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The Business School

**Cooperation and Conflict Between Two  
Cultures: Institutionalising *NewBuC***

WPS023

July 2001

ISSN 1471-857X

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### **Biography**

Oswald Jones is Professor of Innovation and Entrepreneurship at The Business School (MMU) and was previously employed as a Senior Lecturer in Innovation Management in the Strategic Management Group at Aston Business School. After completing PhD at Manchester Business School in 1990, Professor Jones spent 3 years at UMIST School of Management as an ESRC Teaching Fellow.

## **Abstract**

As recently pointed out by Aldrich (2000), despite an extensive literature on entrepreneurship there are very few studies which examine the startup process. In this paper I report on my own involvement with an organisation formed to provide assistance to those considering starting their own businesses. *NewBuC* was the idea of Stan Astley an entrepreneur with a business located on *Regional Science Park* which he felt paid too little attention to technology-based firms. I, along with a small number of staff from X Business School, joined with Stan and his business associates to setup *NewBuC* as a viable organisation. This process is examined using ideas associated with institutional analysis in which 'values and taken-for-granted assumption' have an important role in shaping the social interaction which is the foundation of all organisational activity. In establishing the organisation, differing norms and interpretive schemes associate with public and private sectors were quickly revealed. In particular, there was conflict between public sector philanthropy and the private sector desire for profits. Data are drawn from participant-observation and interviews with all the main actors to illustrate how the structuration of *NewBuC* occurred over an 18 month period.

**Keywords: Institutional Theory, Organisational Analysis, Teaching Company Scheme (TCS), Innovation and Entrepreneurship**

## **Introduction**

In this paper I analyse the process by which a new organisation was created and institutionalised. *NewBuC* (new business creation), was the idea of Stan Astley an entrepreneur who was keen to encourage more technology-based companies to take up residence on 'Regional Science Park'. Stan's view was that those running the science park, including the director DH, were more concerned with maximising rental income than developing a high-technology 'cluster' such as those in Oxford and Cambridge. It was claimed that the lack of high-tech companies made it difficult to attract good employees to *Regional Science Park* because of limited opportunities for alternative employment. For 18 months I was actively involved in the setting-up of *NewBuC* and used this as an opportunity to observe actors and events which shaped the organisation. During the fortnightly meeting I adopted the role of participant-observer to collect data on the activities of those associated with the initiative. One notable feature was the way in which the objectives of those involved changed or, at least, implicit objectives were made explicit. The original idea was that experienced entrepreneurs, including Stan Astley, would give advice to those with ideas for technology-based businesses. It was also intended to arrange financial support as a means of encouraging the setting-up of firms on *Regional Science Park*. By December 2000, not a single business had been created and the only idea under serious consideration was for 'fitted garages'. My objectives in writing this paper are twofold. First, through direct involvement in the *entrepreneurial process*, to illustrate the detailed social interaction fundamental to the creation of new organisations. Secondly, to highlight conflict that is likely to emerge during public-private partnerships because of the difficulty of reconciling very different objectives. The case is analysed by drawing on institutional theory which has again become prominent in organisation studies as a result of such scholars as Meyer and Rowan (1997), Zucker (1977) DiMaggio and Powell (1983) and DiMaggio (1991).

Schumpeter's dynamic theory of economic growth, based on an 'ideal-type' of risk-taking entrepreneur, remains influential: 'Unwittingly or erroneously' the search for

‘traits, personalities and individual difference characteristics of entrepreneurs... has been almost the exclusive focus of entrepreneurship theories and research’ (Van de Ven, 1996:39). Aldrich (2000:14) argues that, despite an extensive literature, few researchers have actually studied startup organisations:

‘Failure to appreciate the level of turnover and turbulence in business populations has blinded mainstream organisational theorists to the organisational simmerings just below the surface in modern societies’.

