Project reports

‘An investigation into the role and value of creative and entrepreneurial leadership in times of reduced public expenditure’

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Contents

1. LSIS project proposal

An investigation into the role and value
of creative and entrepreneurial leadership
in times of reduced public expenditure

PROJECT SUMMARY

The project will seek evidence of where Creative and Entrepreneurial Leadership can increase productivity and expand market share. Leaders will be invited to input on where the balance of control and laissez faire leadership should lie. It will add to the bank of resources by constructing models/paradigms that might caricature the public sector culture and leadership requirements over next decade.

1. Specific aims and intended outcomes of this project?

Aims

– To explore boundaries that need to be developed around entrepreneurial leadership and enterprise within a changing FE and public sector.
– To determine how college leaders can develop creative and enterprising teams.
– To define 'entrepreneurial' culture in a public sector context.

Outcomes

– Additional published research to strengthen the creative leadership elements of the public leadership development programme.
– Case studies from UK colleges highlighting the value of entrepreneurship within sector.
– Evidence to support proposal for development of more creative and enterprising leadership within programmes for the sector.

2. What is innovative about this project in terms of sector practice?

Many of the current leadership teams in further education have limited experience of leading in a time of funding contraction. Any change of Government could herald a return to less centralised policy with greater emphasis of self help and business innovation. The early statements from BIS, Select Committee for Higher Education and Party Conferences indicate a requirement for reduced reliance on the public purse. In such an environment, leaders need to develop innovative strategies and new learning that will support a shift in leadership imperatives. This proposal is innovative in addressing these big leadership issues through targeted research, selected interviews and case studies. It will produce materials, analysis and expert input that will prompt debate in the sector and add value to its research base.

3. How does it meet your own and the sector's strategic priorities?

A full scale consultation and debate at NHC over our value system going forward saw different reactions to the suggestion that "entrepreneurial" was a value that could sit alongside Respect, Integrity. We reached broad consensus around the following values by September 2009:

- Respect
- Accountable
- Inclusive
- Entrepreneurial
- Challenging
- Empowering
- Aspirational

Other Principals and Senior Leadership Teams in the sector will experience similar divisions across their SLDD, VIth Form, Train to Gain and commercial teams. Some say that the culture of public service organisation can easily embrace enterprise and entrepreneurship.

Further research and consultation is needed if we are to interpret entrepreneurial, creative and enterprising leadership in the sector context. My personal goal is one of further insight and understanding of leadership in different political and economic contexts. By bringing 5 other Principals with a declared preference of enterprising culture into the research and interview process I expect to create case studies that demonstrate its value and its risk. A strategic priority for our sector must be to add 'new' value and create new funding streams.

This will not be achieved without a change in leadership and organisation structures in many colleges.

4. What are the main activities that you intend to carry out as part of this project?
Please indicate anticipated start and end dates and key milestones in this section.

Extensive research into creative and entrepreneurial leadership will be provided by employed practitioner and researchers. In parallel participating organisations will participate in a workshop supported by significant external expertise/input designed to test leadership theory in the different contexts that these organisations represent. Interviews in the different college locations will provide a basis for case study evidence as part of published research.

The project would begin in December 2009 and would complete in July 2010. The key milestones would be:

- New research on LSIS Gateway that supports is leadership programmes
     March 2010

- Workshop on entrepreneurship including Principals, private sector leaders, expert input and invited others. Outcomes published in form of practical strategies that have produced income and value in both public and private sector.
     April 2010

- 5 case studies on Creative & Entrepreneurial leadership which has positively inputted upon student experience, employer perception, stakeholder confidence and/or financial health.
     June 2010

- Dissemination Conference on the role of Creative & Entrepreneurial Leadership in a contracting public funding environment
     July 2010

5. How do you propose to share any outcomes and lessons learned from this project for the benefit of other learning and skills organisations?

As outlined under key milestones section.

6. Name of senior manager(s) endorsing the project (for collaborative projects, one name per organisation), name of organisation and main contact details.

Daniel Khan, Principal, Grimsby Institute
Dick Palmer, Principal, City College Norwich
Matt Atkinson, Principal, City of Bath College
Ann Williams, Principal, West Suffolk College
Jan Spaticchia, CEO, Energie Ltd (private sector employer& trainer)
Tom Bewick, CEO, Creative & Cultural Industries
Martin Doel, CEO, Association of Colleges
Gill Clipson, Principal, Amersham College
Representative from Association of Learning Provider

2. ENTREPRENEURIALISM REPORT

Leadership, organisational change, laissez-faire

Introduction

The Council for Industry and Higher Education held a consultation in 2006 entitled 'Balancing enterprise and risk'. While it was specific to the HE sector (and the historical and current role of universities in particular), some of the discussions add value to a consideration of the same issues in the FE sector. Summing up his talk "Does accountability kill enterprise", Phil Huggett of PriceWaterhouseCoopers argued:

> "So it is not so much a question of balancing enterprise and risk. It is more a matter of aiming at the right enterprise in the first place, seizing hold of the risks and mitigating them to an acceptable level, through the application of the appropriate controls – in other words balancing risks with controls."

Sir David Watson, in the same meeting, in his talk "Values and the University", considered that 'mitigation' could be achieved by establishing the values of the institution and its members at the level of governance. This is an argument that reflects the views of Jim Collins (*Good to Great* and *Built to Last*) in which he argues for safe-guarding the organisation 'against' innovation by the establishment and protection of core values. Once you've established those values, he argues, you've created an environment in which you can be "both highly ideological and highly progressive at the same time, all the time. (*Built to Last*, 1995). He considers the "interplay between core and progress" to be one of the most important findings from his work.

Morris and Jones consider the role of entrepreneurship in the wider public sector and propose that "creating value for customers, putting resources together in unique ways, and being opportunity-driven *are not inherently in conflict with the purpose of public agencies*" (my emphasis) ("Entrepreneurship in established organizations: the case of the public sector", 1999). Others who have argued for the development of creative, risk-taking cultures inside public organizations include Bellone & Goerl, 1992; Doig & Hargrove, 1987; Lewis, 1980; Ramamurti, 1986 (referenced by Morris and Jones). *(NB To be reviewed using UoH resources.)*

The definitions of 'entrepreneur' used by Peter Klein in 'Towards a Theory of Public Entrepreneurship' (2009) appear to support the assertion that entrepreneurial behaviour has no 'inherent' conflict with public sector management:

> Alertness to profit opportunities (Kirzner, 1973)
> Judgmental decision-making (Knight, 1921)
> Innovation (introduction of new markets, organisational practices, etc.) (Schumpeter, 1934)

The implications of failure are, however, significant ("non-delivered services, cutbacks in service levels, programmes, or organisational unit closures, staff reassignments, and budget cuts" – Morris & Jones, 1999) and act as an imperative on the public manager to consider what mechanisms he or she can deploy which will both enable innovation and minimise risk.

Entrepreneurship

The institution

A delegate to a previous CIHE consultation asked whether "entrepreneurialism [was] more important than behaving well". This posits entrepreneurialism as intrinsically suspect and is (one assumes) purely rhetorical; nevertheless, while NHC has included entrepreneurial as a positive

value, the term is often tainted by association, particularly by the collapse of global corporations (Enron) and, more recently, companies in the financial sector.

Gary Hamel in *The What, Why and How of Management Innovation* (2006) makes an interesting claim:

> "Over the past 100 years, management innovation, more than any other kind of innovation, has allowed companies to cross new performance thresholds … Technology and product innovation, by comparison, tend to deliver small-caliber advantages."

In the HE sector, Phil Huggett from PriceWaterhouseCooper (CIHE consultation) states that their "hands-on experience of working within the sector strongly suggests that those organisations that take an Enterprise Risk Management-based approach to their core activities are more likely to be successful in securing their ultimate objectives".

Morris & Jones (1999) legitimate entrepreneurship as a "manageable process with underlying dimensions of innovativeness, risk-taking, and proactiveness" and argue that "entrepreneurship is not an either/or determination, but a question of "degree" and "frequency"; thus defining entrepreneurship as a process which can be both incorporated into an organisation and utilised to a degree appropriate to that organisation.

<u>The students</u>

One of the aims of the CIHE is to move the focus of the HE sector "from transmitting subject knowledge to developing graduates who have the knowledge, skills, motivation and entrepreneurial capacity to address economic and social needs, both in the workplace and in their communities" (http://www.cihe.co.uk/category/enterprise/) – a goal equally and, perhaps, more applicable to students in the FE sector.

Richard Brown, introducing the CIHE consultation, relates the institutional treatment of risk to the experience of its students: "Students will not gain awareness of uncertainty of any depth from a pedagogical situation that is itself entirely predictable". A discussion following the workshop presentations developed the notion of a relationship between the entrepreneurial organisation and its students, proposing that: "Entrepreneurialism is a capacity and a state of mind. Those who have the capacity will have the ability to drive and innovate in any given environment. *The adventurous aspect of entrepreneurialism is integral to the excitement of the academic life*" (my emphasis).

The discussion, in considering the values of the institution, also considered the role of leadership:

> "Any code of values - to be more than a set of statements - would have to be agreed, interpreted and lived out by all institutions and their members. For this to be effective strong leadership will be crucial."

Leadership

Hamel (*Bringing Silicon Valley Inside*,1999) and Zaleznik ("Managers and Leaders: Are They Different?", 1977) argue for shifting the balance of managerial effort "from stewardship to entrepreneurship" (Hamel, 1999). This is a dominant theme in much of the research on leadership in which the willingness of the Chief Executive to incorporate and institutionalise risk is seen as the key to addressing the market in a turbulent environment. Zaleznik (1977) considers

entrepreneurship in relation to game theory, suggesting that the 'Manager' plays the win-win game which conserves and regulates but doesn't innovate; whilst the 'Leader' plays the win-lose game in his or her preparedness to fail in pursuit of innovation and/or the greater reward. Quinn in "Moments of Greatness: Entering the Fundamental State of Leadership" (1995) would concur as he reflects on the result of poor leadership:

> "We typically advocate ambitious outcomes while designing our work for maximum administrative convenience, which allows us to avoid conflict but frequently ends up reproducing what already exists."

