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# HOW TO MANAGE ENTERPRISE? FROM CREATION TO RATIONAL CONTINUATION

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HANS BROEKHUIS AND LOUISE VAN WEERDEN

## Abstract

There is a difference between enterprise and management. Enterprise is about creation and management is the rational continuation of enterprise. Being rational comes natural to entrepreneurs, but a good entrepreneur has to develop both aspects. To achieve this is an important aspect of management for business and educational institutions.

## The art of enterprise

Let's not beat about the bush - there is a fundamental difference between a business manager and an entrepreneur. The role of an entrepreneur is radically different from a manager. All economic activities are rooted in enterprise. How these activities are performed is a matter of management. Enterprise is about creation, about embarking on a quest, making unusual combinations and doing the unexpected. Management is the rational continuation of enterprise.

Interestingly, whilst entrepreneurs readily acknowledge the logic behind the distinction between enterprise and management, many managers do not accept that there is such a distinction in practice. This becomes painfully obvious if one examines the literature on this point: the term 'enterprise' is not frequently encountered. Any space that is devoted to enterprise tends to focus on the psychological characteristics of entrepreneurial behaviour. In his fascinating book entitled 'Ondernemerschap kun je leren', Rinus Andringa (2001) deplores the absence of enterprise from most economic literature: "It's the same everywhere - enterprise is reduced to an activity that is described in scientific terms. The effect is to conceal its true nature." He goes on to collect all sorts of psychological typologies from a range of academic publications and distils a number of critical success factors from them. At which point it becomes clear that the definition of an entrepreneur corresponds with that of a perfect human being, assuming it is possible to define one. Andringa ruefully concludes that the authors of these publications are academics who have not genuinely mastered their subject. They define enterprise, Andringa suggests, as a mysterious process that takes place within the individual.

Describing entrepreneurship in psychological terms is common practice. How else can enterprise be defined? Our interest lies in enterprise as an activity, or rather as a series of activities, and in the role of enterprise as a social phenomenon.

Researchers in the field of business studies tend, in any case, to display an excessive degree of interest in success stories, case studies, etc. as if they believe that good examples are automatically followed. Whilst this may well happen from time to time, it remains more the exception than the rule in practice. Moreover, there is nothing original about simply following an example set by someone else; copycat behaviour rarely generates new knowledge. In fact, failures are probably more enlightening. And surely it is enlightenment that scientific researchers are seeking to achieve?

It sometimes happens that on their quest for enlightenment researchers chance upon something they were not actually looking for in the first place. This is known as ‘serendipity’, after an oriental prince called Serendip who embarked on a voyage of discovery and ended up finding something he was not looking for. Interestingly, such a discovery is still known as a ‘discovery’. The term ‘invention’ is reserved for those exceptional characters who head single-mindedly in one direction in search of something new. Scientists, on the other hand, are more serendipitous in their approach, making chance discoveries that cause them suddenly to change track. There is a vital difference if ever there was one. There is the same sense of excitement in both cases, however: at that almost intangible moment when something new emerges, without any preset plan or aim. And even if there was a pre-set plan, it was not generally intended to lead to that particular discovery. The guiding principle would seem to be ‘the impossible is simply that which has not yet happened’. It is always possible to do more than you think. At the same time, it is impossible to forecast where the good ideas will come from in the future.

Name of inventor	Year of birth and date	Description of invention	Inventor’s profession
Elisha <b>Otis</b>	1811 – 1861	Lift	Fitter in bed factory
Levi <b>Strauss</b>	1829 – 1902	Levi jeans with rivets	Salesman trading in pots and pans
John <b>Pemberton</b>	1831 – 1888	Coca-Cola	Dispensing chemist
John Boyd <b>Dunlop</b>	1840 – 1921	Pneumatic tyre	Vet
George <b>Eastman</b>	1854 – 1932	Photographic roll film	Bank clerk
King <b>Gillette</b>	1855 – 1932	Razor blade	Travelling salesman
William <b>Kellogg</b>	1860 – 1951	Corn flakes	Broom salesman
William <b>Wrigley</b>	1861 – 1932	Chewing gum	Soap salesman
Hubert <b>Booth</b>	1871 – 1955	Vacuum cleaner	Bridge-builder
Melitta <b>Liebscher</b>	1873 – 1950	Coffee filter	Housewife
Almond <b>Strowger</b>	1839 - 1902	Telephone dial	Funeral director

