

## **Entrepreneurship Skills for Growth-Orientated Businesses**

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### **Introduction**

Given the current economic challenges facing many countries across the globe, the notion of engendering greater entrepreneurial activity has become a prominent goal for many national governments. The relevance of entrepreneurship to economic development has been highlighted by many researchers (e.g. Davidsson et al, 2006) and it is now well-recognised that education and training opportunities play a key role in cultivating future entrepreneurs and in developing the abilities of existing entrepreneurs to grow their business to greater levels of success (Henry et al, 2003). According to the European Commission (2008), the aim of entrepreneurship education and training should be to 'develop entrepreneurial capacities and mindsets' that benefit economies by fostering creativity, innovation and self-employment. Indeed the role of SMEs in terms of growth, competitiveness, innovation, and employment is now substantially embedded in the activity of the European Commission with the publication in June 2008 of the 'Small Business Act for Europe' and the 'Entrepreneurship 2020 Action Plan' in January 2013. The concept of an entrepreneurial Europe, which promotes the creation and development of innovative businesses, has led many of the EU Member States to strengthen their SME policies since academics, politicians, and policy makers increasingly acknowledge the substantial contribution that entrepreneurship can make to an economy (Bruyat and Julien, 2001).

More globally, governments across the world are increasingly recognising the positive impact that the creation of new businesses can have on employment levels, as well as the competitive advantages that small firms can bring to the marketplace (Scase, 2000). Moreover, while entrepreneurship provides benefits in terms of social and economic growth, it also offers benefits in terms of individual fulfilment, with entrepreneurship now breaking through the barriers of class, age, gender, sexual orientation, and race. However, because the relationship between entrepreneurship and economic growth is quite complex, many different approaches to encouraging entrepreneurship have been applied by a wide variety of agencies, with enterprise policies varying from country to country. Additionally, some commentators (e.g. Storey, 1994) believe that it is just a minimal group of enterprises germinating rapidly who provide the real increase in jobs and therefore it is these firms which policy makers should be converging upon. But identifying how small businesses can be transformed into growth-orientated firms remains elusive and despite the magnitude of research on growth firms, researchers remain uncertain regarding why some firms grow and others do not when originating from similar circumstances. This paper seeks to identify

what entrepreneurship skills are required to develop a growth-orientated business and how these skills might be enhanced.

## Barriers to Growth

Part of the difficulty in achieving consensus regarding how to transform small businesses into growth-orientated firms originates from the inability to find a settled definition regarding ‘what is a growth-orientated firm?’ Having reviewed numerous research studies relating to high-growth firms, Hoy et al (1992) recorded that a wide variety of growth measures were used ranging from increased market share or enhanced venture capital funding, to growth in revenue, return on investment, or the number of customers of a firm. Within these studies, employment was generally the most accepted method of measuring growth. This occurs because the data is easily gathered, determined and categorised, and because this system is already frequently utilised to ordain firm size. Additionally, employment figures will be unaffected by inflationary adjustments and can be applied equally in cross-cultural studies, although difficulties may arise in determining how one measures part-time or seasonal employees. It is also worth noting that while a firm may increase its level of employment, it does not necessarily follow that it has expanded its market or financial success. However, it is now broadly agreed that if a firm is to achieve sustained expansion, it must satisfy a number of requirements for growth - it must increase its sales, it must have access to additional resources, it must expand its management team, and it must extend its knowledge base. But each set of requirements establishes a different set of obstacles for the entrepreneur.

Beyond this finding, the broader review of the literature identified that the key barriers to firm growth can be broken into two broad categories: Internal and External. These are detailed in Table 1 below with the most frequent barriers identified given under each category.

**TABLE 1 – Barriers to Growth (taken from Review of Literature)**

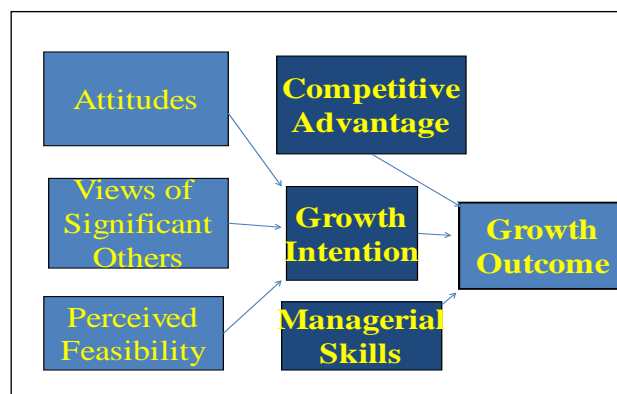
<b>External Barriers</b>	<ul style="list-style-type: none"><li>• Labour Market Conditions</li><li>• Market Structure / Competition</li><li>• Government Policy</li><li>• Economic Climate</li><li>• Legislation</li><li>• Access to Markets</li></ul>
<b>Internal Barriers</b>	<ul style="list-style-type: none"><li>• Psychological / Motivational Factors</li><li>• Management Capability</li><li>• Funding</li><li>• Shortage of Orders</li><li>• Sales / Marketing Capacity</li><li>• Poor Product / Service</li></ul>

Table 1 highlights that a decision by a firm to grow its business is initially influenced a range of External Barriers (or influencing factors). Concerns about matters such as the availability of skilled labour, lack of competition, favourable government policy and economic climate, supportive

legislation and easy access to markets all contribute to an entrepreneur / management team deciding to grow the business. However, a 2009 report by the Ewing Marion Kauffman Foundation found that more than half of the companies on the 2009 Fortune 500 list were launched during a recession or bear market, along with nearly half of the firms on the 2008 Inc list of America's fastest-growing companies. Examples of companies founded during a recession over the past century include: HP, Burger King, Fed Ex, CNN, Microsoft and MTV. This finding highlights that in contrast to popular opinion, a negative economic environment does not necessarily mean that one cannot achieve high growth with one's business, although it does reduce the opportunity for growth.

In exploring the principal barriers to firm growth through a detailed review of the literature, there was broad agreement that the primary issues involved in growth are (1) motivation, (2) resources and (3) market opportunities. Indeed much of the literature highlights the central role of the business owner in determining future growth and that their attitude to growth may even influence the chances of firm survival. A study by Orser (1997) found that of the firms studied in her research, those firms whose owners had stated five years previously that they wanted to grow the business were now more successful, while the majority of firms owned by entrepreneurs who did not prioritise growth had either not grown or had failed.

