, 1982; Ward, 1988). This trust is also shared by clients and other external stakeholders who regard family management as reliable and honest (Allouche and Amman, 1999; Ward and Aronoff, 1991). Indeed, the reputation of family businesses and their relationships with suppliers, customers and other external stakeholders may be stronger and more value-orientated than in non-family businesses (Lyman, 1991). Overall, family firms are said to exhibit a greater commitment to their mission, possess a greater capacity for

self-analysis and suffer less from managerial politics (Moscatello, 1990). In combination, these factors are conducive to fostering a level of commitment and loyalty among managers and customers alike that is unmatched by non-family businesses.

The centralisation of the decision process is another example of the special nature of strategy and management style of family businesses. Evidence shows that the locus of decision-making is centralised in family firms while it may be centralised or decentralised in non-family businesses, depending on the complexity of the work (Dyer, 1986; Goffee and Scase, 1991; Leach, 1991; Mintzberg, 1979). This tendency to centralise is supported by Leach (1991) when he argued that family members are not disposed to seeking the advice of outsiders. With decisional control resting largely in the hands of top family members, the family business benefits from lower decision-making costs and enhanced flexibility (Davis and Tagiuri, 1982; Goffee and Scase, 1991; Hall, 1988; Poza et al., 1997). In addition, decisions are taken through efficient, informal channels. Family businesses thus benefit from a less cumbersome organisational structure with lower monitoring and control costs (Daily and Dollinger, 1992). Finally, centralised decision-making is said to be even more efficient through the use of 'family language', which enables more effective communication and greater privacy (Davis and Tagiuri, 1982). The inherent privacy of centralised family decision-making can give family businesses another strategic advantage because their competitors do not have access to information about their operations or financial condition (Johnson, 1990).

Differences also arise in the design and control of organisations. The assignment of tasks, the grouping of work activities, the flow of work and information, and the standardisation and control of work processes are informally organised in family businesses (Whisler, 1988). However, informality does not imply acquiescence by owners. Goffee and Scase (1991) highlighted that owners take advantage of ambiguity in small businesses, and that they influence their managers and employees indirectly. In contrast, professionally managed businesses are required to justify their actions to shareholders and consequently they initiate numerous formal reporting procedures to monitor events closely.

Learning and Training for Family SMEs

In a society with continuing economic and social changes, spurred on by the globalisation process and technological developments, learning and training plays an increasingly important role in business success. In fact, a society based on continuous learning is necessary to meet new challenges. Companies, and family SMEs particularly, are increasingly dependent upon the skills and commitment of each individual employee to achieve success. It is possible to identify a number of reasons that explain family SMEs' increasing attention to developing the knowledge of their employees, thereby improving the skills and aptitudes serving the businesses' productive purposes and ultimately their competitiveness (European Commission, 2003a).

Firstly, new technologies (especially information and communications technology (ICT)) are introducing new competence and organisational requirements into the workplace. The success of technological and organisational innovations within an enterprise depends significantly on the ability, skills and intellectual capacity of individuals at all levels to absorb change and interpret the rapidly changing environment. The European Commission (2003a) identified that the old 'Tayloristic' success formulas characterised by the division of labour between 'thinkers' and 'doers' are not applicable in the current knowledge-intensive economic environment. Secondly, in some countries, family SMEs seem to be particularly affected by the inability of the formal education system to match the enterprises' 'current needs'. This in turn, implies an added need for family SMEs to engage themselves in learning and training activities. Thirdly, the increasing internationalisation of markets and the subsequent competitive pressures faced by family SMEs, as well as the changing legal requirements they permanently have to deal with, are resulting in added competence and training needs. It is therefore not surprising that family and non-family SMEs face important difficulties in recruiting and/or retaining competent staff. The European Network for SME Research (ENSR) Enterprise Survey conducted in 2002 identified that the lack of skilled labour was the main constraint on business performance of European SMEs in the previous two years and 20 per cent of SMEs are affected by this problem (European Commission, 2003b). Finally, another important

reason is related to the ageing process of the European workforce. Ageing entrepreneurs may cause an important part of the enterprises' key competencies to be lost, and this loss may have negative consequences on competitiveness, productivity and efficiency. Therefore, the preservation and development of competencies are critical issues for the long-term success of these enterprises.

With such a large contribution being made by family SMEs to the Irish economy, one could deduce that learning and development activities within these companies would be prominent, structured and strategic in their approach, and reflect the diversity of the markets in which they operate and the customers that they serve. Chaston et al. (1999) refuted this deduction as they suggested that SMEs in general do not have lifelong learning cultures that support learning and development activities. They added that many SMEs do not accept any real need for learning programmes that are designed to achieve ongoing and sustained upgrading of organisational competencies across all areas of management practices. They further identified that SMEs often prefer unscheduled training rather than scheduled training.

To conclude on the theoretical nature of family businesses, it has been highlighted that family businesses tend to have relationship contracts which form the basis of the ownership and control of family businesses. These relationships stem from the fact that members of the family business have similarities based on blood which are derived from the fact that family members in the business are linked through mutual expectations. The management of a family business differs from that of a non-family business due to the fact that managers tend to choose family members over non-family members. The structure of a family business is designed so that it is less bureaucratic, has customers at its forefront, and is committed and loyal to its employees and customers. Finally, pertaining to the management of family businesses, the theoretical nature of family businesses has identified that decision-making rests primarily with family members. This section has also highlighted the fact that family businesses in Ireland face problems when it comes to sourcing training programmes as there appears to be few training programmes designed specifically for family businesses. Furthermore, training programmes for family businesses

have to be designed based on their specific needs such as frequency, content and cost.

FINDINGS ON TRAINING INITIATIVES IN IRELAND

The Irish government established an organisation called the Expert Group on Future Skills Needs to assist in the development of national strategies to tackle the issue of skills needs, manpower needs estimation, and education and training for businesses (Expert Group, 2000). In their report they identified that the location of the SME adds to the cost and time pressures associated with training and makes it more difficult to access the full range of training that would be available. Many companies have difficulties finding time for their employees to do enough training. Senior managers reported that rapid change has created learning needs that they do not have time to address (Expert Group, 2000).

The Expert Group also found that the cost of training constrains less profitable companies and those firms that do not have a good understanding of how to profit from training. Additionally, some owner/managers believe that as the trainee and society, rather than the company, capture particular training benefits, the company should avoid incurring costs associated with these benefits. The Expert Group (2000) further found that the training that is useful to the SME was either excessively difficult or costly to access, and that some types of training are not even available within Ireland. Finally, the report found that some companies have difficulties in finding the training that they need and in being assured in advance that the training they are buying is relevant and of good quality. They concluded by stating that in some companies the volume and quality of training is undermined by an ad-hoc approach.

The Small Firms Association (SFA) in Ireland, in association with Skillsnet – the Irish body that facilitates industry-led training – funded a major research project on training and development in the SME sector in Ireland (Skillsnet, 2003). The objective of the project was to encourage SMEs to engage in discussion about training and to actively encourage small companies to undertake more training of their employees. The findings of the research identified that a very high proportion of Irish SMEs devoted insufficient attention

and resources to the training and skills enhancement of their employees.

Forbairt, through the Forbairt ADAPT project in 1999, conducted research on SME training so as to develop an understanding of how small businesses learn to use the Internet and endeavoured to develop training tools for acquiring the skills necessary to do so (Forbairt ADAPT, 1999). The findings of the Forbairt ADAPT project were that managers and most staff in small companies are multi-skilled, have little if any 'spare time', and have limited back-up information for technology support. The Forbairt ADAPT project also found that the typical SME, or particularly the micro-enterprise, can rarely afford to invest in formal off-site group training sessions. Forbairt identified that SMEs need training that takes the minimum amount of time away from the workplace, delivers only the required skills, responds to individual objectives and needs, can be changed at short notice and is inexpensive. Forbairt proposed that Internet training would be the most efficient medium to use for SMEs as a training tool. The reason for this approach is that it can be accessed at any time and can be tailored to their individual/company needs, thereby offering a customised approach to learning (Forbairt ADAPT, 1999). The findings of the Forbairt report concur with the report written by the Expert Group (2000), whereby both the Forbairt ADAPT (1999) project and the Expert Group (2000) found that SMEs believe that the type of training they need is expensive, time is difficult to devote to the training available and sometimes the training is not even relevant to them.

SAMPLE AND METHODOLOGY

One of the principal difficulties in undertaking a study of this nature is that no comprehensive list of independent family businesses in Ireland is currently available. To overcome this problem a pragmatic approach was taken in the construction of a sampling frame for this study. Primary data from a stratified random sample of independent unquoted businesses were collected. Sampling quotas by industrial categories (e.g. forestry and fishing, etc.) and by regions (the island of Ireland) were used as the sampling frame. *Business Plus* (1999), Dun and Bradstreet (2002), and Kompass (2002) provided the database for this stratified random sample of unquoted

companies engaged in manufacturing, selling or the provision of services, of which 1000 companies were identified as potential family businesses. Organisations that were either public limited companies or subsidiaries of larger groups were removed from the sampling frame. Also removed from the sample frame were companies where the directors' names were all different from each other, which implied that they were not family businesses. After a detailed stratification of the list, 500 companies that were considered family businesses were randomly drawn from the stratified list of companies that remained.

The quantitative research methodology adopted for this research was that of a mail survey of family businesses in Ireland. This study relied upon a single key informant per family business for obtaining self-reported data. In most cases, the respondent was a family member who held the position of Managing Director or in some cases was a member of the Board of Directors. A mail survey approach was chosen for this research as it allows the researcher to conduct a national study at a reasonable cost. A mail survey is less time consuming than those administered by an interviewer. Interviewer bias is eliminated through a mail survey as questionnaires can be returned anonymously (Kotler et al., 1996). However, there are disadvantages of using a mail survey. Firstly, mail surveys are inflexible as questionnaires have to be short and easy for respondents to complete and no probing questions can be asked. Furthermore, the possibility of a low response rate is more prevalent with mail surveys than with other survey methods. In order to overcome the disadvantage of the inflexibility of this survey method, detailed instructions on completing the questionnaire were given. Dibb et al. (2001) identified that researchers can boost response rates in mail surveys by offering respondents some incentive to return the questionnaire. Incentives and follow-ups have consistently been found to increase response rates. The incentive offered by this survey method was the participation in a competition for a weekend away for the winner.

In this study, validity is assessed based on the validity of measurement using content validity as the basis of this measurement (Dooley, 1995). Validity is concerned with the quality of the theoretical propositions and hypotheses, as related to their empirical

testing. Content validity is a subjective assessment of the appropriateness of measurement items as judged by knowledgeable reviewers (Bryman and Bell, 2003). The present study followed the guidelines provided by Bohrnstedt (1983) for enhancing content validity. First, extant literature was searched to determine how other authors have used the concept. Based on this review, the concepts, or constructs, were defined. Second, the domain of the concept was stratified into its major facets and several previously used measurement items were researched and adopted to reflect, whenever possible, the meanings of the different facets. Third, the measurement items were pre-tested with persons similar to those persons to whom the questionnaires were targeted.

To control for response bias, the structured questionnaire was addressed to a named respondent in each of the 500 randomly selected companies. In total 121 valid responses were received, resulting in a response rate of 24.2 per cent. Alpar and Spitzer (1989) reviewed over fifty reports in all volumes of *Frontiers of Entrepreneurship Research* from 1981 to 1988 by researchers who sampled actual entrepreneurs in a mail survey. They found that studies in which no additional contacts with entrepreneurs occurred and in which no addresses were obtained from a commercially available database achieved response rates of 8.0 per cent to 26.5 per cent. Thus the response rate of 24.2 per cent can be considered acceptable for this sampling procedure and data source of addresses.

RESEARCH FINDINGS

Of the 121 respondents, 77 per cent were the owner/manager of the family business and the remaining 23 per cent were either related to the owner or were in directorship positions. Thus all the respondents adhered to the ownership element of the definition of a family business presented for this paper. The number of people employed in the family business is identified in Table 2.

Table 2 identifies that 31 per cent of respondents are from a micro family business (less than ten employees), 47 per cent from a small family business (more than ten but less than fifty employees) and 22 per cent from a medium-sized (more than fifty but less

Table 2: Size of Family Business by Employee Numbers

Number of Employees	Frequency	Percentage (%)
Less than 10 employees	38	31
More than 10 and less than 50 employees	57	47
More than 50 and less than 250 employees	26	22
Total	121	100

Table 3: Highest Educational Award Achieved by the Respondents

Highest Educational Award	Frequency	Percentage (%)
Primary level	2	2
Secondary level	60	49
Vocational or technical training	14	12
Undergraduate degree	34	28
Postgraduate qualification	6	5
Executive development	1	1
Other	3	2
Total	121	100

than 250 employees) family business. This highlights the fact that family businesses can be of varying sizes and are also important contributors to the Irish economy in terms of employment. All respondents adhered to the 'size' element of the definition posed for this study, since they are all classified as an SME. Respondents were asked to identify the legal structure of the family business and 89 per cent identified that the family business was a private limited company. Sole traders accounted for 8 per cent of respondents and 3 per cent were partnerships. Respondents were also questioned as to their highest educational qualifications and Table 3 illustrates the results.

