

The Centre for Small &  
Medium Sized Enterprises  
Report 2002

# The Centre for Small & Medium Sized Enterprises Report 2002

*2002 has been a year when The Centre for Small and Medium Sized Enterprises has greatly enhanced its role in enterprise education. The Centre has developed new courses on entrepreneurship within Warwick Business School and the Engineering Faculty at Warwick University and launched a new journal dedicated to entrepreneurship education.*

## Organisational Changes

The greater involvement of CSME in the Mercia Institute of Enterprise (MiE) has led to important organisational changes in 2002.

Members of the Centre's teaching staff now constitute a newly created subject group within Warwick Business School, called the **Enterprise Group**. They will continue to be physically located with the Centre's research staff and CSME will continue as a Research Centre.

The Centre's training activities are now delivered by Executive Programmes within Warwick Business School and by the Mercia Institute of Enterprise.

## Teaching Developments

The Centre's teaching of Enterprise throughout the University expanded considerably in 2002 and is expected to continue to grow rapidly in 2003.

A new final year undergraduate Warwick Business School course entitled '**Finance and New Ventures**' has been designed by Andrew Burke. The course aims to familiarise students with all aspects of enterprise finance including loans, private equity, venture capital and public sector funds. It provides both an understanding of the theory underlying these markets as well as expertise in the techniques of investment analysis. The course will be available to students in Autumn 2003.

Francis Greene has developed a wholly new module for engineering, mathematics and computer science students called '**Understanding Enterprise**'. This aims to help students develop their understanding of business practice in a technological setting and identify the managerial skills they may need in their future career. This module will be taught in the Spring Term 2003.

The '**Starting a Business**' module which has been taught by Nigel Sykes as an option for engineering and science students for many years has also been further developed and will be taught twice in the academic year 2002/3. It was taught as a 'core' module to one hundred and ninety engineering students in the Autumn Term, and will be taught again in the Spring Term as an 'option' for over sixty science and maths undergraduates.

Stephen Batstone continues to teach his popular course, '**Entrepreneurship and Small Business**' to Business School undergraduates, and has over ninety students registered for the academic year 2002/3. This is a rise of about 25% compared with prior years. '**Entrepreneurship and Small Business**' was described by the WBS external examiner this year as an exemplary course.

Whilst enterprise teaching to Warwick undergraduates is progressing well, it faces the tough target of ensuring that, by 2005, one in five undergraduates will have taken a course in Enterprise. We will therefore be seeking to introduce new courses, particularly within WBS, in order to meet this target.

2003 will see the start of a new **MSc in Entrepreneurship** delivered at the University of Central England. As part of our Mercia activity we will contribute a full module to this course.

Andrew Burke delivered both the Executive MBA and Modular MBA Entrepreneurship Modules last year. The Executive Programme received an outstanding commendation from students with an overall excellent rating of 96%. The modules contain a mix of analytical and practical content in order to provide students with a robust overview of the enterprise sector, the challenges facing new ventures and an ability to write an analytical business plan suitable for raising finance on equity and loan markets. He taught the MBA Module '**Entrepreneurship and New Venture Initiation**' at the Anderson School, UCLA in the Spring Term 2002.



David Storey, Andrew Burke and Robin Wensley at the launch of the International Journal of Entrepreneurship Education

Additionally, Andrew redesigned the Warwick MBA course on '**Venture Capital**' and will be delivering this course in May 2003.

The Full-Time MBA Module '**Entrepreneurship and New Venture Creation**' continued to be delivered by Nigel Sykes and received excellent feedback from the MBA students. Over ninety percent of them stated that the Module contributed to realising their overall objectives and that Nigel was an excellent presenter.

