

5. Organisation and the entrepreneurial eye

Introduction

At a number of different points and in a number of different ways in this book, we have made reference to what we called “the mythology of the entrepreneur”. In some ways, this mythology both derives from and expresses the importance of the role allocated to entrepreneurs in contemporary economic and socio-political thinking. Although there are distinct differences of emphasis, and indeed wide variations in terminology and specification, nonetheless nearly all commentators agree that the form of modern industrial societies, that is the general prevalence of democratically organised, relatively open social systems, is a function of the character of the economic structure shared by these countries. The analysts might differ as to whether the systems are capitalist or post-capitalist, developing, stable or regressive, but there is general agreement that it is the driving force of capitalism which gives them the shape they have. And, in this particular story, the entrepreneur is cast as the key economic actor in the development of capitalism.¹ It is the entrepreneur who revolutionises production, finds or makes new markets and products, and who liquifies resources by taking risks and speculating against his competitors.

However, apart from this strategic role, some of the mystique attributed to entrepreneurs derives from the intangibility of whatever it is that makes entrepreneurs both special and successful. There is a sort of fascination with what we might call the social psychology of entrepreneurial success (Chell 1986). Simply saying that if opportunities to make profits by accepting risks are provided then some people will take those risks, seems not to be enough. We want to know why these people rather than those are willing to do it; and what it is that makes them successful if and when they are. No-one wants to say, of course, that the

entrepreneur is entirely different from the rest of us: merely that in some, crucial ways, what differences there are make a difference. On a not dissimilar theme, a Sioux 'medicine man' says the following things about himself.

Seeing me in my patched-up, faded shirt with my down-at-heels cowboy boots, the hearing aid whistling in my ear, looking at the flimsy shack with its bad smelling outhouse which I call my home - it all doesn't add up to a white man's idea of a holy man. You've seen me drunk and broke. You've heard me curse or tell a sexy joke. You know I'm not better or wiser than other men. But I've been up on the hilltop, got my vision and power; the rest is just trimmings. (Fire and Erdoes 1980, p. 158)

The definition of the "vision" and its "power" is, of course, central here. As with 'medicine men', entrepreneurs are often credited with insight, a talent, a knack which the rest of us do not have. They have the entrepreneurial eye: the capacity both to spot and then to exploit a market opportunity.

The trouble is that the standard individualistic, utilitarian account of entrepreneurial motivation and activities has virtually nothing to say about the processes of market making and innovation, though to be fair Kirzner makes numerous comments about this (c.f. Kirzner 1982). In general, however, they are subsumed under the heading of "external factors" to be explained by social psychology, management science, or, more often, simply natural talent and luck. However, this will not do if, as we have indicated right from the start, we are interested in it as a working environment. We have to see market making in the context of the context of work routines and daily practices; in what contexts and in what ways opportunities are spotted, market possibilities noticed and made the most of? Since, in all but the rarest cases, these processes will be carried out from within an existing organisational framework or base, then our phenomenon is unremittingly social in character and socially organised in form. Social relationships, their structures, values and normative orders are integral to any seriously empirical Economics and Economic Psychology.

It is important explicit about what we have in mind here, for at first sight at least, this suggestion can be thought of as implying a number of different things. Let us take the social aspect first. In the Introduction to this Part, we said the social can be construed in one of two very different ways. For brevity's sake, we can call one a constructivist view of sociality and the other an interactional view. Under the constructivist view, the social designates an environment of explanatory variables which interrelate in causal or functional ways. The purpose of sociological analysis is to tease out how specific empirical cases exemplify the general forms of these relationships. Thus, when one says that social relationships are integral to any seriously empirical Economics and Economic Psychology, what is meant is that explanatory adequacy can only be obtained if reference is made to the contribution of such social forces to the variability of economic activities and motivations. This, it will be remembered, is the line that Etzioni champions and with which we took issue in Chapter 1.

Sometimes what are called 'interactional' conceptions of sociality, are in fact versions of constructivism. In our view, the crucial difference between constructivism and interactionism, is the point of reference of analysis. To use the term introduced earlier, interactional accounts are **egological**. Constructivism seeks to find ways of relating the shape of interper-

sonal experience to the system of explanatory variables referred to just now. Interactional accounts, however, see such explanatory variables as global summaries of the sedimented experience of individuals living their lives within what Phenomenology calls "the intersubjective realm of the lifeworld" (c.f. Schutz and Luckman 1974). On this view taking up the essentially social character of economics, means casting economic activities and economic predispositions, motivations, needs and wants, their rationality, justifiability, efficiency and so on, as the outcome of interpretational work carried out within daily life. The schemes of interpretation which facilitate this interpretational work are, then, located in an organosocially specific nexus: a nexus defined by the division of labour, the managerial practices and accounting systems within which they are put to use. The consequence of this view is an approach which treats the interpretational work on which routine economic life depends as irredeemably social in character. The very possibility of mundane economic life is predicated upon a presumption of intersubjectivity.