Table 3 identifies that 49 per cent of the respondents had a secondary level education as their highest award. The next

highest educational award was that of an undergraduate degree (28 per cent) followed by vocational or technical training (12 per cent). These results indicate that the majority of family businesses are either established or operated by individuals who have learned about business from running or working within the family business.

Structure of the Family Business

Respondents were asked to indicate in which year they started or joined the family business. Additionally, they were questioned as to what generation is running the business and Table 4 illustrates the cross-tabulated results. Table 4 identifies that the majority of respondents’ businesses are being run by the first and second generation of

Table 4: Generation Running the Family Business and Year the Respondent Started or Joined the Family Business

Generation	1940 – 1950	1950 – 1960	1960 – 1970	1970 – 1980	1980 – 1990	1990 – 2000	2000 –	Non- response	Total
1st		3	5	16	15	7	1	1	48
2nd		1	6	9	10	9		2	37
3rd		2	4	3		4		1	14
4th	2		1	2	1				6
5th			1			1			2
6th				1			1		2
1st and 2nd				2	1	2	1		6
5th and 6th			1						1
7th			1						1
10th		1							1
Other						1			1
No answer								2	2
Total	2	7	19	33	27	24	3	6	121

the family and were established in the 1970s, 1980s and 1990s. What is interesting to note from the findings is that there are multiple generations running family businesses in Ireland as seven respondents indicated that either the first and second generation or the fifth and sixth generation were running the family business. Additionally, family businesses appear to be part of the very fabric of today's Irish economic society since two respondents indicated that they joined a family business that is currently being run by either the seventh or tenth generation of family. These findings, along with the presentation of the historical legacy of family businesses in Ireland, suggest that family businesses have a long history in terms of their existence in the Irish economy.

Next the respondents were asked to identify in what business sector their business operated. The Standard Industrial Classifications (SIC) Index identifies agreed and acceptable classifications of businesses and these classifications were used within the questionnaire. The respondents were asked to choose from one or a combination of the following categories: manufacturing, construction, services, transportation, retail trade, wholesale trade, agriculture and forestry, finance and investment, and other. The majority of respondents (72 per cent) are to be found in the following business sectors: manufacturing (17 per cent), construction (18 per cent), services (15 per cent), retail trade (11 per cent) and wholesale trade (11 per cent). The remainder are a combination of the above business sectors mentioned. This indicates that family businesses can be found in all industry sectors in Ireland.

Composition of the Family Business

Family businesses in Ireland are closely held organisations in which multiple generations and/or a number of family members serve as employees or are dependent upon the business for financial support. This is true for the respondents of this study since 95 per cent of respondents have family members working in the family business and in the remaining 5 per cent the family were shareholders.

Table 5 identifies the number of family members employed in the family business cross-tabulated by firm size. The results of Table 5 indicate that in the majority of cases, the family business is a source of employment for family members. The findings of Table 5 sup-

Table 5: How Many Family Members Work in the Business by Firm Size?

Number of family employees	Number of employees			Total
	<10	10-50	50+	
0 family employees	1	4	1	6
1 family employee	5	9	2	16
2 family employees	13	13	8	34
3 family employees	11	13	4	28
4 family employees	6	11	8	25
5 family employees	1	3	3	7
6 family employees	1	3		4
7 family employees		1		1
Total	38	57	26	121

ports the findings of Westhead and Cowling (1997), who state that typically family businesses provide employment for family members.

A review of the notable theorists have identified that family businesses differ from non-family businesses in numerous ways and one being the issue of ownership (Daily and Dollinger, 1993; Dyer, 1986; Goffee and Scase, 1991; Leach, 1991; Mintzberg, 1979; Whisler, 1988). In a non-family business, typically the owners of the business are not related by blood and ownership is spread across numerous owners. However, in a family business, ownership is typically vested in the family or in a single owner and this is true in the case of the respondents of this study as illustrated by Table 6.

The most prevalent form of ownership amongst the respondents was that of a married couple, indicating the importance of copreneurs (husband and wife teams). Multifamily (18 per cent) – a combination of family members such as parents and siblings – and a single owner (18 per cent) were the next most common forms of business ownership. The business ownership that does not seem to be popular is that of mothers and daughters, thus indicating a trend in the

Table 6: Composition of Business Ownership

	Frequency	Percentage (%)
One owner	23	18
Married couple	46	37
Brothers and sisters	13	11
Cousins	2	2
Multi-family	23	18
Father, mother and son	1	1
Father and son	3	3
Mother and son	1	1
Brothers	4	4
Married couple and brother	1	1
Father and daughter	1	1
Husband and wife and a minority shareholder	1	1
Other	2	2
Total	121	100

Irish landscape of few female owners. To further investigate the composition of the ownership of the family business, respondents were surveyed as to how many family and non-family shareholders are in the business. The conclusion that can be derived from Table 6 is that family members are the predominant shareholders of the respondents' business.

Management of the Family Business

With regard to the day-to-day management issues of the respondents' family business, 86 per cent agreed that the owner/manager is heavily involved in the day-to-day operations of the business. Concerning the operations of the management team within the family business, 78 per cent agreed that every member of the top

management team has a well-defined job. With regard to the structure of the family business, 73 per cent agreed that their family business has a well-defined hierarchy and structure. Respondents were questioned as to how many people make up the management team and how many are family members and Table 7 illustrates the results.

Table 7 identifies that for family businesses with a small management team (up to five members) the family is actively a part of that management team. However, as the management team grows, which corresponds with the growth of the business, the family presence on the management team tends to become diluted. For example, in the

Table 7: The Composition of the Management Team

Number of people on the management team	How many family members form part of the management team?						Total
	0	1	2	3	4	5	
0	3						3
1		5	1				6
2		5	28	1	1		35
3	2	3	8	10		1	24
4		2	7	2	5		16
5	1	4	4	1	3		13
6		4	6	2		1	13
7			1				1
8		1		1	1		3
10			2		1		3
11			1				1
12			1	1			2
60					1		1
Total	6	24	59	18	12	2	121

instance where sixty people make up the management team there are only five family members that are part of that team.

Furthermore, the findings of Table 7 echo the findings of Levering and Moskowitz (1993), who stated that family members are generally represented in senior management and new recruitment, thus leading to a potentially damaging situation for the family business as these managers may not always possess the appropriate skills. Respondents were questioned as to whether non-family, non-executive independent advisers sit on the board of directors. The findings indicate that for the majority of respondents (72 per cent), the board of directors are composed of only family members, which as a result may represent more the family interest than the interest of the business. Respondents were questioned as to whether management sought outside/professional advice when making important decisions and Table 8 illustrates the results.

Table 8 identifies that the majority of respondents agreed (31.4 per cent) or strongly agreed (31.4 per cent) that management seeks outside/professional advice when making important decisions. Therefore the findings of this survey contradict the findings of Leach (1991) who stated that family businesses are not disposed to seeking the advice of outsiders. However, Table 8 does identify that some family businesses (20.5 per cent) do not seek outside/professional advice and this could be an indication of the fear of infringing on the 'privacy' of the family businesses, amongst other reasons.

Table 8: Management Seeks Outside/Professional Advice

	Frequency	Percentage (%)
Strongly disagree	14	11.6
Disagree	12	9.9
Neutral	15	12.4
Agree	38	31.4
Strongly agree	38	31.4
Non-response	4	3.3
Total	121	100

Remuneration can be a contentious issue in any business. In a non-family business, market conditions and employee performance typically determine an employee’s salary. However, according to Donckels and Fröhlich (1991), family employees are sometimes paid below or above market rate because they are family. As a result of being family they may be expected to work for a token salary or inflated salaries may be paid to withdraw excess cash from the business. The findings of this study identified that 54 per cent of respondents benchmark the salaries of all employed in the family business. However, 21 per cent of respondents do not benchmark family members’ salaries and thus one would question the method they use for remunerating family members.

Management Entry Requirements in the Family Business

Respondents were asked what the minimum entry requirement was for a management position in the family business and Table 9 indicates the response. As previously stated, Leach (1991) identified that senior managers in family businesses are often torn between the demands of family values and business principles. Business maxims demand that organisations should only employ competent performers but jobs in family businesses may be found for family members regardless of their ability and Table 9 supports this claim.

Table 9: Minimum Entry Requirement for a Management Position

Minimum Entry requirement	Frequency	Percentage (%)
No minimum level of education	37	31
Secondary level education required	50	41
Tertiary level education required	13	11
Other professional education required	5	4
Secondary level education and professional qualifications	5	4
Non-response	11	9
Total	121	100

Table 9 indicates that the respondents' family business prefers to take the grassroots approach and nurture the family members into the family business. This is evidenced through the combined majority of no minimum entry requirement and a secondary level education as the minimum entry requirement required for a management position in the family business. Respondents were questioned if family members are only employed if their skills and experience fit a particular opening in the business. The majority of respondents strongly agreed (35.5 per cent) or agreed (19 per cent) that family members are employed only if their skills and experience fit a particular opening in the family business. However, the findings indicate that 17.4 per cent of respondents do employ family members even if their skills and experience do not fit a particular opening in the family business. It appears that some family businesses in Ireland may adopt a nepotistic practice in their business. Nepotism refers to career advancement of family members on the basis of relationship.

Succession Planning in the Family Business

The final section pertaining to the management of the family business examined whether the family has planned for the succession of the family business. The respondents were questioned if the current owner/manager is likely to be succeeded by a family member and if the succession issue is clearly defined and has been agreed by the management of the business. Finally, respondents were asked if all family members have approved the succession plan. Table 10 illustrates the collective results to these questions.

The findings of this study identifies that the majority of respondents are of the opinion that a family member will succeed the current owner/manager, thus perpetuating the family in the business. The results further indicate agreement that succession plans have been discussed and agreed by the management board and the family. However, the results also indicate a significant proportion of the respondents have not discussed nor agreed to a succession plan. This is a worrying fact since if 'one fails to plan, one plans to fail'. This means that should something unsuspected happen to the current owner/manager, some family businesses in Ireland will be left leaderless and this often results in a power struggle within the family business.

Table 10: Succession and the Family Business

	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
The current owner is likely to be succeeded by a family member	36	21	26	6	11
Succession plans are discussed within the family	29	24	31	8	8
The succession issue is clearly defined and has been agreed by the management board	21	21	35	11	12
Succession plans are approved by all family members	23	13	35	13	16

Training Initiatives in the Family Business

Owing to their size, family SMEs often encounter greater difficulties in organising outside training and in many cases the training provided is very often unsuited to the business. The times and places for the courses are too inflexible; they require the staff to be away from work for long periods of time, while the content is too theoretical and too formal. Altogether this means that if alternatives do not exist, even the training courses or programmes available will not be used by SMEs (Goss and Jones, 1999; European Commission, 2002). Entrepreneurs in smaller enterprises have more difficulties than those in larger ones in finding time and money for the development of these skills, which are so important for the competitiveness of their enterprises (European Association of Craft, Small and Medium Sized Enterprises, 2001). The European Commission (2002) further supports this finding of the European Association of Craft, Small and Medium-Sized Enterprises because

they found that the main reasons for not carrying out formal training activities is related to lack of time considerations. Other important reasons found were insufficient financial resources, lack of planning and lack of relevant training courses. The report observed that the typical SME is driven by short-term business pressures and is looking for quick and easy solutions that frequently cannot be provided. The following investigates if the findings of Goss and Jones (1999), the European Commission (2002) and the European Association of Craft, Small and Medium-Sized Enterprises (2001) apply to family SMEs in Ireland.

Table 11 indicates that the majority of respondents disagreed (19 per cent) or strongly disagreed (18 per cent) that members of the management team regularly attend formal training programmes. This is a worrying finding since if the people who are running the family business do not attend formal training programmes, one would question whether they are up to date with happenings in the external environment. Table 11 indicates that more emphasis is

Table 11: Training Initiatives in the Family Business

	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Members of the management team regularly attend formal training programmes	9	19	35	19	18
Training of family business members is an important element of our business	35	16	25	12	12
Training of non-family employees is an important element of our business	36	29	24	8	3

placed on the training of non-family employees and family business members.