## Entrepreneurship Education

A front rank academic organisation would be expected to edit a key learned journal in its field. Andrew Burke, Mercia Reader in Entrepreneurship, has gone one better than this by establishing his own '**International Journal of Entrepreneurship Education**' (IJEE) launched in November 2002. This fits precisely within the aims and objectives of Mercia, since the Journal seeks to enhance entrepreneurship education world-wide through the publication of high quality refereed case studies and review/perspective articles on advances in entrepreneurship research. It also seeks to publish lectures, as well as theoretical and applied research on entrepreneurship education. Andrew's co-editors are Marilyn Kourilsky (UCLA) and David Audretsch (Indiana and Editor of '**Small Business Economics**'), and he has assembled an Editorial Board of considerable international academic distinction. The first two issues of the journal have now been published and have been warmly received. The journal is launching a Special Issue on '**University Spin-Out Ventures**' which is sponsored by the Mercia Institute of Enterprise. More information about the Journal is available at [www.senatehall.com/ijee](http://www.senatehall.com/ijee)

## Key Research Developments

2002 has been a very productive year for CSME researchers. An average of two refereed journal articles per member of staff, were published during the year and a number of others have been accepted for 2003. The Leverhulme funded research looking at changes in the characteristics of new firms and their founders over three decades has progressed well. All the data has been collected and some early papers are emerging. It was particularly pleasing that the paper by Kevin Mole and Francis Greene '**Entrepreneurship in Three English Counties**', was awarded best policy paper at the ISBA Conference in November 2002.

At that Conference not only did Kevin Mole and Francis Greene win the policy paper prize but Stuart Fraser, for his paper '**The Impact of Investors in People on Small Business Growth**', was the joint winner of the best paper prize at the Conference. During the year Stuart has not only continued with his work on training, but he and Francis Greene have produced an important working paper examining enterprise culture in the UK during the 1980s. They find evidence, using an econometric framework, for rising average preferences for self-employment during that decade. However, whilst this seems to have a positive short-term effect it diminishes the growth of self-employment preference in the long run.

The year has seen a strong interest expressed by both businesses and consulting organisations in Nigel Sykes' research on the evolution of businesses. Several businesses have collaborated with Nigel in the development of his '**Egg to Butterfly**' model.



Kevin Mole, Francis Greene and Stuart Fraser, at the ISBA Conference 2002

### Links with the Academic Community

The Centre has established and developed important new links with other academic groups and with the policy community. Andrew Burke's three month visiting professorship at the Anderson School of Business, UCLA provided him with not only the opportunity to present the entrepreneurship course but also to develop new research ideas.

Stephen Batstone continues his role of Visiting Professor at Grouse ESC, Toulouse.

We were delighted that one of our Doctoral Students, Liang Han, was awarded the prestigious University of Wisconsin - Madison Fellowship to develop his research in the United States for a year.

### Links with the Policy Community

In the SME policy area, Stuart Fraser is due to present his findings on training at a seminar to be organised by the Department for Education and Skills (DfES), Kevin Mole presented his findings on productivity in a Small Business Service paper and at a seminar attended by policy makers, Francis Greene's research on the impact of the Euro on SMEs has been enhanced by a £10,000 grant from the Small Business Service.

Stephen Bastone's participation in the Russian SME Observatory, further strengthens Stephen's policy links to countries in the former Eastern Europe. An English language version of the Observatory can be found at [www.rcsme.ru/eng/](http://www.rcsme.ru/eng/)

### Staffing Changes

Grier Palmer, formerly Assistant Director (Training), has moved to a joint position within the Marketing and Strategic Management Subject Group and Executive Programmes within WBS. Grier will, however, continue his involvement with Mercia in his new post.

We did say goodbye to Glenda Hall who retired from the Centre in May after sixteen years with us. To many she was the first point of contact for the Centre and will be missed by all. We were very pleased to welcome Catherine Pillet from the Economics Department, University of Essex, as her replacement.