In that "the social" could be taken two ways, so too can "social psychology". On the one hand, it can be used to attribute a particular psychological predisposition to some individuals. They have particular sets of values beliefs and motivations and hence are willing, in the case of entrepreneurs, to take risks. In addition, it can be suggested that the willingness to take such risks, and hence the success of these individuals, very much depends on the socio-cultural circumstances in which they find themselves. There are numerous studies which identify the psychological and social correlates of entrepreneurial success (and failure) (Paulin et al. 1982, Khan 1986). One which has the distinctiveness of trawling entrepreneurs' own views on what they felt was important for their success is that by Ronen (1983). Ronen condenses the psychological predispositions, the knack, the talent to a single polymorphous concept, that of **openness**. What exactly is meant by this is a little more difficult to specify. However, Ronen suggests that entrepreneurs emphasise the following aspects: (a) alertness; (b) information gathering; (c) the quest for novelty; (d) the estimation of 'downside risk'; (e) informality of decision making.

Alertness is a psychological term, and so we don't really get very far simply by replacing one undefined psychological concept by another. However, Ronen appears to think that the subjects agree, in general terms at least, with Kirzner's conception of what alertness means when applied to entrepreneurial activity.²

.....by stressing alertness, Kirzner is emphasizing a quality of perception, of perceiving an opportunity that virtually exists as a real thing out there. (Rothbard 1985, p. 280)

Ronen summarises the processes of information gathering, opportunity evaluation, and so on like this:

The process through which the entrepreneur seeks and gathers the information is not one which can best be characterised as "rational" search based on expected net profit from the search. For the innovating entrepreneur, information about unknown opportunities cannot be associated with ex ante quantifiable benefits.....Once opportunities are identified, however, rational cost-benefit calculations become important for obtaining efficiency in the (ultimately

routine) operation. The entrepreneurial process thus involves in part an opportune search for knowledge, and in part a serendipitous find. (Ronen 1985, p.146)

It is precisely this combination of freewheeling search and acute market sensitivity which we have tried to encapsulate in the title of this chapter.

The impetus underlying this Social Psychology is not too difficult to discern. It is, first of all, the determination to offer causal explanations for entrepreneurialism. Within these, entrepreneurial activities and insights are reduced to a set of correlated variables (or factors) including the psychological, the social and the economic where the overall aim is to use the variance between the variables as the explanation of relative success or otherwise of entrepreneurial ventures. Closely associated with this is the search for an entrepreneurial algorithm, a set of codified instructions which, if followed, would enable anyone to become an economic innovator. Such an "entrepreneurial expert system" would take the risk out of risk taking. If we knew what made the entrepreneur successful, we could replicate that success. The problem with both of these is that they run into the essential intangibility of the entrepreneurial eye. Talent resists being factorised: hunches cannot be programmed. This being the case, the mystique of entrepreneurial success not merely persists but is even strengthened.

In our view, much of the project we have just been describing is engaged in that standard social science practice of attempting to measure the unmeasurable and define the indefinable (Leiberson 1985). While the arguments go back and forth, and round and round, very little real progress is likely towards the goals as these have been drawn up. We are no nearer knowing why one entrepreneur is more successful than another, nor how the successful ones get their ideas. The lesson we draw from this is that there may be much to be gained from reconsidering the constitution of the Social Psychology of economic activity. Such a reconsideration might take a number of forms. However, given the earlier conception of the social, an experiential or phenomenological Social Psychology would seem the most suited to our present purposes. To invoke another phrase which we have used before, such a social psychology seeks to describe the gestalt contexture or configuration of the experience of economic actors. How are the relevances, interests, needs and motivations appear to be perceived, ordered, displayed, in short organised within economic activity in the lifeworld.

In our earlier discussions, we set out the general approach adopted here. None the less, it might be as well to summarise the line of thinking before moving on to consider actual cases. Gurwitsch (1964) defines "Gestalt" in the following way.