According to Barley and Tolbert (1997) the focus on institutions which is central to sociological analysis (Durkheim, 1947; Hughes, 1936; Parsons, 1951; Selznick, 1957) signifies a rejection of functionalist theories which portray efficiency as the driving force for decision-making and adaption to the environment as suggested by contingency theorists (Woodward, 1958; Blau, 1974). New institutionalists reject behaviourist aggregation of individuals by emphasising cultural influences on decisions and structures: ‘individuals operate in a web of values, norms, rules, beliefs and taken-for-granted assumptions that are at least partially of their own making’ (Barley and Tolbert, 1997:93). In other words, institutions act as constraints on what actors can undertake but those constraints can be modified over time. Explicitly acknowledging the ‘interdependence of actions and institutions’ (Barley and Tolbert. 1997:94) means adopting methodologies which investigate the recursive links between agency and structure (Whittington, 1992; Giddens, 1984). I begin the paper with an examination of the recent institutional literature and this is followed by a discussion of the research methodology. Data are presented on the institutionalisation of *NewBuC* and I then draw out the theoretical implications of this study.

### **Institutional Analysis**

Over the last 25 years ‘new institutionalists (Meyer and Rowan,1977; Zucker, 1977; DiMaggio and Powell,1983; Dimaggio, 1991) have established this approach in the organisational theory mainstream. Traditional approaches to institutional analysis concentrated on distinctions between formal organisation and the subversiveness of

informal activities (Dalton, 1959). Garfinkel's (1967) ethnomethodology, in which norms were conceptualised as 'guidance systems, rules of procedure', was an important starting point for new institutionalists. The influence of Garfinkel is evident in the work of Giddens (1984) who argues that social structures are reproduced through the routines of knowledgeable social actors. An alternative line of phenomenological thinking was provided by Berger and Luckman (1966) who acknowledged the importance of *common-sense* in asking: 'how does subjective meaning become objective facilities?' Despite the proliferation of literature following Meyer and Rowan's (1977) publication there is little consensus with regards to 'the measures and methods' associated with institutional theory (Tolbert and Zucker, 1996:174). Few have examined the mechanisms by which social activities are routinized: 'institutionalization is a core process in the creation and perpetuation of enduring social groups' (Berger and Luckman, 1966:180). Institutions are formed through a process of institutionalization or as an outcome of the 'habituation of action' (Zucker, 1983). Habituation (Bourdieu, 1984) refers to activities which occur as a result of minimum decision-making in which day-to-day activities become sedimented (survival of structures across generations of organisational members). Tolbert and Zucker argue that habituation also refers to the generation of new structural arrangements in response to specific problems. Objectification, moves towards a more permanent status, may be spearheaded by a 'champion' who achieves two tasks of 'theorising'. First, by defining the organisational problem and the associated actors and secondly by providing appropriate structural arrangements as a solution (Tolbert and Zucker, 1996:183).

It is argued (Child, 1997:45) that institutional theory has 'continuities' with structural determinist approaches to organisational analysis represented by contingency theorists (Pugh *et al*, 1968). Environmental adaption is associated with isomorphism in which organisations adopt increasingly similar characteristics. In contrast, Kondra and Hinings (1998) suggest that organisations which conform to institutional norms may become optimal rather than efficient. Furthermore, institutionalist scholars downplay the significance of performance criteria and agency as the impetus for changing institutional

norms: 'A more robust institutional theory should include a role for active agency and economic considerations and be dynamic enough to explain changing institutional norms' (Kondra and Hinings, 1998:745). While the stated aim of Kondra and Hinings is to 'examine the source of diversity and change in organisations' they have little to say about either the process or the role of agency in instigating such changes.

Institutional theory is powerful in demonstrating the way in which organisations are linked to their environments but underestimates the importance of agency (Beckert, 1999:778). It is important to examine the political processes associated with the exercise of strategic choice (Child, 1997). Text books (and lecturers) emphasise the managerial role in most organisational activity ranging from strategic business planning to day-to-day decision-making:

'If, however, we assume that in many situations agents "make a difference", it becomes a weakness of institutional theories that they cannot account for the role of strategic agency in the processes of organisational development' (Beckert, 1999:778).

