

DAVID STOREY

David John Storey

13 February 1947 – 15 July 2023

elected Fellow of the British Academy 2022

by

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Fellow of the Academy

Summary. David Storey's statement of his research interests on his University of Sussex profile stated that 'My scholarly work examines the factors influencing the creation, growth and exit of new and small firms. Of these, my prime concentration has been on government and financial institutions'. Many consider Storey to be the founding father of the field of UK entrepreneurship research. He had a massive impact on policies towards small and medium sized firms (SMEs) – he had over 36,000 Google Scholar citations. He aimed to identify relevant policy implications, and this often involved challenging both decision makers and policymakers. He was a leader in both policy interventions and SME research.

Biographical Memoirs of Fellows of the British Academy, 22, 343–358

<https://doi.org/10.5871/mem/022.343>

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DAVID STOREY

Life

David analysed the issues of the Small and Medium Sized Enterprise (SME) from an economist's viewpoint with an emphasis on economic geography. He paid particular attention to two key issues: first the percentage of jobs created by SMEs (often overestimated in the literature), and second the problems of financing for SMEs. He was also one of the first pioneering academic researchers to pay attention to female employment in SMEs. David was never particularly open to new entrepreneurial theories from the management disciplines. He adopted a basically economic approach to SMEs. His 1994 book *Understanding the Small Business Sector* was a landmark achievement because it was the first real economic analysis of small firm growth since Marshall's *Industry and Trade* (1919). The popular adoption of that book for teaching purposes – at least in the UK – marked the 'take off' of his 'celebrity' career. David was a trailblazer in research on SMEs, and he dramatically increased the quality of research in this area, first at Durham, then Newcastle, with publications such as *Entrepreneurship and the New Firm* (1982), and *The Performance of Small Firms* (Storey *et al.* 1987), then at Warwick. Finally, he was a major catalyst for the development of the University of Sussex Business School. He was outstanding at achieving research grant funding and delivering the results. He had a life-long input into economic geography following the European tradition. David believed that SMEs and new firms are important to the economy – before saying, rightly, that few such firms made any appreciable economic impact, especially to job creation. This dilemma motivated the innovative nature of David's lifetime contribution.

David was acclaimed internationally in the field of business management, with a focus primarily on public policy, access to finance, and the survival and non-survival of new firms. He was a leading researcher, expert and author in entrepreneurship and small business. His research and findings have been published in all the leading Entrepreneurship and Small Business journals, with his 1994 book *Understanding the Small Business Sector* being ranked ninth place overall in the Entrepreneurship 'core works', the highest place for a scholar with no US affiliations, leading him to become the highest ranked non-US scholar in Entrepreneurship, as reported Hans Landström and colleagues (2012).

David was born in Great Yarmouth (he was a lifelong Norwich City Football Club fan). His parents were Bertram John and Gladys Joyce Storey. Later in his childhood he moved to Radlett and attended Verulam secondary school in St Albans. His father was a quantity surveyor who also would build houses, but there seems to have been nothing in his background that led to an interest in entrepreneurship or small business management. David attended Hull University, where he met his lifelong partner and wife, Anne. He graduated with a First Class Degree in Economics, then went on to a Diploma in Applied Statistics, and a PhD in Economics. He had two honorary Doctorates (Wolverhampton

University and University of Jönköping's International Business School), and was Visiting Professor at the Universities of Manchester, Reading and Durham, as well as an International Fellow at Sydney University in 2009. Between 2001 and 2005 he was appointed by the UK Secretary of State for Trade and Industry as a Member of the Small Business Council, advising the government on small business policymaking.

David was awarded an OBE for services to business in 2010, and in 2022 was elected a Fellow of the British Academy, the UK's national academy for the humanities and social sciences, for his contribution to Business and Management Studies. In 1998 he received the International Award for Entrepreneurship and Small Business Research from the Swedish Council. In 2008 he was awarded a Wilford White fellowship from the International Council for Small Business (ICSB). He was also a Fellow of the Institute of Small Business and Entrepreneurship (ISBE) and was founder and director of the Centre for Small and Medium Enterprises at Warwick Business School. David was central to the development of the University of Sussex Business School. He led on the development of the school's first Research Excellence Framework (REF) submission in 2014. As part of that, he worked prodigiously to develop colleagues' careers. His dedicated mentorship enabled many junior colleagues to enjoy success and recognition for their research. Finally, David was Emeritus Professor for the Department of Strategy and Marketing at the University of Sussex Business School. David left his wife (Anne) and three children (Miles, Julia and Nick).