Furthermore, the anecdotal responses from the questionnaire identifies that more emphasis is placed on informal training rather than a formal training strategy. Examples of the anecdotal responses are as follows:

Training does not really happen in the company, it is done on a needs basis and at the moment it hasn't been necessary. Furthermore, a lot is learnt from trial and error. I tend to learn on the job and my experience in the business has taught me a lot.

Most of the tasks are learnt on the job; therefore training does not formally occur, rather it is informally conducted by employees learning on the job. Also, any formal training costs the earth, which small businesses rarely can afford.

Training has to be conducted off-site, primarily abroad, as training for our business is not offered in Ireland.

These anecdotal responses support claims proposed by the European Commission (2003a), which stated that the formal education system is unable to match the needs of current enterprises, and the claims of Forbairt ADAPT (1999), the Expert Group (2000) and Skillsnet (2003), who all found that training courses are generally not accessible for small businesses, are costly and not specific to the needs of the small business.

The findings of this section indicate that some form of training is conducted within the family businesses surveyed. However, what appears to be prevalent is an informal training strategy rather than a formal strategy. The reasoning behind this was that formal training is not necessarily suited to their business since the family SME already has experienced individuals within the business and they can act as mentors to employees, thus using an informal training approach rather than a formal strategy. The expense of formal training also prohibits it from occurring within the family business. This finding supports the claim of Chaston et al. (1999), who stated that SMEs prefer unscheduled training rather than scheduled training.

CONCLUSIONS

The absence of research on family businesses in Ireland is quite alarming even though research on this unit of analysis has shown considerable international expansion over the past number of years. Other research on SMEs and new business start-ups has expanded rapidly in Ireland in parallel with the increasing recognition of the importance of SMEs and small business start-ups in modern economies. However, research on family businesses in Ireland has shown no comparable expansion over this period. This paper therefore is unique since it is the first paper conducted on profiling the family business in Ireland. This paper has outlined the structure and composition, and the management of the family business, and training conducted by family businesses in Ireland. The findings identify that family businesses in Ireland are established as private limited companies, with a well-defined hierarchy and structure. The most typical form of family business is that of a husband and wife team. This finding has managerial implications for family businesses due to the fact that divorce is now present in Ireland. Husband and wife teams need to consider the implications divorce may have on their business and necessary plans need to be devised for this possibility. Based on this finding, it is recommended that more research needs to be conducted on the implications of divorce on family businesses since a husband and wife team operate the majority of family businesses and divorce could be an issue for them sometime in the future.

The family predominantly owns family businesses, with few family businesses having non-family shareholders. Boards in family businesses are more frequently composed of family members and thus may be more representative of the family interest than that of the business. The study further shows the importance that family businesses place on the role of the family in the business by maintaining ownership within the family and/or providing a source of employment for family members and/or decision-making authority being held by family members. However, some family businesses in Ireland do practice nepotism by employing family members even if their skills and experience do not fit the necessary requirements. The implications for management are that by practicing nepotism they may be open to legal action by unsuccessful candidates. It is therefore important for family businesses to pass the responsibility

of interviewing candidates for positions within the family business to a recruitment specialist.

Further conclusions that can be derived from analysing the personal background of the respondent and the business are that owner/managers of family businesses in Ireland are well-educated, family businesses are dominant in all sectors of industry, family members as employees are prominent in family businesses, the majority ownership is vested in family members, and that family businesses can be classified as micro, small and/or medium-sized enterprises. Training the members of the management team in the family SME appears not to be an important issue for family businesses in Ireland and this is a concern. It is important that training providers make training available for family SMEs that is timely, cost-effective and flexible.

The overall conclusion that can be derived from this study is that maintaining family SMEs is paramount to the Irish economy, since they are providers of employment and have a long existence in the fabric of Ireland's economic society. Therefore, by presenting the profile of the family business in Ireland through analysing their composition and structure, their management approaches and their training initiatives, this paper leads to the development of a better understanding and awareness of this unique business entity in Ireland.

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Human Resource Management Practices in Irish High-Tech Start-Up Firms



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ABSTRACT

Human resource management and entrepreneurial research have rarely been combined, with little clear literature in the area of human resource management in entrepreneurial firms. Meanwhile, the sustainable growth and viability of emerging high-tech firms is critical to the well-being of the Irish economy. This paper reports on the results of an empirical study on the organisation-building aspect of entrepreneurial firms, specifically the human resource practices within Irish high-tech start-ups. The research findings are benchmarked with findings from the Stanford Project on Emerging Companies (Baron and Hannan, 2002).

Key Words: Entrepreneurship; Human Resource Management; Empirical Research; Irish High-Tech Companies.

INTRODUCTION

This paper reports on the human resource practices (HRPs) within Irish high-tech start-ups (IHTSUs) as human resource management (HRM) research within an entrepreneurial context is an emerging area of academic research. This can be explained by the fact that

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small and emerging firms rarely have the financial and managerial resources to support a human resource specialist and much of the management of people is informal and difficult to research. Current research literature on HRM in entrepreneurial firms 'appears to be rich in prescriptions, limited in sound descriptive surveys, and sparse in analytical research' (Heneman et al., 2000: 20). A further challenge to understanding HRM in entrepreneurial firms is the fact that entrepreneurial research itself is multidisciplinary and therefore quite fragmented. However, people-related issues are crucial to understanding the organisation of entrepreneurial firms in general and of knowledge intensive start-ups in particular. It is increasingly recognised that, although innovation might be the product of one brilliant mind, the process of design, production and distribution depends on the effective creation and management of a workforce.

Recently, there has been a focus in both Irish policy and in the media on the need to address managerial challenges to the growth and entry of entrepreneurial firms into international markets. Indeed, IHTSUs face particular managerial obstacles due to the size of the Irish market, which require them to internationalise at an early stage. A greater understanding of the HRM aspect of the organisational building process of IHTSUs could represent a constructive step forward in ensuring their growth and successful penetration of international markets. This paper focuses on understanding the entrepreneurial process, especially the management of people in emerging firms to ensure their sustainable growth. Secondly, the paper highlights the lack of overlap between the literatures of HRM and entrepreneurship pertaining to the management of people and concurs with the need for a more holistic approach to studying entrepreneurship. Finally, the findings of an empirical replication study are presented on HRPs within IHTSUs which are benchmarked briefly with findings from the SPEC: the Stanford Project on Emerging Companies (Burton, 1996; Baron and Hannan, 2002).

THE NEED FOR A STUDY OF HUMAN RESOURCE PRACTICES IN IRISH HIGH-TECH START-UPS

Entrepreneurship is presently transforming Irish business culture and therefore is an entity very worthy of study. Ireland is ranked second

to Sweden in the number of entrepreneurs per head of population in Europe (Fitzsimons et al., 2004) and ranked sixth out of the twenty-nine OECD countries in terms of overall entrepreneurial propensity (McGovern and McGready, 2002). Indeed, 7.2 per cent of the country's population is now engaged in starting a new business and 4.8 per cent of the population partly or fully owns a business (Maher, 2002). Much of this entrepreneurial activity is clustered around high-tech-based industry (such as the software industry), but also in telecommunications, pharmaceuticals and electronics. However, the proportion of employment by Irish small- and medium-sized enterprises (SMEs) remains lower than the EU average. The European Observatory of SMEs found that Irish SME job creation rate (11 per cent) is below the European average (15 per cent) for growing companies (Goodbody Economic Consultants, 2002). Kennedy (2003) noted that only twenty-four Irish software companies from a total of more than 700 have a turnover greater than €2 million, a figure that he believes will not sustain them to compete in export markets. Indigenous software companies have tended to be fairly small with an average of fifteen employees in 1995 (O'Gorman et al., 1997). Unlike their American and British counterparts, a defining characteristic of Irish high-tech firms is that they internationalise at a very early stage of their development (Garavan et al., 1997). The average time that it takes Irish companies to engage in international activity is 2.56 years (Brennan and Garvey, 2004). In their study of the indigenous software sector, Brennan and Garvey (2004) found that 14 per cent of its respondents could be classified as 'born global', having engaged in international activities from inception, and 29 per cent were involved within two years of founding. This poses a unique set of challenges, especially managerial, to Irish firms. This issue has not been sufficiently addressed in the literature as researchers are only now beginning to question if the Irish entrepreneurial process might be different from that in the United Kingdom or the United States. To date, no research has been conducted on the employment practices of these firms in Ireland. Furthermore, much of the information referred to by Irish academics is based on the US high-tech market, which, in adopting a universalistic approach, fails to recognise the environmental contingencies facing IHTSUs due to market size and culture.

MANAGING PEOPLE IN ENTREPRENEURIAL FIRMS: A PAUCITY OF LITERATURE

In the late 1980s Gartner (1988), in stating, “‘Who is an entrepreneur?’ is the wrong question”, shifted the focus of entrepreneurial studies away from the entrepreneur. His question resulted from the apparent failure of the Traits Approach to produce any significant advances in the understanding of entrepreneurship. Entrepreneurship as a field of research is multidisciplinary, drawing on different academic disciplines which reflect differing perspectives, thus making it difficult to give a complete picture of the field (Fayolle, 2003). Debates on definitions abound and Venkataraman suggested that ‘to many the field of entrepreneurship is a mystery’ (Venkataraman, 1997). Subsequent literature on entrepreneurship has been based on the belief that in order to understand and encourage the phenomenon of entrepreneurship, there is a need to focus on the process by which new organisations are created and sustained rather than on the individual who creates them (Gartner, 1988). Indeed, according to Gartner entrepreneurship research should follow the same path as that taken by Mintzberg and others in managerial behaviour research by observing entrepreneurship in the process of creating organisations (Mintzberg, 1994; Mintzberg et al., 1995; Mintzberg and Waters, 1985). This approach would, according to Gartner (1988), lead to answering questions such as ‘what are the specific organisation creation skills that an entrepreneur should know’. Following Gartner’s lead, the study of entrepreneurship moved out of the realm of psychology and sociology and began to explore, in more depth, aspects of economics and, for the first time, began to look into the aspect of management.

A common activity of all organisations, especially those wishing to grow, is the management of people. Indeed, ‘it is people who sustain new firms, create new industries and new markets, and shape the overall impact of innovations’ (Anderson and Kleingartner, 1987: vii). Yet, research on the role of HRM in the entrepreneurial process is only beginning to emerge. HRM and entrepreneurial research have rarely been combined in the literature and there is no clear literature in the area of HRM in entrepreneurial firms. Heneman et al. (2000), following an extensive review of the literature, stated that ‘human resource theory and the research being conducted may not be congruent with actual human resource issues challenging SME practitioners in the

field' (Heneman et al., 2000: 12). A survey from the Irish Software Association in 2002 identified 'the dirty dozen problems facing small businesses' in Ireland: labour costs and skill shortages ranked within the top five most prominent obstacles to firm growth (Delaney, 2002). Similarly, research conducted by the Kauffman Centre for Entrepreneurial Leadership in 1998 in the United States showed that 'human resource management issues are of significant professional and personal concern to young entrepreneurs and they are actively seeking new information about these topics' (Heneman et al., 2000: 14). Human resource research has not focused on studying small emerging firms, choosing instead to focus on bigger, more established organisations that due to their size are more likely to have human resource departments. Similarly, entrepreneurial research has tended to neglect human resource issues due to their association with bureaucratisation and formalised structures which are perceived to be the antithesis of growth-oriented start-ups. Yet, as the Western world moves towards more knowledge-intensive industry, competitiveness will increasingly depend on the management of the relational bases of members of organisations, making culture, attitudes, values and commitment to employees more important to success than ever in all firms, whether big or small (Snell et al., 2002). There is a need therefore to address this gap in both entrepreneurship and human resources (HR) literature by commencing to research the role of employment practices in the entrepreneurial firms.

HRM refers to all of those activities associated with the management of employment relationships in the firm (Boxall and Purcell, 2003). Fundamentally, focusing on particular human resource practices fails to appreciate the more strategic or holistic aspect of HRM which only becomes evident when human resource practices, policies and procedures are treated as systems of employment and looked at within the context of the organisation and the institutional environment as a whole (Burton, 1996). From this contingency perspective, there are a number of descriptive frameworks that attempt to link employment/human resource practices to different organisational contingencies – stage-of-growth, business strategy and organisational structure. One of the most cited models from a stage-of-growth perspective is that of Greiner (1972, 1998), whose model of organisational growth associates employment practices with an organisation's

stage of development. Greiner's (1998) model of organisational growth identified five stages of organisational evolution and revolution. Entrepreneurial and emerging firms are located within the initial start-up stage or 'Phase 1: Creativity' in which small, emerging organisations are driven by an entrepreneurial culture with an emphasis on developing the product and the market. Organisations at this stage are characterised by having a founder who is entrepreneurial, where communication with employees is informal and where long hours of work are rewarded by promises of ownership. Table 1 depicts the first two stages (Phases 1 and 2) of Greiner's growth model in terms of a series of dimensions: management focus, organisational structure, top management style, control systems and management reward emphasis. Founders in Phase 1 often 'disdain management activities' (Greiner,

**Table 1: Greiner's Model of Organisational Growth
Phases 1 and 2**

Category	Phase 1	Phase 2
Management focus	Make and sell	Efficiency of operations
Organisation structure	Informal	Centralised and functional
Top management style	Individualistic entrepreneurial	Directive
Control systems	Market results	Standards and cost centres
Management reward emphasis	Ownership	Salary and merit increases
Crisis	Leadership 50 per cent of new businesses fail because owner(s) will not yield control	Autonomy Individual managers know more than corporate management

Source: Adapted from Greiner (1972).