By "Gestalt" is meant a unitary whole of varying degrees of richness of detail, which, by virtue of its intrinsic articulation and structure, possesses coherence and consolidation and, thus, detaches itself as an organized and closed unit from the surrounding field. (Gurwitsch 1964, p. 115)

Central to this view is the notion of gestalt-coherence, "that is, the specific form of inter-relationship between the constituents of a Gestalt" (ibid p. 137). A Gestalt is not the sum of its parts, nor yet is it reducible to its parts, it is rather given as a unitary whole in and through which experience is thematised by the perceiving subject. Such thematisation provides what

is given to consciousness or experience not as a collection of points, moments or objects but as a field of awareness. The bases of thematisation are the relevances or interests with which we turn to the word of experience. Thus, to take a familiar example of Gurwitsch, when we listen to a piece of music, how we thematise the musical experience depends upon whether we are, for instance, seeking to transcribe the piece for a different instrument, using it to exemplify a particular style, immersing ourselves in it as a means of expressing a mood, or providing ourselves with aural wallpaper. In each case, our orientation to “the same succession of notes” will produce radically different experiences for us as their configurations differ. In that sense, our orientations organise our experiences differently.

This is, of course, a Cartesian Psychology in that its premiss is the experience of the perceiving subject. However, we can turn its descriptive intent to our ends if we take the distinctive methodological turn we outlined in earlier chapters. Rather than being concerned to describe directly the “subjective states” of particular individuals, we can treat their actions as displays of subjectivity and hence as solutions to the problem of the co-ordination of activities. In what they do social actors display the organisation of their experience. Since such actions are in the world of others, that is in an intersubjective world, experience is essentially social in character. We act unproblematically in what Schutz (1967) calls “the wide awake world” only because we take for granted that our motivations and those of others are transparent.

If, as before, we take this conception to the phenomenon of entrepreneurial success, what what entrepreneurs do can be taken as displays of how they perceive, orient to and act upon the environment of economic possibilities. In the conventional account, such activities are summarised as ‘the acquisition and assessment of market information’. Ronen (op. cit.) calls this search for information “opportunistic”. We want to talk about opportunism as method, for the upshot of our social psychology is a conception of the economic actor engaged in organising the the world of economic opportunities while in the midst of exploiting them. Because this organisation is carried out in partnership with others, ie intersubjectively, and because it is praxeological, we will refer to it as *the work of the entrepreneurial eye*. We will explore this phenomenon by examining in some detail how three projects emerged at LTC and were developed there. Through this examination, we will draw out a number of features of entrepreneurial ventures, in these cases relatively successful ones. In this way, we will bring out something of the methodical basis to entrepreneurial work. As such, this will serve as a first summary of a number of features we take up in more detail in the next Part. For the moment, we are content to show how practical calculation, price fixing, and business reasoning are viewed and applied, and hence how phenomena such as “the genius of the entrepreneurial eye” often mystified as intangible, ineffable, uniquely personal qualities, can be made amenable for analysis and description.

The Projects

The three projects we describe were all “active” during the period of fieldwork. They were not all equally important at any one time. Neither are they all that was going on in the way of “development” at LTC at that point. There are two reasons why they have been picked out. First, they were being managed by Lawrence and Sandy, which as we have said, is the central decision making unit in the Company. In addition, Lawrence is acknowledged to be the

entrepreneurial cutting edge of LTC's business. Second, they are "conservative innovations" in that they embody the applications to novel situations of what are, for LTC, tried and tested techniques. This second feature is, we think, likely to be of general importance. Within the context of the successful business, there is little incentive or room for radical innovation. Instead, innovation takes place by a process of transformation and evolution at the margins. New ideas do get tried: new fields are explored. But the weight is always towards expanding on the existing product and market base. Conservative innovation is not a thought-out strategy in the sense that the business has a policy decided upon and laid out in management edicts. It is rather the outcome of the ways in which decision makers at LTC see the sets of constraints they work under and the possibilities available to them. Conservative innovation is simply what they do. We begin by laying out the major stages in each project's development.

SWELL BELLE

This project shows both the positive and the negative sides of product development. In late 1984, Lawrence was sent a cutting from the Bradford Gazette by one of his managers. It was an advert for an in-store concession to provide food and drink in Bradford's "Carnaby Carnival", one of a chain of High Street retailers specialising in clothes for the young (15 - 25 year old) fashion conscious female. Having made a contact, Lawrence proceeded to formulate possible alternatives which would be aimed at this market. The clients had stipulated that it should use soda fountain-type theme. After considerable thought and work, Lawrence settled upon basing it around "Cola", an international brand leader in the soft drinks market. Having outlined his proposal, Lawrence submitted detailed plans for consideration. In July 1985, Carnaby Carnival pulled out. They were not prepared to take the risk. To all intents and purposes the project was dead.

In December 1985, Lawrence received a phone call from Jeanne Goodson. Jeanne had been concessions manager at Carnaby Carnival and had since moved to Swell Belle, a somewhat similar but much larger and more up-market operation. They already had in-store catering in their premier site in London but Jeanne and other staff at Swell Belle felt that the facility provided was out of key with the rest of the store. In addition, since the rent they were receiving was tied to the level of turnover, they did not feel the potential of the store was being exploited. The space was wasted and could quite easily be put to better use. Was Lawrence interested in resuscitating his ideas for Carnaby Carnival, or in developing something novel?

