



# #201: The naked entrepreneur: Deconstructing the modern business icon

VOICEOVER

Welcome to Up Close, the research talk show from the University of Melbourne, Australia.

JENNIFER COOK

I'm Jennifer Cook. Thanks for joining us. A beggar stands at a busy intersection offering to wash the windows of passing motorists. It's not an unfamiliar sight in many major cities around the world. What makes it different is the sign he's holding. I am not a beggar, it says, I am an entrepreneur. This image strikes at the heart of the myth of what it means to be an entrepreneur. It exposes the gap between the dream of the successful innovative individual with a bright idea and exposes what is, more often than not, the grim reality of this path, hardship and failure. Today's guest says the title is one conferred only on the successful few who actually manage to make it. To Professor Andre Spicer from the Cass Business School in London, the field of entrepreneurship is this shocking difference between the overblown rhetoric and the horrible reality. Professor Spicer is the co-author along with Campbell Jones of the 2009 book *Unmasking the Entrepreneur*. He joins us via Skype from London. Andre, welcome to Up Close.

ANDRE SPICER

Hello, thanks for having me.

JENNIFER COOK

So let's begin by me asking you, what is the popular definition of an entrepreneur?

ANDRE SPICER

We normally think about the entrepreneur as someone who starts a business. So the first image that pops to mind is someone like Richard Branson or maybe Donald Trump, but notice these are people who don't just start businesses but they are people who have been extremely successful and have started multiple businesses. So often the image is not just a business person who starts new operations and sometimes comes up with innovative ideas, but it's someone who's been extremely successful in doing that.

JENNIFER COOK

So what have academics had to say on this subject up until now?

ANDRE SPICER

Well, academics have basically had two ideas about what the entrepreneur is. One, I suppose the kind of all-purpose definition is someone who comes up with an innovative arrangement of the factors of production. So factors of production comes down to the things which create value and for economists, that's essentially three things; land, labour and capital. So what the entrepreneur does is combine those three things together into a kind of innovative format. So if you think about something like when the first supermarket started, when they started they came up with an innovative relationship of land, so sites often near motorways so people could get there in their cars; labour are people who weren't necessarily small

time grocers but were fairly cheaply paid people working in mass stores; and capital, the money to actually build it. So the entrepreneur brings those three factors together. So that's one idea about what the entrepreneur is. A second idea, and this is what most entrepreneurs are, is essentially people who don't come up with this innovative arrangement of things, they just see it operating in one place, take the idea and apply it to their own places. So, for instance, think about someone who goes from, say, San Diego to Tokyo, sees a Sushi Train shop and thinks wow, this is a good idea. They bring this idea of how you can figure land, labour and capital back to San Diego, think we can do it here and then they do that in San Diego. So essentially you have these two definitions. One's the Schumpeterian entrepreneur who comes up with an innovative relationship of land, labour and capital, the second one's what we call the Kirznerian entrepreneur who basically takes an idea someone else has and applies it into a new domain.

JENNIFER COOK

So that's what the academics have to say on it and how do those definitions match the reality?

ANDRE SPICER

Well I suppose if you take those two definitions, we often think about the big innovative idea as being that's what entrepreneurship is, but that's only a very small 20 per cent of people who succeed. Eighty per cent of people who succeed are essentially people who take an idea from somewhere else and apply it in their own sector, but out of those two lots, that's only 10 per cent. We have to remember that the reality of most entrepreneurship is failure; somewhere between 80 and 90 per cent of entrepreneurs fail within the first one or two years of starting up their venture. So the reality of entrepreneurship is basically failure, not success.

JENNIFER COOK

So what does your research propose is needed to bridge this gap?

ANDRE SPICER

OK. I think the first thing which we propose is we need to stop looking at this very small amount of people who are the 10 per cent who succeed in their ventures and we need to begin to look at the other 90 per cent, the kind of dark matter of entrepreneurship which we don't see which are the people who basically fail as entrepreneurs but are also failed by the idea of entrepreneurship. And we want to begin to look at how this idea of entrepreneurship fails people, I guess. That's what we want to really propose. So by doing this we want to shift people's perspective of what entrepreneurship actually is and the reality of it.

JENNIFER COOK

So tell us a bit more about this failure point or the sinister side to the entrepreneurial image.

ANDRE SPICER

Generally, if we think about people, they start up an entrepreneurial venture, what will often happen is that they invest incredible amounts of their time, energy, passion but also their own financial resources, they borrow a lot of money but it's also often the financial resources of their loved ones around them and they often go deep into debt, they expend incredible amounts of their waking hours trying to run these ventures and the results can sometimes be catastrophe. Sometimes it can mean that financial resources get strained or they go heavily deep into debt. Sometimes it can mean that family relationships are sort of put on hold or fundamentally damaged and, I suppose, the other thing which we often don't think about, that it can lead to people having a profound sense of personal failure and really major damage to their sense of self-esteem and that can come with severe mental health issues such as depression and things like this.