Summary of his contribution

Marc Cowling and Andrew Burke describe David as 'The founding father of the field of entrepreneurship research' and as an 'academic career creator' (Cowling & Burke 2023). David's ground-breaking research helped many academics to establish a successful career in the field of Entrepreneurship. His major contributions span research on the performance of small firms (including their employment contribution), his first love – economic geography, financing problems in SMEs, managerial labour markets in SMEs, and of course the entrepreneur and the exercise of entrepreneurship. His significant contribution to public policy was research-led.

Performance of small firms

Conventional economics pays little attention to the role of entrepreneurship. Competitive firms are assumed to exist, and firms are in possession of information about opportunities for profit. Many business schools were and are preoccupied with the performance of

large corporations to the exclusion of SMEs. David Storey pioneered the view that small entrepreneurial firms were hugely important in the economy and little understood. Moreover, he successfully convinced academics and policymakers to take entrepreneurship and SMEs seriously. David's early research publications laid the foundation of his research on SMEs, and he established the Centre for SMEs (CSME) at Warwick Business School as a leading research centre for entrepreneurship in the UK. It became the first-choice destination for many young academics in the field. Through example and by institution building, he helped establish and build the research community in Entrepreneurship that was later to achieve critical mass.

David was amongst the first academic researchers to identify the rising importance of self-employment as a form of work organisation, and more widely to establish the aggregate importance of small businesses in the economy, particularly in respect of the increasing share of total employment. These dynamic trends began in the late 1960s and increased throughout the 1970s and 1980s, supported and promoted in the latter period by centre right leaders in the UK (Margaret Thatcher), the US (Ronald Reagan), and many other countries. What made David a trailblazer, and foundational thinker, was not just his recognition that we had now entered the era of small business and entrepreneurship, but that most economists, and indeed geographers, were still obsessively focused on large-scale manufacturing and unionised labour issues and how to attract foreign direct investment from multinationals. This was the era when the Japanese economy kicked into overdrive and out-competed Western manufacturing industries on the global stage. In this respect, new entrepreneurial activity was seen as a key part of the solution to the demise of many Western manufacturing bases and the subsequent high unemployment levels that ensued. It was this political belief that new entrepreneurial activity was a panacea for unemployment that was foundational in David's critical thinking, and this has an explicit geographical context as we discuss next.

As the UK's industrial decline accelerated at pace throughout the 1970s and 1980s, there were also important changes in the political landscape in the UK with the arrival of a new Conservative prime minister, Margaret Thatcher, in 1979. PM Thatcher was a very strong anti-union advocate and an equally strong supporter of people taking responsibility for their own destinies and reducing the role of the state in the socio-economic landscape. The 1980s was probably the most significant period in terms of political and policy support for individuals seeking to transition into self-employment and new business start-up, and as a small business researcher every day was a natural experiment in terms of new policy initiatives and support for small business and self-employment entry from unemployment. However, this was not as warmly welcomed by Her Majesty's Treasury who viewed self-employment with suspicion due to their greater ability to avoid tax, and indeed HMT actively legislated against it with the IR35 dependent contractors bill in 2003. More generally, this period of policy action in support of small

business and entrepreneurship provided the foundation stones for David's rigorous and relentless focus on whether public policy made a tangible difference, or whether it was wasting taxpayer's money. Even worse, was it causing harm? Could the government promotion of self-employment and wider support for small business really solve the incredibly high rates of unemployment in the North-East of England either directly through more entrepreneurs, or indirectly through dynamic entrepreneurs creating jobs for others? His conclusion was a resounding 'no'. He always favoured supporting established firms to do better.

David consistently referred to solid empirical evidence. His findings were that a large proportion of firms do not survive beyond their first few years and that a tiny proportion achieved significant growth (Storey 1994). Small firm failure rates were and are difficult to establish because of measurement effects, identifying surviving companies over time, and tracing them after 'death' (Storey 1994). The longer the time examined, 'the more concentrated is employment creation in a small number of firms' (Storey 1994: 152). Steady rapid growth is unusual. Associations between the sector of activity and growth data can be related to the size of the firm and the business experience of the founders, but aggregate associations are difficult to derive in the absence of a grounded understanding of the firms being analysed and a firm grasp of small firm economics.