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1998: 60; Greiner, 1972) and the company has a low level of centralisation and formalisation (Miles and Snow, 1984). A common problem encountered by firms at the pre-growth/Phase 1 stage of development is the inability to grow due to the lack of top management ability (Drucker, 1994) or the inability to access adequate human capital that will ensure sustainable growth. Leadership in the case of the entrepreneurial firm is crucial as the founder depends on the effective communication of his/her vision to bring the required resources on board and ensure that all members involved are working towards the same goal – growth (Bhide, 1994). However, as the company grows and the need for formal management and new business techniques becomes apparent, the organisation enters what Greiner (1998) calls a ‘crisis in leadership’: the founder has become burdened with unwanted managerial responsibilities and the company is considered to require a manager who has the necessary knowledge and skill to introduce new business techniques to allow the organisation to grow (Greiner, 1972). The transition from Phase 1: ‘entrepreneurial’ (whereby all decisions are informal and closely linked to the individual founder) to Phase 2: ‘management’ (defined as formal procedures and structures within an organisation) that occurs as the organisation grows often leads to a crisis in control in which the need for coherent systems and professional or technical management are exposed (Kao, 1991). In Phase 2, organisational structure and job assignments are introduced in conjunction with accounting systems, budget, and work standards, as well as more formal communication structures (Greiner, 1972, 1998). In a more recent review of his work in the *Harvard Business Review*, Greiner described his model linking organisational growth stages to managerial practices as ‘robust’ (Greiner, 1998).

Within the literature on the interface between entrepreneurial firms and HRM, one empirical study was found to focus on the particular issue of HRM in entrepreneurial firms. The Stanford Project on Emerging Companies (SPEC) focused on organisational blueprints in high-tech start-ups in the Silicon Valley. SPEC was initiated in 1994 as a 5-year longitudinal study ‘of how employment systems emerge and evolved in high-technology firms’ (Burton, 1996: 1). ‘Having tracked nearly 200 companies during the ups and downs of the recent high-technology roller coaster, SPEC is in a unique position to assess which companies actually proved able to

endure and prosper and why, particularly now that the ride seems to have become a lot bumpier' (Baron and Hannan, 2002: 9). The SPEC project is the most extensive empirical research study investigating human resource practices in entrepreneurial firms. It proposed a typology of employment models (star, commitment, engineering, bureaucracy and autocracy) which depicted how entrepreneurial start-ups deal with people management on the basis of three dimensions: attachment, selection and control. These models are set out in Table 2 and described briefly.

The Star employment model or approach to HRM describes an approach based on recruiting top talent, providing employees with challenging work and relying on autonomy and professional control. The Commitment model relies on familial ties to the organisation (love), employee selection is based on cultural fit and the model uses peer-group control. The Engineering model selects employees based on specific task abilities, provides employees with challenging work and uses peer mechanisms to control. The Bureaucracy model attracts employees based on work or opportunities for development. It selects employees based on their qualification for the specific task and uses formalised control mechanisms. The Autocracy model is based on the principle of 'you work, you get paid' and control of employees is achieved through close personal supervision. Finally, SPEC also identified Aberrant or non-type models, which described approaches to employment that did not conform to the above models.

Table 2: SPEC Typology of Employment Models

Employment Model	Attachment	Selection	Control
Star	Work	Potential	Professional
Commitment	Love	Values/Fit	Peer
Engineering	Work	Skills/Task	Peer
Bureaucracy	Work	Skills	Formal
Autocracy	Money	Skills	Direct control

Source: Adapted from Baron and Hannan (2002).

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SPEC concluded that ‘initial choices made by entrepreneurs become imprinted indelibly on their nascent organisations, determining the developmental path the enterprise is likely to experience down the road’ (Baron and Hannan, 2002: 18). Changes in employment blueprints were found to be destabilising to young start-ups affecting employee turnover, performance and growth (Baron and Hannan, 2002; Baron et al., 2001; Burton, 1996b). Through their longitudinal study, the SPEC team was able to link their employment typologies to a series of organisational events, specifically the choice of competitive strategies (innovators, enhancers, marketers, technology–marketing hybrid and cost minimiser). Secondly, they found that levels of employee diversity varied according to the choice of employment model. Thirdly, they were able to make some predictions on the rate of change of CEO based on both the choice of employment model and its subsequent change (Hannan et al., 2006, 1996; Baron et al., 1999). Finally, SPEC linked the entry to initial public offering (IPO) to the choice of employment model (Baron and Hannan, 2002). Overall, SPEC argued that emerging firms with employment models that adopt an integrated approach to human resource practices underpinning their business strategy show greater survival rates and performance (Baron et al., 1996; Baron and Hannan, 2002). The SPEC findings highlight the importance of informing entrepreneurs of the effect that initial human resource practices and their subsequent management can have on the successful development of the firm. An objective of this study is to ascertain if the SPEC employment model typologies apply to IHTSU firms, across cultural contexts.

In conclusion, apart from the SPEC study, there is a dearth of research profiling human resource practices in emerging and entrepreneurial firms in general, and even less research focusing on the relationship between strategy, human resource practices and entrepreneurial firms. No research of this nature exists in Ireland. Thus, there is a need for more diffusion between human resource and entrepreneurial research so as to increase the potential learning from an integrative approach in understanding how to promote the sustainable development of entrepreneurial firms.

A REPLICATION METHODOLOGY TO THE STUDY OF EMPLOYMENT PRACTICES IN IHSTUS

The aim of this study was to replicate aspects of the Stanford Project on Emerging Companies in order to map HRPs in emerging firms in Ireland. In using replication as a research tool, the aim was to assess the role of HRPs in high-tech start-ups by building on prior research endeavours. Replication is defined as having a different research person attempt to test a framework or theory that has already been tested in a different environment (Mack, 1951). It is only recently that researchers have noted that there is a 'desperate need for replication' (Hunter, 2001), based on the belief that replication is an excellent tool to ensure reliability and validity of research and of rigorous theory development (Singh et al., 2003). This study pursued a literal replication by adhering closely to the SPEC methodology with minor amendments being introduced to ensure the study's applicability in the Irish context, as well as to increase the response rate. This methodological approach was adopted in the belief that the stronger the basic design, the stronger the inference that might be drawn from the replication (Schafer, 2001).

The first challenge in replicating the methodology was to compile an inclusive database of the high-tech firms in Ireland. Following the SPEC methodology the database was constructed based on a set of strict criteria. All firms were in the high-tech industry and were categorised within one of five possible segments of high-tech activity: computer related, manufacturing, semiconductor related, telecommunications and medical related. The study was limited to firms in the Republic of Ireland that were no more than ten years of age at the time of the study and firms had to have at least ten employees when approached. Therefore, for this study, a start-up is defined as a firm no more than ten years old with at least ten employees operating in the high-tech industry segments as set out above.

Firms meeting these criteria were identified by consulting and combining the databases of governmental agencies such as Enterprise Ireland (<<http://www.enterprise-ireland.com>>) and County Enterprise Boards (<<http://www.etradebusinessireland.com>>); college entities such as Trinity Enterprise Centre (<<http://www.irishscientist.ie>>), UCD/Nova enterprise centre (<<http://www.ucd.ie/nova>>), Invent/DCU

enterprise centre (<<http://www.invent.dcu.ie>>); and private databases such as Hot Origin (<<http://www.hotorigin.com>>) and Kompass (<<http://www.kompass.com>>). Newspapers were also continuously checked for references to companies that might fit the profile. A total population of 196 companies were identified, with the average size of the firms being thirty-five employees, the largest having 260 employees. The Irish population of high-tech companies was almost 60 per cent smaller on average than comparative SPEC firms. The average age of an IHTSU was six years old. In order to collect information about the firms' earliest days, archival data was gathered on the name, names of the management team (mainly founder, CEO and HR manager when possible), address, contact information (email address), activities, international presence, year of founding and size of all participating Irish firms.

In replicating the SPEC methodology, this study adopted a two-pronged approach to the collection and analysis of the employment practice data by first collecting quantitative information from the two surveys (total population) and then qualitative information from the interviews (sub-sample). Two e-surveys were sent out to the original population of 196 companies. One survey targeted the founder of the firm with questions relating to the founding milestones of the firm. A total of fifty-five founders responded to this survey, which corresponds to a 29 per cent response rate. The second survey was aimed at the person responsible for HRM/employment practices in the firm. The latter survey asked respondents to provide quantitative information on the use of certain human resource practices, policies and systems. Forty-one of these human resource surveys were received, which corresponds to a response rate of 21 per cent.

The response rates for both the founder and the HR surveys were considered positive. Two face-to-face qualitative interviews were conducted with a sub-sample of firms in order to get an in-depth understanding of how and why the firms had implemented the employment practices, policies and procedures stated in the surveys. Fifteen companies were interviewed but only eleven interviews were completed (both founder and HR interviews were conducted) and considered relevant based on the initial criteria for participation in the study. The purpose of these qualitative interviews

was to assess the impact of the HRPs in IHTSUs using the interview protocols set out by SPEC. Data was analysed according to the SPEC method of analysis (see Burton, 1996: 8–25) in order to establish if the employment typologies could be identified in the Irish firms.

FINDINGS: HRPs IN IHTSUs

The information gathered from the e-surveys of both founders and the person responsible for HR provides an insight into the types of HRPs, policies and procedures in existence in IHTSUs. Table 3 presents the findings for communication, socialisation and training practices. The findings from SPEC (Burton, 1996) are also presented for comparative purposes.

With regards to the socialisation of employees, Irish companies exhibited a widespread use of regular company-sponsored events with 85 per cent of participants stating the adoption of this practice.

Table 3: Communication, Socialisation and Training Practices in IHTSUs and SPEC Firms

Communication, Socialisation and Training Practices	IHTSUs (N = 36) (%)	SPEC (N = 69) (%)
Company-wide electronic mail	97	26
Regular company-sponsored events	85	58
Regular company-wide meetings	84	52
In-house training	81	22
Mission or values statement	64	19
Employee orientation programme	57	26
Employee suggestion system	50	10
Newsletter or other correspondence	43	6
Regular employee moral survey	25	4
Involvement programmes	19	12
Job rotation	16	6

The low scores recorded for employee involvement programmes (19 per cent) and regular employee moral surveys (25 per cent) can probably be explained by the small size of the Irish firms in the population, implying that the induction of new employees is accomplished more informally.

Interestingly, 64 per cent of companies were found to have a mission and value statement. This, coupled with the significant attention paid to communication practices, suggests that Irish high-tech companies make explicit efforts to communicate the organisation strategy and culture to their employees. The communication practice most widely used in the IHTSUs was email. However, this finding is not as significant as it would have been at the time when Burton conducted her study (looking at a population whose founding dates were 1984–1991), as the use of email is now a common occurrence in all businesses. Other open communication and participative management practices for which Irish high-tech companies rated quite positively include holding regular company-wide meetings (84 per cent), newsletters or other type of company-wide correspondence (43 per cent) and explicit employee suggestion programmes (50 per cent).

Finally, an 81 per cent use of in-house training suggests that Irish high-tech founders ensure that their employees acquire the necessary skills to work within their organisation. This finding contrasts with the limited use of job rotation. In comparison with SPEC companies, IHTSUs exhibit a higher percentage of implementation for all the communication and socialisation practices. Worthy of comment is the difference in the use of mission or value statements between Irish high-tech and Silicon Valley firms. Secondly, there is also a marked difference in investment with regard to in-house training, where Irish firms overwhelmingly surpass SPEC firms. This could be associated with the shortages in specialised skills identified in Ireland (Delaney, 2002), coupled with the need for cutting-edge start-up firms to train workers in specific technical areas. Alternatively, there may be a greater appreciation of training in Irish firms due to the efforts of agencies like Forfás.