**Figure 1 – Growth Intentions**

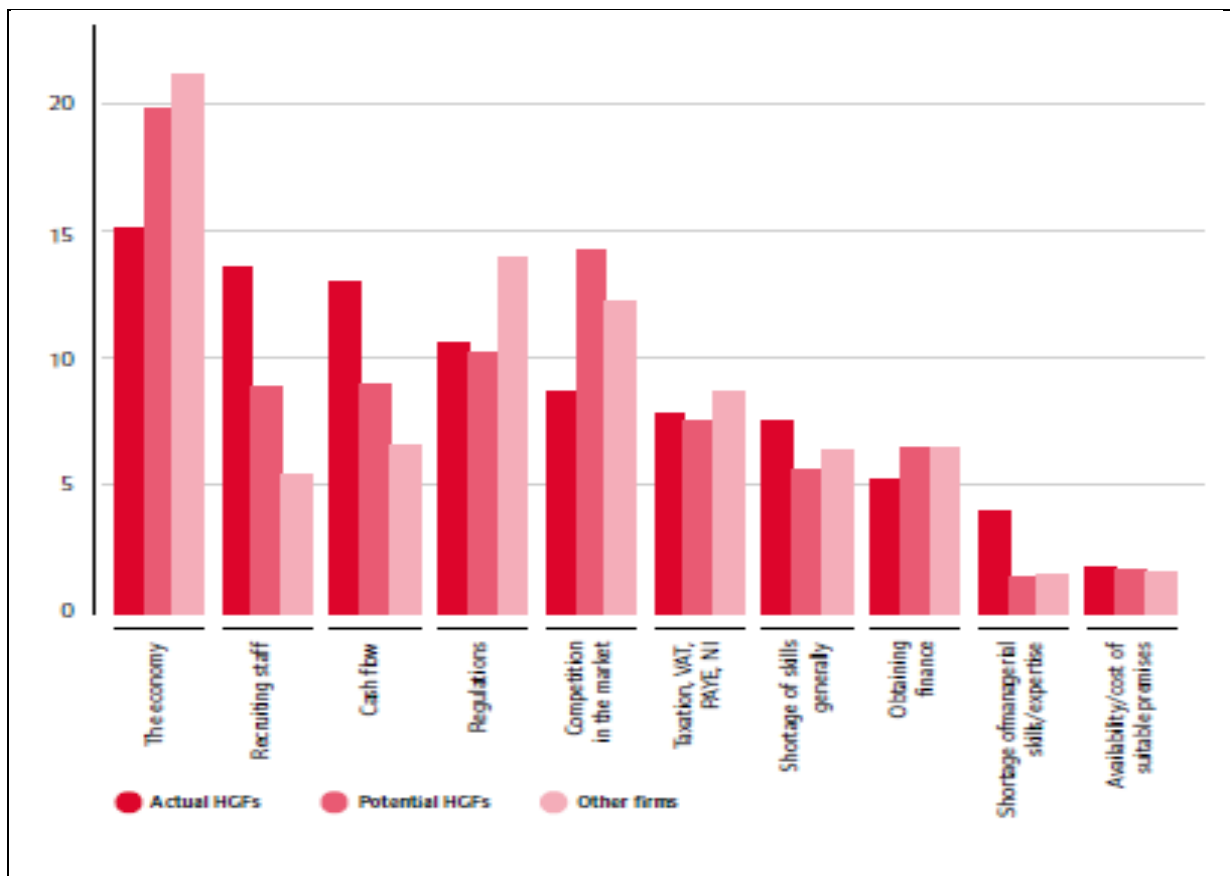


Orser found that the growth intentions of an entrepreneur were influenced by their own attitudes, by the views of other people (such as their spouse, business partner, accountant or banker), and by the perceived feasibility of success. The attitudes of the entrepreneur were influenced by positive factors such as financial implications, contribution to the community and recognition of the community but they were negatively influenced by factors such as work-family balance, additional stress, and potential loss of control. The combination of these influences contributed to the accumulation on an entrepreneur's growth intentions, which combined with competitive advantage and managerial skills determined the growth outcome of the firm.

Much of the literature reviewed agreed that the most significant barrier to growth was based upon psychological or motivational factors. If there is not a strong commitment by the entrepreneur / management team to grow the business, then it is unlikely to happen of its own accord. However, even if the commitment to growth is demonstrated, then issues such as management capability, funding, shortage of orders, sales / marketing capacity and poor product / service offering has also been featured in the literature as being the primary barriers to firm growth.

A study in the UK by NESTA (2011) is very informative in terms of how high-growth firms view barriers and challenges to growth differently to other firms (see Figure 2). Perhaps the most interesting finding from the study is that high-growth firms do not see the economy or competition in the market as a barrier to growth in the same way as other firms. Instead they see the ability to recruit staff and skills shortage, plus ensuring a positive cash flow, as being the critical issues in achieving firm growth. This suggests that high-growth firms are less concerned about what they cannot control but instead concentrate on those areas within the realm of their own activities.

**Figure 2 – Most Important Obstacle to Firm Growth (NESTA, 2011)**



In addition to the above results, there were a number of other findings from the literature review which also offered interesting insight, even if they occurred less frequently. Siegel et al (1993) found that growth firms were leaner with fewer managers, had slimmer payrolls, and used their assets more productively than non-growth firms. Evans (1987) evaluated the relationship between firm growth, size, and age for 100 manufacturing enterprises, and determined that firm growth, the variability of firm growth, and the probability that a firm will fail decreases as the firm ages. Evans also judged that firm growth decreases at a diminishing rate with firm size. Storey et al (1988) discovered that young firms were more likely to achieve greater profitability and grow faster than would old firms. These results help build a profile of growth firms and suggested that agencies should focus their energies on attracting younger firms who are lean and hungry for success.

The review of the literature also considered the reasons for firm failure since such a feature might offer some additional cues regarding the challenges that entrepreneurs face when building a business. The most frequently mentioned reasons for failure included: (1) the founder's inability or unwillingness to change, (2) lack of management skills, experience and know-how, (3) not keeping complete and accurate records, (4) having little focus in activities (attempting to be all things to all people), (4) under-pricing, (5) underestimating competition, (6) 'Mousetrap Myopia' (the notion that the world beat a path to your door for having the best mousetrap), (7) poor marketing activities, (8) weak financial control, (9) lack of strategic planning, and (10) inadequate liquidity. Many of these causes of firm failure could also be identified as barriers to firm growth and therefore might be considered in any training needs analysis that is developed regarding engendering firm growth.

**TABLE 2 - Factors Influencing Growth in Small Firms (Storey, 1994)**

<b>ENTREPRENEUR</b>	<b>FIRM</b>	<b>STRATEGY</b>
Motivation	Age	Workforce Training
Unemployment	Sector	Management Training
Education	Legal form	External equity
Management experience	Location	Technology
Number of founders	Size	Market positioning
Prior self-employment	Ownership	Market adjustments
Family history		Planning
Social marginality		New products
Functional skills		Management recruitment
Training		State support
Age		Customer concentration
Prior business failure		Competition
Prior sector experience		Information and advice
Prior firm size experience		Exporting
Gender		

As previously stated, the review of the literature regarding barriers suggests that for high-growth firms, the state of the environment is not the most important concern. Instead, the evidence would suggest that high-growth firms would view the primary weaknesses as being internal and within their own control to change. Storey (1994) sought to classify the key internal factors that influence firm growth under identifiable categories and suggested that instead of examining descriptive models, researchers should utilise prescriptive paradigms combining the following components: entrepreneur, firm, and strategy. As can be seen in Table 2, Storey identified the key elements to each component and argued that all components needed to combine appropriately for the firm to achieve growth. Less rapidly growing, no-growth or failing firms may have some appropriate characteristics in the entrepreneur, firm or strategy areas, but it is only where all three coalesce effectively that a high-growth firm will be found. Each component offers indicators of where weaknesses might exist in the alchemy required to create a high-growth firm.