Economic geography

David's first academic interest was as an economic geographer of, and in, the North-East of England. David worked on regional disparities, the demise of manufacturing and the role of small firms as potential contributors to rejuvenation. David's career began working for the local authority of Cleveland in the Economics Research Unit, and throughout his career his research remained locally connected. One of his initial interests focused on how to increase female participation rates in employment – one of the many areas where he was ahead of the field.

David's early pioneering work on small business was with colleagues from the Centre for Urban and Regional Development Studies (CURDS) and the Department of Economics at the University of Newcastle, England. His initial thinking about entrepreneurship and small business was shaped by his unique, and real-time observations and experiences from the area he lived and worked in during that period, the North-East of England. At that time, the region suffered from de-industrialisation and the decline of large-scale industrial production in the shipyards and coal fields, leading to a dramatic rise in unemployment in these areas. In 1981, North-East English counties recorded unemployment rates of 16.0 per cent in Tyne & Wear, 16.2 per cent in County Durham, and 19.1 per cent in Cleveland. The fact that de-industrialisation in the UK had a distinct

spatial aspect led him to conclude that geography was a hugely important aspect to consider when researching the new age of small business and entrepreneurship. David began his academic journey as an economic geographer, and spatial issues were always at the forefront of his research. Marc Cowling reports from conversations with David around two months prior to his death that this field of study was one he felt inspired with and where he felt that he produced his most significant body of work. He continually returned to the spatial entrepreneurship context throughout his career.

SME financing

Access to finance is crucial for start-up firms and those in the early growth period. David was particularly proud of his work on borrower discouragement. This concept was initially formed during his spell as a visiting professor in Trinidad, a small West Indian Island in the Caribbean. During his conversations with local bank managers, it transpired that their greatest concern was the extremely low level of applications for bank loans from small businesses. Subsequent conversations with local small businesses established that they did not apply for bank loans because they expected to be rejected. Quite simply, why even bother applying? This new concept was formalised with his colleague, Kon, under the title, 'Discouraged Borrowers' (Kon & Storey 2003). He personally felt very proud when he returned to Trinidad years later and saw an advertising hoarding during his hair-raising, reggae-blasting, taxi ride from the airport to the hotel which stated, 'Did you know that 8 in 10 small business loan applications get accepted for a bank loan?' Rigorous, relevant and impactful research at its finest.

Managerial labour markets in SMEs

How do small companies attract and retain managerial talent? David's research very early on focused on how to increase female participation rates in employment. In the early 1980s David asked the question 'are small firms the answer to unemployment?' (Storey 1981; 1991). Concurrently, David contributed to an emerging international academic network, collaborating with colleagues across the Atlantic (Reynolds, Audretsch, Acs for example). 'Components of change analysis' became a powerful approach to understanding the contributions of new and established firms by economists (following Birch 1979), while what went on inside the enterprise involving the entrepreneurs and their workers was left to others to investigate. However, David's initial contributions were highly significant and have stood the test of time: he raised the problem of transferring the results of one context (USA) to another, weaknesses in the databases available

in the UK (Storey & Johnson 1986), and the unforeseen or even damaging impacts of simple policy interventions, including the issues of displacement. In terms of inequalities between regions this was also made clear:

A second consequence of a policy to assist small firms is that it can, unchecked, have significant regional implications. Virtually all the indices of entrepreneurship are highest in the areas of Britain which are currently most prosperous! Conversely indices are lowest in the least prosperous areas, so that policies which rely exclusively upon small firms to generate jobs risk having their greatest impact upon employment in prosperous areas and their least impact in areas of high unemployment (Storey 1983: 15).

David's critique of policy was recognised by national and international organisations, including the OECD where he developed a long-standing relationship particularly in relation to methods of policy evaluation (Storey & Westhead 1997). His willingness to expose weaknesses in the empirical evidence upon which policy was sometimes predicated, stimulated debate and responses from others.