With regards to formalisation practices as set out in Table 4, IHTSUs exhibit significant levels of established procedures: non-compete agreements, written job descriptions, written performance

Table 4: Formalisation Practices in IHTSUs and SPEC Firms

Formalisation Practices	IHTSUs (N = 36) (%)	SPEC (N = 69) (%)
Written job descriptions	91	12
Intellectual property/non-compete agreements	81	51
Personnel manual or handbook	75	16
Organisation chart	74	23
Background checks of prospective employees	73	20
Written performance evaluations	70	39
Standard contract for exempt employees	66	12
Employment grievance or complaint form	44	4
Standardised employment application	31	27
Human resource information systems	29	7
Written affirmative action plans	0	7

evaluations, organisation charts and employee handbooks. Not surprisingly given the nature of the industry, 81 per cent of the participants had a formal intellectual property/non-compete agreement. IHTSUs also exhibit a significant degree of formalisation with regards to HR policies and procedures. 91 per cent of the participants have written job descriptions, which could reflect the impact of Irish employment legislation on IHTSUs. 73 per cent invested in background checks of prospective employees and 75 per cent had personnel manuals or handbooks. Furthermore, and probably more significantly, was the percentage of respondents that engaged in written performance evaluations (70 per cent), as the latter are the basis for ensuring that the goals of the organisation are achieved. A comparison between Irish and SPEC firms suggests that overall Irish firms exhibited much higher levels of formalised procedures.

Finally, with regards to compensation practices as set out in Table 5, Irish firms demonstrated a preference for individual rewards.

Table 5: Compensation Practices in IHTSUs and SPEC Firms

Compensation Practices	IHTSUs (N = 36) (%)	SPEC (N = 69) (%)
Individual incentives or bonuses	87	30
Stock options	71	52
Non-monetary recognition awards	63	13
Knowledge- or skill-based pay	55	30
Workgroup/team incentives or bonuses	42	7
Profit sharing or gain sharing	31	13
Signing bonus	12	14

The results showed that the most common source of compensation used in the Irish high-tech sector is individual incentives and bonuses, with 87 per cent of participants using this method of compensation. The second compensation practice which was most used by the participants was stock options (71 per cent) and the third most cited practice was non-monetary recognition awards. The comparison between Irish and SPEC firms shows that both samples rank the use of stock options equally.

In conclusion, with regard to compensation, IHTSUs are similar to their SPEC counterparts, reflecting the findings of the literature which suggest that start-up entrepreneurial firms tend to reward individual performance with stock options or ownership benefits as an exchange for long working hours (Greiner, 1998, 1972). However, Irish start-ups differ from their SPEC counterparts in evidencing higher levels of formalisation and a more structured approach to communication. Irish high-tech firms were found to implement a variety of regular communication and socialisation practices supporting Bhide's (1994) findings regarding the leadership role of the founder. According to Heneman et al. (2000) this is due to both the size and the flat structure that characterise entrepreneurial firms, leading to the implementation of practices that promote an egalitarian culture. However, the high incidence and regularity of these practices do not appear to support Greiner's

view of ad hoc informality. Greiner (1972, 1998) predicted that communications at the start-up phase in a firm would be informal. Yet, the extensive implementation of practices such as company-wide meetings, sponsored events and mission statements, coupled with significant levels of formality with regards to the implementation of certain policies and procedures, suggests a more structured, managed approach in IHTSUs. These practices would appear to correspond more to the second phase in Greiner's growth model, whereby organisations are characterised by more formal communications, an introduction of a functional organisational structure and more centralised management (Greiner, 1998, 1972).

The high levels of formalisation regarding human resource practices and procedures gives rise to some concern regarding path dependence as formal structures are being implemented at an early stage of the organisation's development. Might this impact on Irish high-tech firms' ability to remain innovative and flexible in an ever-changing environment? A longitudinal study would be required to more accurately test whether this pattern reflects the pressures of internationalising quickly for IHTSUs or if this formality reflects institutional practices in Irish HRM.

HUMAN RESOURCE PRACTICES IN IRISH HIGH-TECH START-UPS VERSUS SILICON VALLEY

The qualitative interviews enabled the researchers to gain a greater insight into the characteristics of IHTSUs by revealing that they tend to be managed by the founder, who had senior management experience and formed the founding team based on informal contacts. A more detailed analysis of the sub-sample of firms allowed the researchers to map them onto the SPEC employment typologies to assess the extent to which IHTSUs fit the SPEC patterns. IHTSUs were found to clearly emphasise work as a source of attachment to the organisation and focus on the nature of the task with regards to the selection of employees. IHTSUs face a particular difficulty when selecting sales people and this was due to the nature of the founders who, having come from an engineering background, felt that they did not have the necessary marketing skills to adequately select a sales person. Less clarity was found with regards to how IHTSUs control their employees, being almost equally spread

between professional, cultural and managerial control mechanisms. The mapping of IHTSUs to the SPEC model across the three dimensions gave way to dominance of the 'Engineer' typology within IHTSUs. Overall, eight out of the eleven companies interviewed clearly matched one of the five employment typologies set out by SPEC, which could be taken as a sign of the generalisability of the SPEC model for high-tech start-ups. This research found that the 'Star' and the 'Engineer' model in particular have significant resonance within the Irish high-tech sector as five of the eleven firms could be mapped onto these two models. Both the 'Autocracy' and 'Commitment' models were found within one of the start-up companies. Overall, three companies within the IHTSU sample could not be mapped onto the SPEC framework. These companies could be seen as a sign of either unique cases or of typologies which might be specific to Ireland. However, in order to assess the generalisability of the SPEC typologies to Irish high-tech firms, a greater sample would be required.

CONCLUSIONS AND RECOMMENDATIONS

Entrepreneurial firms are important to the future competitiveness of the Irish economy. The focus in this paper has been on the study of the management of people as part of the process of enabling sustainable growth and development of these emerging firms. A significant initial finding of this study, arising from the literature review, is that there is a paucity of existing literature on the management of people in the establishment or founding phase of firms and little interest in the management of people in the entrepreneurial literature. This gap highlights the necessity for cross-disciplinary diffusion between these bodies of academic literature. Arising from this identified knowledge gap in the area of HRM in entrepreneurial firms, an exploratory, descriptive and comparative study was undertaken to map human resource practices in IHTSUs.

Research in this arena is in its infancy both in Ireland and internationally. Boxall and Purcell (2003: 190) assert that more research addressing the question of what human resource strategy needs to do to enable the viability of the emerging firm, and secondly what HR might do to help create some form of sustained competitive advantage, is required. This study set out to describe the human

resource practices of IHTSUs. It replicated part of a major empirical project studying the emergence of high-tech start-ups in the Silicon Valley. Therefore, a subsidiary objective of the paper was to compare the Irish findings with those from the Stanford Project on Emerging Companies. A further aim of the study was to establish if the diversity of employment typologies found to exist in the SPEC project firms would exist in IHTSU firms.

The findings of the study on human resource practices suggest that IHTSUs do not behave in an informal ad hoc way as suggested by some scholars (Phase 1: Greiner, 1972) but evidence a more managed and structured approach to the management of their people. In fact when compared to the findings on human resource practices in comparative SPEC firms, it was observed that Irish start-ups demonstrate much higher levels of formalisation and of structured communication and training despite being smaller in size. One possible explanation for this might be the 'imprint of the founder' (i.e. the previous organisational experience that the founder brings to bear on his new organisation). An alternative explanation might be that since Irish firms internationalise at an early stage of their development (Brennan and Garvey, 2004) this external contingency might explain the patterns seen. A final possible explanation could be the differences in institutional frameworks, specifically relating to employment law requirements, between Ireland and the United States. Despite the small Irish sample, the preliminary evidence suggests that the employment typologies proposed by SPEC (Baron and Hannon, 2002) are to be found in high-tech start-ups across cultures. The existence of a number of identifiable discrete typologies gives rise to the question of what causes this diversity of approach among a sample of comparable firms in terms of size, sector and stage of development. Although Baron and Hannon (2002) conclude that the imprint of the founder is an explanatory factor, they have established that typology difference is linked to the business strategy pursued by the start-up. In order to address these questions, a longitudinal study tracking the growth and development of emerging high-tech firms could provide us with answers and insight.

The study reported here is a replication of an aspect of the Stanford project. This approach was adopted in the belief that the

stronger the basic design, the stronger the inference that may be made from replication (Schafer, 2001). However, there are some shortcomings in adopting a literal replication, specifically the ability to adapt the instruments to address different issues. Further it would have been beneficial to adopt a holistic approach by including responses from employees on the existence of the human resource practices in the sample firms.

Finally, the Irish high-tech-based sector, although vibrant, is still in its infancy and therefore proactive nurturing and support is essential. With increasing global competition much remains to be done to ensure the sustainable growth of the sector: 'innate abilities can be complemented by training to enhance the likelihood of the new business' survival and growth' (Enterprise Strategy Group, 2004: 103). Education and training in the management of human resources will play a major role in ensuring that Irish firms are not only able to cope with future changes in the market but also succeed in driving market growth by breaking the €2 million mark that would ensure their sustainable development. Any governmental policy and education programme targeted towards the development of IHTSUs should be based on understanding the unique characteristics of and challenges facing IHTSUs.

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Doctoring Entrepreneurship Thinking



S I M O N B R I D G E *

INTRODUCTION

We live in an age in which science predominates and therefore we expect a scientific explanation for every phenomenon that we observe. In a subject such as chemistry, for instance, if we observe that when A is mixed with B it produces C, we can then predict that if we want C we should mix A and B, provided the conditions in which the mixing is done are broadly comparable. We appear to think that entrepreneurship is a similar science in which a formula which appears to produce a desired outcome in one place can be applied in another location with the same effect. But, as Bygrave (1989) pointed out in his paper on the ‘Entrepreneurial Paradigm’, the sciences are not all equal in their ability to make accurate predictions. He observed that if the sciences were placed in a hierarchy based on this criterion, physics would be near the top, with chemistry following it. Modern physics can be said to have started with Newton and his laws of motion. His inverse square law of gravitational attraction, for instance, used contributions from mathematics, physics, geometry and astronomy to explain and predict planetary motion. The success of this approach helped to establish classical determinism, which states that a specific set of conditions will produce a specific outcome, and this has become a basic bias in our scientific philosophy. According to Bygrave (1989) this helped to

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establish physics as the discipline which other sciences came to envy because it had become so precise and deterministic. But, Bygrave (1989) suggests, a basic science such as entrepreneurship is an applied science and is much less deterministic. Therefore physics and chemistry, it would seem, do not provide good analogies and examples for entrepreneurship. This paper suggests that medicine is an applied science which was not placed high in Bygrave's hierarchy, but has a lot in its development and limitations which might give us a much more relevant perspective for our understanding of entrepreneurship.

EARLY MEDICAL UNDERSTANDING

Medicine has a long history. From the earliest days human beings have suffered from disease and have therefore sought protection and relief from it. However, it would seem that the earliest sources from which help was sought or expected were diviners and witch-doctors, and medicine was seen to belong more in the realm of religion and the spirits than in science. It was probably not until the emergence of the Hippocratic doctors in the Greek-speaking world that an essentially secular medicine first appeared in the fifth century BC. The Hippocratic corpus of knowledge was, after the Dark Ages, re-discovered by Western Europe from Islamic sources. It broadly explained health and illness in terms of shifting balances of the four life-sustaining humours said to be present in every body. They were blood – the source of vitality; choler – the gastric juice indispensable for digestion; phlegm – which included the various colourless secretions and which acted as a lubricant and coolant; and bile or melancholy – not seen on its own but darkening the other humours. Between them the four major fluids accounted for the visible and tangible phenomena of physical existence. Blood, for instance, made the body hot and wet, choler hot and dry, phlegm cold and wet, and bile cold and dry (Porter, 2002). This thinking was therefore in accordance with observations of the body and the liquids in it, and had ready explanations when people felt sick. Illness, it said, resulted when one of the fluids either built up, or become diminished. If a body had too much blood, possibly because of faulty diet, it become hot and wet, whereas too little blood, as the result possibly of a wound, led

to fainting, coma and even death. Someone who was feverish and was too hot and wet was therefore thought to have too much blood. The technique of treating such a condition by bleeding the patient therefore had a logical rationale based on a classical corpus of knowledge.

We now think that such a cure was wrong and was actually worse in its direct effect than doing nothing, but people appeared to have believed in it. If they were ill they wanted a doctor, and the doctors felt a need to do something and did what they had been trained to do. And many patients got better, not all of them admittedly, but even today not all patients recover. We might explain this apparent success as being due either to the fact that many patients would naturally have got better anyway or to the placebo effect, which was not known at that time. However, the frequent combination of treatment followed by recovery must have seemed to prove the theory to many people at that time.