Brandt (Entrepreneuring: 10 Commandments for Building a Growth Company, 1985) is clear about the responsibility of the entrepreneur: "Take advantage of the turbulence to build something new". This is echoed by many leadership theorists who advocate exploiting discontinuities and ambiguities in the political and economic environment to implement innovative strategies: "Focus on opportunities rather than problems" (Drucker, *What Executives Should Remember*, 2006). Klein in "Toward a Theory of Public Entrepreneurship (2009) discusses the challenges of being entrepreneurial within the public sector:

> "While entrepreneurship, like bargaining, takes place in the shadow of the law … public entrepreneurship also involves changes to the very law and its shadow! That is, public entrepreneurship involves novelty, change and innovation vis-à-vis the rules of the game."

Hamel in "Strategy as a revolution" (1996) makes a distinction between planning and strategising, describing the former as incrementalism and the latter as "a quest", adding that 'revolutionary' leaders "are subversive, but their goal is not subversion". Drucker in "What executives should remember" (2006) cautions leaders against confusing efficiency with effectiveness.

Senge in *The 5ᵗʰ Discipline* (1994) counsels *against* experience considering belief in learning from experience to be a "learning disability" because the future is not necessarily representative of the past.

Zaleznik (1997) considers the difference between the 'mere' manager and the leader:

> "Managers embrace process, seek stability and control, and instinctively try to resolve problems quickly—sometimes before they fully understand a problem's significance. Leaders, in contrast, tolerate chaos and lack of structure and are willing to delay closure in order to understand the issues more fully."

This description of a leader (tolerating chaos and lack of structure) suggests a conflation of the concepts of leadership and entrepreneurship and leads to a consideration of the psychological characteristics of the leader.

Qualities of leaders

Bennis ("Crucibles of leadership", 2002), Zaleznik (1977) and Quinn ("Moments of Greatness: Entering the Fundamental State of Leadership", 2005) look at the psychological and developmental aspects of leadership. Bennis argues that leaders are formed by "intense, often traumatic, always unplanned experiences, that had transformed them and had become the sources of their distinctive leadership abilities". Zaleznik takes a comparable view believing that leaders have lives "marked by a continual struggle to attain some sense of order" and makes the interesting observation that leaders "may work in organisations, but they never belong to them".

Quinn describes the leader's ability to harness their personal resources and act 'outside of themselves':

> "When leaders do their best work, they don't copy anyone. Instead, they draw on their own fundamental values and capabilities – operating in a frame of mind that is true ot them yet, paradoxically, not their normal state of being … it's the way we lead when we encounter a crisis and finally choose to move forward."

In contrast to this, Zaleznik describes the 'manager':

> "Managers see themselves as conservators and regulators of an existing order of affairs with which they personally identify and from which they gain rewards. A manager's sense of self-worth is enhanced by perpetuating and strengthening existing institutions: he or she is performing in a role that harmonizes with ideals of duty and responsibility."

Goleman (Working with Emotional Intelligence, 1998) adds to the debate by arguing that the "star performers" of the business world overwhelmingly demonstrate emotional intelligence over cognitive abilities: "Someone who is highly self-aware knows where he is headed and why … The decisions of self-aware people mesh with their values; consequently, they often find work to be energising".

History tells us, however, that one of the key mistakes that leaders make is to both overestimate their own ability and underestimate what can go wrong (Taleb, "The six mistakes executives make in risk management") (see Strategies for Leaders below).

Reading the organisation

The opportunities for leadership and innovative practices are vast if it can be established (and the question should be asked) that "the assumptions on which the organisation has been built and is being run no longer fit reality" (Drucker, 2006). Wood & Hamel (The World Bank's Innovation Market, 2002) describe the result of a challenging of assumptions resulting in the Bank initiating a highly successful programme which sanctioned employees of the Bank to "act less like bureaucrats looking for ironclad guarantees of success" (cf Zaleznik win-win vs. win-lose argument) and, as a result, finding innovative ways to distribute the largesse of the Bank to small but enterprising projects:

> "The program emphasized rapid and repeated experimentation over careful but ponderous
> decision making, and small infusions of cash over multimillion-dollar investments."

Drucker in "Management Challenges for the C21" (1999) counsels leaders to "create change rather than react to it" and to focus on the 'environment' because that's where the results exist, whilst the inside "is just effort and cost centres". Kee in "Change-centric leadership: Managing the risks of public sector change" (2006) argues for leadership focusing on changing the organisation but cautions in favour of fully assessing the risks of change: "Leading change means managing risk".

Organisational change

Whilst considering the attributes of leadership and the imperative to act as a leader rather than as

a manager, a consideration of the importance of harnessing the knowledge existing at all levels of the organisation is ubiquitous in the literature.

Hamel is unyielding on this point. He argues that "a lot of what passes for management wisdom is unquestioned dogma masquerading as unquestionable truth" (2006). He had previously (1996) posited the existence of "intellectual incest among the top officers of a large company" asking leaders to seek "the advice of newcomers at all levels who have not yet succumbed to the dead hand of orthodoxy". In "Bringing Silicon Valley inside" (1999), he considers the organisational pyramid:

> "First, where in the pyramid will you find the least genetic diversity in terms of how people think about the business? Second, where in the organization will you find people who have most of their emotional equity invested in the past? And third, where will you find people who have, for the most part, already "made it"? The answer to all three questions is, "at the top." What's the chance, then, that a truly revolutionary idea will emerge from the ranks of top management?"

Ancona in "In praise of the incomplete leader" (2007) proposes four key competencies required of successful leaders and argues that most leaders are only truly proficient in one or two of these making it imperative that the leader looks throughout the organisation to supplement his or her capabilities:

> Sensemaking – understand the context in which a company and its people operate
> Relating – building relationships within and across organisations
> Visioning – creating a compelling picture of the future
> Inventing – developing new ways to achieve the vision

Bennis is similarly supportive of using the organisation to make ones weaknesses irrelevant by "respect[ing] others' strengths and us[ing] them. He considers the value of dialogue with subordinates and peers ("loosening up your own people" and stretching the leader to uncover "knowledge and awareness the leader didn't even know she had"). The work of leading, he argues, is to make the organisation "more than the sum of its parts"; and that "if you want to lead people, you have to enter their world". ('Avoid mistakes that plague new leaders: An interview with Warren Bennis, 2009).

The balance of control and laissez-faire leadership

Sir David Watson in "Value and the University" (CIHE consultation) considers the university as "a kind of moral force [which is] expected to behave better than other large organisations"; once again, suggesting that entrepreneurialism is at the wrong end of the spectrum of good-bad behaviour. If the intention is supported by good governance and good management and the organisation doesn't depart from its core values, is a failure 'bad behaviour'? In this light, Drucker (2006) tells the story of a non-profit success story in the US:

> "The experience of one large Catholic hospital chain in the Southwest shows how productive a clear sense of mission and a focus on results can be. Despite the sharp cuts in Medicare payments and hospital stays during the past eight years, this chain has increased revenues by 15% (thereby managing to break even) while greatly expanding its services and raising both patient-care and medical standards. It has done so because the nun who is its CEO understood that she and her staff are in the business of delivering health care (especially to the poor), not running hospitals."

It begs the question of whether the organisation can benefit from laissez-faire leadership if one of its core values is a clear understanding that it is in the business of delivering education and training as opposed to running colleges. Collins (1995) also deals the issue of protecting the organisation by preserving its core values asking whether all those values would remain on the list "no matter how the world around us changes". Is this one aspect of the balance between control and laissez-faire leadership: The establishment of and adherence to core values?

New perspectives

Bower (1977), Osborne (1992) and Hamel (1999) have discussed mechanisms to aid innovation and facilitate the organisation to strategise and pursue new revenue streams:

> Accounting systems less focused on controlling expenditure and more focused on supporting management and planning (Bower, Effective Public Management, 1977)
> Mission-driven budgets (vs line budgets) (Osborne, Reinventing government: How the entrepreneurial spirit is transforming the public sector, 1992)
> Focus on attracting as well as allocating resources (Hamel, Bringing Silicon Valley Inside, 1999): "For this reason every company must become an amalgam of disciplined resource allocation and impromptu resource attraction." (Cf Wood, 2002)
> Train people to earn as well as training them to spend (Osborne, 1992): "We have 15m trained spenders in American government, but few people who are trained to make money.

Hamel (1996) proposes the following "new perspectives":

> A view of the corporation as a bundle of core competencies rather than a collection of business units is a new perspective.
> A view of discontinuities as levers for change rather than threats to the status quo is a new perspective.
> A view that imagination rather than investment determines an organization's capacity to be strategic is a new perspective.

Drucker (1999) makes good use of an analogy from architecture. Having discussed various principles for organisations (transparency, authority, etc.), he makes the follow comment:

> "But these principles do not tell us what to do. They only tell us what not to do. They do not tell us what will work. They tell us what is unlikely to work. These principles are not too different from the ones that inform an architect's work. They do not tell him what kind of building to build. They tell him what the restraints are. And this is pretty much what the various principles of organisation structure do."

Concluding quotation

Professor David Gann, "Enterprise and the University", CIHE consultation:

> "How entrepreneurial can universities be? … Who are academics and is it our role to be entrepreneurial? Do we have a cultural disposition to be entrepreneurial as opposed to wanting to explore issues and problem solve? How far can we be creative, independent, rigorous and enlightened professionals? … Do we have the leadership for taking things forward? Finally, is UK-based industry smart enough? Second rate consulting to third-rate companies is the road to misery …
> Ultimately universities have to accept risk and manage it by understanding the dynamics of change and how to build smarter relationships and networks. There can be no single or dominant model."