It is clearly evident from a review of current entrepreneurship literature that entrepreneurship involves more than business start-up, and that it also includes the development of skills to grow a business, together with the personal competencies to make it a success. Gibb (1987) noted that while the entrepreneurial role can be both culturally and experimentally acquired, it is consistently being influenced by education and training. It has also been argued that the traditional approach to

entrepreneurship (with its emphasis on business start-up) needs to change and that the relevance of entrepreneurship education and training must be expanded. Indeed it is now widely recognised that there is a requirement to move from traditional 'instruction' towards an experiential learning methodology, utilising an action oriented, mentoring and group-work approach to ensure greater learning effectiveness. Within this approach, critical thinking and problem solving are recognised as key skills, while it is also appreciated that skill development regarding risk-taking, innovation, creativity and collaboration needs to be valued more. A more hands-on approach is also required for the development of project management and budgetary skills. Therefore, increasingly it is being recognised that teaching entrepreneurship skills should be interactive and might include case studies, games, projects, simulations, real-life actions, internships and other hands-on activities. But using active learning methods requires highly skilled trainers and trust in involving participants more in the learning process, fostering innovation and creativity and learning from success and failure needs to be encouraged. It must also be recognised that the entrepreneurial skill development process occurs over a period of time and requires the active involvement of entrepreneurs (Kutzhanova et al, 2009).

• **KEY POINTS**

- Growth is difficult to define accurately
- Barriers to growth are both internal and external
- Growth intentions significantly influence growth outcomes
- Key factors influencing growth are (1) entrepreneur, (2) firm and (3) strategy
- Entrepreneurial skill development process occurs over a period of time

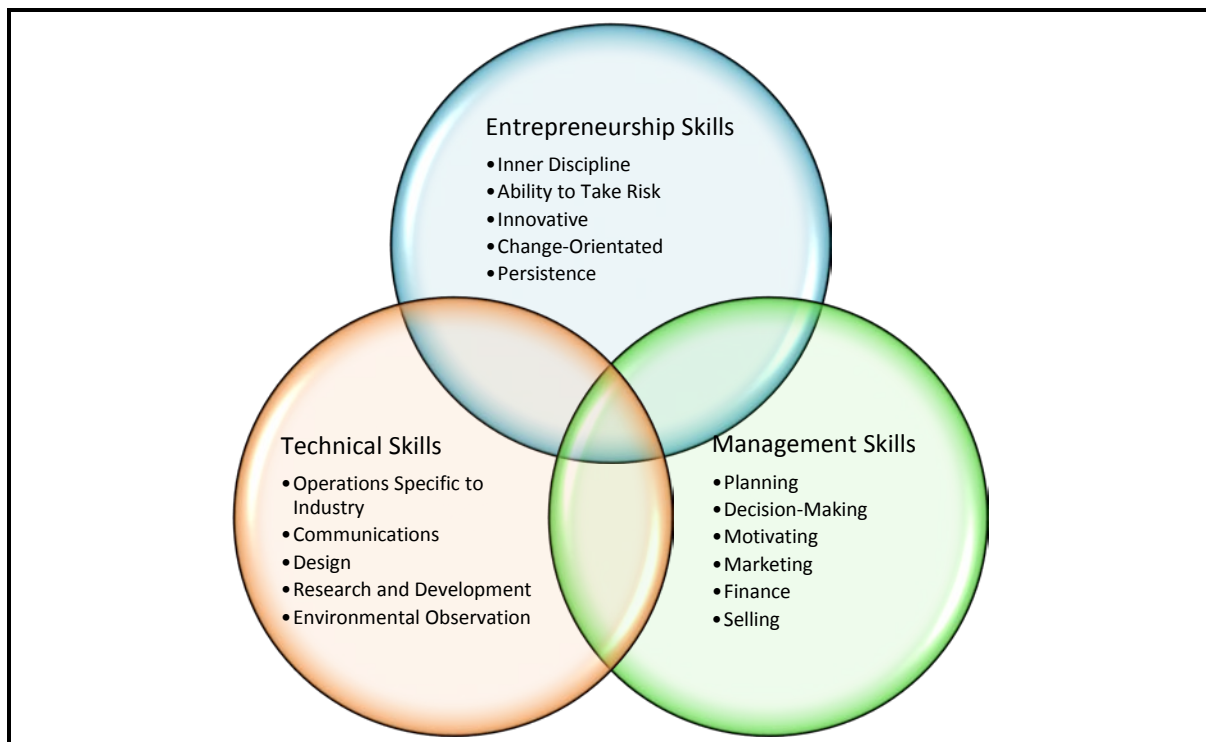
## **Entrepreneurship Skills Required to Overcome Barriers to Growth**

It is still a topic of much debate whether entrepreneurs are born or made. While it is generally acknowledged that there are natural 'born' entrepreneurs, there are also researchers who believe that entrepreneurship is a skill that can be learned. Drucker (1985) argued that entrepreneurship is a practice and that *"most of what you hear about entrepreneurship is all wrong. It's not magic; it's not mysterious; and it has nothing to do with genes. It's a discipline and, like any discipline, it can be learned."* If one agrees with Drucker's concept of entrepreneurship, then it follows that education and training can play a key role in its development. In a traditional understanding, entrepreneurship was strongly associated with the creation of a business and therefore it was argued that the skills required to achieve this outcome could be developed through training. More recently entrepreneurship is being viewed as a way of thinking and behaving that is relevant to all parts of society and the economy, and such an understanding of entrepreneurship now requires a different approach to training. The educational methodology needed in today's world is one which helps to develop an individual's mindset, behaviour, skills and capabilities and can be applied to create value in a range of contexts and environments from the public sector, charities, universities and social enterprises to corporate organisations and new venture start-ups. Lichtenstein and Lyons (2001) argued that it is important for service providers to recognise that entrepreneurs come to entrepreneurship with different levels of skills and therefore each entrepreneur requires a different 'game plan' for developing his or her skills. Furthermore, they

suggested that skill development is a qualitative, not quantitative, change which demands some level of transformation on the part of the entrepreneur.

When considering all of the literature that has been published regarding the skill-sets required to be an entrepreneur, Figure 3 captures much of the essence of what many researchers have presented as key requirements. These skill-sets can be broken down into three groups: Entrepreneurship Skills, Technical Skills and Management Skills. The level of education and training required to develop each of these skills will be highly dependent upon the levels of human capital that individuals might already possess before embarking upon their entrepreneurial journey. Indeed it has been argued that developing these skill-sets will engender enterprising persons who should be equipped to fulfil their potential and create their own futures, whether or not as entrepreneurs (NESTA, 2008).

