

**THE ENTREPRENEURIAL GRID:
SMALL FIRMS, NEW FIRMS & PUBLIC POLICY**

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Much popular and scholarly work on entrepreneurship does not distinguish clearly *small* businesses from *new* businesses. Size and age represent independent dimensions on which a population of businesses may be described. These two dimensions may be used together to form an *Entrepreneurial Grid* which describes a population of businesses. The combination of age and size into the Grid facilitates analysis of the structure and dynamics of a population of businesses, and of public policies relating to small and new businesses. The Grid constitutes a framework that should prove useful as a guide to research into populations of businesses, to increase understanding of those populations and to improve our ability to formulate appropriate public policies.

The past decade has witnessed a significant rise in interest in entrepreneurs and entrepreneurial firms. This enthusiasm has resulted in an explosion of media coverage (e.g., *INC.* magazine, the regular "Enterprise" feature in *The Wall Street Journal*); in a dramatic growth of university curricula devoted to entrepreneurial phenomena; and in renewed effort and resources devoted to the subject by academic researchers (Low and MacMillan, 1988). Governments are also attracted to entrepreneurial firms, which they typically expect to grow and contribute significantly to economic growth and employment. Consequently, we observe governments, irrespective of political affiliations, eager to encourage entrepreneurial activity.

Notwithstanding the widespread interest in entrepreneurial firms, there is little agreement on exactly what an "entrepreneurial" firm is. There appears to be some consensus that entrepreneurial firms are "small" or "new" or both. Differences between "small" and "new" businesses are often ignored in both universities and public policy forums. Many policy makers and scholars alike use the terms interchangeably (Gartner, 1990). "Small" business has typically not been defined consistently. "New" business has seldom been defined at all.

This lack of definitions has contributed to a failure to distinguish between small and new businesses. This failure to differentiate the two may have led not only to lack of understanding of the phenomena and to confusion in research, but also to public policies that may not be achieving their intended goals, or may be doing so only with unintended side effects. To address this problem, we shall examine definitions of "small" and "new" businesses, and propose an approach to integrating the two while retaining their individual meaning. Our approach has implications for analysis and formulation of public policies towards small and new businesses, implications which we develop in the final section of this paper.

"Small" Business

Since the mid-60s, there has been continuing debate over the appropriate definition for "small business". According to Hertz (1982), a small business is one phenomenon which, though existing everywhere and frequently under public scrutiny, continues to "mean different things to different people in different places". The major difficulty in dividing a population of businesses by size is that different analysts use different points of division, and many do not make these points of division explicit (Cardozo, 1989).

A review of past large-scale surveys on small businesses in various developed and developing countries provides evidence that variations among definitions of small business exist not only across countries but also among government agencies within countries (Acquier, 1980; United Nations, 1981; UNIDO, 1969; UNIDO, 1970; World Bank, 1979; Kroughaew, 1988; Yun, 1988; Clapham, 1985 and Small Business Review, 1986). A sample of definitions of small firms in various countries is provided in Exhibit 1.

That exhibit indicates that small businesses are defined using both qualitative (e.g., whether the firm is part of a larger enterprise) and quantitative criteria. Quantitatively, size has been measured by the number of employees in the firm, the value of firm's assets, market share enjoyed by the enterprise, annual turnover (sales), and even the number of vehicles owned! Some researchers (Staley and Morse, 1985) further suggested fine-tuning these global measures to include product type, type of ownership, market orientation (local/distant), level of physical production technology, etc.

EXHIBIT 1

Small Business Definitions in Various Countries

According to the World Bank's definition of small firms, the criterion used one where the number of employees is less than 100 (Acquier, 1980). Below are a selected set of definitions from various countries.

United States

The Small Business Administration (S.B.A.) qualitatively defines a small business as one which is *independently owned* and operated and which is *not dominant* in its field of operation. For statistical purposes, a small business is defined by the S.B.A. as one which *employs less than 500 employees* (Small Business Review, 1986).