Source: Schlösser (1995), Grauls(1993)

Table 1 *Where do good ideas come from?*

Interestingly, academics are responsible for only a very small number of new ideas. In fact, this is not all that surprising, as people who come up with new ideas tend to be regarded as a source of instability, particularly in our modern, organised culture. Dabbling in a discipline in which you are not trained and thoroughly steeped is most definitely not done. Yet modern society cannot survive without creative talent, resourcefulness and a passion for design.

Creativity is the font of all valued creation. Without a creative spirit, there would be no coffee pads, no thought-provoking films, no electricity generated by wave energy and no great poetry.

#### **Characteristics of creative people**

- independent
- non-conformist
- adventurous
- dynamic
- day-dreamer
- optimist, but also depressive at times
- willing to take a risk
- curious
- a bit crazy
- basically self-taught
- interested in a wide range of subjects
- likes surprises
- loves to play with ideas
- likes getting away from logical structures and set patterns of thought ('thinking outside the box')

and you can probably think of more characteristics if you are a creative spirit yourself!

*Source: Schlösser (1995)*

#### *Table 2 Characteristics of creative people*

But is creative talent a question of nurture or nature: are some people naturally creative whilst others are not? Can you learn to be creative? These are questions to which there are no easy answers. Creative talent develops through a process of searching, trying, refining, testing and starting all over again. The creative process is sustained by a willingness to learn from criticism and a readiness to accept failure; the same qualities that result in development and progress. In other words, the ability to overcome failure and to accept scathing criticism is the key factor in achieving genuine progress. It is a process that requi-

res competition and hence inequality (which does not automatically mean a lack of solidarity). The latter goes against the grain of our educational culture, our work ethics and our business climate.

But good entrepreneurs buck the trend. Their motto is ‘never say no’. The job is never done, and it is this aspect in which they closely resemble artists. Why are writers often amazed by the critical response to their work? Why are composers so curious to hear how their compositions sound when performed? And why do architects have difficulty believing their own eyes? Why is it that we often do not discover there is a spirit of the time until afterwards, and that this spirit is responsible for certain lines, colours, sounds and stories? It is the same spirit that constantly recurs in advertising, design and fashion. Why is it that every age has its own spirit, which we adopt without even noticing and can shape without intending to do so? It is almost as if we deliberately decide to live in a state of blissful unawareness and only understand situations when they have passed. Action comes before understanding. Enterprise is action. In trying to understand events and concepts, we analyse them from the actual perspective. Marketing is all about knowing what consumers wanted yesterday, what needs are likely to arise tomorrow, and what sort of response is required today. But simply analysing market demand is not enough. If only it were. Entrepreneurship is not simply a question of watching, listening and reading. After ‘biding your time’ comes ‘acting’. It is that indefinable point at which something jells, that is the moment we are talking about. This is the point at which you act either with or without a preconceived plan, and immediately decide that you need to take a slight change of tack. That is just before the next step, which is to take a long, hard look at things. After which the money runs out. If failure comes, it is unmistakable and deep.

