

The Centre for Small &
Medium Sized Enterprises
& Enterprise Teaching Group



2003-2004

The Centre for Small & Medium Sized Enterprises & Enterprise Teaching Group Report 2003-2004

In 2003-2004 we have continued to extend our research portfolio. The Bank of England have awarded us a large grant to carry out a comprehensive survey of UK small business finance. The UK's Small Business Service and the Department of Trade & Industry have also asked us to conduct a review of business support and, separately, Regional Venture Capital Funds. Finally, as part of our Leverhulme Trust funding, we have continued to research the activities of new businesses set up in three English Counties.

The Enterprise Group continues to rapidly expand its teaching. The group now teaches nearly 900 undergraduate and postgraduate students at Warwick University. Our portfolio has been strengthened by new courses such as Finance in New Ventures, our continued involvement with the Mercia Institute sponsored MSc in Entrepreneurship and the European Doctoral Programme.

RESEARCH DEVELOPMENTS

2003-2004 has seen us awarded two research contracts on entrepreneurial finance. The first of these saw us successfully complete, in conjunction with Professor Mark Hart and his team at Kingston University, a report for the Small Business Service of the DTI on a methodology for evaluating the impact of the Regional Venture Capital Funds. We are also extremely pleased that the Bank of England has commissioned us to conduct a major investigation into the nature of small business finance in the UK. This is designed to mirror the US's Survey of Small Business Finance.

These exciting research contracts should allow us to continue to publish in good journals. In terms of our interest in finance, Andrew Burke has published a paper (co-authored with Aoife Hanley) in the *Journal of Entrepreneurial Finance and Business Ventures*. Andrew has also made a presentation at the American Academy of Entrepreneurial Finance Conference. In conjunction with Yoshi Kon, my paper on discouraged borrowers has been published in *Small Business Economics*.

Kevin Mole and Francis Greene have also continued our long standing interest in differences between entrepreneurial regions. Particularly pleasing was the paper (flowing on from our Leverhulme Trust sponsorship) published in *Urban Studies* on entrepreneurship in Cleveland. Equally, Andre Van Stel and myself have a paper coming out in *Regional Studies* this year that looks at the relationship between firm formation and job creation between 1980-1998. Future publications are also planned in this area. Stuart Fraser and Francis Greene have shown that entrepreneurial optimism was higher in the 1980s than in the 1990s. Kevin Mole, Francis Greene and myself have also signed a contract to publish a monograph on our Leverhulme Trust research.

On the international level, Stephen Batstone has also continued his involvement with Russia's Ministry of Economics to aid the development of small firms in Russia. Stuart Fraser and Andrew Burke are currently writing an article which examines piracy in the music industry. Finally, this year has seen us hosting Jean-Lluis Capelleras from the Autonomia University, Barcelona for three months. This collaboration has resulted in a joint working paper comparing new businesses in the UK and Spain.



In terms of enterprise management, Francis Greene and Kevin Mole have a forthcoming publication in *Applied Economics* which looks at how UK small firms have responded to the introduction of the Euro. Kevin Mole has published a paper in the *Journal of Small Business Management* which suggests that firms match the technologies that they adopt with their characteristics, their capabilities and the competition, in that order. He has also won a contract from the Small Business Service to evaluate international brokerage models. Kevin's work as an Advanced Institute of Management (AIM) Scholar, an initiative supported by both the ESRC and the EPSRC Council, saw him publish - in conjunction with other AIM scholars - *Solving the Skills Gap*. Stuart Fraser's ISBA prize winning paper on the impact of Investors in People participation on small business performance, was published in *Environment and Planning C: Government and Policy*. Finally, Andrew Burke's ongoing research with Felix FitzRoy, and Mike Nolan, on the determinants of entrepreneurial performance was presented at the Royal Economic Society and the Scottish Economic Society Conferences in 2004.

TEACHING DEVELOPMENTS

Our teaching continues to expand rapidly, partly because of the greater uptake of students on our established courses such as 'Entrepreneurship and Small Business', 'Starting a Business' and 'Understanding Enterprise' but also due to a successful new module 'Finance in New Ventures' delivered by Andrew Burke and myself. On the post-graduate front, Andrew in his new role as head of the Enterprise Teaching Group, has also revamped the Warwick Distance Learning MBA programme. Similarly, Andrew has successfully introduced a venture capital module for the MBA which has been taught both here and in Hong Kong. Andrew also leads on the development of a new MBA module on intellectual property rights, for inclusion in the MBA Programme 2004/5. Francis Greene and myself have recently signed a contract to write a textbook on small business management. The success of our external programme 'Grow with Marketing', organised by Don McPhie has led to the Centre becoming an Associate of the Business Link University

ACTIVITIES OF KEY PERSONNEL

Professor David Storey, Director

I was very honoured in October 2003 to be asked to take over the role of Associate Dean (Research) for Warwick Business School. This means a greater involvement in facilitating research in WBS as it strives to retain its 5* status in the forthcoming RAE.