United Kingdom

The Bolton Committee for Small Firms defines as small a firm that has the following characteristics:

- a relatively small share of its market;
- is managed by its owner or part owners in a personalized way, and not through the medium of a formalized management structure;
- is independent and not a part of any larger enterprise, and is free from outside control when making major decisions.

For statistical purposes, definitions for nine industry categories were developed. These definitions ranged in terms of employment size to turnover level, to number of vehicles owned (Small Business Review, 1986).

Definitions of small firms in the United Kingdom

Industry	Definitions of small firms adopted by the Bolton Committee (turnover at 1963 prices)	Revised definition to allow for inflation* (turnover at August 1984 prices)
Manufacturing	200 employees or less	-
Retailing	Annual turnover no more than £50 000	Annual turnover no more than £350 000
Wholesale trades	Annual turnover no more than £200 000	Annual turnover no more than £400 000
Construction	25 employees or less	-
Mining/Quarrying	25 employees or less	-
Motor trades	Annual turnover no more than £100 000	Annual turnover no more than £700 000
Miscellaneous services	Annual turnover no more than £50 000	Annual turnover no more than £700 000
Road transport	5 vehicles or less	-
Catering	All firms with the exclusion of multiples and brewery-managed public houses	-

Note: (a) Estimated by applying the change in the general index of retail prices between the average for 1963 and August 1984, and rounding the result to the nearest £1000

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Japan

In Japan, firms are classified as small medium-size according to the value of a firm's capital or the number of its employees. As in the United Kingdom, variations in the definition varies across different sectors of the economy (Small Business Review, 1986).

Legal definition of small and medium-sized firms, Japan

Sector	Capital	Employees
Manufacturing and mining	Y100 million or less	Fewer than 300
Wholesaling	Y30 million or less	Fewer than 100
Retail and service	Y10 million or less	Fewer than 50

Middle East

In a United Nations study in 1970, any industrial establishment that uses modern technology and equipment and that employs 50 or more persons is usually regarded as large. The definition of small scale manufacturing industry were those which employed 5 to 49 persons each (UNIDO, 1970).

Southeast Asia

The conventional criteria used to delimit small firms and large firms in selected Southeast Asian countries are given below (Clapham, 1985, p. 4):

Delimitation of Small Enterprises in Selected Countries of South and Southeast Asia

	Capital Assets in		Full-time workforce
	Domestic Currency	US \$	
Bangladesh, 1950	max. 2,500	16,500	
early 1960	5,000	33,000	
mid 1970	1 mi.	66,000	
1981	2.5 mi. (plant & machinery only)	165,000 (plant & machinery only)	

<i>(Continued)</i>			
	Capital Assets in		Full-time workforce
	Domestic Currency	US \$	
Indonesia	under 70 mi.	112,000	
Malaysia, 1975 1977	under 250,000 under 500,000	100,000 200,000	under 50 under 50
Philippines	between 100,000 and 1 mi.	between 12,740 and 127,400	5-99
Singapore early 1950 1981	under 250,000 max. 2 mi. (only industrial premises, machinery, plant & tools)	120,500 963,855 (only industrial premises, machinery, plant & tools)	under 50
Sri Lanka	max. 2 mi (land, premises, machinery and plant) max. 1 mi (only machinery and plant)	110,000 (land, premises, machinery and plant) 55,000 (only machinery and plant)	
Thailand	under 2 mi.	99,500	max. 50
Southeast Asia*	(mechanical capacity inferior to 50 hp)		max. 50

* The delimitation for small and medium enterprises, according to the United Nations Economic and Social Commission for Asia and the Pacific.

While it is not our purpose to espouse a global definition of small business, the data in Exhibit 1 reveal the major stumbling block small business researchers face with the definition and boundary conditions of their domain of interest. Without a commonly agreed upon definition of small business, researchers conducting empirical studies on small firms frequently devote a major portion of the effort elaborating and justifying their operational definitions of small businesses (Williams, 1975). Comparative studies within countries and across national borders are also fraught with interpretive difficulty if size variations are not explicitly taken into account.

