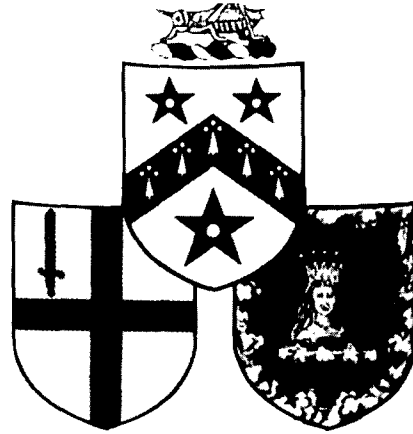


G R E S H A M
COLLEGE



EDUCATION FOR ENTERPRISE

Lecture 1

ENTREPRENEURS - IDIOTS SAVANTS

by

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Entrepreneurs – Idiot Savants

The Drop Out

It has almost become de rigour for successful entrepreneurs to deny any link between their education and their business achievements. In the UK, Richard Branson's first, successful enterprise might have been called "Student" but he now boasts of his early departure from formal education. In the USA, Bill Gates was a Harvard when he first developed an operating for personal computers but his "dropping out" is a more important feature of the Microsoft legend.

Daniel Gross of Forbes¹ tells how:

Gates enrolled at Harvard, where he spent a lot more of his time playing poker and hacking in the Aiken Computation Laboratories than he did attending lectures. Still, Gates led a typical undergraduate existence until he received a phone call from an excited Paul Allen in December 1974. Allen, two years older than Bill Gates, had dropped out of the University of Washington to pursue his interest in computers full time. He moved to Cambridge to work for Honeywell, and he had just seen the January 1975 issue of Popular Electronics. The cover featured a new minicomputer called the Altair 8800 made for a New Mexico company called MITS ... Allen and Gates quickly reached a conclusion: The Altair couldn't be a practical success without an operating language. Since nobody had ever written one for a personal computer, the two believed they were precisely the ones to do so ... while Gates stayed at Harvard, he would drop out the following year.

¹ Gross, D, (1996) *Forbes Greatest Business Stories of All Time* New York, John Wiley and Sons

This image of the education dropout going on to create a vast business empire is not a new story. Even when education was less accessible and, possibly, more prestigious the image was established that the link between education and enterprise was tenuous at best.

An Independent Person

Three linked concepts are used to justify the proposition that entrepreneurship requires little of education. Perhaps the most pervasive notion centres on the entrepreneurs' search for independence. There is a wide body of literature, which indicates that this search is the primary motivator for most people who start their own business. Alfred Mann argues that entrepreneurship and the search for independence are inseparable². The bulk of empirical evidence endorses this view that the search for independence ranks far higher than any other factor among entrepreneurs. The implied logic of this position is that these people will not tolerate the dependence or delays, which might be involved in formal education.

Others take this argument even further. They argue that much entrepreneurial behaviour results from the exclusion of particular groups and individuals from more traditional forms of social mobility. Light claims that "... self-employment still has an undeniable appeal to the unskilled, the unemployed – indeed to anyone disadvantaged in the general labour market." This theory of the disadvantaged worker who possesses limited wage-labour skills or faces disadvantage has been used to explain the entrepreneurial success of people as diverse as the maverick personalities, who appear frequently among entrepreneurs, to the achievements of migrant or ethnic minorities.

² Mann, A. (1997) "Entrepreneurship" Proceedings 27th European Small Business Seminar, Rhodes.

Achievers

Together, these theories combine to create a view of entrepreneurs that suggests that education has little to contribute to their success. They might be “achievers” as McClelland argues but formal education is more likely to distract and distort them than aid their success. Those with the right combination of skills and determination will either reject education – drop out – or be deflected by education. Implicit in this, is the notion that entrepreneurs are a peculiar type of Idiot Savant. They are able to build great enterprises but unable to succeed in the more traditional world of education.

This world view poses two challenges. The first is to education. Why cannot this talent be accommodated? The second is to the wider society in today's technological and changing world. How do we build knowledge-based businesses when the main business builders – entrepreneurs – are excluded from the world of knowledge?