MYTHS AND THEIR PREVALENCE

Following discoveries, such as that of the circulation of blood, and other medical advances, we now think that a lot of the Hippocratic corpus was essentially myth. We also recognise that there have been other myths in medicine. Malaria was thought to be caused by bad air, hence its name, and so was cholera. London's Victorian sewerage system was built to prevent cholera outbreaks by removing the smelly sewerage that produced bad air, before it was discovered that cholera was waterborne and therefore that sewers actually prevented cholera by removing a source of the pollution of water supplies. Scientific advances, such as the isolation of the cholera bacillus in 1884 and the identification of the life cycle of the malaria parasite in about 1900, have helped to improve our medical knowledge and dispel at least some of the myths, but even today many alternative medicines and practices are still popular even though there is (as yet) little or no known scientific support for them.

Although the existence of such powerful mythical concepts and myths may be more readily seen in other areas, it is not easy to accept in one's own subject. We seem able to accept the lesson of history that human beings can believe in, and be guided by, such

myths, but only other human beings and only in the past. We do not seem to believe that it could apply to us today. That is one reason why the analogy with medicine may be helpful because it shows how an apparently rational theory, based on an apparently tried and tested classical corpus of knowledge, and which was believed in for so long and which led to many apparently successful cures, can nevertheless turn out to be just a myth. This paper suggests that, if that can happen in a field such as medicine, it can also happen in entrepreneurship. Could it be that our understanding of entrepreneurship today is as flawed as once was our understanding of physiology?

ARE THERE MYTHS IN ENTREPRENEURSHIP?

Gibb (2000) has suggested that myths do abound in the field of entrepreneurship. He argued that, in the fields of entrepreneurship and small and medium enterprises, ‘despite the increase in academic knowledge, indeed perhaps because of it, there has been a growth of ignorance... [and] a major manifestation of this growth of ignorance is the emergence of a number of outstanding “mythical concepts” and “myths” which have considerable influence on the establishment of policy priorities’ (Gibb, 2000: 13). If we really do understand entrepreneurship correctly then why do governments still provide significant budgets for entrepreneurship initiatives which, despite apparently positive outputs, never actually seem to lead to the sort of outcomes that they were supposed to provide? We believe that we can identify areas low in entrepreneurship and, by applying what seem to be the factors responsible for high entrepreneurship elsewhere, raise those low levels. But how often do they rise and, if they do, do we know why? Could it be that, like the doctors in the days when patients were bled, government and agencies feel the need to do something and want therefore to believe that what they are doing is the right thing?

COULD THE EXAMPLE OF MEDICINE INDICATE A WAY FORWARD?

A comparison between the fields of entrepreneurship and of medicine might not only provide entrepreneurship with examples of

myths but may also indicate how progress in understanding might be made. Our knowledge of physics has benefited from general theories, such as Newton's laws and later Einstein's general theory of relativity, which brought together apparently separate strands of understanding into a few relatively simple overall formulae, but the development of medical knowledge has not been like that. There have been significant discoveries such as the circulation of blood, of the need for vitamins in food, of the existence and effects of bacteria and viruses, and of the role of genes, but they have not been brought together into one overall theory that has advanced knowledge at a stroke. Instead improvements in medical knowledge have been relatively small, separate and incremental. We may now understand the difference between infectious diseases and deficiency diseases, and appreciate that there is link between the mind and the body, but this understanding has come from a series of separate improvements in our knowledge in different branches of medicine, not to any single overall general theory. However, these separate developments have together been very helpful in improving the efficacy of diagnosis and cures. While the development of wide-ranging general theories is exciting and is an attractive challenge in many areas of science, it has not, or at least not so far, been particularly relevant to medicine. Maybe in entrepreneurship too we should not expect to find overall explanations and should look instead for separate discoveries about different aspects of what we call entrepreneurship?

FURTHER LESSONS SUGGESTED BY THE MEDICINE ANALOGY

As well as providing examples of myths and of how progress in understanding might be made, there could be other lessons from medicine which might also apply to entrepreneurship. For instance:

- When dealing with the functioning of the human body, you cannot examine a part of it in isolation from the whole and hope to learn much about it.
- Improving a patient's health is not only done through medicine or surgery; in some instances all that is needed is diet and exercise.

- A life support machine may sometimes be necessary to prevent death, but it is not a cure and it develops dependency, as also can lesser forms of care.
- A healthy body is one that, with a good diet and sufficient exercise, maintains its existence and its operating efficiency itself. It is not healthy if its stability has to be periodically maintained by external inputs from surgery and/or medicine. In correcting a problem, therefore, sometimes less medicine may be more effective than more because it leaves room for a body's own defences to develop.

Other lessons could be that a separate prescription for every individual is not a sensible way to raise the overall health of a population and neither is health only raised by medical means. Things like sewerage systems and the provision of fresh water can sometimes be very effective. In the developed world the core of our medical system, and the consumers of the major part of our health budgets, are our hospital systems which endeavour to provide appropriate treatment to all individual patients who need it. However, it has been suggested that, in the underdeveloped world, the provision of hospitals would be a very expensive and ineffective way of improving the general health of the population, and that investing in public health measures, environmental hygiene and better nutrition would be far more cost effective. If the aim is to improve the general health of a population, or to grow it, which seem closer to the aims of government initiatives in the area of enterprise and entrepreneurship, then individual cures are not an effective answer and the lessons we need from medicine are those which lead to improvements in public health overall.

Depending upon what the aim of a programme might be, different strategies are required for success. The aim of government health initiatives might be to improve the health of individuals, to improve the overall health of the population or to improve birth rates, and these things are rarely undertaken by the same organisation. Increasing the size of a population, if that is the aim, can be done both by reducing the death rate and by increasing the birth rate, but these two strategies require very different approaches and

the aim of medicine assistance is rarely population growth. When we examine such lessons from medicine, then the opportunities for correlating concepts leading to the development of entrepreneurship become more apparent. What is required is a fresh body of theoretical work that explores such analogies in the hope of unearthing meaningful concepts that further our understanding of entrepreneurship.

CONCLUSION

Our knowledge of medicine may now be better than it one was, but there is not a single general theory behind medicine, and there is not a general formula for health. Separate discoveries like that of the circulation of blood, of the difference between infectious diseases and deficiency diseases, of the role of genetics in health, and of the link between the mind and the body, have however been very helpful in improving the efficacy of individual diagnosis and cures. Additionally, even if doctors know what is wrong and what the cure should be, that does not guarantee that the cure will work. Ultimately we all die. However, medical theories can be used for successful prescriptions and can be helpful in explaining why things happened the way they did. More importantly for the analogy with entrepreneurship, they have also been useful in suggesting effective public health initiatives.

But, before we arrived at our present level of medical knowledge, we had approaches like the Hippocratic corpus which had an excellent classical pedigree, which suggested cures which in many cases must have appeared to work, and which therefore seemed to have been accepted and believed by both doctors and patients. Now, however, we think it was a myth. We have not been studying entrepreneurship for nearly as long as we had been studying medicine when that myth was prevalent. Why should we think that our understanding of entrepreneurship is now any more advanced than our understanding of medicine was then?

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Third Stream Activities: Company Formation – Issues, Challenges and Implications



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INTRODUCTION

The increased emphasis on innovation and technology transfer as the key drivers of a globally competitive economy has led to more direct attention being paid to the role of Higher Education Institutions (HEIs) within this field of activity (Fassin, 2000: 31; Forfás, 2004). This is best captured in the concept of a triple helix system, which recognises that the future location of research and technology transfer reside in a triple helix of university–industry–government relations (Etzkowitz and Leydesdorff, 2000; Leydesdorff, 2000). The perception of HEIs as merely institutions of higher learning is therefore gradually giving way to the view that HEIs are important engines of economic growth and development (Chrisman et al., 1995).

Recent developments in HEI–industry collaboration and technology transfer mechanisms have been driven by a number of factors, including scientific breakthroughs, developments in ICT (information

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and communications technology) and appreciation of the complex nature of innovation, as well as recognition of the value of cooperation (Carayannis and Alexander, 1999; Lundvall, 2002). In an Irish context, competitive threats from new EU accession states, coupled with requirements to sustain success, have added urgency to this project. Thus, while in the past HEIs have focused on two streams of activities, namely research and teaching, third stream activities (e.g. incubation units, company formation, mentoring and technology transfer) are now forming an integral part of Irish HEIs' missions and objectives (see Table 1). Efforts to develop and promote third stream activities typically focus on attempting to replicate the success of the United States, where the Bayh–Dole Act served as a catalyst to encourage commercialisation activities among universities. In the United Kingdom the Lambert Report (2003) noted the necessity of universities 'casting off their ivory tower image' if this goal is to be achieved.

Table 1: HEI–Industry Collaboration/Technology Transfer Mechanisms

Commercialisation/ Transfer Mechanism	Description
Sponsored research	The most frequent form of research relationship, which involves companies directly funding university research
Collaborative research	University–industry research partnerships that can be encouraged through partial government funding
Technology licensing	Licensing of university patents to companies for commercialisation
Start-up companies	Companies that obtain licensing agreements to access university technologies
Spin-offs	Companies that include among its founding members a person affiliated with the university
Exchange of research materials	Used to expedite the performance of research, accomplished through material transfer agreements

COMPANY FORMATION: ISSUES AND IMPLICATIONS

Start-ups and spin-offs are the most cited form of technology transfer from HEIs as they are the direct manifestation of such activity and provide a sound basis for measuring the direct impact of technology transfer activities (e.g. numbers employed, revenues, value of equity). Although the terms are often used interchangeably, it is useful to distinguish between the two mechanisms of company formation available to HEIs. A spin-off is a company that includes among its founding members a person affiliated with the university, while a start-up firm is one that is not founded by a staff member of the HEI but is developing technology originating at the HEI (e.g. licensed technology) (Graff et al., 2001). Internationally, the United States leads the way in third stream activities, particularly in relation to company formation in the form of the number of start-up and spin-off companies created. In the United States it is estimated that roughly 12 per cent of university-assigned inventions are transferred to the private sector through the founding of new organisations (AUTM, 2003). The US data from the AUTM survey (2003) indicates that 450 new companies based on academic discovery were formed in the fiscal year 2002. Some 83.1 per cent of new companies were located at the state province of the academic institution where the technology was created. Since 1980 a total of 4,320 new companies have been formed based on a license from an academic institution with 2,741 (63 per cent) of these start-ups still operating as of the end of the fiscal year 2002. Academic institutions in the United States typically have an equity interest in 70 per cent of their start-ups. In terms of OECD (2003) data a survey of technology transfer offices found that the average number of new spin-offs or start-ups reported per institution was under one a year. This figure is in contrast to the United States where the average is two, a figure which has remained stable since the end of the 1990s (AUTM, 2003). This empirical data serves to highlight the fact that relatively few companies are formed as a result of a HEI invention. The attention that such activities attract from the media often suggests otherwise.

Typical reviews of best practice in this area (e.g. Allan, 2001; Howells and MacKinlay, 1999; Scott et al., 2001) identify a number of mechanisms which facilitate and encourage technology transfer

through company formation. These include having clear guidelines and policies, transparency in decision-making concerning exploitation and commercialisation activity, and good information and contact provision to academic personnel regarding intellectual property and commercialisation procedures. Central to successful efforts is the careful management of expectations, active promotion of commercialisation activities and a clear consensus around the nature of equity holdings and royalties. Efforts at company formation, however, do not come without significant institutional and cultural challenges. Commercialisation of centres for science, engineering and technology (CSETs) funded by the Science Foundation Ireland (SFI), via company formations, will be used as a barometer for success in an Irish context, given different academic and industrial partnership mixes.

CHALLENGES

In locating company formation issues in the context of macro-related trends, a number of challenges and concerns can be identified. The Irish research system carries a legacy from years of under-resourcing which has resulted in high levels of fragmentation, low levels of collaboration and a lack of critical mass. Ireland's research and development (R&D) performance has been poor to date. In terms of the Lisbon target set by the European Union of an R&D spend of 3 per cent of GDP by 2010, Ireland had only achieved 1.12 per cent by 2003. At a more micro level a critical impasse in terms of company formation stems from the lack of awareness or commercialisation experience among academics (Forfás, 2004). King's (2005) study of 1,000 research academics, for example, found that less than half had ever been involved in collaborative research with industry, while 70 per cent of the respondents had never been involved in any commercialisation activity resulting from academic research. Clearly, Ireland has a lot of catching up to do in order to emulate the success of the United States in company formation. For HEIs this is best achieved by putting in place support and incentive systems while balancing these activities with prudent governance structures. Siegel's research conclusions are instructive: 'the propensity of faculty members to disclose inventions, and thus increase the supply of technologies

available for commercialisation will be related to promotion and tenure policies and the university's royalty and equity distribution formula' (Siegel et al., 2003: 44).

