Enterprise, entrepreneurship and small business: where are the boundaries?

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Summary

The terms enterprise, entrepreneurship and small business are frequently used in the context of education and small business formation. Particular countries have preference for the use of the terms in specific circumstances, for example, entrepreneurship is more common in the United States and Canada, while enterprise is more often used in the United Kingdom and Australia. Because the terms are often used interchangeably, there is confusion about their exact meaning. In Australia the term entrepreneur has negative connotations not related to the true meaning of the word. This has confused the general public and the poor image that is associated with the term is often then shared with the other terms.

The purpose of this paper is to clearly set out distinctions between the three terms in order to improve the level of understanding of the issues where the terms are commonly used. It involves an analysis of the literature to identify similarities and distinctions particularly in areas of education and business start-ups. The findings indicate that while there is a degree of overlap between the concepts, with the boundaries blurred in certain areas, it is possible to differentiate between the three terms.

Introduction

The push for the development of an enterprise culture in Australia and the more widespread acceptance of entrepreneurship overseas is largely driven by the prospect of increased economic growth through small business (Jack and Anderson 1999). There are different expectations among the various stakeholders according to their different views of the meanings of the terms enterprise, entrepreneurship and small business.

Rosa (1992) likens enterprise and entrepreneurship to other broad labels such as society, religion and culture suggesting that people have notions about what they mean, but few are able to satisfactorily articulate them. Further he argues that “vagueness of terms may be attractive for politicians, policy makers and even some academics. The absence of definition enables untested beliefs to be disseminated with a minimum of argument and conflict”(p.4). He goes on to suggest that “the vagueness of ‘enterprise’ has been to the advantage of both government and academics in the 1980’s in their attempts in the UK to change the national culture.”(p.4)

The labels are further confused when the term small business is included in the discussion. Gibb (1987) links certain enterprise attributes with the skills exhibited by successful small business operators. Katz
(1991) infers that small business is a sub-set of entrepreneurship, while others argue that small business commencement is an integral part of entrepreneurship.

In Australia at the end of the twentieth century, the terms enterprise and entrepreneurship are still seen as vague and confusing, and contrary to Rosa’s argument in the UK, it is this confusion that is at least partly responsible for the poor understanding by the education community and ultimately a poor level of involvement in education and training activities in this field.

This paper sets out to identify the distinctions between the terms enterprise, entrepreneurship and small business. It commences with a discussion of definitions and observes the similarities and differences. It then compares the terms across a number of dimensions and finally arrives at conclusions as to where the boundaries apply.

Definitions

**Enterprise**

Fairclough (1991) summarises the definitions of the noun ‘enterprise’ set out in the Oxford English Dictionary according to three different senses: something one does; a set of personal qualities; or a business venture. He analysed a number of political speeches made during the Thatcher Years in the UK according to these different interpretations of the word enterprise and found almost without exception that reference was to personal qualities. He did distinguish different variations within enterprise qualities, citing a range from business qualities at one end of the spectrum through to more general personal qualities at the other.

Rosa (1992) discusses three different senses of the term enterprise: enterprise as a business organisation of some type; enterprise as a series of personal skills and qualities vital to economic development; and enterprise as a series of personal skills and qualities vital to good citizenship and the realisation of the individual’s full potential. Rosa (1992) argues that the majority of policy makers and educationalists view enterprise in the third sense yet it is the one option least related to economic development and least in tune with Thatcherite economic principles. He quotes from Cannon (1991) to illustrate the development of personal qualities in a social context:

“Enterprise is the characteristic of people, groups and organisations which produces a disposition to self-realisation through achievement. It encompasses the self-reliance to innovate, accept risk and act
independently, if these are needed to complete tasks effectively. People and organisations showing enterprise have the drive, energy, creativity and leadership to see tasks through to completion by individual effort or successful teamwork.” (p2)

OECD (1989), as part of a study of the development of employment and entrepreneurial skills in education and training in OECD countries, develops a definition of ‘being enterprising’:

“An enterprising individual has a positive, flexible and adaptable disposition towards change, seeing it as normal, and as an opportunity rather than a problem. To see change in this way, an enterprising individual has a security borne of self-confidence, and is at ease when dealing with insecurity, risks, difficulty, and the unknown. An enterprising individual has the capacity to initiate creative ideas, and develop them, either individually or in collaboration with others, and see them through into action in a determined manner. An enterprising individual is able, even anxious, to take responsibility, and is an effective communicator, negotiator, influencer, planner and organiser. An enterprising individual is active, confident and purposeful, not passive, uncertain and dependent.” (p36)

This definition also refers to three contexts in which enterprise may exist: the personal, social or economic contexts.