Research on small business continues to be a central focus of government sponsors and public policy makers. Small businesses constitute a very high proportion of business enterprises, and there is strong belief that small businesses contribute significantly to economic growth and employment (Small Business Review, 1986).

Research in small business is characterized by statistical descriptive studies on the global contribution of small businesses and policies affecting them to job creation and economic growth (U.S. Government Printing Office, 1982, 1987; Small Business Review, 1986; UNIDO, 1970, 1969 and World Bank, 1979). Problems facing small business owners, such as inadequate sources of funds, poor management skills and abilities, etc., are central concerns of small business researchers. Over the years, government sponsors (such as the United States Small Business Administration) have published self-help guides and booklets and have conducted intensive financial and management courses to help train, counsel and educate potential and existing small business owners/managers.

"New" Business

Questions raised about definitions of "new" businesses include, (1) What is a "new" business? (2) When is a new organization "born"? and (3) How long after its birth does the organization remain a "new" one? The first question addresses the heart of our discussion and is more complex than it appears. The second question is important for studies of business survival rates. Both the second and third questions then become important in the study of business growth.

What is a "New" Business?

Businesses may be "new" as independent startups, as new ventures within established organizations or as restructured entities. New businesses appear most frequently to be considered independent start-ups. Reynolds and West (1985) identified such start-ups as a subset of new establishments. Independent start-ups are autonomous operating entities that are legally independent organizations. "New establishments" include those start-ups, as well as branches, sales offices and other entities that represent extensions of existing businesses.

There is less agreement on whether a new business begun within an existing organization represents a "new" business. Pinchott (1985) considers "intrapreneuring" (corporate venturing) a process similar to "entrepreneuring" (independent venturing). One problem with defining a corporate venture as a new business is the difficulty in separating new business activity from other activity within an established organization. Some new products, e.g., those unrelated to existing product lines, manufactured and marketed separately from existing lines, might be considered "new businesses" by many analysts. It is less clear how line extensions, novel products offered through a pooled sales force or products sharing manufacturing facilities would be classified. The problem here may lie as much in the definition of what a "business" is as in what "new" means.

Economic theory offers little guidance here. Schumpeter (1934) considers "new" a new combination of factors of production, including new products, markets, processes, supply ingredients, or the restructuring of an industry. Schumpeter does not differentiate between existing and new organizations as the home of such new combinations, but in other parts of his theory treats new combinations as if they were independent new firms.

Some scholars regard a change of ownership, often but not always accompanied by a substantial restructuring of the business, as a "new" business (Cardozo, 1989). Management buy-outs (MBOs), leveraged buy-outs (LBOs) and sales of a business to new owners would qualify a business as "new" in this definition. Broadly interpreted, the transfer of ownership from founders to public shareholders through a public offering would make a business "new" once the public offering were completed. Such an interpretation would rob the term "new" of much of its meaning. Ownership and changes in ownership, and restructuring (with or without ownership changes) represent distinct dimensions on which businesses may be classified; those dimensions are separate from independent startups or new corporate ventures, and ought not be confounded with them.

When is a "New" Organization Born?

To mark the beginning of independent start-ups, researchers often use date of first commercial sale (Cardozo *et al.* 1990a). In survey research the time of birth is typically self-reported by the respondent (Cooper, Woo and Dunkleberg, 1989 and Reynolds and Miller, 1989). Analyzing this question in greater detail, Reynolds and Miller (1989) define birth as the time when three of four activities in the gestation of a business have occurred. These activities include (1) the entrepreneur's devoting full time to the business, (2) the hiring of the first employee, (3) the first commercial sale and (4) receipt of first outside funding. This scheme could be used to determine a beginning date for corporate ventures, with appropriate modifications to adapt it to the particular procedures of individual corporations.

How Long is an Organization "New"?