IMPLICATIONS FOR HEIs AND THEIR LEADERS

The question Irish HEIs are now facing is not *whether* they should improve, develop and maximise the effectiveness of third stream activities but rather *how*? Successful strategic management of third stream activities will involve negotiating a number of tensions (Cunningham and Harney, 2006: 18), which include the following issues:

(1) *Risk versus Reward*: the primary objective of publicly funded HEIs is the development of public goods and the protection of its intellectual property. HEIs have to balance this goal with an increasing requirement to commercially exploit their research output. Successful HEIs in the twenty-first century will be those that continue to excel in teaching and research, while at the same time developing complimentary third stream activities to exploit research for the public good. It is in this context that questions of coordination, adherence to university regulations and recognition in terms of success of institutional resources, or of a financial return to the institution, become issues of great sensitivity (Shattock, 2001). This has been particularly the case in relation to company formation activities, which can be viewed as a double-edged sword; acting as potentially the most lucrative and beneficial transfer technology mechanism, while at the same time often requiring the most investment and attendant risks, thereby potentially leaving HEIs most exposed. This tension can be managed by putting in place solid governance structures and transparent policies that ensure an appropriate balance in third stream activities.

(2) *Individual Research Efforts versus Funded Priority Areas*: at the heart of HEIs is academic freedom, particularly in relation to research efforts. Academics have the freedom to participate in nationally and internationally funded projects. HEIs leaders have to ensure an adequate balance between ensuring support for the commercialisation of priority funded public research while simultaneously encouraging and supporting research which does not fall

within the remit of stated institutional research priority areas or is not in receipt of national or international publicly funded research. HEIs can manage this tension by ensuring that academics become involved in commercialisation or in specific research areas purely based on their voluntary desire to do so. Critically, HEI leaders should also bear in mind that technology transfer occurs through multiple channels, may be more appropriate to specific fields, and is only one of a range of third stream activities conducted by HEIs. Consequently, HEI leaders have to think strategically about this tension and how it is best managed at an institutional level.

(3) *Scholastic Endeavours versus Academic Entrepreneurship*: the concept of ‘academic entrepreneurship’ has emerged to capture the trend for individual researchers to become increasingly involved with the commercialisation of their research results, through licensing a patent or by the creation of a spin-off company. Traditionally HEIs’ missions have focused on teaching and research excellence and HEIs’ promotional structures reflect this perspective. With increased emphasis on commercialising research within HEIs and from funding agencies nationally and internationally, HEI leaders will face the task of reflecting these changes in an equitable manner, in terms of promotion systems and resource allocation. HEIs will thus have to organise themselves in a way that will allow them to exploit academic entrepreneurship in the most effective manner (Lambert, 2003: 6).

(4) *Local Initiatives versus Regional/National Collaboration*: currently all HEIs in Ireland act relatively independently in managing their technology transfer activities (Forfás, 2004). The reality facing all Irish HEIs, however, is that they will not be in a position to provide all the services required for university–industry collaboration. Given their potential deficiencies in expertise, particularly in aspects of commercialisation and knowledge of the patent process, HEIs will be under increasing pressure to develop more cooperative regional or national mechanisms. The European Union in particular, emphasises the value of collaborative efforts in providing economies of scale and expertise. HEI leaders will therefore have to develop clear policies and procedures in relation to their participation and activities in a meso-level structure, while at the same time ensuring they maintain a close relationship with researchers on the ground in their own institutions.

In order to recognise and deal with these tensions Brint (2005) suggests that the role of the university needs to be reconceptualised. Arguably, an outdated model of the characteristics of universities stressing the individual, researcher, single disciplines, national rankings and mere cumulative progress in fields of formal knowledge will not serve us as well in an innovation-based era. Instead, Brint advocates new university models encompassing interdisciplinary groups and large-scale economic and political support networks, where the underlying dynamic is constant innovation in economy and society. The precise dichotomy between the 'established' and 'new' university model may be one of conceptual elegance but it does help foster debate as to the nature and role of HEIs in our evolving economic landscape.

In the United States, the AUTM has stated that the mission of technology transfer has permeated all parts of academia: 'even the smallest colleges and universities are creating the infrastructure to translate the fruits of their research into products that serve the public good' (2003: 7). The paradigm shift to a more entrepreneurial university therefore appears to be a real one. This is not only the case in the United States, but also in Ireland and rest of Europe, where new arrangements have to be negotiated so that information can flow smoothly from a lab in the university to a company (Etzkowitz and Leydesdorff, 2000). Passive approaches of fortuitous technology transfer which serve to reinforce the 'ivory tower imagery' need to be replaced by more proactive strategies and approaches. In an Irish context this requirement was highlighted by the Enterprise Strategy Group: 'close to market and applied research capabilities must also be promoted, to facilitate greater synergy between those who generate knowledge and those who transform it into saleable products and services' (2004: xvi).

Finally, insights into this area and the dynamics of company formation can only be obtained by research of the type promoted by this special issue of the *Irish Journal of Management*. Further studies are required to address specific issues relevant to technology licensing and spin-outs and their respective required support infrastructure. Research studies should also address requirements such as the abolition of stamp duty on technology licensing and the implementation of the new EU Technology Transfer Regulation

240/96 (Forfás, 2004: 35). Insightful contributions can also be gained through comparative work, particularly those that compare the Irish case with smaller European countries that, like Ireland, aspire to being knowledge-based (e.g. Denmark, Finland, Sweden and Austria). It is only through these efforts and the dissemination of their findings that the promise of third stream activities can be fully understood and realised. For Irish entrepreneurship the rhetoric of the development of third stream activities must begin to match the reality of becoming a knowledge-based economy. This will be vital if Ireland is to sustain the momentum of its remarkable and much admired economic transformation into the next decade of the twenty-first century (Green, 2006).

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The Creative Industries: Ireland's New Tiger Economy?



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INTRODUCTION

In recent years, academics and politicians alike have witnessed a growth in interest in the creative industries internationally. Once considered a peripheral, low-margin business with little or no impact on the economy, creative industries are quickly becoming one of the most promising business sectors worldwide. This interest in all things creative has been accelerated by a combination of the globalisation of communications and recent advances in digital technology, plus the lure of high-value, high-skilled job creation, leading to sustainable economic growth and new business development. Creative industries are now among the fastest growing sectors worldwide, with growth rates far outstripping that of traditional manufacturing industries, as well as high-tech sectors, such as information and communications technology (ICT) and telecommunications. Interestingly, this emerging sector is not solely relegated to the wealthy nations of Europe and America. India, China, South Africa and even Cuba are now moving into the creative sector (see for example Starkwhite, 2002; Waller, 1996). However, some commentators have begun to question the disproportionate amount of attention currently being paid to the creative sector, suggesting that its economic forecasts are grossly exaggerated and that the term

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‘creative industries’ itself merely constitutes a re-categorisation of existing sectors into a new, more popular cluster. This research note explores the basis for the growing interest in the creative industries and attempts to determine how much of this interest is fuelled by hype and how much by reality.

THE SECTOR DEFINED

The concept of the ‘creative industry’ first emerged in Australia in the early 1990s. Originally, the term was used to describe all industries based on creativity that generated intellectual property, but this description was quickly narrowed to include industries that had an artistic or cultural bent (Howkins, 2002). Currently the creative industries are generally regarded as ‘activities that have their origin in individual creativity, skill, and talent, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property’ (DCMS, 2001). The sector includes a wide range of business types, from the conventional crafts, advertising, designer fashion and antiques, through to the more emerging businesses associated with the entertainment and leisure software sector, and the extensive range of related support services. On a global scale, governments worldwide have been quick to recognise the growing importance of the creative industries. Traditionally, the sector was regarded as a luxury or lifestyle activity, with little or no real impact on the economy. Increasingly, the sector has become synonymous with facilitating the move to a knowledge-based, high-value economy. Partly due to the work of Florida (2002, 2004), governments in countries as diverse as the United States, Hong Kong, Taiwan and Korea have adopted a new perspective on these industries and are now beginning to treat them as ‘the new mass manufacturers, situated at the very heart of the knowledge economy’ (DCMS, 2001). This perspective is supported by Wolf, who claims that ‘entertainment – not autos, not steel, not financial services – is fast becoming the driving wheel of the new economy’ (1999: 4). However, a substantive argument rationalising the sudden and somewhat disproportionate amount of attention currently being paid to the creative industries would appear to be lacking in the literature. In the absence of explicit evidence, a number of plausible explanations have been offered. First, according to Smith (M2 Presswire, 2001), the sector is central

to everyday life: '[it is] all around us: the shoes and clothes we wear, the buildings we live and work in, the computer software we use for business and pleasure, the music we listen to, the books and TV programmes we enjoy at leisure'. Second, the globalisation of communications networks and the rapid advance of digital technologies have propelled growth in the creative industries to position them among the fastest growing in the world (DCMS, 2001). In the United Kingdom, for example, between 1997 and 2001, the creative sector grew by 8 per cent, compared to just under 3 per cent for the UK economy as a whole. In value-added terms, the sector contributes over 10 billion pounds sterling to the balance of trade, and accounts for 5 per cent of GDP, which is greater than the contribution of any of the UK's manufacturing industries. Moreover, it is estimated that two million people are employed, directly and indirectly, in the sector. As indicated earlier, these growth rates are not confined to the United Kingdom; similar growth rates are documented in Australia, New Zealand and Hong Kong (Department of the Premier and Cabinet, 2004; New Zealand Trade and Enterprise Agency, 2002). A further reason for this growth is due to the variety of industries that make up the creative sector. Creative industries are connected, directly or indirectly, to the information, communications and entertainment sectors of the economy, and as such, are typically very receptive to foreign collaborations, offering huge potential for exports, international partnerships and foreign direct investment (FDI). In addition, by their very nature, the creative industries and creative people are constantly absorbing new technologies, processes and management expertise in order to add value to the content of their outputs. Thus, there is a huge business opportunity, in terms of sales, knowledge and technology transfer, to be exploited.

THE RISE OF THE CREATIVE SECTOR

Throughout the last fifteen years, the Irish economy has witnessed unprecedented economic growth (ESRI, 2005). Typically, commentators have been apt to attribute this success to Ireland's FDI policies, concentrating on the performance of the manufacturing and high technology sectors, particularly the ICT sector. However, recently there has been heightened awareness of the contribution to the economy of the indigenous sectors. As a consequence, 'natural

resource' sectors, such as the arts, music, literature and film, have been increasingly recognised as a significant economic resource. Interestingly, the Irish government has been aware of the potential of the creative sector for many years. For example, the growth in popularity of the sector was foreseen nearly a decade ago in Ireland: 'culture and leisure are important areas which can promote renewable prosperity and growth, for which Ireland is best suited ... , (with) changes in the nature of work and leisure' (The Forte Report, 1996). Initially, the emphasis within Ireland's creative sector has been placed on the purer artistic endeavours, such as music, theatre, arts and crafts. However, economic awareness has shifted towards more technology-based creative businesses, such as interactive digital media, including computer software, games and related services, with such businesses being categorised as part of the 'digital content' sub-sector. In 2001, PricewaterhouseCoopers (PwC) estimated that the digital content sector was worth an estimated \$180 billion to the Irish economy. The report estimated that by 2006, the sector would be worth \$434 billion, which translates into an annual growth rate of 30 per cent per annum.