Kearney (1996) reviews the literature in the field and develops the following definition:

“Enterprise is the capacity and willingness to initiate and manage creative action in response to opportunities or changes, wherever they appear, in an attempt to achieve outcomes of added value. These outcomes can be personal, social and cultural. Typically enterprise involves facing degrees of difficulty or uncertainty. The associated risks are not necessarily financial but may be physical, intellectual or emotional.” (p8)

Kearney (1996) argues that the concept of enterprise has a number of elements and there are degrees of enterprise rather than two simple fixed points that might be called ‘enterprise’ or ‘lack of enterprise’. He concludes that people can be enterprising on some occasions and not on others.
Entrepreneurship

Stevenson and Sahlman (1987) explore the definition of entrepreneurship in some depth. They argue that Cantillon first coined the term in the early 18th century and referred to a risk-bearing function. Since then various scholars have incorporated additional components, such as Jean Baptiste Say, who included the concept of bringing together the factors of production, and Schumpeter who added the concept of innovation in 1911.

Others have more recently suggested that entrepreneurship involves the creation of new ventures (Kourilsky 1995). Stevenson and Sahlman (1987) conclude that entrepreneurship is a process and they prefer not to define an entrepreneur in terms of economic functions or individual characteristics or traits because these are not universally applicable and it is easy to point to exceptions to any of the common stereotypes suggested. They describe entrepreneurship as the relentless pursuit of opportunity without regard to the resources currently controlled. They do not refer to the creation of a business as being an integral part of entrepreneurship. Kent (1990) argues that entrepreneurship should be defined in the broadest possible context: the idea, he claims, incorporates more than just starting a business and can include activities that have a social outcome. For Kent it is possible to be entrepreneurial within an existing organisation or in non-business organisations such as charities. Other researchers have followed different approaches in their search for a clear definition of entrepreneurship. Solomon and Winslow (1991) describe some of the commonly examined characteristics of the entrepreneur. Hornaday (1992) provides a conceptual approach, while Halligan (1989) reports on a series of definitions from noted academics that variously describe entrepreneurship as reform, innovation, wealth creation and risk taking.

Kourilsky (1995) argues that true entrepreneurship is characterised by three attributes: opportunity recognition, marshalling of resources, and the creation of a business. Timmons (1994) prefers to include the business or venture dimension in his overview of entrepreneurship when he describes entrepreneurship as a human creative act involving the building of an enterprise or organisation. He does, however, concede that entrepreneurship is not just the domain of new and emerging businesses.

Gibb (1987,1993) sets out a definition of an entrepreneur in his discussion of the meaning of the term enterprise. He refers to the opportunity-seeking and creating behaviour described in US literature and concludes that entrepreneurial behaviour is enterprising behaviour within a business context. Caird (1990a)
notes that Gibb (1987) expresses the view that an entrepreneur is someone who demonstrates a marked use of enterprising attributes: that is, that entrepreneurs are a subset of enterprising people. Kourilsky (1995) describes entrepreneurs as tenacious, rational risk-takers, comfortable with day-to-day ambiguity, and able to apply the leverage of divergent thinking to the creation of new business enterprises.

The literature is not conclusive about whether or not a business venture is a necessary part of entrepreneurship. On balance, the word ‘entrepreneurship’ is more often applied in a business context. It is important to note, however, that entrepreneurship need not be limited to a business environment; the characteristics of entrepreneurship can just as easily be applied in a non-business environment.

**Small business**

Small business definitions are usually confined to a discussion of the number of employees or sales turnover, although ‘small’ can be quite different in different parts of the world, for example in Australia it is up to 20 employees, while in other countries it is up to 100 employees or even up to 500 employees. They also contain statements about the independence of the business and the involvement of the owner/manager in the day to day management of the business (Commonwealth of Australia 1990). While the definition of small business does not add to the confusion with the other two terms it is more the references to the context of small business development and attributes of small business operators that leads to the uncertainty of meaning.