### Personal Reflections

From a personal perspective the year has seen a satisfying balance between the conduct of research and its dissemination. I was very pleased that the support of the Marketing Council bore fruit with the publication in *Oxford Economic Papers* of the paper with Colin Wren on the impact of Marketing consultancy on small firm performance. I felt similarly pleased with the publication in *Omega* of my work on small firm training which was supported by the Foundation for Manufacturing and Industry. In both cases I started the work six years ago, illustrating the time it takes to convert research into publications in good journals.

I was delighted that my book, *'Understanding the Small Business Sector'* is to be translated into Japanese and will be published in Japan next year. This translation has been organised by Dr. Kenji Kutsuna of Kobe University, who spent time in the Centre in 1998 as a Visiting Fellow.

My personal links with Durham University Business School have been strengthened this year and I am looking forward to working closely with them in my new role as Visiting Professor.

It has been an active year linking with the business and policy community. I was very pleased to be reappointed for a further two years to the Small Business Council by Patricia Hewitt. After a break of nearly three years I am again working with the OECD SME Working Party on SMEs, in preparing for the Ministerial meeting in Istanbul in 2004. The year also saw the completion of my work with Fundes in Latin America on policy evaluation. Participation in the *EU SME Observatory* continues, with the 7th Observatory Report now finalised, primarily through the excellent work of Julian Hancock.

My personal links with the business community continue. Despite the Centre's move away from Training, Don McPhie and I continue to participate in the *Grow with Marketing Programme*, in conjunction with the Marketing Council. I highly value my participation with *Deloitte and Touche* looking at fast growing middle market companies to be included in the *Indy 100* for 2002-3. As a result of my involvement in this activity for many years I have tracked fast growth companies over the 1996-2002 period and hope to produce my findings in 2003. I 'up-scaled' this year, undertaking new work on smaller quoted companies with Bob Pay of Jaffee Associates for the Quoted Companies Alliance.

Finally it is important not only to undertake research but also to make people aware of the findings. Kevin Mole's work on Productivity in SMEs has been well cited in government documents and the media. Similarly Francis Greene's work on SMEs and the Euro has been well covered. I personally contributed a series of six articles on small business policy to the *Financial Times* during August and September 2002.

### Research for 2003

Stephen Batstone will be working in 2003 on the dissemination of findings from his research project *'Support to the Development of Small Entrepreneurship'* in the Russian Federation, which resulted in the first ever Russian SME Observatory.

Andrew Burke is continuing his work on entrepreneurship in the areas of enterprise finance and intellectual property rights and regulation. Along with Mike Nolan (Hull) and Felix Fitzroy (St Andrews) he has continued to develop the trajectory of research on entrepreneurial choice and performance (*Oxford Bulletin of Economics and Statistics and Small Business Economics*) using the NCDS data set. The analysis continues to investigate the impact of education, gender, family, finance and intergenerational effects on entrepreneurship. Along with Andy Bielenberg (Cork), He is embarking on a very long run analysis of enterprise as manifested in new company registration for Britain and Ireland in the Nineteenth and Twentieth Centuries.

Andrew is also conducting research on regulation and technology driven changes in profit opportunities in the music industry, and together with Stuart Fraser plans to assess the impact of piracy on enterprise activity in the music industry.

Stuart Fraser will continue to focus on three topics. First, an analysis of the impact of Investors in People (IiP) participation on business performance (with the Department for Education and Skills, DfES) He finds firms that self-select into IiP derive enhanced growth from participation. However 'average' small firms derive no growth benefits from IiP.

Secondly, he will continue his work on Self-Employment and the Enterprise Culture (with Francis Greene, WBS) This examines the evidence for an 'enterprise culture' in the UK during the 1980s. It uses a structural model of self-employment preferences which distinguishes pecuniary and non-pecuniary influences on self-employment choices. It finds evidence for rising average preferences for self-employment during the 1980s accompanied by rising self-employment uncertainty due to inflows of new ventures. This latter effect is shown to diminish the growth of self-employment preferences in the long run.

Thirdly he will continue with his work with Barclays Bank on government credit schemes and their impact on small firm liquidity constraints.