The first thing Lawrence did was to visit the store in Oxford Street. He did this while in London for another meeting and arranged a tour of the facilities with the store's Concessions Manager. From what he saw, Lawrence was convinced of its potential as a fast through-put, high spend outlet.³ Talking to Jeanne, it became clear that a re-vamped the Carnival idea would not be enough. The present set up, although unsatisfactory did provide food. Swelle Belle wanted to keep this facility. In consequence, Lawrence added a range of hand held products (burgers, sausages of various exotic flavourings) to the base of Cola. The name was to be COLA PLUS with the decor making use of the distinctive Cola colours and insignia. In addition, he envisaged a touch-screen ordering system with pulsing video displays of orders and order numbers synchronised to the pop music which is played continually while the store

is open. The whole thing was designed to be loud, garish and fun. It was expected that spend per head would be £1. 20p. Since Swell Belle claimed a throughput of several hundred thousand through the shop each year, it was clear that there was money to be made.⁴

Lawrence's first task was to sell the idea to Jeanne and to her immediate superior. This was done by putting together a set of figures and by Lawrence selling both himself and the idea. Once this was done, a full scale presentation had to be mounted for the Corporate Directors of the Group which owned Swell Belle. Lawrence made up a video-tape on LTC, the possibility of Cola plus and the clear failings of the current concession.⁵ These failings were not just "operational" in the sense of profitability. They were also to do with a failure to fit the image of the store and to promote awareness of the facility. Mention was made of a survey of users of the restaurant and of shoppers in Oxford Street, both of which reflected negatively on the existing concession.

The Directors liked the idea, but as ever, the difficulty turned out to be money. The likely costs of setting up the outlet were enormous and Lawrence was unwilling to commit himself to the levels of rent required. To reduce the scale of the investment, various of the selling points had to be dispensed with, in particular the video screen system. After much toing and froing, an agreement was signed. LTC guaranteed to pay Swell Belle 2.5% of a turnover of under £200,000, 2% above £200,000 with a guaranteed minimum of £40,000 per annum. Lawrence had determined that he had to take something in the region of £3000 per week to make the outlet pay. Whether he would then be "earning a living out of it" would be a different matter. COLA PLUS opened up on 17th November 1986, nearly 12 months after Jeanne had first made the contact. By late the following year, it was £15,000 adrift of its budget. This was not wholly unexpected though, since the use of the facility had been so low. It remains to be seen whether sales and labour costs reduce as the use grows.

While he had been haggling with Swell Belle, Lawrence had, at the same time, been looking for the products he wanted - the flavoured sausages etc - and seeking permission from Cola to use their name and logo. The latter had been far more difficult to obtain than the former, and involved direct application to the Head Offices of Cola in America. It was only after a considerable amount of pressure was brought to bear both by LTC and by Cola (UK) that permission was given. Tracking down the video systems, getting layout designed and fitted, negotiating over kitchen equipment, getting the uniforms ordered all had to be done before the deal was finalised. At the same time, both Sandy and Lawrence were responsible for running the rest of the Company.

Perhaps the first thing to notice about COLA PLUS is the accidental way in which it emerged. The original idea was in response to an entirely different project and it was only resuscitated because of a personal contact. The information collection and sorting which Ronen's (op. cit.) respondents referred to seems to be concerned more with the putting of the package together, the finance and the operational details, than with searching out a market opportunity. Lawrence's entrepreneurial eye, his talent, came into play only in determining whether the possibility once presented was worth pursuing and how best to sell the image to Swelle Belle themselves (the video was crucial here) and to the customers. Lawrence's entrepreneurial eye is not in seeing the possibility, but in developing it in an appropriate way. It is how this possibility is located in a mesh of other possibilities and resources, how it can be realised which is crucial. And here, as we can see, it is the capacity to see how what is

already in operation elsewhere in the Company and hence ready to hand, what is being developed and hence within reach, can be adapted for this case which are crucial. The entrepreneurial eye as instanced at COLA PLUS turns into the working out for a specific case of the strategies interpretive calculation and attention to operational detail we have had reason to stress again and again. Talking about a knack, or a talent, or even, as we have done, of the entrepreneurial eye, in treating the outcomes as a consequence of a "gift" which Lawrence has, underplays the effort that is involved in searching out and evaluating the various ways in which the operational technicalities can be handled. It is with this work that Lawrence is in his element.