**Public Understanding of the Labels**

Several studies have been conducted to ascertain the public perception of small business and people’s interest in becoming an entrepreneur or small business operator in the future. The level of interest among young people in operating their own business in future may provide a guide as to the public perception of terms like enterprise and small business. In a study of secondary school students in Australia, Breen (1998) found more than half of the respondents (57.4%) agreed that they were interested in operating their own small business in future. In a similar study conducted in the US 69% of high school students indicated they want to start their own business (Kourilsky 1995), while in Canada 58% of grade 12 students reported intentions of becoming an entrepreneur (Landry et al 1996). The Canadian study reported that the most important determinants of the intention to become an entrepreneur were explained through quality of contacts with entrepreneurs and a desire to engage in activities related to the business world. They
concluded the government, media and educational institutions can do much to contribute to the
development of entrepreneurial disposition of the students.

A study of Australian adults (Mozell and Midgeley 1995) indicated that 50% of respondents were positive
in their level of interest in encouraging their children to operate their own small business in future. This
study also reported on the poor image that small business had in the community. It found that there was a
general perception that small business involved hard work and long hours and did not provide adequate
rewards. The confusion of terminology between enterprise, entrepreneurship and small business often
means that poor public perceptions associated with operating a small business lead to the same perception
of activities that fall under the label of either enterprise or entrepreneurship.

Similarly there are negative public perceptions in Australia about the use of the label entrepreneur. These
perceptions were fed by the massive fall from grace by corporate high flyers in the late 1980’s. The fact
that earlier in that decade they were promoted in the media as entrepreneurs caused the term entrepreneur to
be considered a label associated with unethical and selfish behaviour.

It is these varying interpretations of the terms that tend to overlap and lead to confusion in the eyes of the
general public. There is a need to provide clearer meaning to the terms if governments wish to have a
strong level of public support for their policies which include the use of these labels.

Similarities and Differences
Kearney’s (1996) definition of enterprise matches closely with the Stevenson and Sahlman (1987)
definition of entrepreneurship. Both describe opportunity seeking behaviour and the marshalling of
resources. Several authors have gathered lists of personal characteristics or traits that they describe as
representative of either the entrepreneur or the enterprising person. Gasse (1985) in a discussion of
entrepreneurial traits listed need for achievement, creativity, risk-taking, internal locus of control and need
for autonomy as common characteristics expected to be found in an entrepreneur, while Caird (1991)
suggested almost identical attributes would be found in an enterprising person.

There appear to be two major sources of difference in the terms enterprise and entrepreneurship. Firstly the
link to a small business start-up is more common in the discussion of entrepreneurship. Some like
Kourilsky (1995) and Timmons (1994) argue it is an imperative aspect of the process, while others like
Kent (1990) and Stevenson and Sahlman (1987) are more ambivalent. With respect to enterprise most
argue that a small business context is a useful but not compulsory aspect of the process (Gibb 1993, Kearney 1996). The second major source of difference relates to those who view enterprise as a series of personal skills and qualities vital to good citizenship and realisation of the individual’s full potential (OECD 1989, Cannon 1991). There do not appear to be any writers who describe entrepreneurship as only applying to the realisation of an individual’s potential sense.

The Educational Dimension
In order to analyse the literature in a more meaningful manner, a framework based on some common aspects found in the literature has been developed. This framework investigates the educational dimension, and the role of business start-ups.

Enterprise education has been described as a formalised process designed to produce the enterprising individual, someone who demonstrates the characteristic known as ‘enterprise’. Gibb (1989) develops a three-category framework to describe different aspects of enterprise education. He describes these categories as ‘education for, through and about enterprise’.

Gibb’s ‘education for enterprise’ is any educational activity aimed directly at encouragement of individuals to consider starting their own businesses, and at supporting them at start-up and subsequently. This category of enterprise education specifically raises the self-employment option as a career alternative.

Gibb’s ‘education through enterprise’ is any educational activity designed to develop ‘enterprise competencies’ in individuals. This category may, for example, include the simulated or sheltered setting up and running of a mini-business within an educational environment.