Francis Greene, funded by his grant from the Small Business Service, will continue to track Euro preparations amongst UK SMEs with trade links to the EU. This research built upon his previous work for HM Treasury. He continues to Direct on the Leverhulme funded Project.

Kevin Mole will continue his work on Productivity in Small Firms. In his *'Augmenting Labour Productivity in Small Firms'*, funded by the Small Business Service, he showed how new firms boost an industry's productivity, partly by displacing older less productive firms.

He will continue his work on 'Three Decades of Enterprise' funded by the Leverhulme Trust, together with Francis Greene and David Storey. Early work casts some doubt on the wisdom of strategies to boost the sum-total of new firms.

David Storey  
Director CSME and Academic Director MiE



## Publications

### Refereed Journals

- Burke, A.E., Fitzroy, F.R. and Nolan, M.A. (2002), 'Self-Employment Wealth Creation: The Roles of Gender, Non-pecuniary Motivation and Entrepreneurial Ability', *Small Business Economics*, Vol 19, pp 255-270
- Burke, A.E., Kourilsky, M. and Audretsch, D.B. (2002), 'Introducing the International Journal of Entrepreneurship Education', *International Journal of Entrepreneurship Education*, Vol 1, pp 3-4
- Burke, A.E. and Montgomery, C. (2002), 'You Say You Want A Revolution? - A Case Study of MP3.Com', *International Journal of Entrepreneurship Education*, Vol 1, pp 107-132
- Burke, A.E., (2002), 'The Arbitrators' Award in the WTO Ruling on Section 110(5) of the US Copyright Act: Welfare and Strategic Implications, Copyright Reporter', *Journal of the Copyright Society of Australia*, November, pp 173-202
- Curran, J. and Storey, D.J. (2002), 'Small Business Policy in the UK: The Inheritance of the Small Business Service and Implications for its Future Effectiveness', *Environment and Planning C: Government and Policy*, Vol. 20, pp 163-177
- Fraser, S., Storey, D.J., Frankish J. and Roberts, R. (2002), 'The Relationship Between Training and Small Business Performance: An Analysis of the Barclays Bank Small Firms Training Loan Scheme', *Environment and Planning C: Government and Policy*, Vol. 20, pp 211-233
- Greene, F.J. (2002), 'An Investigation into Enterprise Support for Younger People 1975-2000', *International Small Business Journal*, Vol. 20, pp 315-336
- Greene, F.J. and Travis, L.E. (2002), 'An Assessment of Euro Preparations by UK SMEs with EU Links', *Small Business Economics*, Vol. 19, 307-319
- Mole, K. (2002), 'Street-Level Technocracy in UK Small Business Support: Business Links, Personal Business Advisers and the Small Business Service', *Environment and Planning C: Government and Policy*, Vol. 20, pp 179-194
- Mole, K. (2002), 'Business Advisers Impact on SMEs: An Agency Theory Approach', *International Small Business Journal*, Vol. 20, No. 2, pp 137-157
- Storey, D.J. (2002), 'Education, Training and Development Policies and Practices in Medium-Sized Companies in the UK: Do They Really Influence Firm Performance?', *Omega - The International Journal of Management Science*, Vol. 30, pp 249-264
- Storey, D.J. (2002), 'Methods of Evaluating the impact of public policies to support small businesses: the six Steps to Heaven', *International Journal of Entrepreneurship Education*, Vol. 1, No 2, pp 181-202.
- Wren, C.M. and Storey, D.J. (2002), 'Evaluating the Effect of Soft Business Support upon Small Firm's Performance', *Oxford Economic Papers*, Vol. 54, pp 334-365