The usual criticism voiced at this point is that corrective action should have been taken more quickly. The consultants look suitably concerned and head back where they came from. This is what happens to many entrepreneurs who start off in business, sometimes by chance, often without a plan and generally quite recklessly. Most entrepreneurs start out in business for two reasons: they are unable to find any other suitable job and no one is there to stop them. Again, there are parallels with the life of an artist: searching, trying, refining, testing and starting all over again. A willingness to accept criticism and failure without becoming discouraged is a character trait that is common to both entrepreneurs and artists. And both are defined by their craftsmanship, their knowledge and their skills. The composer needs skilled performers without whom his musical will never make it to the stage, whilst the entrepreneur needs employees to make his product. Both types of production need to be organised – without organisation, they will not work. This is the reason for making a distinction between an entrepreneur and a manager. The artist is the entrepreneur’s sparring partner and soul mate. A manager, with his rational view of the world, is closer to a scientist. Whilst there are certain interdependencies between a mana-

ger and an entrepreneur, we wish to emphasise the differences as a means of highlighting the opposing forces that are at work in the organisations around us. Also, we need to know when an organisation or situation requires the influence of an entrepreneur and when managerial control is preferred.

In table 3, the characteristics of the entrepreneur, artist, scientist and manager are described.

<b>Entrepreneur</b>	<b>Artist</b>	<b>Scientist</b>	<b>Manager</b>
Independent	Independent	Independent	Independent
Subjective	Subjective	Objective	Objective
Associative	Associative	Systematic	Systematic
Intuitive	Intuitive	Rational	Rational
Non-conformist	Non-conformist	Conformist	Conformist
Dynamic	Dynamic	Methodical	Methodical
Optimistic (occasionally depressive)	Optimistic (occasionally depressive)	Pessimistic (the more he knows)	Realistic (knows it)
Risk-taker	Risk-taker	Risk-averse	Tries to eliminate risk
Exploratory	Exploratory	Analytical	Analytical
Inquisitive	Reflective	Logical	Calculating
Fully responsible for legal and financial risks	Responsible for legal risk, paid by third party	Responsible for legal risk, paid by third party	Third party responsible for legal risk and payment

Source: Hans Broekhuis, *De kunst van het Ondernemen*, 2004

Table 3 *Characteristics*

### **Notes**

*Independent*: the question here is whether the person in question is capable of being independent, and not whether he or she is actually independent in practice. It is a subtle difference that is all about the ability to step back, from the ‘freedom’ of an entrepreneur’s position, based on the specificity and originality of the creation; from the objective viewpoint of the scientist and the professional viewpoint of the manager.

*Subjective*: an entrepreneur is the centre of attention and generally speaks in the first person. An artist has no choice other than to nurture his or her own skills and to be the centre of his or her own world, a creative world. The scientist and the manager, on the

other hand, have to take an objective view. In their cases, it is often a question of keeping their own views at bay. Excessive personal interest may prove more of a hindrance than a help and will prove an Achilles heel.

*Associative:* the artist and the entrepreneur move quickly from one unrelated field to another. Making seemingly illogical links is almost a way of life, even though the result, the product of the creative process or the idea may be a miracle of precision.

*Systematic:* a scientist must follow a logical train of thought and a manager should communicate in a businesslike, verifiable manner. This is the type of behaviour the people around them expect them to display.

*Intuitive:* ‘Intuition is an unexplained feeling that something is true even when you have no proof of it’ runs the dictionary definition, and it is hard to improve on this.

*Rational:* a feeling that something is true, based on reason rather than emotion, and on the perception of proof.

*Non-conformist:* many entrepreneurs and artists have an irresistible urge to go against prevailing opinion, to buck the trend and follow their own intuition. This is not to say that they invariably dress or behave differently from other people. Non-conformism is an inner urge that is often hard to resist. After all, the state of being different is in itself part of the success that entrepreneurs and artists strive to achieve.

*Conformist:* scientists and managers have far more rules to comply with. Both formal hierarchies and informal rankings are far more pronounced. Results are measured and displayed (in terms of the number of publications, salaries and bonuses). Ignoring rules and authority or, even worse, trying to undermine them is a high-risk strategy.