The last year has seen me teach on the European Doctoral Programme in Barcelona and on the Masters in Entrepreneurship (supported by the Mercia Institute of Enterprise) at the University of Central England. In terms of outside involvement, my time as a member of Small Business Council has come to an end, after four enjoyable years. I continue to work with Deloitte & Touche looking at rapidly growing middle market firms and, as part of my association with Durham University Business School, I have co-authored a paper with Simon Parker and Arjen van Witteloostuijn on what *What Happens to Gazelles*. I was also pleased to present my paper on policy evaluation to OECD Ministers in Istanbul.



Andrew Burke at the Warwick DL MBA Office in Hong Kong.



Nigel Sykes sorting out the goats from the sheep in North Korea.

Dr. Andrew Burke, Reader, Deputy Director, Head of Group

Andrew is now the Head of the Enterprise Teaching Group which gives him overall responsibility for teaching activities. He was also recently appointed as the Academic Director of the Warwick Executive MBA. Andrew continues to act as one of the lead Editors of the *International Journal of Entrepreneurship Education*. Four volumes have now been published, including a special issue on social entrepreneurship. The IJEE has gone from strength to strength and now has an extensive international readership and range of high calibre authors. His research on intellectual property rights, the music industry and regulation has continued and most recently attracted coverage by BBC2's *Working Lunch* business programme. Meanwhile his research on entrepreneurial performance featured on BBC1 Breakfast Television. In terms of consultancy, he has recently acted as an expert witness in a legal dispute over music royalties between record companies and night clubs.

Mr. Nigel Sykes, Senior Teaching Fellow

This year Nigel led a team of three experts to the DPRK (North Korea) to continue with a collaborative Economic Infrastructure Reconstruction Initiative. This is based on his P3 model and an integrative development approach, including renewable energy, agricultural and business development and mentoring. Nigel also presented at the ISBA conference for the first time last year and found his *Envisioning, Enabling and Enacting Enterprise* paper was enthusiastically received, particularly by practitioners and advisors. Similarly, Nigel presented at the EPIC Conference on 'Communicating Better'. Nigel has also further developed his role in promoting enterprise in local schools.

Dr. Stuart Fraser, Senior Research Fellow

Stuart continues to act as the econometrics tutor for the MSc in Economics and Finance and as second supervisor for two PhD students in CSME. Stuart is also responsible for directing the Bank of England Survey of Small Business Finance. He has had papers published in *Applied Economics* and *Environment and Planning C: Government and Policy* in the last year. A further two papers have, by invitation of the editors, been re-submitted to journals following revisions.

Dr. Francis Greene, Lecturer

This last year was very busy for Francis in terms of teaching. Francis passed the University's Certificate in Post-Compulsory Education, which stood him in good stead to cope with a full range of undergraduate teaching over the academic year. Francis continues to act as one of the judges for Mercia Institute of Enterprise's 'Bizcom' (Business Planning Competition). His research will continue to focus on the Leverhulme project on enterprise.

Dr. Kevin Mole, Research Fellow

Besides becoming an AIM Scholar, Kevin has continued to work extensively on the Leverhulme Trust research and, as indicated above, will have three articles published this year with a further three submitted for journal review. He is working with the UK's Small Business Service on an International Review of Business Support, which has identified four dimensions where programme designers need to connect the rationale and design of the programme

COMINGS AND GOINGS

At the end of 2003, we were sad to say goodbye to Margaret Toozer who after four years has gone on to be an independent consultant. We are very pleased that our two PhD students Liang Han (thesis on the relationship between entrepreneurial talent and the form of debt contract with banks) and Raphael Lorenzo (thesis on the role of group lending in Mexico under conditions of imperfect information) have gone on to academic positions at Hull University and the Monterrey Institute, Mexico, respectively. In terms of arrivals, we are very happy to welcome Sharon West who joins us as our Research Secretary.



A handwritten signature in black ink, appearing to read 'D Storey'.