**Figure 3 – Entrepreneurship Skill-Sets (Taken from Review of Literature)**



Kutzhanova et al (2009) examined an Entrepreneurial Development System located in the Appalachian region of USA and identified four main dimensions of skill:

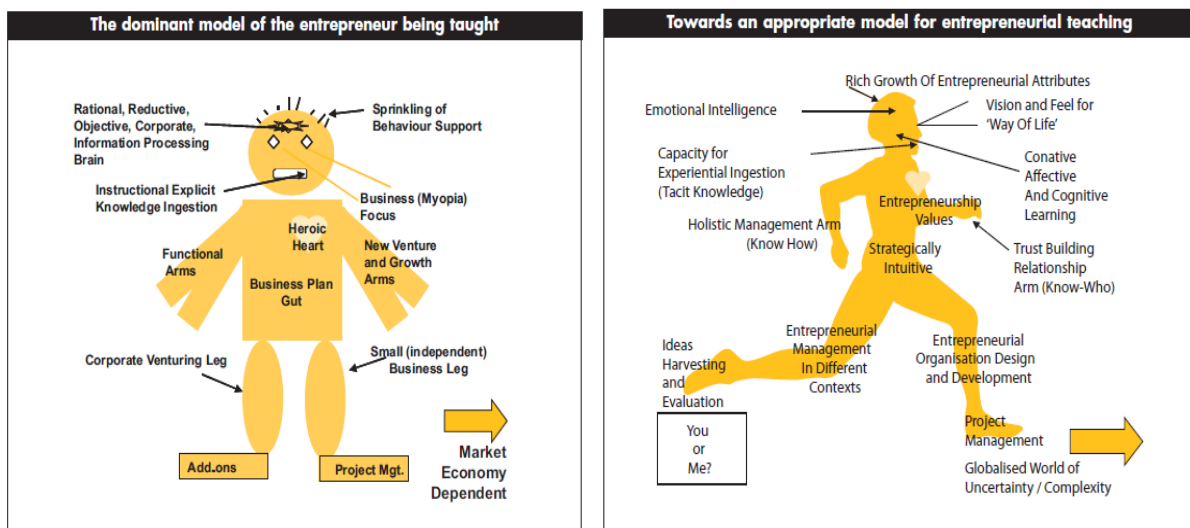
- Technical Skills - which are those skills necessary to produce the business's product or service;
- Managerial Skills, which are essential to the day-to-day management and administration of the company;
- Entrepreneurial Skills - which involve recognizing economic opportunities and acting effectively on them;
- Personal Maturity Skills - which include self-awareness, accountability, emotional skills, and creative skills.

In examining the key skills required of entrepreneurs, O’Hara (2011) identified a number of key elements which he believed featured prominently in entrepreneurship:

- The ability to identify and exploit a business opportunity;
- The human creative effort of developing a business or building something of value;
- A willingness to undertake risk;
- Competence to organise the necessary resources to respond to the opportunity.

However, Kelley et al (2010) propounded that within any society it is important to support all people with ‘entrepreneurial mindsets’, not just the entrepreneurs, as they each have the potential to inspire others to start a business. Kelley argued that any educational training should enable people not just to develop skills to start a business but rather to be capable of behaving entrepreneurially in whatever role they take in life. This approach is quite broad but it captures the critical philosophy of modern entrepreneurship education and training programmes required if countries are to generate an increasing pool of people who are willing to behave entrepreneurially. But how one develops these skills and values, particularly with relevance to growth-orientated business activities, remains a question to which many researchers are still seeking an answer.

**Figure 4 – Different Models for Teaching Entrepreneurship (Gibb, 2010)**



According to Gibb (2010), the manner in which entrepreneurship is taught needs to be significantly altered as the traditional model of entrepreneurship is no longer applicable to the modern business environment. Gibb portrayed the dominant model of entrepreneurship as being static and focused heavily on the writing of a Business Plan and the various functional activities of an enterprise. His alternative ‘appropriate’ model portrays the entrepreneur as dynamic with a range of behavioural attributes that need to be developed. According to Gibb, this model embraces a number of key characteristics as follows:

- Instilling empathy with entrepreneurial values and associated ‘ways of thinking, doing, feeling, seeing, communicating, organising and learning things’.
- Development of the capacity for strategic thinking and scenario planning and the practice of making intuitive decisions based upon judgement with limited information.



- Creating a vision of, and empathy with, the way of life of the entrepreneurial person. This implies a strong emphasis upon the employment of educational pedagogies stimulating a sense of ownership, control, independence, responsibility, autonomy of action and commitment to see things through while living, day by day, with uncertainty and complexity.
- Stimulating the practice of a wide range of entrepreneurial behaviours such as opportunity seeking and grasping, networking, taking initiatives, persuading others and taking intuitive decisions. This demands a comprehensive range of pedagogical tools.
- Focusing upon the conative (value in use) and affective (enjoyable and stimulating) aspects of learning as well as the cognitive as the relevance to application is of key importance (as is instilling motivation).
- Maximising the opportunity for experiential learning and engagement in the 'community of practice'. Of particular importance will be creating space for learning by doing and re-doing. Projects will need to be designed to stimulate entrepreneurial behaviours and assessed accordingly.
- Creating the capacity for relationship learning, network management, building 'know-who' and managing on the basis of trust-based personal relationships. The Business Plan becomes an important component of relationship management leading to understanding that different stakeholders need 'plans' with different emphasis (a venture capitalist or angel is looking for different things than a banker or a potential partner).
- Developing understanding of, and building knowledge around, the processes of organisation development - from start, through survival to growth and internationalisation. This will demand a focus upon the dynamics of change, the nature of problems and opportunities that arise and how to anticipate and deal with them.
- Focusing upon a holistic approach to the management of organisations and the integration of knowledge.
- Creating the capacity to design entrepreneurial organisations of all kinds in different contexts and understand how to operate them successfully.
- Focusing strongly upon processes of opportunity seeking, evaluation and opportunity grasping in different contexts including business.
- Widening the context beyond the market. Creating opportunities for participants (students) to explore what the above means for their own personal and career development.

Gibb's alternative model has found an increasing band of supporters who view the development of behavioural attributes as critical to the growth of entrepreneurial activity in the modern world. Such supporters highlight that contemporary business activity is not based upon functions operating in silos but rather on the need for highly interactive teams which enable firms (particularly high-growth firms) to have organic structures and emergent strategies. This work is equally applicable to training programmes for potential and growth-orientated entrepreneurs as the behavioural attributes being developed are similar across all ages of enterprise development.