This nascent interest and viewpoint were given a tremendous boost when he was appointed Director of the ESRC's Small Firms initiative 1989-1994, which involved co-ordinating the largest study of small firms since the Bolton Report (1971). This was a £1.4m programme that involved three Centres of Excellence (Brighton, Cambridge, and Kingston), together with 13 smaller individual projects, involved more than 50 researchers, producing hundreds of outputs and most significantly embraced a range of disciplines. In addition to a seminal book that amassed over 9,000 citations (Storey 1994), three edited volumes were published covering employment (Atkinson & Storey 1994), urban and rural perspectives (Curran & Storey 1993; 2002), and finance (Hughes & Storey 1994). As Director of the programme, David was in his element, questioning the unquestionable, showing a curiosity beyond his own disciplinary interests, and driving numerous academic, practitioner and policy agendas. The questioning includes the view that the sustained policy of simply having more people start up their own businesses was a naive policy, and an inappropriate measure of how entrepreneurial countries and regions are, because few new start-ups survive and even those that do mostly create a poor living for the individual. Only a tiny minority add economic value. Adding more poor-quality firms is futile and ties up resources until they die, or even worse survive and perform very badly. One further example is the heretical idea of 'taking the entrepreneur out of entrepreneurship' and asking whether entrepreneurs are like pathological gambling addicts (Coad & Storey 2021). The impact of the Small Firms initiative should not be underestimated in terms of boosting the size and raising the academic legitimacy of the field, its engagement with practice and policy, and a dissemination strategy that put small business research firmly on the UK, European and world scene (Blackburn & Smallbone 2008). The outcome for David was his seminal and

much cited work, *Understanding the Small Business Sector* (1994), which continues to be a key reference for academics and analysts alike.

One of the most intractable agendas in entrepreneurship research has been the quality of jobs in small firms both within the population and compared with larger organisations. This unevenness in workplace outcomes has attracted further research attention and David returned to this in later publications. He brought to the subject a healthy scepticism of previous analyses, particularly because much of the area relied on self-reported data. David's earlier work on job quality resonated with those analyses comparing large and small enterprises, the complexities of doing so and the role of informality in the smaller enterprise, but a general view that job quality was lower in small enterprises (Storey & Johnson 1987; Atkinson & Storey 1994). Improvements in the availability and veracity of data allowed for a systematic unpacking of job quality in small firms. Using data from the UK's Workplace Employment Relations Survey from 2004, David led a team that analysed the unevenness in job quality by firm size and ownership (Storey *et al.* 2010). The results demonstrated a series of distinctive outcomes for employees: (i) employee reports of job quality were highest in small firms and decrease as firm size increases; (ii) in workplaces owned by large firms, job quality was highest in the smallest workplaces; and (iii) workers in small workplaces owned by large firms reported lower job quality than workers in comparable sized workplaces owned by small firms. These observations were, in part, explained by the role of formality and how this appeared to constrain employees in small workplaces owned by large organisations. Hence, the heterogeneity of the employment experience within small firms themselves further demonstrates the theme of unevenness.

The entrepreneur and the exercise of entrepreneurship

David did not subscribe to the idea of the entrepreneur as hero (Coad & Storey 2021). The view that entrepreneurs get the performance outcomes they deserve is a standard narrative in entrepreneurship research. Entrepreneurs are often assumed to have attributes such as unique skills and abilities, exceptional energy, a superior entrepreneurial mindset that guides them to exploit a new opening overlooked by others (Kirzner 1997; see also Nightingale 2015). David took what could be called a 'contrarian' view that most entrepreneurial opportunities turn out to be mistakes (rather than being moments of divine enlightenment), and that what matters for entrepreneurial outcomes is not so much skill but chance. David's thinking built upon a long history in firm growth and industrial dynamics drawing on random models of firm growth and performance. Random models of firm dynamics need not imply that there is no intentionality on the part of entrepreneurs (Denrell *et al.* 2015). The appeal of random models of firm growth

and survival is that they seem to have the best explanatory power (Geroski 2000; Denrell *et al.* 2015). Entrepreneurs face many challenges on all sides at the same time (e.g. production, marketing, legal, accounting, human resources, customer relations, new product development). Entrepreneurs will need to be lucky if they are to survive their early years. Randomness is also often a reflection of human ignorance as well as econometrician's lack of data. Variables such as human capital and business experience do not always turn out to be significant determinants of performance outcomes, instead the largest part of variation in outcomes is unexplained. In the years after entry, however, decreasing volatility may mean that our ability to predict firm performance may improve (Coad *et al.* 2016). The implications of this are fourfold. First, the model emphasises that firm growth is difficult to predict (Storey 1994). Second, start-up size is a good predictor of final size, which means that firms are encouraged to have a large stock of resources at the start. Start-up size has a high correlation with size in later years (Coad *et al.* 2014; Sterk *et al.* 2021). Third, start-up size enhances survival on average. Research shows that the peak for exit rates seems to occur after about 12-18 months (Storey 2011). Fourth, the Gambler's Ruin model clearly rules out entrepreneurial learning, because the underlying process is random. As such, Gambler's Ruin can explain why previous evidence found limited support for notions of entrepreneurial learning among re-entering entrepreneurs (Metzger 2006; Nielsen & Sarasvathy 2016; Rocha *et al.* 2015; Coad & Storey 2021).