Professor David Storey
Director, CSME
Associate Dean (Research) WBS
Academic Director, Mercia Institute of Enterprise

PUBLICATIONS

Refereed Journals

- Burke, A.E., Hanley, A. (2003), 'How do Banks Pick Safer Ventures? A Theory Relating the Importance of Risk Aversion and Collateral to Interest Margins and Credit Rationing', *The Journal of Entrepreneurial Finance and Business Ventures*, Vol.8, No. 2, pp. 13-24.
- Fraser, S. (2003), 'The Impact of Investors in People on Small Business Performance: Who Benefits?', *Environment and Planning C: Government and Policy*, 21, pp. 793-812.
- Fraser, S. (2003), 'Does Advertising Increase Labour Supply? Time-Series Evidence for the UK', *Applied Economics*, Vol. 35, No. 11, pp. 1357-1368.
- Greene, F.J., Mole, K.F. and Storey D.J., 'Does More Mean Worse? Three Decades of Enterprise Policy in the Tees Valley', *Urban Studies*, Vol. 41, No. 7, pp. 1207-1228.
- Kon, Y. and Storey, D.J. (2003), 'A Theory of Discouraged Borrowers', *Small Business Economics*, Vol. 21, No. 1, pp. 37-49.
- Mole, K.F., Ghobadian, A., O'Regan, N., Viney, H. and Liu, J. (2004), 'The Use and Deployment of Soft Process Technology within UK Manufacturing SMEs: An Empirical Assessment Using Logit Models', *Journal of Small Business Management*, Vol. 42, No. 3, pp. 303-324.
- 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*, Vol. 15, pp. 112-130.

Accepted and Forthcoming Refereed Journal Articles

- Greene, F.J. and Mole K.F. (2004), 'Tracking Euro Preparations Amongst UK SMEs', *Applied Economics*.
- Storey, D.J. (2004), 'Racial and Gender Discrimination in the Micro Firms Credit Market? Evidence from Trinidad and Tobago', *Small Business Economics*.

Edited Books

- 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.

Reports

- Bloom, N., Conway, N., Mole, K.F., Möslein, K., Neely, A. and Frost C. (2004) 'Solving the Skills Gap', Summary report from a *AIM/CIHE Management Research Forum*, Advanced Institute of Management Research, London.

Working Papers

- Burke, A.E. and Hanley, A. 'How do Banks Pick Safer Ventures? A Theory Relating the Importance of Risk Aversion and Collateral to Interest Margins and Credit Rationing', *CSME Working Paper No. 79*.
- Burke, A.E. 'Who will Pay for Innovation in the Digital Music Industry? Personal versus Commercial Users and Price Regulation', *CSME Working Paper No. 80*.
- Burke, A.E., Fitzroy, F. and Nolan, M. 'Beyond the Employee or Entrepreneur Dichotomy: Accounting for Entrepreneurial Persistence and Type', *CSME Working Paper No. 81*.
- Burke, A.E. and Hanley, A., 'Bank Interest Margins and Business Start-up Collateral: Testing for Convexity', *CSME Working Paper No. 82*.
- Capelleras, J.L., Mole, K.F., Greene, F.J., 'Start-up Size and Subsequent Growth: English and Spanish New Businesses Compared', *CSME Working Paper No. 83*.
- Fraser, S. and Greene, F.J., 'Earnings, Policy and the Enterprise Culture: A Structural Analysis of Self-Employment Choices and Uncertainty in the UK', *CSME Working Paper No. 78*.
- Hay, G. and Mole, K.F., 'An Analysis of Growth in New Firms and the Impact of Liquidity Restraints', *CSME Working Paper No. 84*.

Book Chapters

- Burke, A.E. (2003), 'The Music Business', in *The Handbook of Cultural Economics*, (Ed) Ruth Towse, Edward Elgar Academic Publishers.
- Burke, A.E. (2003), 'Economic Objectives of Copyright and the Efficiency of Legal Practice: An Analysis of BSKYB Ltd and Sky Television Ltd v. The PRS Ltd.' in *The Economics of Fakes and Copies*, (Eds) Gianfranco Mossetto and Marilena Vecco, Franco Angeli Milano, Italy.

Book Reviews

- Burke, A.E. (2003), 'A Review of *Copyright in the Cultural Industries*', (Ed) Ruth Towse, Edward Elgar Publishing, *Journal of Cultural Economics*, Vol. 27, pp. 146-149.

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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.

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