Balancing the Books

There are, however, substantive problems with the commonly held belief that the link between education and enterprise is tenuous – at best. The strongest evidence comes from North America. A series of longitudinal studies have tried to explore variations in the rates of entrepreneurship over time. In a major recent study, Scott³ examined why rates of entrepreneurship had fluctuated and the factors, which were linked to these fluctuations. Among his variables were two that have a special relevance to any analysis of the relationship between entrepreneurship and prior education. The rate of technological change was found to have a consistently strong relationship with overall rates of entrepreneurial activity measured in terms of new firm formation rates.

³ Scott, S. (1996) “Explaining Variations in Rates of Entrepreneurship in the United States Between 1899 and 1988” *Journal of Management*, Sept-Oct.

Somewhat more surprising, he found a link, albeit weaker, between educational attainment levels and entrepreneurship.

This finding is consistent with other US research which suggests that "education is positively associated with the tendency to be an entrepreneur possibly because the entrepreneur may find a higher rate of return on his or her educational investment when self employed than could be obtained as an employee." Other studies have found that this tendency is stronger among women than among men. There is, also, evidence that new firm formation tends to occur in places where colleges and universities. This prompted Stinchcombe to conclude that "literacy and schooling raise practically every variable which encourages the formation of organisations and the staying power of new organisations."

Dramatic support for this notion of staying power was provided by Dolinsky et al's⁴ analysis of the effects of education on the survival, as entrepreneurs, of people with different levels of educational achievement. They found that "the incidence of self employment, as measured by the percent of total person years spent in self employment, increases dramatically with increasing levels of educational achievement. It increases from a total of 2.3 per cent for the least well educated to 3.7 per cent for high school only graduates to 5.7 per cent for those with some college or higher education."

A Comfortable Myth?

It is hard explain the strength of notion of the Idiot Savant in the face of this type of evidence. There are four possible explanation.

⁴ Dolinsky, A.L., Caputo, R.K. and Pasumarty, Q.H. (1993) "The Effects of Education on Business Ownership." *Entrepreneurship: Theory and Practice*, Fall.

1. It is convenient for independent minded entrepreneurs to sustain to the notion that “they did it by themselves.”
2. It is convenient for education to separate themselves from these independent (disruptive) influences while distancing themselves from commerce
3. The strength of the link varies between societies and over time
4. The link varies between types of entrepreneurs

In these lectures, I will be addressing each of these issues. Today, however, I will explore the gains, if any, for education in this link.

A Bit of a Lark

In the mid 1930s, John Betjeman summarised his views of the gap between education and commerce in two poems. In one, he describes the varsity man.

There’s something about a ‘varsity man that distinguishes him from a cad:
You can tell by his tie and blazer that he’s a varsity undergrad,
And you can tell that he’s always ready and up to a bit of a lark,
With a toy balloon and a whistle and some cider after dark.

In another, in the same volume he describes the businessmen who you feel must be the cads referred to above.

Business men with awkward hips
And dirty jokes upon their lips,
And large behinds and jingling chains,
And riddled teeth and riddling brains,
And plump white fingers made to curl
Around some anaemic city girl,
And so lend colour to the lives
And old suspicions to their wives.

Martin Weiner's work would suggest that this was not a novel view in the 1930s. A century earlier Dean Farrar was writing of education that:

No sooner have I uttered the word "useful" than I imagine the hideous noise which will environ me, and amid the hubbub I faintly distinguish the words, vulgar, utilitarian, mechanical ... well before this storm of customary and traditional clamour I bow my head, and when it is over, I meekly repeat that it would be more useful – more rich in practical advantages, more directly available for health, for happiness, for success in the great battle of life ... One would think it was a crime to aim at the material happiness of the human race.

A hundred and fifty years on, Stephen Fry can still comment:

The competitive spirit is an ethos, which it is the business of universities such as the one in which I have the honour to move and work, to subdue and neutralise.

Against these self or imposed images, it is easy to see that this gap between entrepreneurial success and educational achievement is convenient to the self-image of education. The key questions are:

- Is it appropriate?
- Is it true (still)?
- Is it inevitable?

Constant Regeneration

This process of growth through knowledge based process like experimentation and development is an integral feature of the constant regeneration of the enterprise in a knowledge-based society. Entrepreneurial success is increasingly based on an ability constantly regenerate the knowledge, skill and capability base of the enterprise while following these routes to wealth and success creation.

Research has identified five, knowledge based paths to wealth and success today have been identified. First there is the ability to understand and adapt to the distinctive anthropology of the time. The anthropology of the time is made up of the mix of culture, values and attitudes, which shape the expectations, and aspirations of people. This will determine the incentives that will shape internal performance and the needs that shape market response. The distinctive anthropology of a time is the specific mix of these factors, which shape a particular community and its responses.