*Dynamic:* the term ‘dynamic’ refers to a combination of inner passion and movement, and it is a combination of power that defines the movement. Entrepreneurs are dynamic in their perseverance. So resolute are they that they are prepared to travel great distances to achieve their aims. Take, for example, a farmer who emigrates to the other side of the world in search of the land he needs in order to grow his crops. Artists display dynamism in the way in which they vary endlessly on the same theme. This is known as developing ‘their own style’ – an artistic identity that is often easy to recognise.

*Methodical:* here, it is circumstance that defines the movement. The activities performed by an entrepreneur depend on his or her ability to capture the spirit of the age and

identify new trends in good time. There is not necessarily a link between the entrepreneur's 'inner passion' and his or her professional activities.

*Optimistic (occasionally depressive)*: an entrepreneur will inevitably claim that his or her business is a success and is doing incredibly well. Rarely will you hear anything to the contrary. The writer is working on his or her masterpiece, and that long-awaited composition that is bound to astound critics all over the world is on the point of being born. Things are always just fine. In fact, they could hardly be better. Appearances are often deceptive, of course, but outsiders are rarely shown the truth. To some extent, it is simply the reverse of the claim made by the German philosopher Theodor Adorno that 'psychoanalysis is only true in its extremes' (Martin Jay 1977). Where there are peaks, there must also be troughs. It also explains why entrepreneurs and artists often move in their own restricted circles. The sense of shared experiences often has a cathartic effect.

*Pessimistic (the more he knows)*: the more a scientist finds out, the more he or she realises they do not know much about the world around them. In fact, there is so much we do not know that it behoves us to behave with humility. This means flying in the face of the constant stream of reports in the media that 'researchers have now proved that...'. In fact, science never proves anything. It simply provisionally confirms the validity of certain assumptions – until the next discovery is made, that is.

*Realistic (knows it)*: managers are expected to know. A manager is required to exude confidence and give a sense of direction to others. Managers are responsible and should know. If in doubt, they should not take any risks.

*Risk-taker*: it is sometimes said that the prettiest flowers are those that grow on the edge of a ravine. It is a common misconception that enterprise is all about taking risks. Enterprise is more a matter of taking a calculated risk. Many artists feel an urge to call their own being into question and, if necessary, to destroy the old in order to move forward into the new.

*Risk-averse*: academic researchers have become respectable civil servants who set great store by job security and a decent pension. There is nothing wrong with aspiring to an easy life, but there is a price to pay, which is a willingness to toe the line put out by governments, review panels and management boards. With the odd exception, the romantic image of the maladjusted and unworldly researcher who regards himself more as a representative of the prevailing culture than as a salaried employee, let alone a public servant, no longer holds true. Science has become a business. It is not without good reason that our economy is often described as a knowledge-based economy, or even as a 'knowledge economy'. 'Working together to increase the body of knowledge' is everyone's corporate motto these days.

*Tries to eliminate risk:* managers are expected to avoid, eliminate and/or prevent risks. 'Everything is under control' is what people want to hear. A lack of control is tantamount to managerial failure.

*Exploratory:* Rather than searching for new information, entrepreneurs seek to verify the information they already have in their heads. It is difficult to sway them from their chosen course, but risks need to be identified. To this end, they go through their plans step by step with other people, to see if there are any points they may have forgotten. These are unpaid consultancies: the venues are parties and sports events, where entrepreneurs flit around from one guest or spectator to another, asking different questions every time. They have no time – literally and figuratively – for professional consultants.

*Analytical:* a scientist analyses a problem – unravels it, as it were. He or she is interested in finding out what a particular substance consists of, how it works, what it does or what the explanation is for certain types of behaviour. A manager, on the other hand, is interested in reducing a problem or a challenge to a manageable size, i.e. chopping it up into little bits or simply extracting the essence ('no more than a single sheet of paper' is the typical instruction).

*Inquisitive:* an entrepreneur is often proactive. He or she wants to find out everything there is to know about a particular point in which he or she is interested. This is generally one-way traffic.