David felt that in many countries, America especially, entrepreneurship was a teaching subject with little research – often dominated by psychologists. He supported the view that this does not make a difference. David was not multidisciplinary in approach but always listened to views from other disciplines. Local economic development and how SMEs contribute to that was central.

Public policy on SMEs

David's public policy work was probably the most important and controversial of all his research streams, as he was always questioning and challenging the perceived wisdom of politicians and vested interests. No politician ever lost out by announcing they were giving money away through a cunning new policy initiative, but they did lose out if it subsequently turned out to be a waste of taxpayers' money. David did not assume that all entrepreneurship and small business policy must be good.

As all economists know, every policy action has an opportunity cost and many have an unintended consequence and, in the case of many small business policy interventions, these can be non-trivial. David was a strong advocate for rigorous evaluation of public policy throughout his career and finally put thoughts down in the 'Six Steps to Heaven'

so there was no confusion (Storey 2017). This approach is still cited prominently by the OECD to this day (OECD 2008; 2023).

David emphasised that small firms that fail after a period of early promise may well have had the characteristics of successful firms. Identifying ‘success characteristics’ does not necessarily guarantee a strategy of ‘picking winners’, which does represent a change in emphasis from the final chapter of ‘The Performance of Small Firms’ (Storey *et al.* 1987). Rapid growth firms that fail and those that succeed resemble each other more than either group resembles low-growth firms (Storey 1994). Whereas politicians and civil servants judged the success of their policies by how many entrepreneurs accessed their scheme, how much money they had disbursed, or how many new firms were set up, for David this was just the start of the judgement process. He judged the true impact of public policy through the lens of competition and displacement (more hairdressers in a high street may not be a good thing), through net job creation, and through long-term survival and growth, only after netting out the impacts that would have occurred anyway and the costs of enacting a policy or scheme. But, more importantly, David established that even a ‘good’ public policy could produce different outcomes depending on the unique characteristics of the beneficiary group and the region they were located in. So even if the general rule holds that ‘four legs good, two legs bad’, there are always exceptions and some winners and some losers. A fine example of this is the results on new firm formation and job growth in his beloved North-East region of England which led David and Andre Van Stel to conclude that ‘this raises questions over policies designed to raise rates of new firm formation as a strategy for employment creation, particularly in “low enterprise” areas’ (Van Stel & Storey 2004: 893). The North-East was a ‘low enterprise area’, and indeed it still is! It also has the highest rate of child poverty in the UK. One of his other key findings from his public policy work is that a tiny proportion of exceptional firms (between 6 per cent and 10 per cent typically) tended to create an absolute majority of positive outcomes. These findings clearly questioned the efficacy of the ‘forget the quality, look at the quantity’ school of public policy thinking. Not all entrepreneurship and new firm endeavours are good for the individuals concerned or the economy. He was particularly concerned that if we encouraged ill-equipped people to start their own businesses and invest their remaining wealth in that business, then when it failed 18 months later, they were in a worse economic situation than when they started.

This is not to say he was not an advocate for public policy, but simply an advocate that it must have established beyond question that it is addressing a specific and quantifiable gap (as evidenced by rigorous research), has an explicit and clearly stated set of objectives (not simply more start-ups or more innovation), and has a well targeted set of people or firms for intervention and support. Many will remember his frustration at politicians who couldn’t articulate why they thought a policy was needed and what their end

objective was. An example of this can be drawn from his research with Bruce Tether on new technology firm policy in the European Union, which concluded that ‘the “special” requirements of new technology-based firms are not adequately reflected in the framework of support services available’ (Storey & Tether 1998: 1056).

In short, David was saying that the set of policies were not well focused and too general to achieve the tenuous objectives desired. ‘More innovation’ is an aspiration rather than a justification for a scheme for public policy intervention! He was continually annoyed by policymakers who stated that their country or region will create the conditions so that more people can start their own businesses and become entrepreneurs, as entrepreneurs are the engines of growth, innovation and all great things. His emphasis was always on the quality not the quantity of entrepreneurial firms.