"Newness" may be measured in calendar terms, or in attainment of certain stages or milestones (Greiner, 1972 and Churchill and Lewis, 1983). Some studies consider the younger half or other fraction of a particular population or sample under study as "new" (Cardozo *et al.* 1990c). Conceptually, the milestone approach has greater appeal, because it facilitates meaningful comparisons across industries. For example, high-tech industrial firms serving industrial markets typically face long incubation periods for the development and commercialization of technology, as well as a very slow initial sales period while customers learn how to use the technology. In contrast, many consumer services require little technical development time or customer learning. The high tech manufacturer will likely take much more calendar time than the service firm to reach any specified stage of organizational evolution, e.g., existence, survival, success, takeoff, maturity (Churchill and Lewis, 1983).

Research into "New" Businesses

Much scholarly research on new firms takes a longitudinal and process perspective, analyzing the evolution of new firms in stages from start-up through growth to maturity (Greiner, 1972, Churchill and Lewis, 1983 and Reynolds and Miller, 1989). Many studies of new firms have used

an organizational ecology perspective (Carland, Hoy, Boulton, Carland, 1984 and Hannan and Freeman, 1977). In this perspective, age of the firm is related to growth, survival, decline, and mortality rates, which are explained within the paradigm of social Darwinism. In this paradigm, factors affecting growth, survival and decline are believed to be largely determined by environmental factors, not individual actions of the entrepreneur. These decisions can be formulated as a set of "key success factors" (Vesper, 1980), which enhance the probability of survival, or a list of "key failure factors" associated with new firms (Vesper, 1980 and Woodruff and Alexander, 1985). The alternative perspective, strategic adaptation (Low and MacMillan, 1988), explores relationships between age of a firm and the innovative behavior of the entrepreneur, the processes underlying new firm formation, and management of new firm growth regardless of size (Reynolds and Miller, 1987).

Differentiating "Small" and "New" Business

Although definitions of "small" business may be variable, and definitions of "new" business imprecise or ambiguous, it is clear that "small" and "new" represent separate, independent dimensions for classifying samples and populations of businesses. A distinct research tradition has grown up around "small business" and around "new business." Whereas much previous discussion of "small" and "new" in the context of entrepreneurial activity has confounded or muddled these concepts, we believe that explicit use of both can improve our ability to understand entrepreneurial phenomena.

To combine these two dimensions – "small" and "new" – we have developed a very simple concept that we call the Entrepreneurial Grid. This Grid distinguishes firms simultaneously by age and by size. Although we have for convenience dichotomized both dimensions here, they could be measured as continua. The Entrepreneurial Grid is useful for analyzing the structure and dynamics of populations of businesses, and for examining public policy relating to both small and new firms.

The Entrepreneurial Grid

Exhibit 2 presents the Entrepreneurial Grid. The Grid has four quadrants, each representing a unique combination of the two dimensions – size and age – used to characterize entrepreneurial firms.

EXHIBIT 2
The Entrepreneurial Grid

		Age of Business	
		New	Old
Size of Business	Small	Cell A new small businesses	Cell B older small businesses
	Large	Cell C large new businesses	Cell D large mature businesses

The vertical dimension measures the size of the firm. Researchers using the Grid for a particular project might (1) choose an appropriate measure of size (sales, assets, employment); and (2) decide whether the measure should be used as a continuous scale or dichotomized between "small" and "large" firms. If a dichotomy is used, an appropriate cut-off point between small firms and large firms must be selected.

The horizontal dimension measures the age or stage of development of the firm. Age, a measure of the number of years a firm stays in operation, is often considered as a continuous variable. However, age can also be treated as a discrete variable if the researcher specifies decision rules to classify firms into age ranges. Stage of development (Churchill and Lewis, 1983) is a discrete measure that can be formed into two to five (or more) categories. Researchers must choose (1) whether to use "age" or "stage," and (2) the number of categories. Once the researcher makes these decisions, entrepreneurial firms can be located within specific quadrants on the Grid. For purposes of illustration, both variables are simply dichotomized in the discussion that follows.

Population Structure

In Exhibit 2, cell A consists of firms that are both small and new. This cell may contain the largest number of individual firms of all four cells.

Cell B includes older small businesses, ones that have been established for some time, but have remained small. Cells A and B together likely contain more firms than do cells C and D combined, though the latter two account for a far greater portion of total economic output.