In seeking to combine all of the factors that distinguish high-growth firms from non-high-growth firms, the work of Barringer et al (2005) captures the various elements that need to be addressed. Barringer et al found that the Characteristics of the Founder, along with Firm Attributes, Business Practices, and HRM Practices are all important in helping a firm achieve rapid growth. The results of their study drew particular attention to the importance of HRM practices in facilitating

rapid growth as several variables not considered in the growth literature emerged from their analysis. The emphasis on training was found to be much more prevalent in high-growth firms and the reliance on different incentive systems within high-growth and non-high-growth firms was also highlighted. Whereas the use of non-financial incentives was similar among high-growth and non-high-growth firms, the former were much more likely to report the use of financial incentives and stock option plans. From a training perspective, it is interesting to note that they believed that little can alter Founder Characteristics as people begin a training programme with these characteristics already in place. However, Firm Attributes, Business Practices and HRM Practices are areas of a business that can be addressed and the question then arises regarding how these requirements could be effectively supported by government agencies. According to a European Commission report (2006), management capacity in essence relates to four main fields of expertise of the owner/manager or of the staff in charge: (1) Strategic and management knowledge aspects (including human resource management, accounting, financing, marketing, strategy and organisational issues, such as production and information and technology aspects); (2) Understanding the running of the business and of the potential opportunities or threats (including visions for further development of activities, current and prospective marketing aspects); (3) Willingness to question and maybe review the established patterns (innovation, organisational aspects); and (4) Attitudes towards investing time in management development or other needed competencies. Such competencies in management are shown to be key determinants towards a company's growth potential but the report offers little indication as to how these competencies might be delivered.

Another reason for considering an alternative model to the development of entrepreneurship skills for growth firms is that a key finding of the literature review was that econometric methods linking traditional training participation to small firm performance produce weak findings. This suggests that the relatively low take up of formal management training is an informed decision on the part of the small firm owner/manager and it implies that seeking to increase formal small firm training activity by raising the awareness of owners/managers to the benefits of training is misguided. Westhead and Storey (1996) studied the empirical research examining the relationship between management training and enhanced firm performance and failed to find a positive relationship. They suggested that the reasons for the inability to demonstrate enhanced firm performance may be the result of poor training provided, that the duration of the programme was too short to have any impact, or because it was too difficult to demonstrate a cause-and-effect relationship. Overall, it must be noted that the traditional forms of training for management teams seeking to grow their business are not proving to be universally successful and therefore a new approach is required.

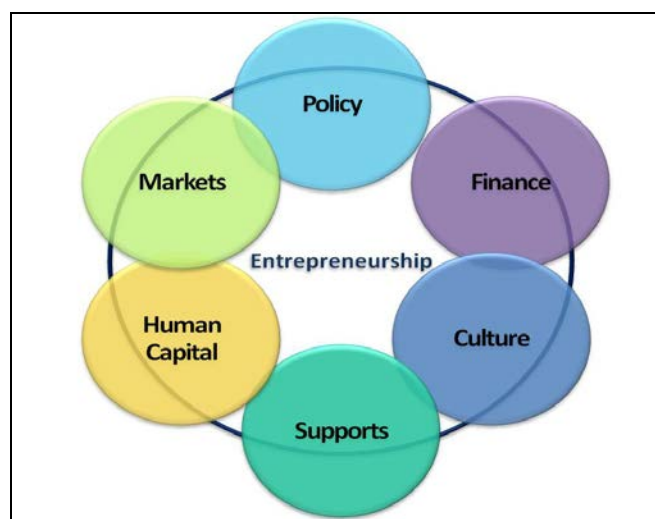
• **KEY POINTS**

- Each entrepreneur requires a different 'game plan'
- Four main dimensions of skill identified: (1) Technical, (2) Managerial, (3) Entrepreneurial, and (4) Personal Maturity
- Econometric models show poor relationship between existing management training and enhanced firm performance
- New models of teaching and training entrepreneurship focus on development of entrepreneurial attributes

## Training and Entrepreneurship Skills for Growth

Many countries and international bodies (such as the EU) have attempted to promote growth-orientated entrepreneurship either through direct measures or indirectly through policy instruments (European Commission, 2002). It is therefore understandable that policy actors are most eager to benchmark and compare the national government policies for entrepreneurship. They wish to find examples of best practice in entrepreneurship policy design and identify recommendations for national governments. These goals also stand high in the agenda of the European Commission (Bodas Freitas and von Tunzelmann, 2008). Addressing these crucial issues becomes more complicated as recent studies have suggested that policy measures, instruments or design do not perhaps determine the success of policies, but it is a matter of finding a proper 'fit' between the policies and the entrepreneurial environment in which the policies are applied (e.g. Desrochers and Sautet, 2008). While addressing the development of an entrepreneur's management skills is critically important to enable people to grow their business (if that is what they wish to achieve), enterprise support agencies and policy-makers must also consider how they can improve public policy, enable access to markets, provide hard and soft supports, create a supportive culture, and offer greater access to finance, if they are to engender a positive entrepreneurship ecosystem through which enterprises can flourish (as shown below in Figure 5). Training for the development of entrepreneurship skills for growth-orientated businesses would feature under Human Capital and Supports in the general entrepreneurship ecosystem.

**Figure 5 – General Entrepreneurship Ecosystem**



Detailed analysis by Inno-Grips (2011) of growth policies and programmes across many countries led the researchers to offer the following ten policy recommendations:

1. Policies supporting high growth of SMEs are worthwhile - it appears to be worthwhile to support high growth of enterprises in order to leverage the positive impact of these enterprises.
2. Seeking sustainable (high) growth - as high growth can also lead to high failure, the policy objective should be to generate sustainable growth.

3. Policies for general SMEs and for high-growth SMEs may coexist – since both types of policy generate positive returns for society, it suggests that policies for general SMEs and for high-growth SMEs should co-exist.
4. Broader approach to support high-growth – policies should not exclusively focus on specific aspects (e.g. finance).
5. No need to focus on specific industries - high-growth enterprises can be found in any industry and business ecosystems.
6. Creating the right framework conditions - policy makers should first of all set framework conditions right in order to prepare a fertile ground for winners to pick themselves.
7. Specific roles of the European Commission – the Commission’s main role could be to drive the further expansion and improvement of the Single Market (e.g. for venture capital) rather than launching specific measures for high-growth SMEs.
8. Enhance coaching opportunities - an infrastructure to encourage the replication of existing successful coaching networks throughout EU Member States could be set up.
9. Improve access to growth finance - improving the access to growth finance should be a priority for policy makers seeking to support high-growth SMEs.
10. Improve internationalisation opportunities - internationalisation of SMEs should thus be facilitated.

Since high growth frequently requires entry into larger markets, as national markets may be too small, the internationalisation of SMEs must be facilitated by the regional economic bodies (such as the EU) and by national governments. For example, this may include further work towards single markets in Europe as well as enhancing the European Commission’s Enterprise Europe Network. Items 1-5 are on a general level and thus apply to policy making on continental, national or even regional level; item 6 about legal framework conditions applies mainly to national policy but may partly be influenced by Directives, Recommendations and Communications by international organisations such as the EU; items 7-10 take a European perspective and require co-operation between European-level policy making with Member States. Overall, the report suggested that “policies should prepare a fertile breeding ground for SMEs to grow (e.g. by removing incentives to stay small), rather than trying to ‘pick winners’ and foster them”.