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3. F DONOHUE REPORT TO LSIS

LSIS ENTREPRENEURSHIP PROJECT

Public sector organisations are often conceptualised as monopolistic entities facing captive demand, enjoying guaranteed sources and levels of financing and being relatively immune from the influence of voters, stakeholders and legislature. (Halevey 1983) Lifan & Northcus 1983 Stein 1995.

This is not a description that one would recognise when observing the further education sector in the year 2010. Indeed this stereotypical definition of the public sector organisation generally has already been rejected (Osborne & Geebler 1992). Osborne suggests that the public sector organisations are more accurately characterised "as highly turbulent, which implies an increasingly dynamic, hostile and complex set of environmental conditions".

Contingency theorists posit that smaller more organic structures appear to be more appropriate when facing high levels of environmental change Miller 1983. The prospect of "financially driven mergers" in the FE sector should therefore be challenged in the context of ultimate efficiency and effectiveness in a predicated climate of continuous change. When conceptualised at the organisational level there is a growing body of evidence to suggest that under conditions of turbulence a company's entrepreneurial orientation is positively associated with numerous measures of corporate performance (Morris & Secton 1996). Indeed the formation of the FE 'corporate' sector in 1993 was predicated on the need for the sector to embrace "market led mechanisms such as competition, market segmentation, user fees and customer focus" (Moodys 1994). Throughout the 1980's and early nineties researches argued "for the development of creative risk taking cultures inside of public, organisations and in this context the term public sector entrepreneurship has been introduced (Beltone & Goest 1992).

The term "public entrepreneurship" has appeared with increasing frequency in the literature of the last 30 years. One stream of research seeks to identify "pioneers" who have affected dramatic change in the public sector (Gover & Wright 1992). The period of Conservative reform throughout the 1990's would be described by some as "pioneering". These theories are grounded in a type of "great man" model which presupposes that only a select few have the vision and skills necessary to provide enterprising leadership in public sector environments". Thomas Lewis (1980 p23) notes "the outstanding fact that differentiates public entrepreneurs from ordinary managers is their ability to alter the existing allocation of scarce public resources in fundamental ways". At a time of public resource constraint it might be argued that rather than the unimaginative reduction of budgets across the public sectors there is a need to consider using scarce resources more imaginatively to stimulate new thinking and new types of organisations fit for the new purposes of the 21st century.

A second stream of research suggests that entrepreneurship may be a by product of the application of strategic management and leadership principles in public enterprise (Nutt & Blackoff 1983). The suggestion is that strategic management seeks to engage the workforce in decision making and takes account directly of the external forces at work when framing culture and direction. Strategic management at its best does indeed take stock of the political, economic, social, technical, legal and environment factors impacting on the organisation. It might be argued that the framing of a more "local" agenda and the emerging of a "duty of FE colleges to provide for the economic and social wellbeing of communities" is a product of strategic management at governmental level. There is not enough evidence however of the thought processes that need to accompany strategy in terms of "resource and implementation". What sort of leadership is needed

to fulfil this duty and what sort of shift is resourcing needs to occur to encourage FE college leaders to create new value for communities albeit with reduced public funding?

Another stream of research seeks to connect "privatisation" with entrepreneurship in the public sector. This is defined as "reducing public sector involvement in service provision by outsource certain non core responsibilities to the private sector". It is interesting to note that the conservative reform of the sector in the 1990's did not go as far as privatisation. Instead they sought leadership that could deliver a customer orientated organisation. Privatisation presupposes that entrepreneurship is the prerogative of the private sector and is the best route to leveraging resources through the entrepreneurship of private firms. There is growing evidence that the private sectors new appetite for "shared service consolidation" in the FE sector is conceptually geared to this way of thinking. There is a need for debate on whether the FE sector of the future needs entrepreneurial leadership from within or as a contracted adjunct to its core service. Entrepreneurship (Stevenson, Roberts & Gnowbeck) "creates value by bringing together a unique combination of resources to exploit opportunity". Encouragement in Government policy for collaborative partnership and greater integration of the FE sector could arguably be seen as a steer for "social entrepreneurship" in the FE sector. This process the literature suggests requires an entrepreneurial event and an entrepreneurial agent. The emergence of the 157 Group was such an event. The 157 Group emerged from a perceived lack of innovation within the AoC at the beginning of the decade. The entrepreneurial attitudes of "innovativeness, risk taking and pro activeness (Couin & Slevin 1989) are easily identified in the branding, lobbying, leadership and products of the 157 organisation.

A question which those recruiting and developing leaders with the FE sector must ask is – What are the consequences of entrepreneurship within sectors leadership? Public sector entrepreneurship is "the process of creating value for citizens by bringing together unique combinations of public and/or private resources to exploit social opportunities". Risk taking in this environment involves pursuing initiatives that have a calculated likelihood of resulting in loss or failure. While public sector organisations and FE colleges are currently being protected by LSC from bankruptcy, failure can still result in non delivered services, cutbacks in service levels, unit closures, staff redundancy and budget cuts. There is career related risk which can result in non advancement or quite public departures (as recently evident in some of CEO/Principal departures from colleges). Pro activeness entails an action orientation and an emphasis on anticipating and presenting public sector problems before they occur. This action orientation includes creative interpretation of rules, skills at networking, leverage of resources and high level of persistence in affecting change. This "entrepreneurial/orientation is not well defined in leadership development programmes and a consideration of CE/Principal recruitment practice also suggests that these attributes are not as clearly defined within the recruitment process as they should be. The private and public sector entrepreneurs have much more in common and the success of both requires application of complex skills and attributes in pursuit of clear goals. There are also characteristics that distinguish the public entrepreneurs from the private entrepreneurs:

- Profit motive is less overt and there is a greater complexity in the social and political objectives for which the public entrepreneur is account able.

- Receive substantial funds directly from a involuntary taxpayer rather satisfied customer.

- Subject to greater public scrutiny and constraint in operation

- Incremental change is often more acceptable than bold innovation

Morris M H, Jones FF (1999) do argue however that entrepreneurship is "a universal construct and can be applied in public organisations". The definition, process nature and underlying dimension of entrepreneurship are fundamentally the same regardless of the context. They acknowledge also that there are fundamental differences in organisation realities suggesting that the goals, constraints, approaches and outcomes related to successful entrepreneurial efforts are unique in public sector organisations. Morris asserts that public sector mangers need entrepreneurship in order to be successful in a turbulent challenging environment. Proactiveness and innovativeness are likely to be more prevalent than the third entrepreneurial trait of "risk taking". Greater opportunity for effective entrepreneurship lie at senior management level and a non entrepreneurial leader at the top will kill innovation through control at lower levels in the organisation. Strong leadership is a critical component in the fostering of an entrepreneurial culture and the removal of the constraints that inhibit its development.

The establishment of an entrepreneurial culture requires strategic input. Morris identifies its components as:

- Establishing clear goals and strategies for entrepreneurship (not something that one can easily detect in the strategic plans of FE colleges).
- Symbolic behaviour that reinforces the priorities given to innovative thinking (values based culture).
- Creating champions/innovations for change (LSIS change Programme)
- Emerging networking across al levels of organisation
- Investing in experimentation (LSIS Innovation Fund)
- Create measures for innovation, risk taking and proactiveness (not yet defined)
- Establish norms for entrepreneurial performance in the sector. Such norms will prove invaluable in goal setting and performance benchmarking.
- Recognise that conventional bureaucracy is an inadequate solution. (We must challenge the bureaucracy of MOG SFA etc. constructively as constraint. It could threaten the creativity needed in the sector).

Michael H Morris is Director of the Thomas C Page Centre for Entrepreneurship Miami University. He concluded that:

"Entrepreneurship must be an integral component of a leadership framework of the public sector. Entrepreneurship implies an innovative, proactive role for Government in steering society towards improved quality of life. This includes generating resources, improving internal processes and developing novel solutions to inadequately satisfied social and economic need".

Emerging Strands

- Consequences for communities of leaders in public sector/FE who fail to create innovate and risk take with their public resources. Different definitions of "bankruptcy" in the public sector. Our bankruptcy impacts on the life chances of individuals. Is there more work needed on measures of leadership success? Is it integral to the Ofsted Framework?

- The focus suggests that entrepreneurship in both public and private sector are very similar in their definition. We have also however identified a distinctiveness largely around

"purpose of entrepreneurship". Does this need greater investigation i.e. not to create polarisation but to better link entrepreneurship with success in different contexts.

- What is it in the Government funding and management model that foster or constraint entrepreneurship? Is it integral to the MOG or indeed the remit of SFA, etc. This, I think, is an important area for further exploration. BIS is engaged in fostering enterprise and creativity. Where is their thinking on the development of these traits in the FE sector? What are the implications of the Kent/Oxford proposals if they place all college activity under local authority structures..

- Is the FE college sector redefined in the Thatcher years with a remit of independence, accountability and customer orientation the kind of sector that Government wish to see develop in the future. We are told that the sector is the most successful in delivering improvement in the public funded arena. Colleges in such a turbulent free moving environment will need to be very entrepreneurial in order to continue to add value and create opportunity. The bid by several LEAs to manage all FE funding (agendas of SFA) combined with a more centralised funding system would appear to be moving colleges closer to the more risk averse public sector culture of the 1960s/1970s. The clamour for regulatory control of the financial sector also creates a backdrop of concern around a more laissez faire culture. Different leadership is required in these two contrasting contexts. How do we unpack what is really required of leaders in the new FE context?

- The Cabinet Office paper written by Geoff Mulgan and David Albury "Innovation in the Public Sector" 2003 produced the executive summary below. To what extent does new machinery and emerging funding models embrace the key messages in that summary? The paper does provide a policy construct determined to promote and foster the innovation and proactive elements of entrepreneurship (Appendix I).