In linking entrepreneurship with institutionalist approaches Beckert draws on the Schumpeterian distinction between managers, who act according to organisational routines, and entrepreneurs who are innovators concerned with changing existing routines or instigating new routines. Entrepreneurs are seen as creators of strategic opportunities *via* creative destruction while managers are the creators of stability and embeddedness (institutional rules). Such a relationship between action and structure has many similarities with Giddens's concept of structuration theory. The human need for 'ontological security' means that actors 'stick to routine patterns of behaviour that unintentionally reproduce the structures of their worlds' (Giddens, 1984:64). This has implications for the study of entrepreneurial activity because of the suggestion that actors remain wedded to activities with which they are most familiar.

Structuration theory helps explain the interaction of institutions and actors although Giddens does not acknowledge the effect variations in norms, influenced by the depth,

strength and unity of culture, have on patterns of behaviour. Links between actors and institutions are similar to those between grammar and speech: 'every expression must conform to an underlying set of tacitly understood rules that specify relations between classes of lexemes' (Barley and Tolbert, 1997:96). In structuration theory the 'institutional realm' is linked to the 'realm of action' by modalities described as interpretive schemes, resources and norms (Giddens, 1984). Barley and Tolbert (1997:98) suggest 'scripts' (observable, recurrent activities and patterns of interaction) should be used because they can be empirically identified more easily than the *abstract* notion of modalities. The process works as follows (Barley and Tolbert, 1997:102):

- institutional principles are encoded via a process of socialisation (Berger and Luckman, 1966) as individuals internalise rules by interpreting behaviour in appropriate settings;
- institutionalisation occurs as actors, unconsciously, enact the scripts which encode institutional principles (Nelson and Winter, 1982);
- behaviours may then revise or replicate the scripts that informed original actions which may lead to institutional change (see Burns, 1961);
- in the final stage, behaviour patterns and interactions are objectified and externalised by achieving the status of organisational norms.

Hasselbladh and Kallinikos (2000:716) are critical of Barley and Tolbert's usage of 'scripts' because their analysis 'does not have much in common with Giddens's basic ideas'. The authors argue that empirical programmes based on cross-sectional research are 'largely responsible for glossing over the process of institutionalization'. To fully understand the socially constructed nature of institutions it is necessary to engage more closely with the procedures associated with the embeddedness of 'rationalized beliefs and standardized schemes of action' (Hasselbladh and Kallinikos, 2000:700). The process of institutionalization can be conceptualized as a move from oral to codified

language and an associated shift from ideals and discourses to ‘techniques of control’. The latter are central to ‘objectification’ because they permit managerial control of organisational activities through the setting of goals and systems of measurement (Hasselbladh and Kallinkos, 2000:705).

## **Research Methods**

My involvement with *NewBuC* began because I hoped Stan Astley’s idea would help regenerate the area adjacent to the business school in which I was employed. In addition, I thought that the expertise possessed by Stan’s network may help students who were considering starting their own businesses. It became apparent that this attempt to create a new organisation also provided an excellent research opportunity. Consequently, I decided it would not be appropriate for me to take a ‘leading’ role in the organisation. In particular, although meetings were very badly organised I demurred when it was suggested I become ‘chair’. Otherwise, I tried to ensure *NewBuC* succeeded by encouraging others to join, actively participating in the fortnightly meetings and developing links with key actors on the science park and in the local chamber of commerce. Data were acquired from three main sources: first, my own record of approximately 20 two-hour meetings which I attended over a 12 month period. Secondly, minutes of meetings from November 1999 (when minute-taking began) to December 2000. Thirdly, I left ‘X’ business school (XBS - name omitted) in July 2000 and employed a temporary research assistant to interview all those who had played significant roles in *NewBuC*. Ten taped interviews were carried out during July and August and respondents were asked a number of questions including why they first became involved with *NewBuC* and whether or not they felt that organisational objectives had changed (Appendix 1).