While the Inno-Grips (2011) report was able to identify a number examples of what the authors considered to be good practice regarding training for growth-orientated firms, the report concluded that there was a lack of evaluation studies that could substantiate the measures taken to support high-growth SMEs as being particularly effective or ineffective. Furthermore, the report found that policy makers face several challenges in drawing conclusions from existing research related to generating tailored support for high-growth SMEs which are as follows:

- Lack of empirical evidence
- Need for specific design
- Possible government failure
- Justification dilemma
- Resource allocation dilemma with general SME policy
- Quality limitations

- Speed limitations
- High growth co-occurs with high failure

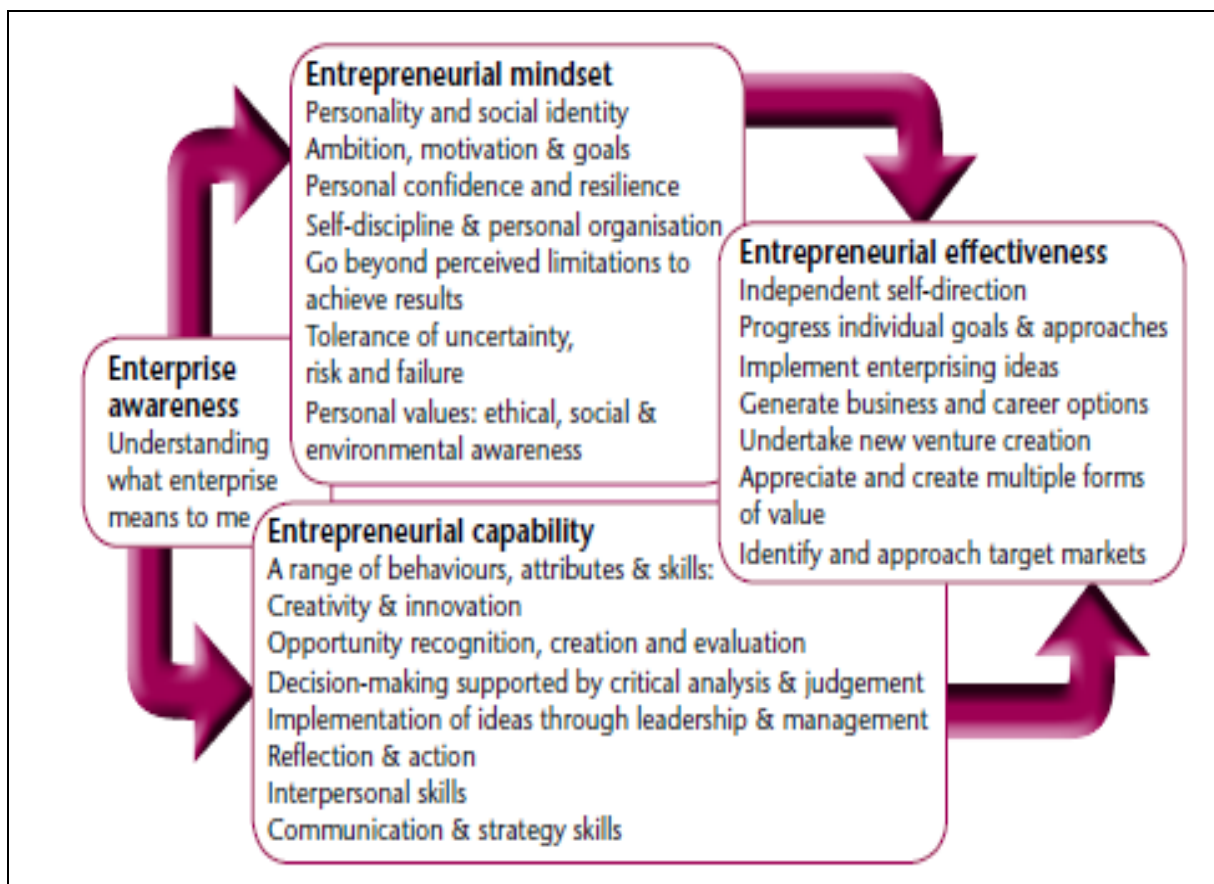
Finally, the report found that support for high-growth firms requires a comprehensive approach that could include certified coaching networks, improved access to equity finance, and facilitated internationalisation. It would also appear to be advisable for policy makers not to pick winners and foster them specifically, but rather to prepare a fertile breeding ground for winners to pick themselves.

Any discussion on the development of entrepreneurship skills to grow a business must be taken within such a context. The question of how one can best design and deliver entrepreneurship training courses that are specifically tailored for a particular type of audience has long been debated. Authors like Henry et al (2003) have criticised entrepreneurship training programmes for being too focused on the functional aspects of business management rather than helping to develop the broader capabilities of entrepreneurs to be innovative, manage their changing business environment and to be creative in developing and taking forward their businesses. However, while the wisdom of basing entrepreneurship education programmes on the functional aspects of business management has been questioned, Henry et al argued that these are in fact the areas that participants generally find to be most beneficial. In addition, developing Managerial and Technical Skills (see Figure 3) are undoubtedly easier to 'teach' and develop into a structured programme, whereas Entrepreneurship Skills are to some extent dependent on personal characteristics and may be more difficult to engender in a group programme. At a broader level, the benefits of such programmes would appear to be that entrepreneurs become better equipped with knowledge about running a business and, perhaps more importantly, gain an insight into the areas where they lack knowledge or expertise, areas where they might need to recruit external assistance. The programmes may also help entrepreneurs to avoid fundamental mistakes in managing their businesses as trainers will not 'tell' people what to do, but will help equip them with the skills to enable them to make better decisions.

Research was undertaken by Moran and Cooney (2004) who evaluated a tailored entrepreneurship programme in which participants had to cover a wide variety of topics in a group that consisted of people from different backgrounds and with different levels of ability. The analysis of the programme found that it was difficult to get the level of content right for everyone in the group, and that it can also be quite difficult to strike a balance between individual mentoring and group support on programmes that are tailored to meet individual needs, particularly when there are many different types of businesses represented in any given group. Some people found that the programme was too 'generic' and believed that it would have been helpful if the speakers had more knowledge of the participants in advance so that they could tailor their delivery accordingly and address some of the specific issues within the groups. Moran and Cooney also highlighted that several participants in their study found that elements of the programme delivery were too 'academic' and theoretical in approach. For example, the delivery of accounting was considered by some to be inappropriate and too theoretical for the audience at which it was aimed, whereas others thought that this was an area that they would not be able to master, and that they only needed to be aware of its implications for business management. It should be noted that some recent commentaries of entrepreneurship have highlighted financial literacy as being a significant problem with owner-managers and online programmes such as [www.fabeducation.com](http://www.fabeducation.com) have been created to enable owner-managers to read and understand financial accounts from a practical

perspective. Research by Moran and Cooney also found that participants preferred ‘real life’ examples or presentations from existing entrepreneurs, where these were made available. Donovan et al (1999), in their review of training evaluation models from the economic and human resource literature, pointed out that when dealing with the issue of human competence, context is critically important. Donovan et al argued that when evaluating training, it is important to remember that not only do the individuals being trained differ in their abilities and learning requirements, but that differences will also arise from the trainer and the environment in which the training is delivered, and the environment in which the subsequent learning is put to use. Rae (2012) highlighted a model for entrepreneurship education that considered ‘effectiveness’ as the key outcome rather than learning (which is shown in Figure 5 below). While the model was designed for third-level education, much of the model has meaning also for the development of entrepreneurship skills to grow a business as it seeks to combine mindset, capability and effectiveness.