The second element in success is the ability to build a vision that is in tune with this anthropology. The most valuable visions combine a high value in terms of the environment with a delivery system. The delivery system is distinct combination of goods and services that the organisation delivers. A competitive advantage is earned when this is delivered in ways that are superior to rivals. The creation of visions that enrich others sharing the vision is the third element in the success. In an information rich environment such as exists today, the successful transmission of data and use IT provides the fourth success factor. These are hard to separate from the fifth variable - skills in transforming the enterprise so that the organisation can get to the future, first.

Those entrepreneurs and their host communities that get to the future first have some common features. They do not rely on convention. They see that conventional thinking is centred on the past and usually reflect the capabilities of currently dominant organisations. There is evidence that high growth organisations keep eyes on enabling knowledge. They recognise the importance of enabling technologies in creating opportunities to extensive business development. A global perspective is increasingly important as the cost of access to markets drops and information becomes widely accessible.

The most successful concerns wed an entrepreneurial approach to the ability to spot large business gaps and deploy the resources to exploit these opportunities. Incremental developments have less value in revolutionary change. The fluidity

of the environment places a premium on the ability to managers and leaders to lead, wheel and deal and in the process redefine the environment to maximise their opportunities. The sharp increase in competitiveness at times of rapid change calls for an increase in competitive drive across the enterprise. The central irony of this type of change lies in the need to innovate and change with little knowledge of likely outcomes. The ultimate paradox is that we must act now but we do not know the likely result of our actions.

Trust

In these circumstances, trust plays an important part in business success. Trust based organisations are more able to introduce change, win more co-operation from employees and are more likely to meet customer needs. Change is easier to introduce because people recognise the efforts of business leaders to minimise any negative effects from change and only introduce those changes, which add value to the organisation. People co-operate because they endorse the policies and values of those managing the venture. Respect for employees is the best way to encourage them to respect and support customers. You can hardly expect your employees to delight your customers if you do not delight them.

Alliance or partnership based organisations rely heavily on trust. Strategic alliances are playing an increasingly important part in the long-term developments of organisations in the public and private sectors. Managers across these organisations will play a vital part in framing these alliances and delivering their negotiated outcomes. Trust based relations inside and outside the business are important in giving individuals the confidence to frame these alliances and ensuring that the partnerships develop within a healthy overall framework.

The building blocks of trust are common to both individual and organisational trust. The four key features are;

- Recognition of the legitimacy of the aspirations of all parties
- Shared language and assumptions
- Openness and candour
- Negotiated outcomes.

Those enterprises that fail to develop internal and external trust will play an increasingly high price as change and diversity increases during the new industrial revolution. Low trust organisation will face very high costs in managing the high talent, knowledge workers or high freedom enterprises that seem set to dominate the new economic environment.

Educational Horizons

An knowledge/entrepreneurial edge will be an important aspect of the new businesses. There is already evidence that social esteem and the stance of organisations affects their recruitment, marketing and financing of organisations. Significant numbers of talented workers will chose to work for organisations which place an affirmative approach to expertise, ethics, environmental and social responsibility. This is part of the process of re-integrating entrepreneurial work. The bureaucratisation of management with its associated division of tasks and roles created an environment in which ethical neutrality could be assumed. Events of the last few years have destroyed the limited legitimacy that existed for this position. The unified approach to management contains an assumption that the "whole entrepreneur" will take on the whole of their roles and responsibilities.

It is inevitable that fundamental changes will occur. Some features of this change can already be identified. These include the ability to manage paradox, the capability to absorb change and a willingness to seek to understand the fit between the organisation and its environment. The entrepreneurial pool of successful communities and enterprises will adapt to reflect the environment in which they operate. This will be diverse, challenging and complex. They will,

however, need to be bonded with and bond with other powerful forces and agencies. Access to knowledge is vital to this. Weiner's analysis of the UK is a powerful challenge, which gains special significance in a new industrial society.

The UK conspicuously failed to sustain its competitive edge from the first industrial revolution to the second. There is evidence that other communities face the same difficulties today. There is, however, hope and threat for all. Those organisations and societies that prospered most were not those that entered the revolution with the greatest assets. The greatest successes were those that adapted and responded most effectively to the new environment - regardless of their previous endowments.