Regalway, Bristol

All appearances to the contrary, fashions in the fast food business are very slow to change. Indeed, it could be said that the last major shift in the marketplace in Great Britain occurred with the invasion by MACDONALDS in the late 1970's. However, many people in the industry sense that a similar change may now be on the way. It is the spread of the concept of "food courts". In essence these consist of a single central seating area serviced by a number of small "kiosks" selling alternative types of fast food. One may concentrate on salads, another on burgers, a third on sandwiches, and so on. These courts are taking the place of single-line concessions in places such as shopping malls, mainline stations, theatres, conference centres, and other public places.

In the summer of 1986, Lawrence was approached by Mike Smallwood of Hot Potato (H-P) with a view to setting up a joint company which would develop food courts in various locations. H-P is a division of NDS which holds a 40% stake in LTC, so the tie up between them is not all that surprising. The company trades under the name "Tradewell" and was bought off the shelf by H-P. The shares in Tradewell were to be equally spread between SLF and H-P. H-P were already on the look out for ways of diversifying and had employed a firm of surveyors to look for suitable sites. At this point Mike seemed to be taking most of the initiative.

During the Autumn, a trawl was made of several possibilities in London and elsewhere. None seemed promising either because of their situation, or only the whole site was to be available, or because the plans were not far enough ahead in development. During this time, Lawrence accumulated a raft of information on food courts and who ran them. The underlying sense of these accounts was of a constant search for a "magic formula" which would catch the market for a couple of years before being taken over by something else. This "hula hoop" conception means that the set ups and facilities have to be flexible in the extreme.⁶

Eventually a site in Bristol was spotted through an advert in a trade magazine. This had the possibility of seating 400+ with 10 servicing kiosks. The advantages that this site had were that it was accessible from all levels and that it was not restricted in its opening hours. Mike and Lawrence decided to make an offer for the concession. They will pay £120,000 per annum for 5 years (the length of the contract) and franchise the kiosks to brand leaders such as WIMPY, and COLA. To make a profit on the £90,000 investment in 5 years they have to turnover between £1 and £1.5 million. The project should be open in late 1987 and is expected to make a first profit in 1989, having run at a loss of £115,000 for the first year. In the

meantime, the search is on for further sites. If these are forthcoming, management contracting for such Courts may become a wholly distinct divisional activity within the Company.

Once again, the important feature of this project is the way that it emerged. Although Lawrence knew about food courts (they have been a feature of USA fast food selling for a number of years) he was not actively considering their possibilities. It was only with the approach from H-P that this happened. The tie up to H-P and via them to NDS meant that the project was both 'in-house' in a certain sense but also able to call upon greater funding possibilities than LTC could offer. Further, with Mike Smallwood was someone with whom Lawrence felt he could personally work. As it stands at the moment, NDS is making most of the running, using its contacts to find the sites for evaluation. When specific projects move into the operational phase Lawrence becomes more involved. He is, seeking ways of making the systems more efficient, collecting information on types of equipment, types of product and how the formats already worked out at LTC can be exported and adapted to the food court system. He is also looking for further developmental sites. In that sense, his entrepreneurial eye as we described it earlier is only just now coming into play as the site goes operational. The opportunistic search and information gathering of possibilities was, in this case at least, not handled by LTC or NDS but via their agents. It is the evaluation of these possibilities in terms of what they are doing now, what can reasonably be taken on, what the site offers, and so on which is crucial. These evaluations are not, then, the iterations of a set loop, but attempts to fit the peculiarities of 'this case' into the contexture made up of the work in hand, the time available, the interests they have, and the emerging shape of the whole food court development within the Company at large.

PICCADILLY

The Piccadilly project is both different from and very similar to both of the other cases we have been describing. It arose in much the same unplanned way. Through the contacts with NDS and H-P, Lawrence became aware of the possibilities of opening up fast food outlets in Israel. One of the Directors at H-P already had some contacts in the country. In mid 1986, Lawrence and Sandy had a preliminary scouting visit during which they met a number of people with whom they had been put in touch by Jake Grover the owner of NDS.

The result of this visit was a decision not to open an LTC facility in Israel but to act as backers and advisors to local people who wanted to set up on their own. One such pair were Nick Beauchamp and Phil Towers. One of the reasons for opting for this alternative rather than direct franchising of COUNTRY KITCHENS or COLA PLUS (for example) is the distinctiveness of Israeli fast food and its relative lack of sophistication. What they saw during the original visit to Tel Aviv and elsewhere had come as somewhat of a surprise to Lawrence. There were also the (obvious) difficulties of running a business in a foreign country.