*Reflective:* an artist regards the world around him or her from the perspective of his or her 'inner wallpaper'. Reflection is an activity that is always performed from a perspective. The outside world is given selective access.

*Logical:* words are a scientist's vehicle on his journey of reason. In the academic arena, a given line of argument is either valid or not, subject to certain written (i.e. evidence must be both verifiable and measurable) and unwritten (i.e. ethics) rules.

*Calculating:* a manager calculates. It is all about the end and not the means by which the goal is achieved or the way in which a line of argument is constructed.

*Fully responsible for legal and financial risks:* this is the crucial characteristic of an entrepreneur. Real entrepreneurs bears all their own risks and can rightfully claim to be the owner of their business. They the ones who have the fun, but they are also the ones who feel the pain.

*Responsible for legal risk, paid by third party:* although an artist is an entrepreneur with a productive sense, he or she is generally commissioned by a third party. Obviously, there are examples of successful artists who are also entrepreneurs (e.g. the painter Karel Appel and the rock group, the Rolling Stones), but the artist starts out in life as a creative maker.

*Responsible for legal risk, paid by third party:* although scientists are not also entrepreneurs at the same time, they do run a certain degree of risk. Reputation and prestige are both highly important characteristics, and generally determine the opportunities for delivering a good academic performance. In virtually all cases, a scientist is a salaried employee who works under instructions from a third party.

*Third party responsible for legal risk and payment:* a manager is employed by a company or another type of organisation, and agrees on the price that has to be paid for his or her efforts. The more skilful and successful the manager, the higher the price he or she commands. Equally, the greater the risk he or she runs. A manager is a professional whose tools are his or her knowledge, skills and experience.

These are the characteristics that shape the image of an entrepreneur, an artist, a scientist and a manager. We are talking about prototypes here; these are not characteristics that apply to every individual. What we should like to do is to find more parallels with the characteristics of the range of activities performed by those responsible for managing organisations. We would like to break down and combine characteristics such as passion and rationality, initiative and control, creativity and craftsmanship, and action and reflection. Manfred Kets de Vries (1987, 1993, 1997) has pointed out on a number of occasions that the only way in which a business leader can understand a counterproductive situation is if he or she is willing to undertake some serious soul-searching and self-analysis. He has discovered, in his work both as a business scientist and as a psycho analyst, that business leaders need to focus not merely on their technical skills and drive, but also on their inner self, their own needs and their ability to undertake self-analysis and to genuinely empathise with other people.

Whilst this is a view with which we completely agree, we should like to add the following rider: a business leader should decide first of all whether he is a manager or an entrepreneur. In the eyes of Kets de Vries, a business leader is invariably a manager. This is a somewhat blinkered view. It is absolutely vital to distinguish between an entrepreneur and a manager. It is a distinction that defines and strengthens the 'inner urges', the motives that have received so much attention from psycho analysts (Nandrann and Samson 2000). An awareness of this distinction is a prerequisite for recognising the importance of management.

## The importance of management

In the interests of good management in particular, we need to make a clear distinction between enterprise and management. We know from our own experience - or rather, one of the lessons we have learned from our many mistakes is - that the importance of good management cannot be overstated. Mismanagement is the greatest disaster that can overcome a business owner and his or her business. Just about every time this happens, it is because the business owner (i.e. the entrepreneur) does not possess the requisite managerial skills and underestimates their importance.

More likely, there is simply a wide gap between the theory and practice of enterprise and management. In practice, companies (if we restrict ourselves to business organisations for the time being) go their own way and organise their own scientific research programmes. This is something that F.W. Taylor realised early on during the Industrial Revolution, when he published his *Principles of Scientific Management*. University researchers in business science rarely succeed in finding empirical solutions to topical management problems, let alone establishing any genuine form of communication with company directors and their staff. Academic research programmes seem to be more the result of chance and personal interest than any market demand for empirical findings. As a result, they may well generate fascinating and penetrating studies that draw conclusions that apply to a wide range of settings. Equally, they may produce all sorts of results, with stunning new findings at one end of the scale and pompous theoretical irrelevance at the other. Plus plenty of respectable and totally predictable studies populating the area in between the two extremes.