Participant observation has a long history in organisational studies (Gouldner, 1954; Dalton, 1959; 1964; Lupton, 1963; Mintzberg, 1983; Grafton-Small, 1985; Watson, 1994; Ram, 1996). Ethnographic approaches are criticised because they rely on *ex post* sources: ‘memory, diaries and informal exchange with contemporaries...’ (Power,

1991:339). The advantage is that practitioners have access to their own intentions and motives but at the same time people can deceive themselves about those intentions/motives (Hammersley, 1992; Czarniawska-Joerges, 1995). One major problem for management researchers is that even in relatively small organisations hierarchy 'limits discretion, authority and exposure'. In fact Linstead (1997:88) claims: 'This implies the need to study management closely in the field with sensitivity to both actions and the inter-subjective meaning given by actors to those actions'. Much of the 'concrete and symbolic activity' associated with management is not accessible to 'outsiders'. This *insider* account is intended to provide insight into the social processes associated with the objectification of a new organisation.

In stating the advantages of case study research Yin (1994) claims that observing a 'chronological sequence' permits investigators to 'determine causal events over time'. My view is that establishing causality in highly complex social organisations is extremely difficult whatever methodology is adopted. Rather, I concur with Barley (1986:81) who argues that mapping 'emergent patterns of action' demands a detailed qualitative approach: 'Retrospective accounts and archival data are insufficient for these purposes since individuals rarely remember, and organisations rarely record, how behaviors and interpretations stabilise over the course of the structuring process'. Longitudinal research remains rare in organisational studies and single cases raise issues of generalisability. In discussing the shift from micro to macro levels Hamel *et al* argue (1993) that the objectives are more important than the number of confirmatory cases. This refers to the distinction between statistical generalisation (Yin, 1994), in which inference is made about a specific population, and analytical generalisation, in which empirical data are compared with a theoretical 'template' (also see Gummerson, 2000). In this study I adopt an approach based on structuration theory which is described as 'a process-oriented theory that treats structure (institutions) as both a product of and a constraint on human action' (Giddens,1984:2). This approach helps bridge the determinism associated with structural accounts and the voluntarism of social action. It also helps reinforce the view of institutions as: 'social entities, embedded in complex

networks of beliefs, cultural schemes and conventions which shape their goals and practices' (Hasselbladh and Kallinikos, 2000:698).

### **Institutionalising *NewBuC***

In the following section I describe the creation and institutionalisation of *NewBuC* which was established to provide support for startup companies. My involvement began in May 1999 when I invited Stan Astley to XBS to talk to my MBA class about his experiences as a high-tech entrepreneur. I thought that Stan's idea might be useful in helping students establish their own companies. Together with Geoff Hutt XBS's industrial liaison officer, I volunteered to help with the creation of *NewBuC*. Stan's intention was to utilise the experience of successful entrepreneurs to assist those considering setting-up new companies. A number local entrepreneurs were invited to an inaugural meeting held at XBS in early July 1999. Geoff Hutt provide a meeting-room along with tea, coffee and sandwiches. Over the next few months Geoff and I discussed *NewBuC* with the Head of XBS and the University Pro-Vice Chancellor with responsibility for external relations in an attempt to obtain support for the project. Although both expressed their approval neither was willing to provide tangible resources to help establish *NewBuC*. My direct involvement continued for more than 12 months and in that time Geoff continued to 'bootleg' XBS resources to provide accommodation and refreshments for the fortnightly meetings.