**Figure 5 - Entrepreneurial Effectiveness (Rae, 2012)**



Kutzhanova et al (2009) highlighted that personal transformation was an important part of training programmes for entrepreneurs. They suggested that learning starts with a deeper understanding of one’s strengths and weaknesses, and so entrepreneurs must first learn about their own identity and personality. Significant advances have been made in recent times towards demystifying the role of cognition in entrepreneurship education and training, particularly with respect to identifying key cognitive traits of individuals who embody an ‘entrepreneurial mindset’ (e.g. Ardichvilli et al, 2003). A recent explosion of research on cognition and entrepreneurship is

generally rooted in psychology literature on individual cognition. For example, Mitchell et al (2002) build toward a theory that links specific mental processes with entrepreneurial behaviors, arguing that entrepreneurial cognitions are the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation, venture creation, and growth. Recent cognitive research in entrepreneurship draws upon literature from social cognition to describe the entrepreneur as a 'motivated tactician', who can be characterized as a *"fully engaged thinker who has multiple cognitive strategies available"* (Haynie et al., 2010: p18), and the ability to shift and choose rapidly from among them based on specific goals, motives, needs and circumstances, leading to the ability to act (or not) in response to perceived entrepreneurial opportunities (McMullen and Shepherd, 2006). This research is significant, because it explains in part the cognitive skills that help entrepreneurs engage in so-called 'adaptable decision-making', or the ability to shift rapidly from one mode of thinking and analysis to another in making decisions under unpredictable and rapidly changing circumstances (Schraw and Dennison, 1994), a hugely important factor in the development of entrepreneurship skills to grow a business.

• **KEY POINTS**

- Training programmes must be part of larger entrepreneurship ecosystem
- Current training programmes are too focused on the functional aspects of business management
- Difficult to strike a balance between individual mentoring and group support on programmes that are tailored to meet individual needs
- Participants prefer 'real life' examples or presentations from existing entrepreneurs
- Entrepreneurial effectiveness and personal transformation are now critical elements of training programmes for entrepreneurs

## **Examples of Programmes That Work**

The practice of 'picking winners' has had a great deal of support over recent years amongst enterprise support agencies. However, there are a number of problems with this concept. The first is the question of what measures are used to pick 'winners'. If a set criterion is employed then there is the definite possibility of losing potential successes because the relevant agency has already labelled those outside the criterion as 'no-hopers'. But the true measure of success is frequently found in the second generation of firms, as demonstrated in the research analysis by Cooney and Bygrave (1997) through the predominance of high-growth firms whose founders had prior industry and start-up experience, and therefore they argued that entrepreneurs who have been separated from their initial teams should be encouraged to start again.

In recent years, the European Union has been proactive in seeking to develop the skills of growth-orientated entrepreneurs by initiating a number of tailored programmes dedicated to enhancing their capabilities. These programmes include the following:

- The EuroStars programme aims to stimulate SMEs towards leading international collaborative research and innovation projects by easing access to support and funding. It

is fine-tuned to focus on the needs of SMEs, and specifically targets the development of new products, processes and services and the access to transnational and international markets.

- The Enterprise Growth Programme helps small and medium to large-sized enterprises to transform themselves. EGP advisors enable enterprises to make structural changes and develop new business skills at senior management level, helping them to thrive and compete in market economies. EGP operates in conjunction with the European Bank for Reconstruction and Development's Business Advisory Service (BAS).
- The smE-MPOWER89 project was funded by DG Research from 2005-2007, establishing "a learning community of SME coaches and intermediaries, strategically sharing proven operational know-how". smE-MPOWER materials are freely available under an open license arrangement.
- The Intelligent Manufacturing Systems90 (IMS) programme supports R&D innovation within manufacturing, supported by DG Research. IMS includes Europe, Switzerland, Korea, USA, and Mexico and is building an international business innovation coaching network focused on facilitating the development of international manufacturing technology projects.
- The Harmony project completed within IMS provided coaching explicitly designed to guide SMEs through the stages of developing and launching a business innovation collaboration project including strategic project planning, partner search, and intellectual property negotiations.

According to a report by Inno-Grips (2011), successful targeted policies for high-growth SMEs can be found in the Nordic countries of Denmark (the former Gazelle Growth Programme and the current Accelerace), Finland (TEKES funding for growth oriented SMEs, Finnish Growth Company Service, Vigo) and Norway (Incubator Grant, Seed capital scheme, Nyvekst). Other European countries with such policies include Estonia (Estonian Development Fund), France (Gazelles Programme, France Gazelles fund), Ireland (High-Tech Start-Up programme), Netherlands (Growth Accelerator 'Groeiversneller'), and Spain (Neotec Fund). Beyond Europe, relevant policies were identified in Australia and the USA as well as in China, Singapore, South Korea and the Start-Up America initiative by the US government.

In Finland, the Vigo initiative ([www.vigo.fi](http://www.vigo.fi)) aims to bridge the gap between early stage technology firms and international venture funding. The programme utilises 'Vigo Accelerators' who are mentors that are experienced entrepreneurs themselves. The Accelerators offer their proven business expertise, funding, and extensive contact networks to the target companies. The Accelerators invest both money and time into the target companies and take on both a strategic and an operative role in the companies. The Accelerators have been selected from the best applicants in their respective fields in a public procurement process. The objectives of the Vigo programme are as follows:

- Give incentives to the best business developers in order to help the most promising start-ups grow into successful companies
- Ensure early stage funding for start-ups, increase their shareholder value, and make the start-ups attractive targets for venture investors



- Continue to raise significant venture capital investments after the acceleration stage to support expansion of the target companies.
- Invigorate the Finnish venture capital market and bring more international acceleration and venture capital players into Finland

The Vigo program has announced that its portfolio companies have acquired funding exceeding €100 million and at present nine accelerators and sixty growth companies are taking part in the program, which was launched by the Ministry of Employment and the Economy in 2009. Total funding in the Vigo portfolio of companies exceeded the €100 million mark at the end of June 2012. When also taking into account fund commitments and exits, a total of €130 million in investment decisions have been made related to the programme's companies. Around 60 per cent of the funding stems from private investors, of which half from foreign business angels and private equity investment firms. What is most noticeable about the Vigo programmes is the central role that coaching or mentoring plays in developing the skill-set of the growth-orientated entrepreneur.

According to Murray et al (2009), who evaluated the Finnish Vigo programme, *“most first time, owner-managers of high-growth entrepreneurial firms will likely not have sufficient skill-sets (at least in a fully developed and tested form), and will necessarily need to have access to human capital and further levels of professional advice consistent with the growth needs of the enterprise”*. In its study of high-growth firms, Inno-Grips (2011) found that *“management often does not understand how to make the transition from customised products for pilot customers to scalable products for larger markets. Even when management understands how to achieve this result technically, they often do not appreciate the other – often massive – changes that this strategy shift entails: networks change, new investment rounds are necessary, business plans and a new business strategy need to be developed, core competencies and organisation structure need to be aligned with emerging business processes. In such a situation, experienced coaching may be crucial”*. However, despite the increasing number of programmes for growth-orientated entrepreneurs that offer a significant element of coaching, there is no EU-wide replication of these programmes and little collaboration across countries to build an international network of qualified coaches that could develop the skills required by growth-orientated entrepreneurs to develop their businesses.