So what is the ideal situation? It is a good question, but not one that is easy to answer. One of the points raised by Henry Mintzberg in his recent book, *Managers not MBAs* (2004), is the 'privilege of science'. Whilst arguing in favour of scientific freedom, he inveighs against the risk-averse behaviour of many academic researchers and their gradual assimilation into the civil service. He denounces the habit of publishing articles for the sake of rankings in the citation tables, and rails against the dullness and predictability of many publications. Under the heading 'Bring passion back to strategy', he makes a number of valuable suggestions:

- "Don't worry about job tenure. It's more important to be able to look yourself in the eye than to see your picture hanging in the staff room.
- Publish only if you've got something to say. Your readers will appreciate you all the more for it.
- Say what you've got to say: say it once and say it well. Grab that window of opportunity instead of cutting yourself into little pieces.

- Create knowledge. Discover something new. Most other people simply regurgitate old news. Even at this very moment, something new may be staring you in the face. The boy in Hans Christian Andersen’s story about the Emperor’s new clothes not only had the guts to say that the emperor wasn’t wearing any clothes, he had the courage to see it for himself. Once he’d seen it, it was easy to say so.
- Write for the thinking manager. Falling off the steep cliff of scientific irrelevance is no better than sliding down the slippery slope of easy applicability. Stay on the narrow edge; it’s an exciting spot, less dangerous than the alternative on either side. Your wise colleagues will respect you for it.
- Keep close to the action. Not any action in particular, just the action in general. Surprise yourself, and then you may be able to surprise others.
- Be passionate in all you do. If you’re not passionate about it, don’t do it.”

Earlier on in the same book, Mintzberg writes:

*“Business scientists and management researchers are not in the business of studying nuclear fusions. Their topics are taken from daily life. In other words, every interesting finding should make sense to intelligent people working in the field. And every finding that does not make sense is probably not a good finding. The suggestion made here, that scientists who take themselves seriously should cater for the needs of people working in the field, is not intended to weaken science, but rather to strengthen it. The tussle with fascinating real-life problems (such as the scandals at Enron and Ahold, HB/LvW) also entails a challenge: that of digging deeper in order to understand them better. It also forces the researcher to communicate more clearly.”*

But what else should a business scientist do apart from trying to understand things better? First of all, it is important to accept that many companies are organised on knowledge-intensive lines, and pursue their own lines of scientific enquiry. This applies particularly, but not exclusively, to multinationals. Multinationals tend to have their own R&D programmes and departments, and to run special programmes for training in-house researchers. They regard higher education as a sort of preliminary training and hold recruitment days at which they try and spot any future talent. The situation is similar to that of a university hospital that undertakes its own research and trains its own staff. A degree in medicine is a useful form of preparatory training, but no more than that. No medical research could be performed without the presence of a hospital in which to conduct field-work, and what you see, not surprisingly, is that most university hospitals have either merged or are planning to merge in the near future with the medical faculties at adjacent universities. Even colleges of higher professional education are now jumping on the same bandwagon, by offering their own paramedical courses. It is high time that the university departments of business studies forge links with the scientific practice of innovating

and organising and managing companies. If they fail to do so, ‘independent’ scientific research – and hence university teaching – will be left high and dry, relegated to the role of supplying ‘suitable candidates’ to commercial employers.