During the first four months (June-September) *NewBuC* meetings were attended by core of five to six regulars and a number of others who turned-up less frequently. The regular attendees were Stan Astley, Graham Frazier, Brian Johnson, Edward Davis, Geoff Hutt and myself while those who attended less frequently included Gordon Stone (entrepreneur), Eddie Lawrence (small firm manager), Mark and Ruth Mitchum (inventor and business manager). Initial discussions focused on widening membership, defining the mission, discussing management structures and planning how to attract potential entrepreneurs. The early institutionalisation of *NewBuC* was helped by the presence of a highly viable business proposition. The first meeting was attended by

independent inventor Mark Mitchum and his daughter Ruth who acted as his business adviser. Mark, an engineer-inventor of the 'old school' had been involved in a number of business ventures based on his ideas for more than 25 years. In one such venture he refurbished commercial vehicle brake callipers for a number of major transport companies. Mark developed a way of modifying callipers to extend their life from approximately 100,000 miles to at least 200,000 miles. As a result of this 'tinkering' he completely redesigned the calliper incorporating his ideas on extending its working life. One transport manager confirmed in writing that he was willing to specify Mark's brake calliper on new commercial vehicles when they were available. On a number of occasions Mark complained bitterly about being 'ripped off' by unscrupulous individuals who had appropriated previous inventions. He was determined that this time he would benefit from the idea and hence was seeking advice from *NewBuC*.

In September 1999, the Mitchums presented their business proposition for *Disc Technologies* (the new company name) to representatives of *NewBuC*. The idea was rated using a 'scorecard' developed by the professor of entrepreneurship at Brunel University. It was clear that the idea had considerable potential and Stan Astley seemed keen to offer support although doubts were expressed about the project. In particular, setting-up manufacturing facilities required high levels of capital expenditure and would be time-consuming. On the other hand Mark's experience of previous 'rip-offs' meant he was reluctant to 'lose control of the idea' by 'outsourcing' manufacturing responsibility. Other doubts concerned the Mitchum's business acumen which was generally thought, by the experienced entrepreneurs, to be inadequate. At the next meeting Stan Astley said that although there was still work to be done on the business plan he believed the relationship should be formalised by a 'letter of offer' within two weeks. In fact there was very little immediate progress and in December 2000 Stan and Brian Johnson were still discussing the future of *Disc Technologies* with the Mitchums and their financial advisors.

In the early months a major problem was that most meetings were chaotic and

disorganised. Stan, as initiator, was the obvious choice for chair but he was reluctant and, instead, encouraged his friend Brian Johnson to take on the role. Unfortunately, this did not work because Johnson was unable to control the meeting effectively. Mitchum was one culprit as he took every opportunity to interject with stories about his difficulties with earlier business ventures. The other difficulty was Johnson's deference to Stan who disrupted meetings with his constant interruptions. Also, minutes were rarely recorded and this compounded the lack of focus as the same issues were regularly discussed because no-one could recall whether or not a decision had been taken. In addition, when 'action points' were recorded they usually involved Stan who would have forgotten to follow them up by the next meeting.

Early in November 1999, the management group designate, Stan, Brian Johnson and Colin Ainsworth issued a call for shareholders to those who had expressed an interest in the new company. Applicants were invited to submit a £50 to Stan and the monies collected would be used to incorporate *NewBuC*. At the first shareholders meeting the standard Articles of Association were amended according to the following principles (summary):

- *NewBuC* business is the creation of, and subsequent assistance to, innovative companies. Profits will generally be retained for use as investment capital in any created companies. *NewBuC*'s charge for creating companies will consist of a fixed fee and a shareholding in any created company.
- The shareholding of any one member (or group) will be no more than twice the number of issued shares divided by the number of shareholders.
- Shareholders can invest by means of cash and/or approved time (charged at £15.00 per hour). The price, probably around £100 per share, and the number of shares, will need to be agreed and the shares may be limited to one per shareholder.
- If shareholders exceed the share value (by working additional hours) then excess

will be deemed an unsecured loan. Such loans may not be repaid for 12 months.

- Exit value will be based on the market value of shares (the executive will have up to 12 months to decide whether or not to buy the shares. The executive will decide if the sales can be offered to other shareholders (this will prevent hasty sales and reduce the cashflow impact on *NewBuC*).