JENNIFER COOK

There are also real problems, aren't there, with the imagery of this successful entrepreneur and central to that is that it does suggest that it's all done by one heroic man or woman.

ANDRE SPICER

That's a good point as well. If we actually look at the research of most successful entrepreneurs, remember we're only talking about 10 per cent of people who start up entrepreneurial ventures here, what we often find is that it doesn't fit the image. So currently we have the image of the great entrepreneur as someone like, say, Mark Zuckerberg, some college kid sitting in a dorm room in Harvard comes up with a brilliant idea, five, ten years down the line he's worth billions. That's not the reality. Most people who are successful entrepreneurs are first of all in middle age, second of all they start up a business in an industry which they've been working in for years, they know the ropes of the industry. The third thing is it's often not an individual, it's actually a team of people. Most of the time, successful entrepreneurial ventures are actually entrepreneurial teams, not entrepreneurial individuals. So I think there's a big gap here between the kind of image which we have of the entrepreneur as this sort of heroic young individual guy and the reality which is kind of often more staid, collective, middle aged entrepreneurial ventures.

JENNIFER COOK

Isn't entrepreneurship a short lived phenomenon even among people who are successful entrepreneurs? I'm thinking of mathematicians whose best work is often in their youth.

ANDRE SPICER

That's a good question. I think people remain attached to the idea of entrepreneurship sometimes. So sometimes people come up with the one good idea but what you'll often find is that some people engage in serial entrepreneurship, so they start up businesses again and again. That's one side of the picture, but sometimes you find people who engage in what we call serial failure, so they start up one venture, it doesn't work, they start up another venture and it doesn't work and fail and fail again. So one of the essential characteristics you need to be a good entrepreneur is the ability to deal with repeated failure and that takes huge amounts of self-belief, often unreasonable hubris in some cases where you need to believe in yourself beyond all reasonable evidence.

JENNIFER COOK

On Up Close this episode we're speaking about entrepreneurship with organisational theorist, Andre Spicer. I'm Jennifer Cook. So would you say, Andre, that entrepreneurs are born and not made? Can someone off the street be trained to be an entrepreneur?

ANDRE SPICER

This is a big and an old kind of debate which you'd normally start any business school class about entrepreneurship. Certainly there are some characteristics people would say are born into people. So one of my colleagues at Cass here has been doing some research recently looking at the genetics of entrepreneurship and what he's shown using matched twin studies is that yes there seems to be some genetic basis to entrepreneurship. However, it's only one small part of the puzzle, just like most genetics most of the time. Other things which are actually even more important are things like people's stocks of social, financial and cultural capital, so basically which class they came from. So what you magically find most of the time is that people have built up social capital and cultural capital through going to the right schools, right universities, associating with the right kind of people, precisely the people who often become successful entrepreneurs at the end of the day. So if you think about someone like, say, Zuckerberg, it's no mistake or no accident, I suppose, that he went to Harvard, right? At Harvard he made connections with

the right kind of people which then obviously would help being put in touch with venture capitalists when he moved to Silicon Valley. The same thing is the case with Richard Branson, he had the right kind of cultural capital which allowed him to make contacts with business people and people in the music industry in London when he was beginning. So sometimes I think people's backgrounds play an even bigger role than their kind of genetic predisposition. Having said that, there are some things that people try and do to kind of increase people's ability to be an entrepreneur, things, I suppose, like creativity training, but often times the more important things are just nuts and bolts stuff about running a going concern rather than some process of coming up with a brilliant idea.

JENNIFER COOK

Now Mark Zuckerberg would be a good example, wouldn't he, of an entrepreneur that we hold up as the individual, but in reality there's a whole team behind him?

ANDRE SPICER

Yeah, absolutely. So there's not just a team behind him but there's a whole kind of network of people doing different things. So if you think about Mark Zuckerberg from the beginning when there was a team of people behind him, mathematicians who came up with the codes as we saw in the Social Network movie, people who helped put him into contact with venture capitalists, also a whole network of people in Silicon Valley who helped to develop the idea, push it forwards, but also if we actually think about what Facebook does, who does the work on Facebook, it's not Zuckerberg or the team of people who made millions if not billions on the float recently. It's actually every single one of us who has a Facebook profile, right? When we log on to Facebook every day, we generate content all the time for Facebook which it then takes off us and sells it back to us and sells our profiles. So, in a sense, the people actually doing the work and often coming up with extensions of Facebook, the kind of real entrepreneurs behind the scene are us. So, in a sense, what Zuckerberg and Facebook has been brilliant in doing has been harnessing our own entrepreneurial tendencies and putting a price on that and selling it back to us.