Cell C includes the small fraction of businesses that are large when they start. In one probability sample of startup firms, fewer than one percent of all new firms began with 50 or more employees (Cardozo *et al.* 1991). If businesses begun within established organizations were defined as "new," the population of cell C would be larger than if it included only startup firms. Were the definition of "new business" broadened to include buyouts and other changes in ownership, the population in this cell would be greater still. Even with the most inclusive definitions, however, the number of firms in cell C would likely be far fewer than that in cells A or D.

The large, old firms in Cell D account for most of the output in most developed economies. In the United States, almost all of the companies on any of the *Fortune* large firms lists would fall into cell D.

Firms in cells A and C share the "liabilities of newness" that Stinchcombe (1965) described, including internal processes and external problems. These liabilities of newness have been linked to high failure rates of new businesses. Anecdotal evidence suggests that the small new firms in cell A suffer far more from these liabilities of newness than do their larger new businesses in cell C. Thus failure to differentiate new firms on the basis of size blocks precise understanding of the impact of liabilities of newness.

Similarly, firms in cells A and B share "liabilities of smallness," which may include such limitations as (1) operation at uneconomically low volumes, with resultant higher cost structures than larger firms and inability to take advantage of quantity purchase discounts; and (2) lack of

specialized expertise or access to resources, both of which larger competitors may have. Again, anecdotal evidence suggests that the effect of this liability of smallness may be far greater on newer firms than established ones. Differentiating small businesses by age would enable us to address this question.

Population Dynamics

Mortality, birth rates and growth differ among businesses classified in the Grid. Studies of small, new firms (cell A) show survival rates of 40 to more than 75 percent. The United States Small Business Administration data show a survival rate of less than 10 percent over a decade; and Timmons (1990) reports that more than half of all the small businesses that are started have disappeared within 11 years. Using the United States Small Business Data Base, Phillips and Kirchhoff (1989) found survival rates averaged only forty percent for small firms between 1976-1986. Low survival rates are also experienced in Australia. In general, the attrition rate of Australian new small enterprises within the first four years of operation hovered around the 60% mark (Williams, 1977 and Fulop, 1987). In contrast, data from a panel of new Minnesota firms shows a survival rate of more than 75 percent over six years (Cardozo *et al.* 1990a). Although failure rates may differ according to the sample chosen, the definition of failure and the research methods used, it seems clear that small new firms have a substantial rate of failure.

But the population of small new firms also enjoys a high birth rate. Kirchhoff and Phillips (1988) reported that the net increase in employment attributable to small, new businesses resulted from a birth rate that exceeded the failure rate. To create 100 net new jobs, small new businesses had to create 300 new jobs to replace 200 that had been lost because of failure of firms in that population.

Most new firms start small and stay small. Very few grow significantly in absolute terms, though percentage gains may be dramatic. Median sales of 551 new firms, begun in Minnesota between 1979 and 1982, were about \$300,000 (Reynolds and West, 1985). Median age-adjusted growth of surviving firms is less than \$10,000 per year (Cardozo *et al.* 1991). In a subsample of that population, the modal number of

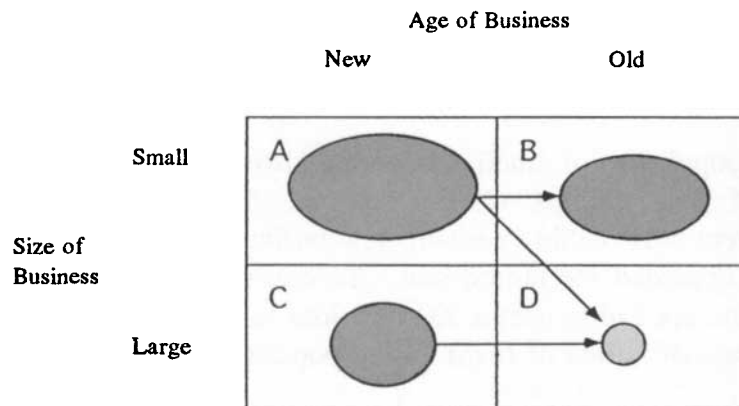
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employees increased from three in the first year to six in the sixth year; median employment rose from four to six employees in six years. Cooper, Woo and Dunkelberg (1989) report results consistent with these for a two-year period.