Nick and Phil already had their eyes on a site in a new shopping mall in Tel Aviv, but lacked any expertise in the area. A quick look-round the site, involving taking photographs, use of the video mentioned earlier in this chapter and detailed notes, enabled Lawrence to decide that it was a possibility. A new company LTC (Israel) was set up which Phil and Nick were to run. LTC had a 10% stake in LTC (Israel) and were to be paid a commission or franchise fee based

on a percentage of turn-over. In effect, Lawrence and the staff of LTC became a consultancy back-up and advisory service for Nick and Phil. Several multi-way phone calls took place, and tapes of detailed requests and explanations were posted back and forth. The advice concerned the whole range of detailed required to set up an outlet such as this from kitchen equipment to staff uniforms, decor, menu organisation and till control. Some of the detail contained in these exchanges is fascinating. Here, for instance, is a snippet from our fieldnotes on how to get the best out of a business.

Disposables:

Ensure that the correct disposables are used and costed into each recipe and that the staff do not give extra serviettes, sauce portions, sporks etc, therefore defeating the original costing.

Portioning

Watch this carefully and see that spoons are not over filled and the potato is not topped up with an extra little bit as this can happen frequently.

Staff Consumption

It is normal to provide a fixed cash value of product which the employee may consume during a lunch break and for less than say 4 hours, it is not normal to allow food consumption, perhaps only 1 drink. We also find it helps to exclude certain types of drink which may be expensive in cost terms and these would need to be purchased if the employee wants them. If you adopt the attitude of allowing one potato with fillings then you may wish to exclude certain more expensive fillings. All staff consumption should be recorded on a suitable form.

As can be seen, the model which was selected for the operation was that of Hot Potato, it being a somewhat more simple product range and less "up-market" type of operation than COUNTRY KITCHEN. Nick and Phil came to Great Britain in the late Autumn and were trained by the Hot Potato training staff in systems of stock control, till management, financial control, operational requirements and so on. The management systems used by LTC were also provided for them to use. They then went back to Tel Aviv to set up Piccadilly. Lawrence and Sandy paid a further visit to Israel for the final setting up and opening of the unit.

Piccadilly is now well on its way and appears to be making money. Advice and help still streams out from Telford to Tel Aviv but Nick and Phil appear to be becoming more and more self-reliant. There has been some discussion of expansion to open up further units elsewhere in the country.

The Entrepreneurial Trick

When we were discussing Ronen's account of entrepreneurial skills, we picked out alertness, that is the scanning for opportunities, as an important feature. We made also some play of two other factors with which was associated in the minds of actual entrepreneurs, namely information gathering and evaluation and the minimization of what is usually termed "downside risk" - the possibility of making losses. In the way in which we have outlined the three of the projects above, alertness as the orientation to the business environment as a

structure of possibilities, is there, but in a somewhat attenuated form. True Lawrence and his associates do take an interest in developments in their areas of business. They do visit new outlets of the competitors, and notice places where they might open up outlets themselves. But such a information gathering is not the primary source of stimuli for novel developments. Rather, they tend to respond to opportunities presented to them. Such overt market surveys as are carried out could not be said to have been anything other than a committed haphazardness. The external business environment is screened for possibilities by means of an examination of the financial, trade and other press. But this is not systematic data gathering. Whatever one's eye falls on, whatever comes to hand, whatever is sent in by colleagues and collaborators, is what is collated. LTC's approach, for instance, contrasts significantly with H-P's use of an agency working on a retainer to find food court sites. The reason, or at least one of the reasons, for the lack of reliance on a formal information gathering system is the strength of the informal one and the way in which it is viewed. The network of contacts which all the senior members of LTC have built up and the information which is gathered is treated as a resource. As such it has to be used, traded, worked upon. Indeed, to the outsider the circulation of information between executives (and, even, potential competitors) can be quite astounding. Certainly, the psychology of the individual, asocial, self-motivated "economic actor" does not fit all that squarely with what, to those taking part in it, business life looks like. A fair amount of tugging and bending has to be gone through in order to show the "medium" and "long term" benefits that are supposed to accrue from exchanging information in this way. To them it is simply that people do help each other out, think of friends when they notice bargains, houses for sale, opportunities and so on. Why not businessmen too? If we adopt the standpoint of the individual within a network of social relations, such information circulation becomes humanly understandable if not calculatively rational. None the less, it is such a circulation which enables the system to function in the first place.⁷ After all, as social structures, patterns of friendship and acquaintance are organised around reciprocity of prestations and obligations.

The work which goes into information gathering, to phoning friends and acquaintances, to reading the press and visiting sites belies the conventional view of entrepreneurial innovation. At no time during the period of development of any of the projects we have discussed, did Lawrence or Sandy, or any of the LTC staff undergo anything like a "Road to Damascus" revelation or "Eureka" insight. There was nothing as cataclysmic nor, perhaps, as untrustworthy as that. What there was was a uneven, sometimes quicker, sometime slower, often quite hectic process by which the possibilities for actual cases were worked out and explored and the downside risk minimised. It is the organisational strategies by which these two features are achieved and the possibilities which are seen to present themselves realised, which, in our cases at any rate, seem to underpin entrepreneurial success.