### Accepted and Forthcoming Refereed Journal Articles

- Fraser, S. and Paton, D. 'Does Advertising Increase Labour Supply? Time Series Evidence from the UK', *Applied Economics*
- Greene, F.J. and Storey, D.J. (2003), 'The Value of Outsider Assistance in Supporting New Venture Creation by Young People', *Entrepreneurship and Regional Development*
- Kon, Y and Storey, D.J. (2003), 'A Theory of Discouraged Borrowers', *Small Business Economics*
- Mole, K., Ghobadian, A., O'Regan, N., Viney, H. and Liu, J. (2003) 'The Use and Deployment of Soft Process Technology within UK Manufacturing SMEs: An Empirical Assessment using Logit Models', *Journal of Small Business Management*
- Storey, D.J. (2003), 'Exploring the Link, amongst small firms, between management training and firm performance: a comparison between the UK and other OECD countries', *International Journal of Human Resource Management*
- Storey, D.J. (2003), 'Racial and Gender Discrimination in the Micro Firms Credit Market? Evidence from Trinidad and Tobago', *Small Business Economics*

### Edited Books

- Burke, A.E., (2002), 'The Economics of Enterprise in the Recorded Music Industry', in *Handbook of Cultural Economics*, (Ed) Ruth Towse, Edward Elgar
- Burke, A.E., (2002), 'Economics Objectives of Copyright and the Efficiency of Legal Practice: An Analysis of BskyB Limited and Sky Television Limited v. the PRS Limited', in *Economics of Copying and Counterfeiting*, (Eds) Gianfranco Mossetto and Marilena Vecco, Franco Angeli Milano, Italy
- Michael, S., Thomas, H. and Storey, D.J. (2002). 'Discovery and Co-ordination in Strategic Management and Entrepreneurship', in *Strategic Entrepreneurship*, Blackwell Publishers Limited, Ch. 3, pp 45-65
- Mole, K., Ghobadian, A., O'Regan, N., Viney, H. and Liu, J. (2002), 'Management Strategies in Engineering and Electronics SMEs: A Factor Analysis', in *New Technology Based Firms in the New Millennium*, (Eds) R, Oakey, W. Daring, S. Kausar, Pergamom, London, Vol II, pp 153-168
- Storey, D.J. (2003) 'Entrepreneurship, Small and Medium Sized enterprises and public policies', in *Handbook of Entrepreneurship Research*, (Eds) Z. Acs and D. Audretsch, Kluwer, Dordrecht, pp 473-511.
- Storey, D.J. (2002) 'Foreword', in *Understanding the Small Family Business*, (Ed) Fletcher, D., Routledge, London, pp xi-xiii.
- Westhead, P., Cowling, M., Storey, D.J. Howarth, C. (2002), 'The Scale and Nature of Family businesses', in *Understanding the Small Family Business*, (Ed) Fletcher, D., Routledge, London, pp 19-31

### Working Papers

- Burke, A.E. and Hanley, A. (2002), 'How Do Banks Pick Safer Ventures? Theory and Evidence of the Importance of Collateral, Interest Margins and Credit Rationing', *CSME Working Paper No. 73*
- Burke, A.E. (2002), 'On the Relationship between Antitrust and Copyright Law: Economic versus Moral Rights', *CSME Working Paper No. 74*
- Fraser, S. and Greene, F. (2002), 'Self-Employment and the Enterprise Culture!', *CSME Working Paper No. 77*
- Greene, F.J. and Mole, K. 'Tracking Euro Preparations amongst UK SMEs', *CSME Working Paper No. 76*
- Mole, K. (2002), 'Some Issues in Productivity and the Small Firm', *CSME Working Paper No. 75*
- van Stel, A and Storey, D.J., 'The Relationship Between Firm Births and Job Creation', Tinbergen Institute Discussion Paper TI02-53/01, Erasmus University, Rotterdam

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The Centre for Small and Medium Sized Enterprises was established within Warwick Business School in 1985, by the late Ian Watson, to provide a focus for the teaching of enterprise to Warwick University students. The Centre also provided training for owner/managers of SMEs and by 1987 began to undertake research.

**WARWICK**  
**BUSINESS SCHOOL**

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