A second important task is to understand and describe what actually happens in the primary processes used by companies. What goes on in all those factories, offices and boardrooms, and how can we understand it all? Why is Jeroen Smit’s book, *Het Drama Ahold*, so exciting and informative, even though everyone already knew – or thought they knew – about the scandal that rocked the Netherlands’ biggest supermarket chain and why it all happened. First of all, because of the in-depth research that Smit carried out. He interviewed around 100 people who were directly involved in the management of Ahold, and this enabled him to reconstruct the series of events. Smit manages to dissect the origins of the drama, without giving in to any preconceived notions or prejudices. As a true empiricist, he allows the facts to speak for themselves, which is exactly what they do. The reader is gripped by the story precisely because Smit affords us a glimpse into the day-to-day routine of managing a would-be world market leader, and at the same time exposes the ladders in the organisational stocking that gradually appeared over a period of 12 years, before mercilessly laying bare the shocking mistakes made by managers, consultants and personal coaches. In part, the story is gripping because the reader can see the wool being pulled over his eyes as it happens and knows that he should have seen it coming. It was not just regulators and other watchdogs who were accepted everything that went on without question: investment analysts and journalists were just as guilty of the same uncritical behaviour. In making this point, Smit also points the finger firmly at himself (he was once the editor-in-chief of a management magazine), as well as at investors. In other words, everyone was naïve. Including the scientists, we hasten to add.

Apart from Smit, no one has attempted a serious analysis of the Ahold case to date. This and similar cases have not yet provided food for public academic debate and research. The question is: what do we actually know, in scientific terms, about the activities of companies and other organisations, and do we want to know how they work? Is it possible to set up a business studies department that is firmly anchored in day-to-day empirical practice? Or is it enough to operate at a high level of abstraction, capturing reality in the form of models based on statistical analysis, as is the trade of economists. The result is interpretations of reality that can be fitted into models, such as are used by the government planning office, for example. These models may well be handy for policy-makers, and hence for macro-economic purposes, but they don’t generate any practical knowledge. On the one hand, we don’t need to go quite as far as Nietzsche, who said ‘I distrust all those who systematise and I avoid them. The will to construct a system is proof of a lack of integrity.’ At the same time, any depiction of reality in the form of a model entails passing a certain judgement on reality, whereas knowledge of reality should be based primarily on observation – thus runs the classical scientific criticism of positivism (Martin Jay, 1977).

It would be extremely useful if we knew more about the way in which managers and entrepreneurs operate in practice. Descriptions and analyses of decisions taken by entrepreneurs, management meetings, meetings of supervisory boards, shareholders meetings, staff meetings and meetings with external consultants in combination with knowledge and hence research into primary processes could help to increase our knowledge and understanding of business, or rather of life in business. This, at least, is clear, thanks to Smit.

Incidentally, the absence of an empirical set of foundations for business studies as a discipline may explain the popularity of every new guru who arrives on the scene, as well as the overwhelming supply of do-it-yourself management literature. It is worth pointing out in this respect that the trade unions have lost a great deal of their relevance as representatives of their members' interests in terms of the quality of labour. The unions' attitude is to sit back and wait for the government to take action; there have been very few instances of industrial action sparked by the type of work people are required to perform and the way in which it is organised. The unions are not involved in the great innovation debate, nor do they seek to bring pressure to bear on the government and the universities to do more in improving 'life in companies'. This is because there is little or no union membership in industrial and commercial companies these days. Interestingly, there was a debate in trade union ranks in the latter half of the previous century on what might be termed 'life in business organisations' (Ruud Vreeman, 1982).