The first component in these processes is the thinning out of the risk. At best, this means a complete off-loading of the risk entailed by any venture. This was virtually achieved in the case of Piccadilly, where LTC had no risk capital involved at all. There was, of course, the opportunity cost of executive time, but this was felt to be matched by returns on the rents. The organisational costs were to be billed out at consultancy rates. With the food court venture, the risk is shared with a closely associated and somewhat larger firm. At present, it is not quite clear what the risk ratio for LTC as against Hot Potato might be. Tradewell is jointly owned on an equal basis. However, since most of the preparatory (and hence time consuming) work

has been carried out by Hot Potato, the risks so far undertaken may be minimal. Of course, this will change as the venture nears operational start-up and Lawrence's skills are called upon. With COLA PLUS, the risk is all LTC's. However, the original size of the project has been scaled down, and Lawrence has negotiated significant reductions in the rents payable to Swell Belle. Further, because of the character of the unit, some of the setting up costs were either shared or covered by Swell Belle directly.

A second aspect of all this is how the projects are seen as constellations of matters requiring the detailed oversight of the senior executives. In each case, the project was defined by those involved in its development as an occasion demanding just those sets of skills and expertise which Lawrence and Sandy are said to possess. There is almost no delegation at all of major (or even minor) developmental decisions. In one sense, this is a product of the belief that it is in organising and running operations so that costs can be pared that Lawrence's genius lies. In another, it is a response to a perception of what is required in situations such as this. He feels that if costly mistakes are to be made, (and everyone admits that they will sometimes be made), they are best made by those who have finally to pay for them. Since he is the boss, he owns the Company and someone has to take the risk, it should be him. In that sense, he would not want to trust anyone else to do it for him. This being the case he does it himself. Lawrence and Sandy were deeply involved at all stages of the setting up of all of the projects, from the initial sketch plans, through the working out of detailed designs, to the final stages of shop fitting and installation. It was they who carried out the surveys of shoppers and restaurant users, who chased equipment and planned menu cards and so on. They spent days at a time away from the office during the final run-up to opening, with all the consequent knock-on effects for their own and other's work loads. The same is true with the food courts. As the projects near start up, they take over more and more of this Executive time. With Piccadilly, physical separation made that impossible. Nonetheless, they were closely involved at all stages, advising on seating and how to take pedestrian counts to estimate potential markets, and did, indeed, go out to Tel Aviv to "help with" (i.e. take over) the opening of the unit.

The attendance to the operational detail and its close supervision is associated with a further feature of the development process. This is what we might call recycling of the familiar. Innovation takes place, by and large, through the introduction of standard procedures, menus, operations, recipes, products in wholly novel environments. Because the environments are never wholly similar or even, sometimes, compatible, a degree of re-shaping takes place. Thus the extension of the Hot Potato model to Piccadilly had to take account not simply of dietary and other requirements in Israel, but also of local differences in the way that establishments like this one might be used. In the food courts, it is quite likely that some of the popular lines from COUNTRY KITCHENS will be repeated, together with the skeleton of the COLA PLUS idea. The latter, of course, looks wholly innovative until one sees it in operation. Take away the trimmings, and its operational structure is the same, more or less, as any of the leisure centre units and a great deal less complex than any of the COUNTRY KITCHENS. Of course the variety and standard of products is very much higher than the former and different to the latter. The similarity of operation is revealed by the fact that it was one of the more successful COUNTRY KITCHEN manageresses who was drafted in to supervise the start up of COLA PLUS. In pure accounting terms, ColaPlus is currently treated as if it were a COUNTRY KITCHEN. This reflects the cluster of considerations outlined in

the Chapter on "Managing Profits", by keeping Lawrence and Sandy's joint project in an area of the Company which is solely their responsibility, and protecting Giles' divisions from the effect of the loss that is being made at the moment.

The interchangeability of staff is made possible by the use of generalised accounting systems. In part this is a further instance of format borrowing. The standard procedures for stock control, fortnightly stock checks, till management and so on are used. So are the tried and trusted rule of thumb measures of both potential and actual profitability, labour costs, food costs and liquor costs. When any site is being reviewed both prospectively and when it is running, it is these figures which feature most significantly in management decision making. The percentages they provide are a simple and easily available ready reckoning of "how things are going". Indeed, one could say, the whole elaborate accounting procedure which underpins the Management Accounts is designed merely to produce these summary measures. (C.f. Part Three.)