JENNIFER COOK

Andre, can you tell us of some examples of entrepreneurship coming from within bureaucracies?

ANDRE SPICER

That's a good question. Often we think about bureaucracy and entrepreneurship as being two completely different opposites, it's like black and white. So when you get any politician coming in and saying we want to get rid of bureaucracy, cut it down, burn it and unleash the entrepreneurial spirit, this is a typical thing.

What they often don't recognise is that most of the time entrepreneurial ventures actually come directly out of bureaucracy. So if we think about the great wave of entrepreneurship which we've seen being kicked off by the internet, much of that actually finds its foundations in massive government investment, large scale bureaucracy, so a lot of military research which was kicked off by the ARPAnet, large corporate bureaucracies as well, so often times what you find is that people who comes up with the entrepreneurial ideas actually cut their teeth, learn the ropes and actually develop the new technology within whether it's a big corporate bureaucracy or a government bureaucracy and then maybe take that idea out once it's developed and once it's been incubated and then venture it. So that's one example. A second more intriguing example, I think, is if we think about the Soviet Union. Now there's been some research which has been done on the so-called blat trading circle. So if you went to the Soviet Union during the Communist times, what you would find is department stores which were empty, right? We all know this, but what we often don't recognise is that there were huge underground trading economies, these blat trading circles where people would trade goods which were rare, sometimes they'd pilfered them from the factory, sometimes they'd made them in their own time, between each other. So the result is that this apparently

completely non entrepreneurial society involved a huge amount of entrepreneurship. People had to trade, engage in goods and selling and buying on a day to day level. Now if you speak to someone who's gone and lived in Cuba in the last 10 or 15 years, what they'll often say is well you have this kind of apparently anti entrepreneurial society but under the radar it's one of the most entrepreneurial societies. So you don't just walk down to a big department store and buy your stuff, you have to go out there and trade with your neighbours if you want to get yoghurt, cereal, orange juice, if you want to go to this nightclub do the other thing. So the result is that these apparently non entrepreneurial spaces are awash, are rife with entrepreneurship if you know where to look.

JENNIFER COOK

So this brings us to the fascinating question of what an entrepreneur looks like in different cultures. What can you tell us about China for example?

ANDRE SPICER

Well if we think about China, what you find there is that entrepreneurship isn't just a kind of an individual activity, it's actually about clans or families. So often times it's about sort of trading families. And obviously we think it's a state which is just emerging from the apparent tyranny of the Maoist system, but throughout that there's been a long, long tradition, far longer than the West, of entrepreneurial trading activities and those trading activities have largely been based around clans and families. So there it's kind of the family and sometimes the relationship with the state is an essential aspect. So, for instance, if I speak with my students here who are from Chinese backgrounds and you ask them what's the key thing to being a successful entrepreneur in China, they'll say the number one thing is good relationships with the government. Okay? So here it's not just about family relationships, it's also about close relationships with the state and the government. So, in a sense, the relationship with the bureaucracy is key to entrepreneur activity here rather than being somehow something which stifles it. If we look at the Indian context, again what you find is families are absolutely important. So if you think about any of the big business families, for instance the Mittals or whatever, this is a family enterprise rather than being about one single heroic entrepreneur who comes up with some wonderful idea. Now the interesting thing here is that this has been the reality of business for thousands of years and it's only fairly recently that the family has stopped, at least in the West, being the kind of primary driver of entrepreneurial activity.

JENNIFER COOK

I'm Jennifer Cook and on Up Close this episode, we're speaking with Professor Andre Spicer about entrepreneurship. So, Andre, why do you think entrepreneurship has been seen as a kind of silver bullet in the popular imagination?

ANDRE SPICER

I think on one level it's about appealing to a kind of value which has been propagated throughout society very vigorously in the last 30 years. So if you think about the major change which we've seen in politics more generally, has been the rise of neo liberalism in Australia, throughout Europe, the US obviously post Reagan, and part of that's been about sort of restructuring employment relationships. So if you think about, say, a company like AT&T in the US, British Telecom here in the UK or Telstra in Australia, used to be a huge bureaucracy which employed thousands if not hundreds of thousands of people. Now what increasingly these organisations have done is downsized and made people into independent contractors. So suddenly someone who would have thought about themselves as being an employee who works for a company, maybe is a member of a union, suddenly becomes an entrepreneur, they're an independent contractor. But if you actually look in a little bit more detail, what you notice is that they have one client who's the large company, they're doing contracting for this one client so essentially they're just an

employee, but they've been given a new employment status and kind of a new position in society, which is the entrepreneur. So, in a sense, I think people have been increasingly asked and called upon, given their employment relationships, to think about themselves as an entrepreneur. So that's one part of the story. I think the second part of the story is the amazing rise of entrepreneurship in popular culture and education and so forth. Here in the UK we have a program called Dragons' Den which I think has spread a little bit in other parts of the world, where essentially people with all sorts of crazy inventions roll up to some dragon investors, basically angel investors who have some money to invest in their products, they put forward their ideas and sometimes then the investors will invest in their products. Now this seems to be about not just about entertaining people, but I think also spreading the idea that entrepreneurship is kind of a viable career path or potential way forward for some people, but this has spread even more. So today, many schools throughout the world, you don't go and just learn reading, writing, maths, history, these kinds of basic things, you also do a course in entrepreneurship. So you might learn how to start to business or how to be an entrepreneur. So their kind of values and ideals of entrepreneurship in a sense are being spread through both the media but also through things like education as well.