- The tension between laissez faire and control/boundaries is a key feature running through the debate around entrepreneurship in both the public and private sector. Julian Birkinshaw's article "The Paradox of Entrepreneurship" contrasts the fortunes of Enron with BP and suggests that BP got it right because that constructed boundaries around the scope and purpose of their entrepreneurial culture. Enron's demise was because of the fact that they lost sight of purpose and rules. The FE sector has seen examples of this (e.g. franchising in the nineties, individual learning accounts and more recently the departure of some Principals who appear to have taken risk too far). Where do our boundaries therefore lie? How can we be entrepreneurial and yet wholly accountable? Morris definition around the predominance of proactiveness and innovation over risk taking in these public entrepreneurs may be worthy of greater focus. Using risk taking as the distinguishing characteristics in the public and private contexts has value.

- What actually distinguishes social from commercial entrepreneurship? Early evidence suggests that mission, resource mobilisation and performance measurement are the 3 elements that define and distinguish the social and commercial entrepreneur. Although the critical contextual factors are analogous in many ways the impact of the context on a social entrepreneur differs from that of the commercial entrepreneur because of the way the interaction of a social venturers mission and performance measurement systems influence entrepreneurial behaviour. Some college Principals will define themselves as social entrepreneurs. This appears to be more acceptable in its language to the FE

workforce. Does it disguise the fact that entrepreneurship is largely the same in private and public sector environment and only the purpose differs? Or does it suggest that the role of the social entrepreneur is under researched and potentially undervalued in the business/commercial context? It may be valued in its social output but creation that output requires the great entrepreneurial skills that applauded in the commercial sector.

Appendix I

Executive Summary

♦   This paper suggests a framework for thinking and action by Government and public sector organisations in promoting successful innovation, and its implementation and diffusion in the public sector.

♦   Innovation should be a core activity of the public sector: it helps public services to improve performance and increase public value; respond to the expectations of citizens and adapt to the needs of users; increase service efficiency and minimise costs. Moreover the public sector *has* been successful at innovation in the past (cf.Open University)

♦   How to seek out and foster innovation from all levels is crucial to continual development and improvement: only half of all innovations are initiated at the top of organisations. Maintaining a diversity of staff, paying attention to the needs and expectations of users and frontline staff, and promoting formal creativity techniques are all valuable tools to this end.

♦   Managing risks and incubating new ideas means that there is a need for prototypes, as well as the willingness to invest time and resources for their evaluation. The replication of successful pilots and prototypes is often achieved centrally through legislation, or through the dissemination of evaluations, but in contrast to these 'idea-push' models, the private sector literature has emphasised 'diffusion' rather than dissemination.

♦   In the public sector it is unlikely that organisations will expire if they do not develop new ideas. In the absence of the profit motive it is essential to provide other incentives for individuals and organisations, such as greater recognition of success amongst one's peers.

♦   Particular barriers to innovation that must be overcome in the public sector may include a culture of risk aversion, and a focus on short-term delivery pressures, both of which can hinder organisational development and progress.

♦   Whilst incremental innovations can have some success without the need for policy or legislative modifications, systemic changes are often required in order to create higher levels of successful innovation. This may mean radically reducing the number of targets and planning and monitoring requirements as this would create freedom for creative thinking and an examination of other possibilities. For example, aligning funding streams with improvements in performance and outcome would act as a stronger incentive.

♦   This is a working paper, and we welcome any comments and contributions you may have, which may be sent to su_inovation@cabinet-office.x.gsi.gov.uk or the address on the cover sheet.

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4. PUBLIC SECTOR ENTREPRENEURIALISM

Theories

Introduction

The following papers have been reviewed with a view to outlining some of the different approaches to a consideration of the role of entrepreneurship in the public sector. They comprise public sector entrepreneurship as strategic, systemic, civic-regarding, in comparison to the private sector, in relation to innovation, and a definition of the individual public sector entrepreneur.

Austin, J. E., Stevenson, H. & Wei-Skillern, J. (**2006**). Social and Commercial Entrepreneurship: Same, Different, or Both? Entrepreneurship Theory and Practice, 30: 1-22.

Bellone, C. J. & Goerl, F. (**1992**). Reconciling Public Entrepreneurship and Democracy. Public Administration Review, 52: 130–34.

Bernier, L. & Hafsi, T. (**2007**). The Changing Nature of Public Entrepreneurship. Public Administration Review, 67: 408-533.

Boyett, I. (**1996**), "The public sector entrepreneur: a definition", International Journal of Public Sector Management, Vol. 9 No.2, pp.36-51.

Roberts, N.C. (**1992**), "Public entrepreneurship and innovation", Policy Studies Review, Vol. 11 No.1, pp.1.

***Sadler**, R.J. (**2000**), "Corporate entrepreneurship in the public sector: the dance of the chameleon", Australian Journal of Public Administration, Vol. 59 No.2, pp.25-43.

** NB Director of Chisholm Institute of Technical and Further Education at time of publication*

Austen, Stevenson & Wei-Skillern (2006) are primarily concerned with comparing social (charitable sector) and commercial entrepreneurship, but their approach can be applied to the public sector. They consider **a systematic approach to social entrepreneurship** starting with these definitions of social entrepreneurship and of innovation:

> "Common across all definitions of social entrepreneurship is the fact that the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth […], and that the activity is characterised by innovation, or the creation of something new rather than simply the replication of existing enterprises or practices."

They use Sahlman's (1996) analytical framework (from entrepreneurial management literature) which "stresses the creation of a dynamic fit among four interrelated components: the *people*, the *context*, the *deal*, and the *opportunity* (PCDO)" going on to say that "these elements are interdependent and are situationally determined … the entrepreneur must manage the fit and must adapt continuously to new circumstances over time:

PCDO Framework
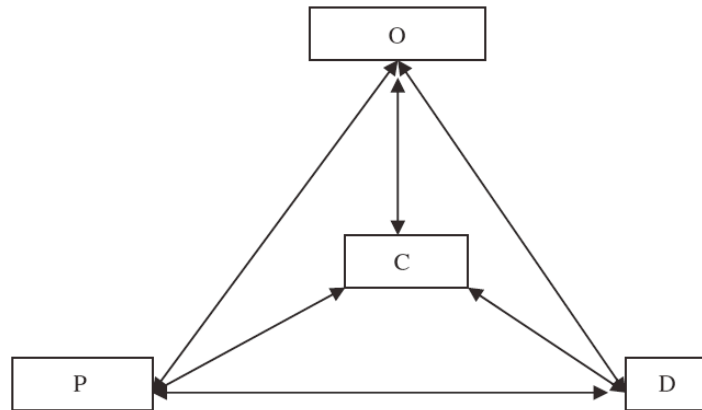
Source: Sahlman (1996)
PCDO, people, context, deal, opportunity.

They describe the "deal" element in the following terms:

"Deal is the substance of the bargain that defines who in a venture gives what, who gets what, and when those deliveries and receipts will take place. Each transaction delivers a bundle of values. They include economic benefits, social recognition, autonomy and decision rights, satisfaction of deep personal needs, social interactions, fulfillment of generative and legacy desires, and delivery on altruistic goals."

To make the model more pertinent to the social sector, they adapt it "to highlight the centrality of the social purpose" proposing that "this factor be the integrating driver of the framework". They call it the social-value proposition (SVP), describing it as analogous to the "deal", and placing it at the centre of their new framework at the intersection of "people", "opportunity" and "capital" and bounded by an environment specific to the (any) sector:

Social Entrepreneurship Framework
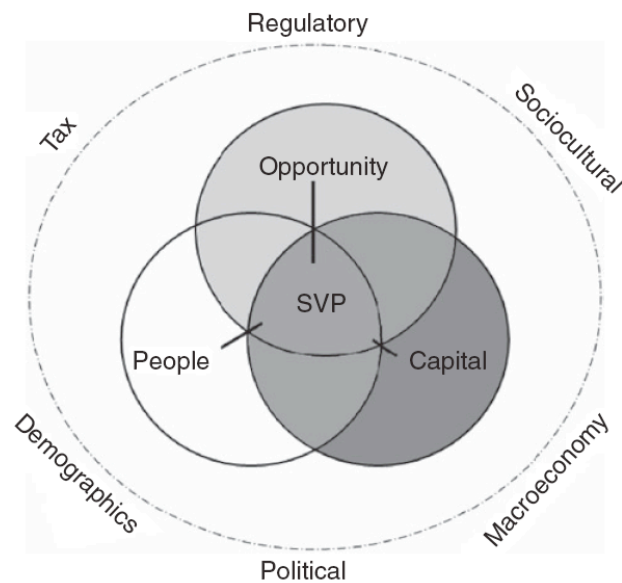
SVP, social-value proposition

They caution that:

> "… the SVP that made sense at the time of the venture's founding may in fact evolve dramatically as perturbations in the operating context are continuously occurring. Remaining attuned to how contextual changes can affect the opportunity and the human- and financial-resource environment causing the need for realignment, is a critical skill for the social entrepreneur."

They offer the framework as a model which can help the entrepreneur to evaluate an opportunity by ensuring that "the scope is aligned internally with the available people and resources" because overextending the scope "can cause a misalignment that could erode the core SVP".

They also argue that social value, whilst normally created by bringing resources into the organisation, can be effected by crossing organisational boundaries to achieve "greater social impact by working in collaboration with complementary organisations, or even former or potential competitors".

Bellone & Goerl (1992) attempt to **reconcile public entrepreneurship with democracy**. They argue for a "civic-regarding entrepreneurship" which recognises the seemingly incompatible characteristics of entrepreneurs – "autonomy, a personal vision of the future, secrecy, and risk-taking' – with "the fundamental democratic values of accountability, citizen participation, open policymaking processes, and concern for the long-term public good (stewardship)". They investigate each of these "conflicts", considering citizen inclusion and empowerment as an ameliorating force. A civic-regarding entrepreneurship, they argue, emphasises public participation and "offers a remedy for over-zealous pursuits of self-interests" making citizens themselves "more responsible agents of efforts to provide more public goods and services". With regard to entrepreneurial "autonomy" versus democratic "accountability", they consider, with regard to budgeting, whether there should be a shift of accountability from "an input or process focus to one based on an outcome analysis" (cf Bower 1977, Osborne 1992 and Hamel 1999).