More than anything, though, what comes out of these examples (and remember they are just some of the projects on the boil at LTC) is the extent to which entrepreneurs hedge their bets. Product innovation takes place along several dimensions at once. New things are tried, but rarely in an all or nothing fashion. The sheer number of projects being thought about and developed, the volume of new ideas and possibilities that are taken up, run for a short while and thrown away is quite amazing. The net effect is, of course, that not too much is at risk at any one time. If lots of things are tried, some of them are bound to be relatively successful.

Looked at from a broader organisational point of view, what the features we have just adumbrated seem to do is to both create and help partially to solve is a time-tabling and attention span problem. No single person, nor even a small executive group, has enough time to concentrate on project development. All of LTC's management are multi-functional. It follows that, even if they would, they could not initiate wholesale reconstructions and innovations. They simply do not have the time to investigate all possibilities, tack down all the necessary information and resources, etc etc. They have to rely on rule of thumb methods and what has worked in the past. The informality of decision making, the personalised market research, the use of guestimates, tried formats and so on are ways of getting things done as reasonably and successfully as one can in the circumstances. Conservative innovation is the consequent outcome which has all the appearances of a rational strategy of following lines of least resistance and incorporating patterns of working and product which are already very familiar. It is however more like a rolling response to the demands of circumstances which are dominated, in the end, by limitations of time. It is time rather than finance, expertise or idea which is in scarce supply at LTC.

It could be said, then, that the entrepreneurial trick, if there is one, by which the integration of opportunism and methodicalness which is what the entrepreneurial eye amounts to. For the entrepreneur this is expressed as a gestalt contexture of things to do, problems to be addressed, solved or set on one side. The routines which are operated are methodic procedures for managing demands and constraints: the need to visit a site, read an agreement, look at the designs, compare the prices, work out alternative approaches, check colour schemes etc. etc. etc. Although it is surely the case that entrepreneurial talent is in part cognitive, the capacity to see what others have not noticed, and part methodic, the systematic gathering of appropriate information, to judge from our example it is also (perhaps even mostly)

organisational. It is the capacity to keep going, to find the energy, to work on through the tiredness and get the paperwork done, to fit things in and make the time to be able to attend to the details. From our materials, we would suggest that entrepreneurial success depends upon the ability and willingness to cope with and respond to a constantly revolving kaleidoscope of relevances and priorities. Things have to be done, kept in motion, worked out and completed. The organisation of entrepreneurial work, the basis of the entrepreneurial eye, involves getting through the working day : dealing with each task as it appears as the next thing to be done, on the desk, on the phone, in the car, or wherever. This endless round of involvements is encountered by Sandy and Lawrence as, for example, the need to return to the office after long days visiting sites or meeting suppliers, to "clear the desk" ready for the next day's onslaught, to "pick up the paperwork" concerning other possibilities which were also being examined and developed at the same time, or make the return call which earlier in the day they promised. From the inside, business life appears as a swirling field of forces, constraints, things to be done and actions to set in motion. The success of the entrepreneur, his entrepreneurial eye, depends not merely on a knack or gift or insight, but on how effectively this field can be managed on a day to day, task to task basis; on how things can be lined up with others, left until later to be resolved, meetings tied together or developments "piggy backed". Conservative innovation is one such strategy of management.

Notes

- [1] This is true especially for those who deplore the weakening of the capitalist ethic eg Gilder(1981 and 1986), as well as those who theorise its transformation (eg Hayek 1978, Kirzner 1982).
- [2] Cf. Chapter Two for a discussion of Kirzner's theories. A useful summary is to be found in Rothbard (1985)
- [3] It is extremely difficult to describe the atmosphere in Swelle Belle. The customers are almost entirely young women who move around the cluttered displays in a constant, excited flow. The feeling movement and energy is reinforced by the garish lighting, the glitter and the constant barrage of pop music from the in-house radio station.
- [4] The detail of how these figures were arrived at is given in Chapter 6.
- [5] Giving a presentation in this form was an entirely new experience for LTC and Lawrence. The use of the video was quite fortuitous. Lawrence had been given a video camera as a Christmas present and had begun to use it in place of his ordinary camera to preserve the feeling, looks, lighting etc of sites. He had also given a little thought to making a training video for staff. He found a local one man business which produced video programmes. He, Sandy and this producer then concocted the whole 15 minute "show" one week-end. The cost of the programme was £75 for the hire of the studio equipment.
- [6] Everyone accepts that tastes change and hence there is a need to up-date both the product and the market it is designed for.
- [7] We cannot pass on without calling attention to Barth's brilliant paper (Barth 1967). Here the valued commodities were beer and millet (rather than information and

contacts) but nonetheless a circulation of them could be discerned governed by complex sets of normative orientations. For an analogous phenomenon, albeit it analysed somewhat differently, see Levi Strauss' (1969) account of the circulation of women among Amazonian tribes.