Personal

David was a friendly, outgoing rounded individual. He was a distinguished scholar and a wonderful colleague and friend to many. While his work influenced policy for SMEs and economic development in the UK, he was also a generous and kind person and mentor to many academics. Outside work, he had a real passion for cricket and David would attend Sussex County Cricket (and other) matches (the last time the present writer met David was at a Yorkshire match at Headingley – queuing for refreshments from the outside van). As well as being a keen cricket lover, David played the game well into his later years. He was very knowledgeable about the sport and great company at matches. He was an excellent club cricketer, bowling accurate fast medium deliveries. He was excessively proud of the award of the Coventry and District League Bowler of the year 1990. He was a fan of Norwich City, but perhaps his love of the North-East was key to the strong tradition of economic geography in his work.

David was central to the development of Sussex Business School. He led on the development of the school’s first REF submission in 2014. As part of that, he worked tirelessly to develop colleagues’ careers. His dedicated mentorship enabled many staff to enjoy great success and recognition in their research during David’s years at Sussex where, after leaving Warwick, he developed and worked with colleagues there in the management school. However, David was loyal to his academic friends and colleagues up and down the land and would always be prepared to share his ideas in a seminar and to examine research students among other aspects of ‘service’. David was a wonderful colleague and central to the development of the research culture and planning at what was, in 2013, a new business school at Sussex University that had no tradition in the area. David oversaw the development of strong processes for the management and encouragement of research. He was kind, thoughtful and always had time for a discussion.

He was particularly admired by the large numbers of early career researchers he developed. He helped other people become better at what they did and that is something that many truly admired in him. This reflects the strong personal feelings that many had for him – he was an excellent scholar and a complete gentleman with a fine sense of humour, always ready with concern, encouragement and supportive words.

Impact

David did not pursue research just for academic reasons, he always wanted to identify the policy implications, and hopefully solutions to problems. His focus on ‘impact’ was well ahead of its time. He challenged both decision makers and policymakers and had a healthy scepticism of ‘innovations’ in both spheres. He was often years ahead of the general interest in SMEs. David had a massive impact on policies towards SMEs based on his stature in the field, his cannyness and humour, his links with policymakers and collegiality. He undertook work for many overseas governments and organisations, acting as consultant to the governments of Australia, Mexico, New Zealand, Denmark and Sweden. More recently he was a Specialist Adviser to the House of Commons Business, Energy, and Industrial Strategy Committee inquiry into Post Pandemic Economic Growth. His work in Trinidad focused his interest on SMEs in the local economic context. David’s influence is perpetuated by the repayment of his support for younger researchers over his career. There are many direct beneficiaries of David’s mentoring and many more who were inspired by his work and by his behaviour as a role model. This includes his view that academics should be critical of governments and managements, and that recourse to evidence is the surest way to accuracy, truth and effective decision making.

Legacy

As David’s career and contribution progressed, he remained loyal to his roots of understanding the uneven outcomes of small firms in the economy: their geographic, job generation and within enterprise employment differences. His healthy scepticism of policy interventions remained (Greene *et al.* 2004; Storey & Potter 2020), and together with his questioning of conventional wisdom, he has provided a legacy for all involved in the field of entrepreneurship: that is to keep questioning.

David leaves a huge legacy. First, an understanding that more new firm start-ups *per se* is not generally a good thing as most will fail quite quickly and only a few will have a tangible and positive impact on the localities they operate in. Further, the negative

effects are even more severe in low entrepreneurship geographies. Second, a badly designed and targeted policy is even worse than doing nothing at all. Thirdly, if a small business is behaving in an apparently irrational way, try and understand why and what action might encourage them to behave differently. Finally, trying to ‘pick winners’ at the time of start-up is a futile enterprise policy activity – indeed, the biggest inefficient policy trap of them all.

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Acknowledgements

Professor Mark Casson, University of Reading; Professor Kevin Keasey, University of Leeds; Professor George Saridakis, University of Kent; Professor Jay Mitra, University of Essex; Professor Nicolas Wilson, University of Leeds; Professor Roger Strange, University of Sussex; Professor Marc Cowling, Oxford Brookes University; Professor Steven Brieger, University of Sussex; Professor Simon Parker, Ivey Business School, Canada; Professor Alex Coad, Waseda University, Japan and Nicolas Storey. With thanks to Ellis Latham for assistance with the presentation of this paper.

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Biographical Memoirs of Fellows of the British Academy (ISSN 2753–6777) are published by The British Academy, 10–11 Carlton House Terrace, London, SW1Y 5AH
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