For some, the creative industries have been heralded as Ireland's new 'Tiger Economy', an example of its new economy patterns. Both Forfás and Enterprise Ireland have widely promoted the digital media industry as a new, high-growth sector, providing high value added employment. According to Forfás, Ireland has a number of strengths on which to build a world-class digital sector: the significant growth in both the supply and demand for broadband; access to a growing pool of IT, software and creative professionals; and the development of the Digital Hub, plus incubation facilities for digital content start-ups in colleges throughout the country. Collectively, such strengths mean that Ireland now has the creative, technical and business skills, as well as the infrastructure, to make Digital Ireland a reality. However, for others, the creative industries simply represent a re-categorisation of other industries into a new industry cluster which down-plays the more aesthetic elements of the sector, pushing the technological aspects to the fore. Regardless of the perspective adopted, the economic contribution of these industries cannot be ignored. A perfect example in this regard is the music industry, which is one of the most integral and popular

symbols of Ireland's cultural sector. The contribution of the Irish music industry in terms of economic contribution is quite significant. According to Goodbody Economic Consultants' report (2003), the industry generated €478.4 million to the economy, with sales of records by Irish artists exceeding 56 million albums. In global terms, Irish artists accounted for some 2.3 per cent of worldwide CD sales. The success and universal recognition achieved by artists like The Corrs, Enya, U2, Christy Moore and The Chieftains has positioned a small nation like Ireland to the forefront of the world's music stage. For example, on a per capita basis, record output by Irish artists is almost thirty times the average. Per US dollar of gross domestic product (GDP), Irish music output is eight times the worldwide average. Further evidence of the success of Irish artists is evidenced by the fact that they were represented in almost 30 per cent of the top 10 albums for which the International Federation of the Phonographic Industry (IFPI) provided data. Over the period 1996–2001, Irish artists have won forty-eight platinum awards, putting Irish artists in fourth place behind the United Kingdom, the United States and Canada (Goodbody Economic Consultants, 2003). According to Ó Cinnéide (1999), this level of creative talent is not just confined to performers but extends to Irish composers, arrangers and business managers. Ireland's domination of the Eurovision song contest in the 1990s highlighted the country's inherent talents in this regard, as well as the role that music plays in national culture. Indeed as noted by Ó Cinnéide (1997), the success of Riverdance is indicative of what Irish creative personnel can achieve. Conceived originally as only a short interlude for the Eurovision, Riverdance was successfully developed into a full-length theatrical show, with video and audio spin-offs, and more than ten years later is still touring to packed theatres throughout the world. In economic terms, the success of Ireland's creative sector translates into significant employment gains. The music industry is, by far, the most significant employer of all the cultural sectors in Ireland. However, accurate estimates of employment are difficult to obtain. In 1994, Simpson Xavier Horwath Consulting estimated that up to 14,000 people were employed, either directly or indirectly, in the Irish music industry, while others (Coopers and Lybrand, 1994; Goodbody, 2003) put the figure closer to 10,000 full-time

equivalent employees in the sector, the majority of which are in Dublin itself (71 per cent of all Irish music industry enterprises listed are based in Dublin). Irrespective of the exact figures, the scale of the value added by the Irish music industry to employment and the economy is impressive. According to Goodbody (2003), it is worth just under half of 1 per cent of GDP and exceeds the value added by industries such as dairy processing, newspaper and magazine publishing, and plastics and rubber production.

Another benefit of the creative sector is that of social regeneration. A number of commentators, for example, Mitchell and Wall (1989) and Johannisson (1990), recognised the benefits of such an industry to the wider society (see also the Forte Report, 1996). Culture, for example, can become a most potent force, especially in terms of economic and regional development, particularly when it is developed in tandem with tourism. The mushrooming of cultural music centres and summer schools throughout Ireland is testimony to this development (Ó Cinnéide, 1997). Notwithstanding the above, there is a need for caution in assessing the economic potential of the creative industries. To some, the success of many aspects of the creative industries in Ireland can be said to be more apparent than real, leading some to question the true value of this sector to the economy. While success stories abound, major weaknesses exist in the current model on how best to indigenise the industry so that the maximum economic benefits can be achieved from native talent. In the case of the music industry, for example, many of Ireland's international stars, such as The Corrs, Enya, The Chieftains and The Cranberries, are all signed up to British or US divisions of global record corporations. Consequently, their contribution to sustaining and developing the Irish record industry is questionable. Similarly, the penetration of Irish artists in terms of the home market is low. At present, as reported in Henry et al. (2004), Irish artists have only 26 per cent of the domestic market by value. This is low by international standards and suggests that there is considerable scope for Irish artists to expand.

At a fundamental level, the above is partly due to a wider problem in the creative sector. The success of many aspects of the creative industries, particularly those presented on the international stage, both literally and metaphorically, has been due largely to

immense individual determination and talent, rather than as a result of a coherent national strategy/support system. Because the industry is apparently so successful, there is, unfortunately, the perception that it does not need support. This is in contrast to other industries, such as manufacturing, which is constantly upgrading its infrastructure, employee skills and management training. It is of interest that Forte recommended that the training/development agency FÁS adopt an active role in identifying training needs, with a view to developing a comprehensive up-skilling strategy for musicians/musician entrepreneurs (the Forte Report, 1996).

CONCLUSION

There is no doubt that the creative industries represent a powerful economic force for many modern and emerging countries. Indeed, policy-makers around the world have begun to focus their attention on the sector. Such scrutiny has propelled the sector into the lime-light but has exposed fundamental weaknesses in the structure, organisation and management of the creative industries in Ireland. It is further apparent that much of the success of Irish creativity has been due to the determination of individuals, rather than a coherent creative policy. On the question of how much of this is hype, and how much is reality, there is no doubt that significant economic potential for the creative industries exists, but policy-makers and government should be particularly cautious in promoting the ‘creative sector’ as the next big economic force in Ireland – in many respects, this particular tiger has yet to roar!

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Gaeltacht Entrepreneurship: An Opportunity for Integrated Development, Yet Peripheral in Many Ways



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INTRODUCTION

The Gaeltacht areas were first officially designated in 1926 as areas where the Irish language was spoken by a substantial proportion of the population. After a number of changes over the years, the current Gaeltacht is spread over twenty-four non-contiguous areas across seven counties (Donegal, Mayo, Galway, Kerry, Cork, Waterford and Meath). It is defined at electoral division (ED) and townland level, leading to many difficulties and a lack of clarity in many developmental issues. The 2006 Census of Population records 92,777 inhabitants in the Gaeltacht and, with the exception of part of Galway city and its suburbs, there is only one Gaeltacht town with a population of over 1,500 people: An Daingean (Dingle) in County Kerry. The Gaeltacht is disadvantaged in terms of many of the common yardsticks such as location, infrastructure, education, socio-economic conditions, health services, unemployment and the language itself. For example, in the 2002 Census, five of the top six EDs with the highest rate of unemployment in the state were in the Gaeltacht, with rates of over 35 per cent in each case. On the other hand, areas such as the suburbs of Galway city and surrounding areas are closer to national averages.

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PUBLIC POLICY AND ADMINISTRATION

Since its legal inception, the Gaeltacht has been treated as a separate entity in many national governmental issues. This is most notable in the area of industrial and enterprise development, where the scattered region is administered by the Department of Community, Rural and Gaeltacht Affairs rather than the Department of Enterprise, Trade and Employment. The remit of Údarás na Gaeltachta (the Gaeltacht Development Authority) is the economic, social and cultural development of the Gaeltacht. It was established in 1980 (after the disbandment of its predecessor Gaeltarra Éireann) and its role and board membership structure is currently being reviewed by the Minister of Community, Rural and Gaeltacht Affairs. Údarás is unusual as a development agency in that seventeen of its twenty (chair person and nineteen members) board members are directly elected by Gaeltacht residents, in a system essentially identical to the local county council elections. Thus many of the Board members are also county councillors. This has led to a dearth of expertise on the board in areas such as enterprise development, sociolinguistics and strategy, and to accusations of parochialism and lack of vision. By comparison, the board of organisations such as the IDA (Industrial Development Agency), Enterprise Ireland and Forfás are appointed for their relevant knowledge and experience, albeit as political appointments.

Údarás na Gaeltachta has the opportunity to develop integrated strategies and supports for enterprise development due to its wide developmental (not educational) remit stretching from community development, and socio-cultural and linguistic development, through to enterprise development. However, it is debatable whether this opportunity has been fully exploited, and indeed whether the result of such a wide brief might make it difficult to develop specialist knowledge. In terms of enterprise development (inward investment is coordinated through the IDA), Údarás na Gaeltachta is the Gaeltacht counterpart of Enterprise Ireland and also of the County Enterprise Boards (CEB), yet it is not sufficiently integrated with these bodies. Údarás is not part of the CEB network, and a lack of consistency in policy and practice in its relationship with the various CEBs has been previously noted (Fitzpatrick & Associates, 2003). There is also insufficient integration

into the national entrepreneurship debate and policy-making. While Údarás senior management often sit on coordinating bodies, they are not closely involved in the strategic development of entrepreneurship policy. For example, of the 230+ people involved in the Enterprise Strategy Group (2004) and its advisory panels, there was not one single representative from Údarás na Gaeltachta. Údarás did however make a submission to the Group. No companies located in the Gaeltacht made a submission or had representation on any of the advisory panels. Similarly, Gaeltacht enterprise development is omitted from the *Review of Industrial Performance and Policy* (Department of Enterprise, Trade and Employment, 2003), and from the GEM 2003 review of support programmes for innovation and entrepreneurship (Fitzsimons et al., 2003).

CURRENT ISSUES

In line with national thinking and policy, Údarás na Gaeltachta's general policy emphasised attracting external investment, but in recent years it viewed indigenous entrepreneurship as providing more sustainable economic development. The main barriers to entrepreneurship in the Gaeltacht are no different to those experienced by any peripheral rural area (e.g. lack of infrastructure, distance from urban areas). However these problems are compounded by the lack of Irish language services, and the constant reminder of marginality this absence brings. There is a mistaken belief that Gaeltacht enterprises enjoy special status and support. In terms of capital grant aid, the same rules and regulations apply as exist in other regions (such as the Border, Midlands and West region). There are, however, some additional small-scale soft supports available, such as factory/office space.

Údarás na Gaeltachta's development plan for 2005–2009 concentrates on indigenous enterprise development, sustainable development, natural resources and language-based or language-related projects. Údarás now aims to have up to 60 per cent of its supported employment in indigenous small enterprises of up to twenty employees. Twenty per cent of capital expenditure will be on language-based enterprises. The language is essentially the main natural resource and competitive advantage of the Gaeltacht. Translation, subtitling, language learning and publishing are examples

of possible activities. The problem with these activities is that they are ultimately primarily dependent upon State funding (e.g. school books, or the requirements of the Official Languages Act that all state organisations provide services and publications through the medium of Irish). This problem is best exemplified through the difficulties of the Gaeltacht-based audiovisual sector. This sector was developed from the late 1980s onwards in preparation for the eventual foundation of TG4 (then Teilifis na Gaeilge) in 1996, but has now reached the shakeout stage and the surviving companies are seeking alternative markets overseas, some with great success (Quinn, 2004). Ironically, one of the sectors also being developed (call/contact centres) requires employees with English rather than Irish language fluency.

The Gaeltacht was to the forefront in developing fish-farming in Ireland in the 1960s and 1970s, but the recent internationally led changes in the fishing industry pose a challenge. While the Irish Salmon Producers' Group, established in a remote area of the Galway Gaeltacht, now handles the marketing of 70 per cent of farmed salmon in Ireland, the benefits of value-added production have yet to be exploited fully. Only 10 per cent of the fish caught in Gaeltacht waters is processed beyond primary processing within the Gaeltacht.

WHO ARE THE ENTREPRENEURS?

Role models are a valuable way of encouraging entrepreneurial behaviour. Pádraig Ó Céidigh of Aer Arann would be the best-known contemporary Gaeltacht entrepreneur and he continues to live in the Gaeltacht, although the focus of his business is outside the area. There are very few other indigenous role models. Indeed this has been an ongoing problem with Gaeltacht-born people only recently achieving senior management positions in *Údarás na Gaeltachta*, despite its history going back to the late 1950s. As often happens in rural areas, inward migrants are very active in establishing new enterprises. Many of the co-operatives established in the 1960s and 1970s were run by inward migrants. Up to the last decade the typical role model in the Gaeltacht was the builder or tradesman emigrating to England or the United States, sometimes returning home and becoming a prosperous builder or developer. Teaching

was also a popular career choice due to the State's need for fluent Irish speakers in the school system. Gaeltacht communities are active mainly through the thirty co-operatives that now provide a wide range of services and their continuing importance is reflected in the recent allocation of €3 million for the sector. Some of the early activities of these co-operatives spawned what have now evolved into successful privately owned enterprises such as the manufacturer of high quality knitwear Cniotáil Inis Meáin (<<http://www.inismeain.ie>>).

The industrialisation of the Gaeltacht was largely top-down and State-led, leading to a community culture of cynicism regarding the profitability and longevity of industries such as textiles, paper, plastics and light engineering, many of which were State-owned, or part State-owned joint ventures. The main patterns of indigenous entrepreneurship to emerge in the Gaeltacht are tourism or natural marine resource-based. As with the marine resources, tourism, in the form of Irish colleges and other cultural and linguistic tourism enterprises, provides a seasonal occupation, often combined with multiple other sources of income such as fishing, farming and bus driving. Given the distinct competitive advantage in terms of natural beauty and the Irish language itself, coupled with the high number of private homes catering to students, it is surprising that the tourism sector remains so underdeveloped. The vast majority of the Gaeltacht festivals, for example, are run by small ad-hoc voluntary committees, despite State support. This tradition of a lack of specialisation continues to this day, and may well be a deterrent to enterprise development, which requires a particular focus and single-mindedness. One could argue that perhaps some of the more dynamic entrepreneurial people who channelled their energies into community or not-for-profit enterprises might have channelled those energies into for-profit enterprises had there not been so many socio-cultural and economic problems.

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