Gibb’s third category, ‘education about enterprise’ is any educational activity that seeks to inform individuals about the nature of business, particularly small business, and promote an understanding of industry and commerce. When enterprise education takes this form it is usually very factual and descriptive, and may include work experience or placements.

Several other writers in their discussions of enterprise education have relied on this framework (Kearney 1996, McMahon 1989, Caird 1990). Kearney (1996) discusses the purpose and scope of enterprise education as described by Gibb. In a discussion of education through enterprise, Kearney (1996) argues that it involves experiential learning and requires the student to play a more active and purposeful role than in
the more common teacher-directed, classroom-based learning. He asserts that enterprise education is just as much about how children learn as what they learn.

The focus of enterprise education is usually described as either narrow or broad (Dunn 1996, Kearney 1996). The narrow focus is where enterprise is seen as entrepreneurialism operating in the commercial context. The broad focus sees enterprise as an empowering and powerful set of personal attributes and competencies which can be employed in any number of settings including the commercial (Kearney 1996).

Kearney (1996) advocates the broad focus of enterprise education. He argues that enterprise education programs developed in the broadest context can stress personal and social development and foster the empowerment of young people. Attributes in this group have an influence ranging beyond the purely commercial, covering both cultural and social considerations.

Kearney goes on to argue that the narrower approach has several weaknesses which make it less appealing. It can, he says, reinforce the negative overtones that entrepreneurialism has in society. He states that its ideological associations are unappealing to many teachers, parents, community groups and students themselves. Kearney declares that the dominance of the mini-business approach has had the effect of limiting the experience of enterprise to only some students, only some of the time, and mostly as a disconnected event. He refers to an evaluation of the Enterprise in Higher Education program in the United Kingdom which supports these arguments. The evaluation found that where institutions set out to implement a specifically entrepreneurial model of enterprise, they were more likely to encounter resistance from staff and students.

Kearney supports the broad approach, especially since it appeals to a larger population. He also argues that it encourages enterprise awareness at the community level as well as the personal level. It supports, he says, the notion of active citizenship and is based on sound educational principals, while allowing reform in educational practice and management. The most compelling argument, he concludes, is that the broad approach to enterprise education is far more appealing to educators – and their support is absolutely necessary for enterprise education to progress.

With respect to entrepreneurship education Singh (1990) argues that entrepreneurship can be taught and that education is important in the development of entrepreneurs. He concludes a review of the literature on entrepreneurship education by outlining some known experiments in entrepreneurship education and
reports that most of them show that entrepreneurial concepts can be taught in secondary schools. Similarly NFTE (1998), Kent (1990) and Kaplan (1981) agree that entrepreneurship can be taught. Entrepreneurship education is a term that is most often used in the United States and Canada. Entrepreneurship education has a number of similarities to the characteristics described as enterprise education, but usually also has a requirement that it is associated with business creation. Pimlott (1997) argues that the major goal of entrepreneurship education is the development of entrepreneurs and small business operators, and that this is what differentiates it from enterprise education.

Teaching pedagogy is one of the most crucial aspects of entrepreneurship education (Dana 1993, Carland and Carland 1993, Kourilsky 1990, Kent 1990). Kourilsky (1990) lists some of the features that are predictors of a successful entrepreneurship program at the school level: an experiential base; participants see the consequences of their decisions; and teachers perceive that the program is doable in their classroom. On the other hand, features perceived by Kourilsky as being less successful programs include: being too linked to the individual characteristics of the teacher; logistical barriers placed in front of the program; and the teacher not understanding it well enough.

Curran and Stanworth (1989) and McMullan and Long (1987) in discussing entrepreneurship education describe the need for more flexible methods of instruction that better simulate the environment of real entrepreneurs. They recommend: learning by doing; encouraging participants to develop more independence from external sources of information and expert advice; and stimulating them to think for themselves – and so giving them ownership of their own learning. They also encourage emphasis on feelings, attitudes and values rather than on information, thus placing, in general, greater reliance on experience-based learning.

Dana (1993) characterises the experiential process of learning entrepreneurship as ‘learning to learn’. He argues the professor’s role is that of facilitator and recommends greater emphasis on an active orientation rather than limiting students to traditional business plan approaches.