In advocating greater citizen involvement they do, however, acknowledge the role of self-interest groups and special pleading recognising that citizen participation "can be more manipulative than facilitative and more symbolic than effective"; also, that it may be "more divisive than facilitative or benevolent".

Bernier & Hafsi (2007) consider **a systemic approach to public entrepreneurship**, finding a place for both the individual entrepreneur and an entrepreneurial organisation.

> "When the environment is heterogeneous and turbulent, the public entrepreneurship observed is more systemic, meaning that it is not limited to a single individual but instead concerns a large number of people, affects a large segment of the organisation's operations, and becomes institutionalised."

They consider the importance of an individual's entrepreneurial vision in constructing or reconstructing an organisation. They argue, however, that the organisation then matures and eventually becomes 'mechanistic'; a model which works until challenged by its own complexity and/or an increasingly turbulent environment. This is dealt with by making the system "more intelligent by releasing the intelligence of all the key actors". This is systemic entrepreneurship: a "form of innovation … focused on improving the operational process of the complex system that

makes up an organisation rather than what it does or produces". The individual entrepreneur is, however, still required to drive the need for more and greater innovation:

> "Entrepreneurship does not emerge without leadership at the top that fosters it. The manager at the top is the "incubator" of entrepreneurship."

They conclude, with regard to the internal and external political environment, that "public sector organisations perform better when resources can be secured from an organisational and political environment that does more than tolerate them".

Boyett (1996) works towards **a definition of the public entrepreneur as individual** considering what they have in common with and what sets them apart from private sector entrepreneurs. He develops Shumpeter's theory of progress through radical innovation to a consideration of innovation as a "a break or variation from routine decision-making behaviour". He compares private sector "entrepreneurial individuals who are perceptive to market signals and have the ability to deliver what is demanded" (for profit) to the public entrepreneur who spots market signals which herald "potential change and opportunity". In a consideration of entrepreneurial 'characteristics', he asserts that psychologists have failed to identify a method of discriminating between the entrepreneur and the manager/owner and who have only proposed a generalised picture of the entrepreneur, but argues that the psychological approach is not necessarily inappropriate to a study of public sector entrepreneurship. He considers the work of Binks and Vale who consider that the entrepreneur has to both "… perceive worthwhile opportunities and act upon them". He also develops Casson's theory of the entrepreneur as an "optimising agent" manipulating his followers to achieve the implementation of his vision, to considering the "three way" relationship between the public sector entrepreneur, his "followers", and the "multi-principals or stakeholders" who are similarly seeking to optimise the system to provide funds.

He publishes a number of case studies. A survey of principals of 106 universities in England and Wales yielded 36 respondents offering definitions of "the entrepreneurial vice-chancellor":

> " … takes risks, backs hunches, creates and seizes opportunities … a motivator and leader, creative resource investigator, communicator and ambassador … clear vision, objectives and strategic plan."

The role was seen as comprising three aspects:

> (1) the characteristics needed to fulfil the role;
> (2) the competence to evaluate activity in the external environment linked to a market awareness, and
> (3) finally the ability to develop and manage a flexible, innovatory organisation

Sixteen of the respondents mentioned the ability to spot and take advantage of opportunities; however, all countered this "by the need to ensure that the opportunities selected for implementation provide a good 'fit' with the mission of the university itself".

One case study involves Sir Colin Campbell, vice-chancellor of Nottingham University, who made the claims:

> "I did make one thing very clear right at the start to my very senior colleagues at Nottingham … that I did expect to be regarded as the person who made the important decisions!"

> "I think higher education is political – there is no doubt about it – and if the VC of a major university is not political and will not address the political dimension, I think they will be all the poorer for it."

Boyett comments that although being described by many of his colleagues as a risk taker, "he is very careful that the risk levels have been calculated precisely before they are taken."

Boyett concludes with this proposed definition of the public sector entrepreneur:

> "Entrepreneurship occurs in the public sector where there is an uncertain environment, a devolution of power, and at the same time re-allocation of resource ownership, to unit management level. It is driven by those individuals, particularly susceptible to the "manipulation" of their stakeholders and with a desire for a high level of social "self satisfaction", who have the ability to spot market opportunities and who are able through follower "manipulation" to act on them."

Roberts (1992) considers **the relationship between public entrepreneurship and innovation**, starting with Drucker's assertion that building entrepreneurial management into our existing public organisations may be "the foremost political task of this generation" (1985).

She reviews the literature noting a lack of consensus on what public entrepreneurship is but finding common elements such as risk-taking, the introduction and development of innovative ideas and the "importance of building bureaus that extend the power and influence of the entrepreneur". She argues that "one of the difficulties in understanding the literature on public entrepreneurship has been the inability to separate the functions of entrepreneurship from the individual entrepreneur".

She describes three phases of innovation:

> **Creation** – a new idea as a solution to a problem; debating its merits against competing ideas
> **Design** – a plan for turning the idea into reality; a prototype, object or process with guidelines for testing
> **Implementation** – testing; honing; evaluating

At the end of the process, there is the emergence of "a full-blown innovation, a new idea transformed into practice".

Roberts then identifies the other roles in the process (system maintainers, policy intellectuals and policy advocates) and proposes that identifying the other actors "enable[s] researchers to distill what is common to all public entrepreneurs and what may be unique among them". By breaking down the different roles within an innovatory process, she also proposes the following:

> "… one can conceive of a situation in which no individual entrepreneur is present, and yet find entrepreneurship in the system … by pooling the collective talents, abilities, and resources of policy intellectuals, advocates, champions and administrators, the policy system has entrepreneurship: New ideas have been designed and implemented into public practice."

She believes that the role of collective entrepreneurship thrives in proportion to the radicalness of the new idea in that systemic entrepreneurship is better placed to overcome organisational resistance than the individual entrepreneur; nevertheless, she maintains that the individual public

entrepreneur is the "catalytic [agent] of the entrepreneurial process … their presence in the policy process and their actions enhance the probability that an innovation will occur".

Sadler (2000) argues for **entrepreneurship as a strategic phenomenon**. He considers research, to date, on the applicability of private to public entrepreneurship as preparadigmatic: "… it postulates multidisciplinary, competing theories with no single framework capturing all the differentiating variables". He considers definitions from Schumpeter through Baumol, Kirzner, Drucker and Stevenson:

- the individual and innovation
- replacing obsolete product market combinations with new combinations of greater profit potential
- alertness to unexploited profit opportunities
- perceptiveness to change and the individual who searches for change, responds to it, and exploits it as an opportunity
- a process of creating value by pulling together a unique package of resources to exploit an opportunity

He argues that it is "not the public sector itself that is inimical to entrepreneurship but traditional public sector structures, bureaucracy, values and practices" citing the following obstacles:

- multiplicity and ambiguity of goals which paralyse management;
- limited managerial autonomy with high potential for interference which discourages innovation;
- high visibility which results in over-cautious managerial behaviour;
- skewed reward systems which discourage risk-taking;
- short-term orientation which discourages larger longer term, high-impact entrepreneurial initiatives; and
- restrictive personnel policies which reduce the leader's ability to motivate subordinates

He does, though, argue that entrepreneurial opportunities are often located in adversity:

"Hostile external environments typified by precarious industry settings, intense competition, harsh business climates and a relative lack of exploitable opportunities have been regarded as positive incubators for corporate entrepreneurship."

Public sector organisations, he also notes, tend to attract the entrepreneurial individual:

"Public organisations are commonly engaged in large infrastructure projects which attract considerable publicity and are of social significance. Ramamurti (1986) noted that this, of itself, inspires entrepreneurship. It attracts individuals with entrepreneurial inclinations: the environment fosters grandiose projects and panders to enhanced self-perceptions of power and ego."

He posits organisational autonomy as a key ingredient of public sector entrepreneurship and his work "supports the following factors as stimulating corporate entrepreneurship in the public sector":

- clearly understood objectives;
- cohesive work groups;
- decision-making which relies upon few integrating devices;
- effective reward/punishment systems;
- lack of resources fosters innovative thinking, but resources are required to implement the innovation;
- larger organisations have more resources to innovate;
- little or no political intrusion;
- moderate personnel turnover;

- multiplicity of goals particularly where government policy is inconsistent;
- organisational autonomy;
- outputs rather than inputs focused;
- participative decision-making;
- perceived competition;
- performance objectives developed from a shared participation; and
- turbulent operating environment

Again, he argues for the challenge of the public sector as offering opportunities for entrepreneurship: "Entrepreneurship emerges despite the structure … loosely coupled interstices within the framework are often crafted in ways that foster entrepreneurial thinking." Also, "if entrepreneurship is to emerge within the public sector it will do so despite the 'red tape' which often exists as a necessary consequence of the sector's requirements for accountability."

From:
INNOVATION IN THE PUBLIC SECTOR
[ver 1.9 October 2003]
Geoff Mulgan and David Albury
A discussion paper:
http://www.cabinetoffice.gov.uk/media/cabinetoffice/strategy/assets/pubinov2.pdf

CASE STUDY
How short-termism inhibits radical innovation
The difference of strategy can clearly be seen within higher education. Where there were targets for efficiency gains of 2% per year, progressively, seminar group sizes were increased, student essay word lengths were cut (which reduces marking load), and the use of first-class post and peak-time phone calls were banned. This inexorably led to system exhaustion with efficiency gains being ever harder to achieve and a growing clamour for more resources.