Small new firms that become old, having passed, say, a five year or 10-year age hurdle (cell B), may be stable, long term businesses. Many have organized themselves politically. In the United States, for example, the National Federation of Independent Businesses (NFIB) represents tens of thousands of individual small businesses (Cooper, Woo and Dunkelberg, 1989).

Most new firms that start large (Cell C) survive and stay large. Cardozo *et al.* (1990b) found no instances of new firms that were large at the outset but subsequently shrank. In a related study, Cardozo *et al.* (1990b) reported a correlation of 0.5 between initial sales and growth both in dollars and percent of initial sales over a six year period. Evidently new firms that start large grow more than firms that start small.

EXHIBIT 3
Population Dynamics of Surviving Firms



Population dynamics within the Grid as a whole are diagrammed in Exhibit 3, which shows the flows of surviving firms. As that exhibit indicates, surviving new firms become old ones, typically remaining

within their original size categories. A very few small, new firms become large old firms. The dashed lines indicate that growth may also occur within an age category, depending upon the number of years used to divide "new" from "old." A very few small new firms might grow quickly enough to large size; those firms will likely become large, old firms in time. A small number of small, old firms may grow in time to become large. If stage of development were used instead of number of years to measure age, small firms that became larger would likely have evolved to a subsequent stage, which development would be depicted with diagonal or horizontal movement, rather than vertical movement within the Grid.

Public Policy

Public policies towards new and small businesses may not function as intended in large part because policies for new firms generally do not distinguish small from large new businesses, and policies for small firms do not differentiate new from mature businesses.

Public policy towards new businesses (cells A and C) appears to emphasize new business starts. The effect of this policy may be to recycle public resources for limited gains because of the high turnover of new businesses. Storey, for example, argues that "... a policy encouraging births will therefore result in considerable displacement, so that while such policies will benefit the individual who starts up and whose business survives, it is difficult to believe there is clear benefit to the economy as a whole in a rapid turnover of small businesses." [1983, p. 16]. Starting small new businesses (cell A) may be an expensive, and perhaps not cost effective, public policy.

In contrast, policies encouraging the start of larger organizations (cell C) might be far more effective. Larger new businesses appear to have lower failure rates, so there should be less turnover in cell C. These larger organizations should contribute much more to an economy than smaller businesses (Timmons, 1990). Starting a larger business may involve acquiring established businesses and/or parts of businesses, and combining the resources involved in a new way. Public policies to encourage such transactions include removal of exit barriers, such as impediments to plant

closings; and encouraging the provision of credit for such transactions (Cardozo *et al.* 1991a).

Current public policy for *small* firms (cells A and B) emphasizes help for them to survive and the provision of some protection against the diseconomies of scale that they may face compared to large organizations. An unintended effect of current policy may be to shore up some marginal firms. Current public policy may provide incentives for businesses to remain small to avoid losing benefits that are available to small firms; whether these be release from anti-discrimination legislation ("Mrs. Murphy's boarding house"), exemption from IRS rulings on health plans (i.e., fewer than 20 employees) or eligibility for certain subsidies. Such support may be appropriate for new small businesses that require some shielding from the rigors of the environment until they become viable. We are unaware of persuasive economic arguments for special treatment for small firms that have been established for many years. We know of no evidence that established small businesses provide more net new employment per firm than new small businesses. Rather, the arguments for small business aid appear to rest on political and philosophical bases.

Existing small business policies may be flawed in that they do not adequately support the growth of new, small firms to mature into medium or large ones. In fact, it seems ironic that large financial sums invested in the creation of small firms assisted more in "downward disappearance" of small enterprises (Bromley, 1985) than in upward shifts toward larger organizations.