The third challenge for the business scientist is of a conceptual nature. Economic research institutes such as the OECD regularly produce publications insisting that enterprise is the driving force behind the growth of modern economies such as the Dutch economy (EIM 2002, Groenboek 2002, Wennekes et al. 2005). It is important to distinguish, however, between an enterprise-driven economy and a management-driven economy. A management-driven economy is based on clearly defined products, increasingly complex production processes, a desire to obtain economies of scale, price competition, etc. It is becoming harder and harder to make a profit out of standardised production processes performed in high-cost locations. Even complex production processes are no longer tied to specific locations. Globalisation, i.e. digital distribution channels, has made both capital and information much cheaper to move around. Where Western economies now have a competitive edge in performing activities with a strong knowledge component. An economy based on knowledge makes an ideal breeding ground for small firms. This type of economy, which is geared towards knowledge and search activities, is sometimes referred to as an 'enterprise economy'. The laws of a management-driven economy do not necessarily apply to an enterprise economy. This may be illustrated by the relationship between wage levels and employment. Obviously, although low wage levels do affect employment levels, in an uncertain world in which knowledge, searches, variation and selection are key factors, there is little reason to expect wage moderation to be an important determinant of

growth. The key to growth in an enterprise economy, and the number of firms registered in the Netherlands has grown by more than 50% during the past ten years, is the ability of entrepreneurs to make use of state-of-the-art technology. These entrepreneurs are highly aware of the need for attracting, training and retaining good staff, and hence of the need for paying them properly.

In any event, an enterprise economy means taking a different approach to management and adopting a different way of training 'good' staff, and poses new challenges to those who are open to them. It is worth remembering, though, that an enterprise economy operates alongside a management-driven economy. For this reason, we are in favour of dividing businesses into two categories: management-driven businesses and enterprise-driven businesses. This distinction could then replace the conventional division of businesses into small, medium-sized and large firms, based on the number of staff they employ. The conventional distinction is also rapidly losing its relevance because of the constant rise in labour productivity in Western economies, in combination with the globalisation of labour in the wake of the digital revolution.

The distinction between enterprise and management entails a paradigm shift for business scientists. Whereas the conventional approach to business studies divides the discipline into a number of discrete subject areas, an approach based on entrepreneurial skills tends to accentuate other aspects. For example:

Subject areas when regarded from a management perspective:

- Business development
- Finance
- Marketing
- Operations & Supply Chains
- Organisational & Management Control
- Strategy & Innovation
- Human Resource Management
- International Business & Management
- Accountancy & Financial Control

Subject areas when regarded from an enterprise perspective:

- Cash management
- Return on investment
- Sales
- Purchasing
- Production
- Customers

- Staff & Organisation
- Exports
- Accountancy

As organisations become more complex, so there is a growing need for skilled, and hence well-trained, managers. Firms need staff who are qualified to work in a setting characterised by rapid technological advances coupled with the internationalisation of sales and purchasing, i.e. international competition. This requires constant communication between knowledge and the market, and between theory and practice. The fact that a growing number of companies and other organisations are now conducting their own scientific research is food for thought in this respect.

## Conclusion

Universities and colleges of higher professional education look more and more like institutes offering preliminary training to people who only get down to the real work once they have graduated. The research work performed by university business scientists is not based, to a sufficient degree, on the market demand for empirical findings and is often completely divorced from university teaching programmes.

There is a window of opportunity here for colleges of higher education, as they are not required to work in a government-dictated research straitjacket. Colleges of higher education should adopt development and application programmes in consultation with representatives of the professions for which they train their students. The question is, however, whether there are sufficient incentives for these colleges to change their culture. The only solution is by not only opening the door to competition, but actively promoting it. One way of doing this would be by compiling league tables of colleges of higher education based on input from professional associations, and by making the funding of such colleges contingent on their ranking. University departments of business studies should be required to gain support for their research programmes from relevant market parties, such as professional bodies and groups of firms, in order to qualify for funding. Finally, the Master's degree courses offered by both universities and colleges of higher professional education should no longer be government-subsidised. Here too, market forces should be given free rein to produce their healing effect.

The question is, though, whether politicians and the governing bodies of educational institutions are sufficiently aware that there are good economic reasons for fostering genuine competition between institutes of research and tertiary teaching, i.e. the need for improving qualifications and devising new courses. Similarly, it is not clear whether

universities and colleges of higher education are ready to adapt their teaching and research programmes to market demands.

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