In Ireland, a successful serial entrepreneur established an initiative to support growth-orientated business through the Endeavour programme ([www.endeavour.biz](http://www.endeavour.biz)). As with the example of Vigo in Finland, the key to the programme is mentoring which is provided by entrepreneurs who themselves have achieved international growth with their businesses. Some of the mentoring entrepreneurs are situated in USA, Asia and other locations that are considered important target markets for the participants and this ensures that the participants receive expert advice regarding their particular market needs. Endeavour (a not-for-profit organisation) takes a 3% stake in companies that advance to Phase 2 and provide €5,000 funding and free office space for a year, as well as access to the successful mentors and to funding opportunities. The other interesting element to the programme is the frequent stress-testing of the business model which ensures that the entrepreneur is building a business that has an increased possibility of achieving sustainable success. Under the new two-phase structure, Endeavour is open to founders (and their co-founders), as well as scientists, engineers, or persons from any other discipline who may not have their own idea but are committed to being part of the launch and operation of a new and innovative technology, web or software business in Ireland. The programme offers the following support:

1. Expert one-to-one mentoring from experienced entrepreneurs who themselves have conceived, created, launched and run successful Irish and International businesses. On Phase II of the programme, each company receives a dedicated mentor and access to 'floating' mentor teams covering the Asian, U.S. East Coast and U.S. West Coast regions.
2. Each participant must present their progress at three Business Stress Testing sessions. The team of professional advisors and mentors offer advice and milestones on how to further progress the business and the participant will be expected to adapt their business plan accordingly.
3. All participants will have the opportunity to showcase and pitch their business to a number of invited private and public investors in Dublin, Silicon Valley and London.
4. Participants will be housed in an Incubation Centre. The centre provides a cluster environment for innovative start-up companies and already houses two Deloitte Technology Fast 50 firms.

The first cohort of this programme has recently completed its programme and so firm results are not yet publically available. However, it is worth noting that participants on the programme won four major awards during the course of the programme and almost all are in the process of seeking venture capital to grow their business.

Kutzhanova et al (2009) examined an Entrepreneurial Development System located in the Appalachian region of USA and offered the following recommendations for service providers who were designing and delivering growth-orientated programmes:

- Assess the current skill level of individual client entrepreneurs so that coaching can be tailored to their needs, which are different at each skill level.
- Continue to monitor changes in skill level, so that coaching can be modified accordingly.
- Hire program staff with actual experience in entrepreneurship and training in state-of-the-art business coaching practice, or train existing staff in business coaching.
- Combine client entrepreneurs into peer coaching groups at the same skill level. Entrepreneurs prefer the advice of their peers to that of external service providers

A key finding of the analysis of the programme was the role of peer coaching. Kutzhanova et al (2009) stated that *"peer relationships develop a community for entrepreneurs that provides important networks for sharing knowledge, support, and possible business collaboration. An important finding of this study is that entrepreneurs, when presented with the opportunity to connect with other entrepreneurs in a non-competitive environment, build significant social capital. This social capital is used by all participating members to advance their own knowledge and expertise, to learn from the experiences of others, and to help each other. The relationship with peers provides entrepreneurs with needed emotional and psychological support"*. This aspect of human capital development is frequently underestimated by service providers but more recently, training programmes are offering participants greater opportunity to develop their social capital through enhanced networking opportunities.

The review of existing empirical evidence regarding barriers to firm growth and programmes to overcome them also drew attention to the successful strategies that growth firms most commonly employed. These strategies included the need to identify and target growth markets (or niche

markets), be customer driven, provide a wide product range (both for the benefit of the customer and to ensure that a company is not left stranded if events in one market become negative), have a differentiation or focus strategy (do not try to be 'all things to all people'), constantly innovate (highly significant), provide a high quality product / service, are export orientated and have a clear set of objectives. None of the above is particularly surprising to unearth but it was evident from the research that few companies actually practice such strategies. As Peterson et al (1995) suggested, eliminating growth defeating management practices might be more important than adopting growth promoting management practices. These barriers influence the structures and strategies selected by managers, and negatively impacted upon the ambitions of the organisation. Indeed, some of the barriers to growth are perceived rather than real, but nevertheless they will act as a deterrent to growth aspirations and practices. These aspects of entrepreneur skills can be developed under the headings of Managerial and Entrepreneurial Skills as identified in Figure 3.

• **KEY POINTS**

- Policies must stop 'picking winners' and instead create a strong ecosystem.
- Coaching and mentoring is a critical part of growth-orientated programmes
- Access to capital combined with appropriate coaching offers the strongest opportunities for business growth
- Peer learning and social capital development must be incorporated into training programmes for entrepreneurs

## **Challenges and Future Developments**

Over the past two decades, numerous attempts have been made to determine the characteristics that define high-growth firms and how these characteristics can be replicated amongst a broader group of entrepreneurs. Storey's (1994) finding that real employment growth was created by a small number of high-growth firms has concentrated the minds of researchers and policy-makers alike to seek to identify the key entrepreneurial skills that needed to be developed by growth-orientated entrepreneurs. Following the extensive review of the literature undertaken for this review, the following are the principal entrepreneurial skills that need to be developed amongst growth orientated entrepreneurs:

1. Customer-Orientated - Entrepreneurs must be committed to creating customer value through the provision of innovative products / services;
2. Strategic Development - Entrepreneurs should learn how to select from a number of market strategies that can influence their chances of success (e.g. Choice of Market, Customer Driven, Constantly Innovate, Differentiation/Focus, Highest Quality, Exporting);
3. Financial Management – Entrepreneurs must learn the skills required to access additional venture capital (e.g. how to structure a proposal);

4. Human Resource Management - Entrepreneurs need to understand and appreciate the need to enhance the HR practices of the firm and to offer financial incentives to employees (share the rewards).

But the development of these skills is not enough in themselves because the following conditions must exist if any progress is to be achieved:

1. The entrepreneur must be motivated to grow the business;
2. Peer-to-peer mentoring from successful entrepreneurs is a critical element of any training programme (mentors must also be motivated to work in this role);
3. Entrepreneurs must be provided with increased access to networks, finance and international markets.

Possibly the strongest finding to come from the review of existing programmes is the role of mentoring and how the mentors must be people who have already achieved success within the field identified by the growth-orientated entrepreneur. This person has the experience and access to networks that enables to growth-orientated entrepreneur to expand their horizons. The mentor also acts as a role model and reinforces the belief of what ambitions can be achieved. However, the mentor is unlikely to stay with the mentee on a long-term basis and it is for this reason that the growth-orientated entrepreneur must also develop their individual skill-sets, particularly in the areas identified above. The desire to grow a business is not a goal for all entrepreneurs and therefore those who do view their future in this way must be afforded tailored support to ensure that they have the best prospects of succeeding.

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