The first major similarity that entrepreneurship education has to enterprise education is in the outcomes expected to result from involvement - those associated with the stimulation of more generic skills, such as using initiative and dealing with change.
The second area of similarity concerns teaching methodologies. The teaching methods described here for entrepreneurship education are very similar to those outlined for enterprise education. They focus on using hands-on experiential activities, learning under conditions of uncertainty, using role models to allow interaction with entrepreneurs, and using the teacher as a facilitator rather than a provider of knowledge.

Another area of similarity exists in the definitions found in the literature. Kearney (1996) in his work defining enterprise education sets out a number of definitions of enterprise. Some of them could equally apply to entrepreneurship. He quotes a Canadian definition that covers marshalling resources and opportunity recognition, while an English definition (Caird 1990) also covers opportunity recognition. In preparing the definition of the enterprising person Caird admits to using the entrepreneurship literature extensively.

In summary, entrepreneurship education overlaps in many areas with enterprise education, including the area of teaching strategies. While there are similarities in the skills and attributes developed and the pedagogy used for enterprise education and entrepreneurship education, the terms are, however, not interchangeable. Kourilsky (1995) argues that entrepreneurship education cannot succeed without focusing on three key aspects: opportunity recognition, marshalling of resources, and the creation of a business. On the other hand Garavan and O’Cinneide (1994) argue that the major objectives of enterprise education are to develop enterprising people and inculcate an attitude of self-reliance using appropriate learning processes.

Enterprise education is about developing enterprising people through educational processes that have the aim of developing enterprising skills and attributes. These enterprising people may or may not be involved in marshalling resources and the creation of a business. It is, however, frequent practice to use business experience as one of the learning processes involved in enterprise education.

Entrepreneurship education is, on the other hand, more often about developing businesses. The individuals involved may or may not develop the attributes that are attributed to enterprising people. It is expected, nevertheless, that many of the attributes will be developed because of their close connection to the skills required in business creation and operation.

Mariotti (1996) uses the small business start-up as the vehicle to support the development of entrepreneurial skills in the specialist program he has developed. He argues that the actual experience of
operating a business provides the appropriate environment for the development of entrepreneurial skills because it offers learning by doing in the context of a small business start-up.

The focus of small business education is specific and usually relates to knowledge about starting up and managing a business. Gibb (1989) and Curran and Stanworth (1989) in their discussion of small business education use the term ‘education about enterprise’. They argue that the purpose of this approach is to inform individuals about small business. They see the purpose as different from that of education through enterprise, which is the approach generally followed in both enterprise education and entrepreneurship education and aims to develop enterprise competencies in individuals.

Clark (1986) and Jones, Jones and Waldmann (1994) discuss small business education and training issues in Australia and find that they are different from those of enterprise or entrepreneurship education. Small business education, they maintain, often concerns itself with management and takes a how-to approach. On other occasions it involves dissemination of information and is, they argue, usually seen as a training activity rather than an educational one.

Gorman et al (1997) conducted a literature review and discussed the relationship between entrepreneurship education, enterprise education and education for small business management. They conclude it is important to differentiate each of these from traditional management education. Traditional management education has a focus on theory development and an emphasis on finding the correct answers.

Gibb (1987, 1993), Curran and Stanworth (1989) and McMahon (1989) have all attempted to distinguish the terms ‘enterprise’, ‘entrepreneurship’ and ‘small business’. They argue that the link between small business and entrepreneurship exists in the fact that small independent businesses are, in themselves, an ideal expression of enterprising attributes and that, therefore, references to small businesses are an integral part of any entrepreneurship education program. They also point out that small business operators are not necessarily entrepreneurial, citing examples of small operators who demonstrate very few of the attributes of entrepreneurship.

Gibb (1993) describes a small business learning mode that encompasses learning by doing, the solving of problems and the grasping of opportunities. Gibb (1997) argues that a context in which these activities are common is ideal for the development of enterprising attributes. He further develops a model of enterprise education that draws heavily on the small business context (Gibb 1993).
McMahon (1989) argues that reference to small independent enterprises is a useful means of encouragement of enterprising competencies. He further argues that the characteristics of the small business operator lend themselves to inclusion in a description of being enterprising: that is, that small business is a reference point in the development of a set of enterprising attributes.