JENNIFER COOK

Now, Andre, you talk about entrepreneurship as creative destruction, so breaking down the old to build the new. Now that's what you're trying to do with your own research, isn't it, by giving up this definition of what it is to be an entrepreneur?

ANDRE SPICER

Yes, I think the aim of the work which we've been doing has been to say to people not just stop looking at the 10 per cent of successful entrepreneurs and start looking at this entrepreneurial dark matter, the 90 per cent of people who fail, but also start looking in other places for where entrepreneurship happens. So one example of this is the massive and growing grey and black economies throughout the world, this is the trade and things like counterfeit goods, drugs, even things like the trade in caviar. A huge amount of the world's caviar, I think over 90 per cent of the world's Black Sea caviar for instance is controlled by organised crime networks and this often doesn't appear on the radar of what we think about as entrepreneurship. But if we begin to kind of broaden our definition a little bit, then we see there's huge amount of entrepreneurial activity which is going on here and much of it we might not celebrate so much.

So that's one aspect which you might begin seeing. A second or more positive aspect which you might begin seeing is the forms of collective entrepreneurship which happen every single day as people are coming up with new ideas, collaborating collectively to basically come up with new tools which the economy is going to be based around in the future. Just think about examples like the Linux operating system. This wasn't just one brilliant guy from Scandinavia who came up with this Linux operating system. It was thousands of people distributed throughout the world working on ideas together, collectively working and also collectively innovating. So what we have there with the Linux operating system or Wikipedia or things like this is essentially a kind of collective or distributed kind of entrepreneurship. And from what I've seen, many of the successful businesses or social enterprises we've seen coming up base themselves very much on this kind of distributed form of entrepreneurship.

JENNIFER COOK

So finally, Andre, could you give us some examples of social entrepreneurs, political entrepreneurs or entrepreneurship in non-business domains?

ANDRE SPICER

Sure. There's been a major rise of social entrepreneurship throughout the world recently. If we look in London currently, about a hundred metres from where I sit is still one of the Occupy camps sitting right in

the middle of the financial districts in London. Every morning when I come to work I walk by with many of the bankers and I see a whole bunch of people sitting there protesting. Now you might just think okay, these people are enjoying the sunshine that's beginning to appear in London at the moment, but if you go into the camp, begin talking with them, what you find is there's a whole series of little enterprises almost that have appeared there. They're not for profit, but they're doing new things. So, for instance, things like bicycle workshops which fix up people's bikes, free university has appeared there, a small kind of lending library, they have concerts. All sorts of activities are beginning to spring out of this Occupy movement.

That's one example. Beyond that, you begin to see throughout the city people doing things like setting up free Wi-Fi networks, people beginning to set up new forms of media out of it. If you begin to take your eye away from starting up things as kind of a for profit venture and look at not for profit ventures, you begin to see a whole range of different forms of entrepreneurship. What's incredibly interesting here is that if I talk with a lot of the students here who are going out into the world of work now, they face a pretty big problem which is basically there's not that many jobs around and they address that in different kinds of ways. The lucky ones obviously get jobs in big companies, some people go and start up small businesses or attempt to do it, and then others actually feel like even though they've gone to business school, they've been trained in finance and strategy and all the rest of it, they think at the end of it this isn't really for me, I want to begin to use the tools I've learned in business school to do not for profit work and often they find these are better ways of doing what they want or changing the world than going and working for a large company or even starting up their own small venture.

JENNIFER COOK

Andre, thank you so much for joining us today on Up Close.

ANDRE SPICER

Thank you.

JENNIFER COOK

We've been speaking about entrepreneurship with organisation theorist, Professor Andre Spicer, talking to us via Skype from the Cass Business School in London. Relevant links, a full transcript and more info on this episode can be found at our website at [upclose.unimelb.edu.au](http://upclose.unimelb.edu.au). Up Close is a production of the University of Melbourne, Australia. This episode was recorded on 23 May 2012 and our producers were Kelvin Param and Eric van Bommel. Audio engineering by Gavin Nebauer. Background research by India Farrar. Up Close is created by Eric van Bommel and Kelvin Param. I'm Jennifer Cook. Until next time, good bye.

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