In contrast, a group of vice-chancellors were asked what they would have done if set a goal of a 22% reduction in the ration of resources to students over 10 years. They reacted by suggesting models of planned transformational change: new models of learning and teaching, full exploitation of the potential of IT and a re-focussing upon institutional strengths. Such a perspective can only be encouraged by longer term thinking, yet the time horizons of administrations and ministers may work against innovations which involve short-term costs for longer-term gains.

BARRIERS TO INNOVATION
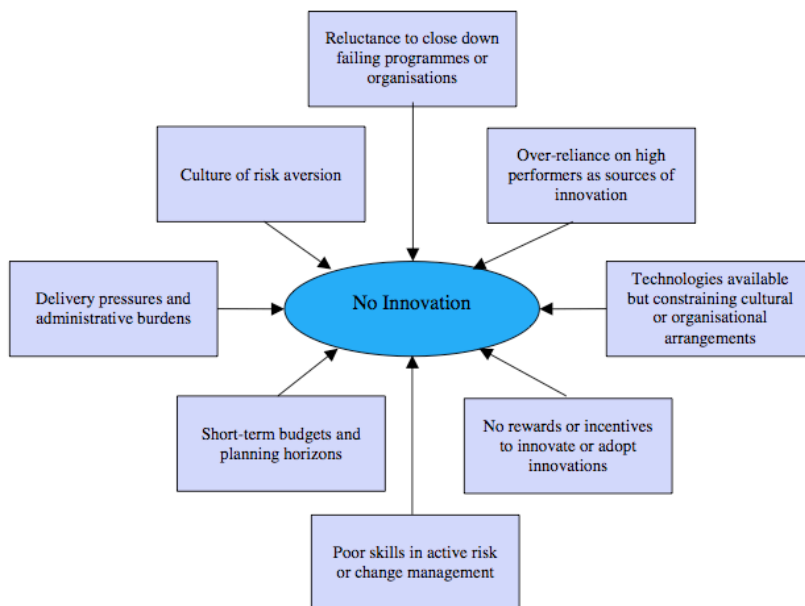
there are many potential barriers to innovation

5. PUBLIC SECTOR ENTREPRENEURIALISM

Political and structural

Introduction

Sir Andrew Foster, in his DfES report on the future of further education colleges (2005), makes the following observation:

> "Currently, FE is the neglected 'middle child' between higher education (HE) and schools. Since further education offers such important benefits for the collective economy and for individual learners and employers, the DfES should be looking across its own spheres of operation and across government departments to create conditions in which FE can prosper and deliver." (2005)

The Department for Business, Innovation and Skills (BIS) describes *its* mission as "creating the conditions for business success; promoting innovation, enterprise and science; and giving everyone the skills and opportunities to succeed" (http://www.bis.gov.uk/about/objectives). Both positions support the FE sector as a key component in the creation of a thriving economy.

It is proposed that the FE colleges are quasi-independent entities (public/private hybrids) that can only deliver the skills needed to support business success in an uncertain financial environment by adopting an entrepreneurial orientation. This will involve a consideration of:

–   the application of successful management strategies from the private sector to the public sector
–   redefining value (as an outcome of entrepreneurial activity) for the public sector
–   new strategies for selecting and training managers and principals[1]
–   realigning concepts such as risk and accountability towards towards the *failure* of innovation as opposed to its implementation

General theories of entrepreneurship

Theories and explorations of entrepreneurship are ubiquitous in business and management literature. Klein (2009) has identified the following definitions from key texts, arguing that these characteristics are not 'inherently' in conflict with public sector management:

> Judgmental decision-making (Knight, 1921)
> Innovation (introduction of new markets, organisational practices, etc.) (Schumpeter, 1934)
> Alertness to profit opportunities (Kirzner, 1973)

Morris & Jones (1999) go further in suggesting that entrepreneurship is a "universal construct" applicable to organisations regardless of context; although they acknowledge that the definition of entrepreneurial success in the public sector is constrained by organisational realities:

> "… time horizons are short but institutional response times are long … measures of progress are hard to devise … public accounting systems tend to be designed to control expense and not to support management and planning".

They identify key entrepreneurial characteristics as proactiveness, innovativeness and risk-taking. They do, however, make two observations which favour the adoption of entrepreneurship by public sector management: Firstly, proposing that risk-taking is of secondary importance to proactiveness and innovativeness; and, secondly, valuing innovative processes over new products and services. The latter observation is endorsed by Hamel (2006) who notes that, historically, it is management innovation over product and technical innovation that has allowed companies to "cross new performance thresholds".

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[1] "... the outstanding fact that differentiates public entrepreneurs from ordinary managers and politicians is their ability to alter the existing allocation of scarce public resources in fundamental ways." (Lewis, 1980)

Public sector entrepreneurship

Drucker (1985) considers the introduction of entrepreneurship into the public sector as possibly "the foremost political task of this generation". Osborne (1992) has nicely encapsulated the paucity of entrepreneurial focus within the public sector as follows:

"We have 15m trained spenders in American government, but few people who are trained to make money."

Most of the literature concerning public sector management derives from the US and is, therefore, hypersensitive to the issue of politics for public leaders. Joseph L. Bower is Harvard Business School's Professor of Business Administration and has published case studies on the impact of entrepreneurial management on public sector successes in the US. His conclusion notes the "willingness to lead" of the successful managers; but also that success was contingent upon their ability to devise "a politically acceptable way of phrasing the goals of [their] organisation" (Bower, 1977).

The literature on public sector entrepreneurship supports the appropriateness of an entrepreneurial approach to public sector management, notwithstanding the many barriers created by top-down directives, budgetary mechanisms and traditional 'stewardship' practices. Their challenge has been to locate the public sector equivalent of shareholder value.

Social value

In common with many theorists, Austen et al (2006) locate shareholder value in social value placing the 'Social Value Proposition' (SVP) at the core of the public sector organisation: "To highlight the centrality of the social purpose in social entrepreneurship, we propose that this factor be the integrating driver of the framework." The SVP gives the social entrepreneur a legitimate space in which to create value given the appropriate alignment of opportunity, the right people and sufficient capital (see Figure 1). This is a dynamic concept with the SVP continually changing as the internal and external social, political and economic environment changes (including some or all of the values and mechanisms that previously defined and controlled the organisation):

"… the SVP that made sense at the time of the venture's founding may in fact evolve dramatically as perturbations in the operating context are continuously occurring. Remaining attuned to how contextual changes can affect the opportunity and the human- and financial-resource environment causing the need for realignment, is a critical skill for the social entrepreneur."

<u>Figure 1</u>

SVP, social-value proposition
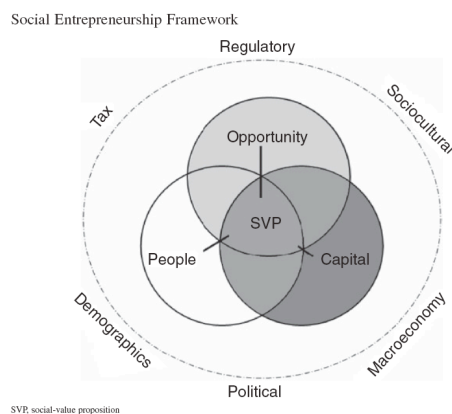
This is mirrored by the Centre for Excellence in Leadership (CEL) (Mager, 2007) which advocates proactive leadership in support of public value (the use of resources to "maximise contribution to the public realm and to the achievement of outcomes valued by the public"). Public value leadership is seen as a key component of the management of colleges in a period of greater self-regulation:

> "CEL believes that public value theory has the potential to provide a conceptual framework through which to analyse and develop the role of leaders in the FE system, particularly in the context of more autonomy for colleges and providers and the move towards greater self-regulation in the FE system. It promotes proactive leadership based on ambitious vision that is consistent with more autonomous and self-regulating colleges and providers."

Environmental turbulence and leadership

A common theme is the interplay between environmental turbulence and delivery in the public sector, and it is suggested that entrepreneurship is a legitimate and necessary response to straitened times:

> " … there is a growing body of evidence to suggest that, under conditions of turbulence, a company's entrepreneurial orientation is positively associated with numerous measures of corporate performance." (Morris & Jones 1999)

The environmental turbulence affecting the UK's further education sector is clear: there is a requirement for education departments to save £9 billion before the end of the 2008-2011 spending period as a contribution towards £35 billion efficiency savings across Government (LSIS Brief Guide 'Whole Systems Go! 2009). A recognition of the necessity of finding new ways of delivering social value with less resources is found in the following policy and strategy initiatives:

> 'Putting the Frontline First: Smarter Government. 2009. White Paper
> - *Open, accountable public services; devolved decision making; value for money – efficiency and effectiveness.*
>
> Maddock, S & Robinson, B. 2009. Place Based Innovation. NSG Sunningdale Institute and Department of Business Innovation & Skills
> - *A connection to one's local area and community providing the motivation for a more creative approach to innovation*
>
> 'Whole Systems Go!'. 2009. National School of Government.
> - *The reform of public services and their management*
>
> Total Place Pilots led from the Treasury, Communities and Local Government (CLG) and the Leadership Centre for Local Government
> - *Mapping the flow of public spending in local areas and making links between services to identify where public money can be spent more effectively*

As an adjunct to these policies and pilots advocating the reform of local services by devolving decision-making and promoting local collaborations, CEL, the Sunningdale Institute and Sir Andrew Foster have all considered whether current leadership training is delivering public sector managers who have the ability to be sufficiently creative in the delivery of social value. Caroline Mager of CEL has identified the type of leader required and alluded to an expanded 'legitimate' sphere of operation:

> "The approach calls for significant political acumen, and could extend the legitimate space within which public sector managers can operate and promote innovation while managing risk." (2007)

Similarly, Sir Andrew Foster acknowledges that while there are "able and successful" college managers and principals, this is far from being the norm. He advocates the need for "very able, experienced and influential managers" who can think strategically and creatively and who can "influence at the highest levels". Both positions echo Bower's case studies where public sector success was a result of proactive leadership and political astuteness.