The skills developed through entrepreneurship education are often, as we have seen, those associated with operating and working in small business. NBEET (1994) recommends the development of entrepreneurial skills during secondary education to enable young people to build the skill base necessary to gain employment or to become successfully self-employed. The authors argue that these enterprising attributes are appropriate for working in the small enterprise sector or for self-employment; they also argue, however, that enterprise skills are useful for personal development and are the cornerstone of employment opportunity creation for young people.

Where are the Boundaries?
In order to ascertain where the boundaries lie the following three diagrams are used to further the discussion.

**Figure 1: The Relationship between Enterprise, Entrepreneurship and Small Business**

![Diagram](source: Bridge, et. al., 1998)

Figure 1 was developed by Bridge, O’Neill and Cromie (1998) and provides a succinct representation of the arguments of a number of authors in this area.

Gibb (1987) and Johnson (1988) argue that the essence of entrepreneurs is enterprise, but that enterprise is not restricted to entrepreneurs. Gibb (1987) suggests that an entrepreneur is someone who demonstrates marked use of enterprising attributes. Education designed to develop enterprise is, however, more broadly
based than education for entrepreneurship: it has additional objectives concerned with developing the personal as well as entrepreneurial skills of the enterprising person and does not have to involve small business start-ups. This diagram also allows for the views of Kourilsky (1995) and Timmons (1994) who argue that business start-ups are an integral part of entrepreneurship. At the same time McMahon’s (1989) comment that not all small business operators are enterprising or even entrepreneurial can also be accommodated.

Figure 2 is reproduced from Kearney (1996) where he looks at competencies and its relationship with enterprise in an educational context. The diagram is designed to summarise the driving forces in each area and identify areas of overlap and separation. He argues that enterprise and entrepreneurialism are closely related in terms of skills and attributes while there is significant difference in rationale and purpose.

**Figure 2: Illustrating the Driving Forces**

<table>
<thead>
<tr>
<th>C: New Management</th>
<th>D: Global Competitiveness</th>
<th>E: Changing Workplace</th>
<th>F: Community Regeneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrapreneurialism</td>
<td>The Active Society</td>
<td>Curriculum Reform</td>
<td>Equity and Empowerment</td>
</tr>
<tr>
<td>Local Economic Initiatives</td>
<td>Enterprise Culture</td>
<td></td>
<td>Educational Reforms</td>
</tr>
</tbody>
</table>

**Source:** Kearney (1996)
While the diagram indicates there are many driving forces involved in the push for enterprise and entrepreneurialism the complexity of the diagram does not allow for a simple distinction between the terms under discussion in this paper.

Figure 3 is a diagrammatic representation of the relationship between entrepreneurial characteristics, enterprise characteristics and small business and indicates that small business operation can be found across the spectrum of enterprise and entrepreneurship; it does not have a defined set of attributes that must be mastered in order to run a business. Most of the literature would argue that the more enterprising and entrepreneurial a small business operator becomes, the more likely it is that the business will grow and prosper. Caird (1990) argues that enterprise can be demonstrated in a range of settings and is not confined to a small business environment or indeed any kind of business setting.

**Figure 3: Link between small business, entrepreneurial and enterprising characteristics**

![Diagram](image)

Others will argue that the small business operator does not have to be enterprising, or indeed even entrepreneurial: that running a small business can often be mundane and regimented and require no demonstration of enterprise skills.
Conclusion
A close relationship exists between enterprise and entrepreneurship. While not exactly the same, they merge significantly in an educational context with respect to the specific learner attributes they pursue and the development of which they treat as key objectives. The recommended teaching methodologies are also very similar. The major divergence between the two exists in, on the part of entrepreneurship education, the reliance on venture creation.

In small business education much centres upon management training and there is less emphasis on developing specific personal attributes than exists in the other two approaches. In this third area the small business context is, nevertheless, recommended as a useful one for the development of enterprising attributes, since many of the skills required for small business operation are those that are being fostered with enterprise education.

Entrepreneurship as defined and practised in the US and Canada is very similar to the concept of Enterprise as promoted in Australia. There is a need in Australia to move on from our past distaste for the label of entrepreneur and instead encourage an understanding of the term as it is used elsewhere in the world.

Bibliography