If the desired objective is to help new, small firms mature into large, long lasting firms, appropriate public policies may include the following:

(1) **Revise small business management education, training, and counselling.**

If the policy objective is to stimulate migration of small new firms (cell A) to large old firms (cell D), then potential and existing small business owners and managers have to be counselled, trained and educated not only on how to manage a small business start-up, but also on how to overcome the hurdles that hinder firm growth. Expertise of private venture capitalists

might serve as a useful resource here. Venture capitalists have experience in analyzing the management team of a company, looking for compatibility among team members and balance of their personalities and skills; in reviewing strategic plans to ensure that the plans contain clear-cut mission and objectives, and appropriate job descriptions and tasks of each key member of the team. Venture capitalists also know how to enforce tight cash flow discipline on growing firms (Hisrich, 1986). With the help of venture capitalists, government bodies overseeing the governance of small firms could monitor more closely the management and operations of start-up businesses receiving public or a combination of public and private monies. Government enforcement agencies might more appropriately provide information and coaching while the firms are still small (helping them to get large), rather than aggressive enforcement after they have become large, when they may have committed, through ignorance, errors that could well have been avoided.

(2) **Modify financial incentives.**

Public policies might be geared to provide pay-offs or subsidies not for starting or survival, but for growth, perhaps measured in terms of jobs added. Incentives for staying small might be dropped. Firms might be given a limited period of time during which they might receive "new" instead of "small" business incentives. Often, governments set up attractive financial incentives to promote and encourage individuals to set up new small firms in the economy. Yet as long as policies exist to discriminate in favor of *small* firms, businesses may choose to remain small in order to qualify for further "small business" financial assistance from the government. Such policies may unwittingly create an environment which permits and promotes stagnated growth of small firms. Unless the government consciously fosters *growth* of new firms, policies to create more small new firms may be economically dysfunctional. Policies to stimulate growth might include incentives based on the number of jobs added to national or regional employment over a specified period of time.

(3) Facilitate growth through infrastructure.

Governments can encourage and facilitate formation of cooperatives where independent small self-managed firms can be transformed into larger-scale enterprises (Bromley, 1985). For example, independent retailers can be encouraged to organize themselves into cooperative arrangements whereby each retailer enters into a joint venture with one or a few other retailers to reap the benefits of economies of scale by gaining greater bargaining power vis-a-vis suppliers through the larger cooperative entity. Such policies were pursued in the United States earlier in the 20th century, in Israel in more recent decades and in the republics of the former Soviet Union today.

Research

Researchers in industry, academia and the public sector might do well to avoid the terms "small" and "new", and speak instead more precisely of firms "less than a particular number of years old", or those that have yet to achieve specified milestones; or that have sales, employees or assets less than a particular amount. Greater precision in definition should help us avoid some of the mental confusion that may have led to public policies that may not be functioning as intended, or may need to be put into place.

We believe that there is no longer a great need for further general descriptive studies and broad policy formulation at the level of business creation. Instead, current challenges for research and policy-making lie in exploring changes that can affect the evolution and growth of enterprises under different types of socioeconomic and political systems, and under different types of policy intervention.

Use of the Entrepreneurial Grid suggests promising avenues for research. Examination of the structure of the population within each cell of the Grid; birth, survival and growth rates within individual cells; the rate of movement among cells; the type of firm that migrates from cell to cell; and the path of movement (e.g., from cell A to B to D, or from A to D) would provide a foundation of knowledge useful to entrepreneurs and

investors. Understanding of these population dynamics under various circumstances should provide a necessary empirical and conceptual foundation for enlightened public policy decisions as well.

Conclusion

The Entrepreneurial Grid, which simultaneously classifies businesses by age and by size, offers a conceptual framework that can dispel confusion and reduce ambiguity in the analyses of populations of businesses. Use of the Grid should clarify discussion of entrepreneurial phenomena, by clearly differentiating "small" from "new" businesses. The Grid can also help focus debate on policy issues concerning new and small businesses. The Grid appears promising as a vehicle to guide research into entrepreneurial phenomena and populations of businesses.

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