Neither Mager nor Foster use the 'e' (entrepreneurship) word, and when Su Maddock mentions it, it is used in conjunction with the phrase "free-wheeling":

> "Innovation policy does not call for civil servants to become free-wheeling entrepreneurs, but for them to become sensitive to innovations across government, as well as the private and third sectors." (2009)

This broaches the issue of terminology and definitions; already raised by Bower when he considered the importance of 'phrasing' when negotiating public sector reform. Morris & Jones (1999) argue that entrepreneurship is a question of degree and frequency, thus creating a space for a non-pejorative consideration of its potential value. The language of 'managed risk' is comfortable for the public sector, but outside of some notorious private sector examples (e.g. Enron), it is fallacious to suggest that the private sector does not, as a *sine qua non*, seek to manage risk in order to deliver shareholder value. Conversely, the word 'innovation' is used as a wholly positive term because it avoids the taint of entrepreneurship; although it is arguable whether one can exist without the other. Sue Maddock, in Whitehall Innovation Hub, does however recognise that the broader implications of innovation mean that its practice is not necessarily "career-enhancing" for public servants (2008).

Another issue around definition is to consider what is being put at risk by *not* embracing the potential of the creative leader and/or organisation. It might be argued that there is greater risk to public value in *not* enabling skilled and creative leaders to maximise the potential for local initiatives and collaborations.

In *Place Based Innovation* (Maddock, 2009), a challenge to Whitehall to "address the systemic impediments to innovation across the public sector", Maddock starts to 'unpick' innovation in terms which, it could be argued, align it with entrepreneurship:

> "Innovation is by its nature the product of those responding creatively to problems and it is by its nature diverse and unique to the context in which it evolves; rarely does innovation conform to a standard protocol and top-down directives kill the creativity that could give rise to more innovation."

There is a matching sensitivity to the impediments to innovation by Mulgan and Albury, in a Cabinet Office discussion paper entitled 'Innovation in the Public Sector' (2003). They are similarly concerned with creating a space for innovation and are comfortable in acknowledging the role of risk:

> "Particular barriers to innovation that must be overcome in the public sector may include a culture of risk aversion, and a focus on short-term delivery pressures, both of which can hinder organisational development and progress …" (see Figure 2)

Figure 2
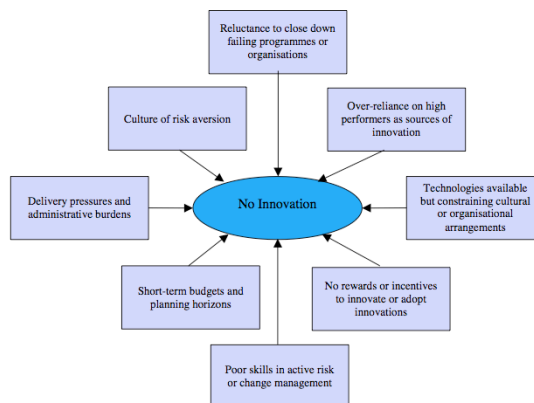
there are many potential barriers to innovation

Leaders as entrepreneurs

A common theme in the literature is the differentiation of managers and leaders:

> "Managers embrace process, seek stability and control, and instinctively try to resolve problems quickly—sometimes before they fully understand a problem's significance. Leaders, in contrast, tolerate chaos and lack of structure and are willing to delay closure in order to understand the issues more fully." (Zaleznik 1977)

There is considerable overlap between the definition of the attributes of a leader and the characteristics of an entrepreneur. Tolerating chaos and a willingness to delay closure suggest proactivness and innovativeness; but they also suggest the acceptance of risk. Risk is discussed by Zaleznik in terms of game theory: the requirement for leaders to play the win-lose rather than the win-win game in pursuit of greater reward. It is discussed in similar terms by the Sunningdale Institute, suggesting that systemic change (in this case collaboration over networking) is more "challenging" (risky?) and can involve "lose a little and then win; lose a little and then win" as opposed to the perceived predictable outcomes of day-to-day stewardship (2009). Theorists are clear on the implications of settling for the win-win game:

> "We typically advocate ambitious outcomes while designing our work for maximum administrative convenience, which allows us to avoid conflict but frequently ends up reproducing what already exists." (Quinn, 1995)

The reform initiative, '*Whole Systems Go!' (LSIS Brief Guide, 2009)*, proposes moving the unit of analysis in leadership programmes from the individual leader to the organisation, proposing *in situ* training and the development of leadership teams. Whilst there is much in the literature to support systemic entrepreneurship (it supplements the leader's weaker points and provides institutional support for radical reform), there is, nonetheless, emphatic support for strong and capable individual leadership:

> " … systemic entrepreneurship is better placed to overcome organisational resistance than the individual entrepreneur; nevertheless, … the individual public entrepreneur is the "catalytic [agent] of the entrepreneurial process … their presence in the policy process and their actions enhance the probability that an innovation will occur". (Roberts, 1992)

> "Entrepreneurship does not emerge without leadership at the top that fosters it. The manager at the top is the "incubator" of entrepreneurship." (Bernier & Hafsi, 2007)

Protect the core – the limits of laissez-faire

There is a clear overlap between theories of private and public entrepreneurship around the limits of laissez-faire management: the need to control excess in favour of delivering an acceptable outcome for shareholders or the public. Jim Collins (1995) is categorical on the importance of the establishment of and adherence to values as the cornerstone of organisational success. This, he argues, allows the freedom to innovate: You have created an environment in which you can be "both highly ideological and highly progressive at the same time …". He considers the "interplay between core and progress" to be one of the most important findings from his work.

Mager (2007) has similarly considered an ethical dimension to allow both enterprise and the protection of public value by considering public value leadership *per se* as providing a 'compass' within a market-driven system. It is achieved by engaging with customers and the wider community to achieve agreement on "what constitutes public value in that particular public service and in that specific context". Bellone and Goerl (1992) arrive at 'public value' from a consideration of public accountability, but find both a compass and the limits of laissez-faire management in a wider engagement with the local community:

> "A civic-regarding entrepreneurship emphasizing public participation offers a remedy for over-zealous pursuits of self interests. It offers a program of action that could make public entrepreneurship and democracy more compatible. Through developing citizens' opportunities to participate, the quality of

citizenship could be raised to a level where citizens themselves become more responsible agents of efforts to provide more public goods and services within the parameters of acceptable tax burdens."

Concluding remarks

The Sunningdale Institute's Innovation Hub (Maddock, 2008) has identified the need for innovation in the public sector as a priority, linking it with a new kind of leadership and acknowledging the potential of risk:

> "The question for policy makers is how to incentivise innovative behaviour and public servants who are agile, adaptive, collaborative and less risk averse. Transforming the Public Sector demands a new type of professional and an alignment between local and frontline innovation and those in government."

Professor David Gann in the CIHE consultation 'Balancing enterprise and risk' (2006) comes to a similar conclusion about the future of universities: "Ultimately universities have to accept risk and manage it by understanding the dynamics of change and how to build smarter relationships and networks."

Mulgan and Albury (2003) have concluded that:

> "Innovation should be a core activity of the public sector: it helps public services to improve performance and increase public value; respond to the expectations of citizens and adapt to the needs of users; increase service efficiency and minimise costs. Moreover the public sector has been successful at innovation in the past (cf. Open University)."

It would have 'sounded' very different if they had started with 'Entrepreneurship' rather than 'Innovation', but would it have meant something very different?

Given the groundwork that is being laid in support of devolving power to frontline ('Frontline First') and elevating public service collaboration at a local level ('Place Based Innovation'), together with the tentative expansion of a legitimate space within which public managers can be innovative in pursuit of service delivery ('Public value leadership'), the public sector is ready for change. Sir Michael Bichard of the Institute for Government is categorical:

> "If we don't innovate we are in serious trouble. We are not going to get out of this recession with a few efficiency savings or, as someone put it, a haircut here and there for public services. We are going to have to look fundamentally different ways of delivering services." (Maddock & Robinson, 2009)

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6. ENTREPRENEURSHIP EDUCATION

Theories

A review of the literature, both academic papers and government policy, has revealed an unequivocal endorsement of equipping students with 'entrepreneurial' skills. The European Commission, the World Economic Forum and the National Council for Graduate Entrepreneurship have all issued reports which are categorical in calling for the creation of an entrepreneurial culture throughout the education system:

> Entrepreneurship education is not an "extra" or a "nice to have." It is not an option. It is a necessity in today's world. We need ubiquitous entrepreneurship and innovation – it should not be limited to those who actually start companies. It needs to permeate society and our way of operating. (World Economic Forum, 2009.)

Wilson (`European Foundation for Entrepreneur Research) in 'Entrepreneurship education in Europe' (2008) notes, however, that Europe compares unfavourably with the US with respect to its readiness to exploit an entrepreneurial orientation: "The low exposure to entrepreneurship combined with the lack of role models and the repercussions for failure, makes the barriers to entry in Europe significantly higher than in North America". She believes, however, that the time is now for a sea change in attitude and practice and that it starts with entrepreneurship education:

> The moment is right for a significant evolution of entrepreneurship education in Europe … Europe's competitiveness, innovation and economic growth depend on being able to produce future leaders with the skills and attitudes to be entrepreneurial in their professional lives, whether by creating their own companies or innovating in larger organisations. Entrepreneurship education is the first and arguably the most important step for embedding an innovative culture in Europe.

The 'devil is in the detail', however, with the debate over academic legitimacy, educator training, pedagogical methodology and assessment having been prevalent in the US for some time but only now beginning in Europe. Gibb (Professor Emeritus of Small Business Management at University of Durham) concurs on the importance of an enterprise culture in Europe ("the sine qua non of political response to globalisation") and identifies the major issues under the following headings:

· the entrepreneurial concept
· academic acceptability
· client segmentation and needs
· organisation of knowledge and pedagogy
· teacher supply and competency
· evaluation and assessment
· location and capacity of delivery vehicles
· funding

He believes that the urgency of finding a solution to these issues is prompted by "the dynamics of change related to globalisation and the creation of higher degrees of uncertainty and complexity for governments, organisations, communities and individuals" (Gibb, 2002).

A further issue is whether the term entrepreneurship itself needs some definition, with some authors noting that it can mean both the practical issue of business education *and* the inculcation of an entrepreneurial spirit. This is sometimes discussed as the difference between entrepreneurship and enterprise education:

> … enterprise education aims to maximise opportunities for the development of enterprising skills, behaviours and attributes (Gibb, 1993) in young people in the expectation that these will be utilised, deployed and developed at some future point whatever their career choice might be; while

entrepreneurship education is aimed more at encouraging people to start a business. (Jones & Iredale, 2010.)

The European Commission report "Entrepreneurship in higher education, especially within non-business studies" (March 2008), builds upon the Commission Communication "Fostering entrepreneurial mindsets through education and learning" (2006) and on the "Oslo Agenda for Entrepreneurship Education in Europe" (2006). It stipulates that Europe needs to "stimulate the entrepreneurial mindsets of young people, encourage innovative business start-ups, and foster a culture that is friendlier to entrepreneurship and to the growth of small and medium-sized businesses", with the recognition of a role for education starting as early as primary school. The report considers teaching methods, arguing for "experience-based" teaching methods and noting that "traditional educational methods (like lectures) do not correlate well with the development of entrepreneurial thinking". The aim of entrepreneurship education would be to make students:

− more creative/innovative; highly motivated; pro-active; self-aware; self-confident; willing to challenge;
− better communicators; decision-makers; leaders; negotiators; networkers; problem solvers; team players; systematic thinkers;
− less dependent; less risk averse; able to live with uncertainty; capable of recognising opportunities.

Within the report, expert testimony on teaching methods supports a "more balanced pedagogy with a substantial element of active self-learning" whilst also noting the importance of entrepreneurship education within an entrepreneurial institution "characterised by a diffused entrepreneurial culture". The report proposes a "Centre for Entrepreneurship (or other focal point) [which] would have the aim of spreading entrepreneurship throughout the institution [with] powers to liaise with all other departments and faculties within the institution". With regard to educator training, it proposes: staff sabbaticals in enterprises; exposure to role models and examples; incentives, rewards and recognition; international educator exchanges; and bursaries and support for personal development through educational programmes. It also proposes that entrepreneurial universities should be regarded as "instruments of regional development" and that regional 'centres of excellence' should provide support for networking among educators, entrepreneurs and students.

The World Economic Forum report 'Educating the Next Wave of Entrepreneurs: Unlocking entrepreneurial capabilities to meet the global challenges of the 21st Century' (2009) is categorical on the importance of entrepreneurship education and has "embarked on a process to advance Entrepreneurship Education as one of the key drivers of sustained social development and economic recovery":

Entrepreneurship and education are two such extraordinary opportunities that need to be leveraged and interconnected if we are to develop the human capital required for building the societies of the future. Entrepreneurship is the engine fuelling innovation, employment generation and economic growth. Only by creating an environment where entrepreneurship can prosper and where entrepreneurs can try new ideas and empower others can we ensure that many of the world's issues will not go unaddressed.

It is similarly concerned to address the issue of educator training: "Mainstream pedagogy will have to change, leading to the hands-on, project-based, multidisciplinary, non-linear approaches that entrepreneurship education requires"; and, in line with the EC report, calls for a pervasive institutional culture of entrepreneurialism, proposing that "new universities and colleges as well as other culturally open, flexible and innovative educational institutions should find it easier to establish an entrepreneurial culture than traditional universities and colleges where the

preservation and maintenance of existing rigid structures and power relationships are at stake".

Jones and Ireland in 'Enterprise education as pedagogy' (2010) argue that educational restructuring will require both changes to the curriculum and changes "in the techniques of teaching and learning". They also make a distinction between entrepreneurship and enterprise education:

> Entrepreneurship education might … use traditional didactic approaches (Jones and Iredale, 2006) to the teaching and learning of business ideas generation, business planning and the new venture creation process. In contrast, enterprise education takes a more creative, innovative pedagogical approach that utilises experiential action learning methods. The scope and practice of enterprise education is much broader than entrepreneurship education, which is overly focused on how to start a business.

They also broach the issue of value and measurement arguing that whilst entrepreneurship education has outcomes such as new businesses, enterprise education has a longer-term outcome by preparing people for successful careers where they may or may not start their own business.

The National Council for Graduate Entrepreneurship has produced a report 'Entrepreneurship in Further and Higher Education: Shaping the future' (2007) and a Policy Paper 'Entrepreneurship education and integrative learning' (2005) (Professor Martin Binks, University of Nottingham). The report presents the outcomes from a 2007 NCGE/UKSEC International Entrepreneurship Educators Conference "where over 260 delegates from 28 nations for three days explored and discussed the challenges and opportunities in shaping the future for enterprise and entrepreneurship education". It concluded that "the embedding of enterprise and entrepreneurship education across faculties/schools and disciplines is seen as vital" and identifies the following strategies:

- the use of internal champions – in senior management, faculty staff and in students – as an important catalyst for change

- the adoption of national strategies for connecting enterprise and entrepreneurship education provision across schools, vocational and higher education to deliver clear desired economic and social outcomes

- the enhancement of connectivity between FE/HE, schools, employers (large/small, public/private) business support organisations and the world of entrepreneurs

- overcoming faculty perceptions that enterprise and entrepreneurship education is bad for professional career health

- the creation of a handful of exemplary institutions with support for leadership development in building effective institutional cultures.

- finding a language that bridges philosophical differences and is inclusive

- building the professional profile and institutional legitimacy of enterprise and entrepreneurship educators

- every institution to have at least one trained member of staff in enterprise and entrepreneurship education

In the NCGE policy paper, Professor Martin Binks considers the role of 'integrative learning' – the

opportunity for students to "make deep level connections between the processes of academic learning, reflective self awareness / personal development and experiential learning in a range of practical contexts"; also that involving students in "unsolved problems from their own or others experience [was] paramount in terms of their understanding of 'entrepreneurial behaviour'". He makes particular reference to the applicability of this style of learning to the Further Education sector:

> The entrepreneurial creativity and effective problem solving approach has been shown to have applicability to a far broader range of students than those involved in higher education on a traditional basis. It is applicable and accessible to students in schools and further education.

Problem-based learning is explored in Tan and Ng's 'A problem-based learning approach to entrepreneurship education' (2006), working from the following definition:

> . . . the process of providing individuals with the concepts and skills to recognise opportunities that others have overlooked, and to have the insight, self-esteem and knowledge to act where others have hesitated.

They argue that a traditional business school approach produces "middle managers for large organisations" rather than "nurturing … leader[s], creator[s] and risk taker[s]".The issue of risk-taking is addressed in the AoC document 'Enterprise in Further Education – Policy Guide' (Warburton and Rowley, 2006?) where they argue for the need for a learning environment which allows students to 'get it wrong':

> Enterprise learning requires an environment where students are expected to take personal responsibility for their own actions. They are given significant autonomy to tackle relevant problems or issues, which involves an element of risk as well as reward for their successful resolution. In other words, there is considerable uncertainty about final outcomes.

The specific pedagogical mechanisms for 'nurturing' the entrepreneur are considered by Alain Fayolle, Professor in Entrepreneurship, at EM LYON Business School. He notes the rise of entrepreneurship education in the US (2,200 courses in more than 1,600 institutions, 277 endowed positions, 44 academic reviews and more than 100 established and funded entrepreneurship centres [Kuratko, 2005]) and goes on to consider the difference between teaching and educating, arguing that both approaches need to be combined in entrepreneurship courses:

> The notion of education seems more appropriate to situations intended for developing learners' minds, raising people's awareness of the entrepreneurial phenomenon, giving them keys to their personal development and professional orientation, and giving them the incentive to act entrepreneurially. The notion of 'teaching' is more appropriate to contexts of knowledge transfer of entrepreneurial themes and dimensions.

Fiet (Chair in Entrepreneurship, University of Louisville) in 'The pedagogical side of entrepreneurship theory' (2000) makes a similar point, arguing for a balanced approach to entrepreneurship education:

> As Bill Bygrave (1993), the Director of Entrepreneurial Studies at Babson College, noted, "there are two ways to ruin an entrepreneurship course. The first way is to have it consist entirely of the practical application and analysis of cases. (A course consisting only of practical applications and cases provides us with no basis for assisting students to act on the basis of their decisions). The second way is to have it be entirely theory". (A course consisting only of theory could be an arid wasteland where only the most

intellectually curious students would succeed. Most of the rest of the students would become bored and would be unlikely to develop understanding of the concepts.)

In a further paper, 'The theoretical side of teaching entrepreneurship', he makes a case for arming students with theory to enable them to critique guest speakers, adjunct teachers and mentors:

> Students who are not prepared in advance with theory may be influenced unduly by personal success stories. Students could unknowingly pattern their careers after an entrepreneur who is about to fail or whose circumstances are quite different from what the students will encounter. Thus, the entrepreneur's formula may (will) not work for the students … Students must learn theory in order to understand the future consequences of their entrepreneurial decisions.

The EC report has considered the opportunity for inclusiveness in entepreneurship education:

> … it is questionable whether Business Schools are the most appropriate place to teach entrepreneurship: innovative and viable business ideas are more likely to arise from technical, scientific and creative studies. So the real challenge is to build inter-disciplinary approaches, making entrepreneurship education accessible to all students, creating teams for the development and exploitation of business ideas, mixing students from economic and business studies with students from other faculties and with different backgrounds.

<u>Drucker, 1994</u>

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 other discipline, it can be learned.

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