*NewBuC* was formally incorporated on 22<sup>nd</sup> November 1999 with Stan Astley as MD and Brian Johnson/Colin Ainsworth nominated as board members. These three constituted the 'executive group' and that they were supported by a steering group the membership of which comprised those still regularly attending meeting including Geoff and myself.

### **From High-Technology to Fitted Garages**

Before leaving XBS in July 2000 I employed a temporary researcher to interview those directly involved with *NewBuC*. My objective was to ask the main actors to explain their understanding of the original objectives and to establish whether there had been any significant changes during the first 12 months. I felt that participants would speak more freely about their involvement if the interviewer was not directly involved with *NewBuC*. In addition, I believed that the questions would help clarify their objectives for involvement with *NewBuC*. Four of the eleven main participants were employed in the public sector and included Brian Johnson who although he had worked in training and education for fifteen years claimed that the skills of most value to *NewBuC* were related to his earlier experience in engineering and manufacturing. The seven private sectors participants were mainly involved in the small firm sector either as owners or senior managers. The two exceptions were Edward Davis who managed a bank near the business school campus and Colin Ainsworth who was Stan's accountant (Appendix 1).

There appeared to be consensus about the original objective for setting-up *NewBuC* which all agreed was concerned with helping inexperienced entrepreneurs establish new firms. There was less agreement about whether or not, after 12 months, this objective

had changed. Three public sector participants felt that there was more focus on developing the business ideas of those directly involved with *NewBuC*. Three private sector representatives agreed that there was now more focus on ‘profit’ but the other five participants thought there had been little or no change. The main area of conflict was the status of *NewBuC* and the potential of individuals to profit from its activities. Stan appeared committed to stimulating economic regeneration around the business school but also wanted *NewBuC* to operate commercially by charging directly for business advice or acquiring equity in new firms. The alternative view stressed the importance of establishing the extent of an individual’s shareholding in *NewBuC* and limiting ‘profit taking’. In other words, there was a tension between public sector ‘philanthropy’ and private sector profit motives. As an employee of XBS, I was primarily interested in the potential for regeneration through the creation of new technology-based firms. This perspective was shared by others associated with XBS including Geoff Hutt and Catherine Gurling who were prepared to give time freely to the new venture. Catherine was forceful in expressing the view that there should be limits to the extent to which individuals could benefit financially from the voluntary efforts of others. At the time Catherine was carrying out her doctoral studies in XBS following earlier experience in small firm policy-making with the Greater London Council (GLC) and time spent working for the small firm unit at London Business School. Her suggestion that *NewBuC* be established with charitable status was regarded as unworkable by Stan. In an attempt to deal with concerns raised by Catherine the management group designate did consider the case of individuals who worked voluntarily. The suggestion that a fund be created which did not form part of any distributed profits to shareholders was regarded as impractical:

‘The management group designate considered the matter but were of the opinion that such a scheme would result in increased bureaucracy and could create a distraction from the main aims of *NewBuC*. The management group also believe such a fund would create incompatibility between *NewBuC* and companies it forms. Such work could be regarded as a “loan from other sources” as referred to above’ (Call for Shareholders, 15<sup>th</sup> November 1999).

Public sector participants gradually accepted that if the project was to progress there had to be a financial rather than a philanthropic imperative. Catherine stopped attending meeting believing that the organisation would fail: 'I had no confidence in Stan being able to pull things together. The more I heard him the more I thought "you're not going to get this thing going" and I was not going to waste valuable time trying to change something I didn't think I could change'.

At this stage both Geoff Hutt and myself were prepared to continue with our support while there appeared to be potential to provide a useful service to those interested in starting their own companies. The following quotations from those participating in *NewBuC* illustrate the conflicting objectives. Geoff, XBS industrial coordinator, explained why he became involved:

'First I saw it as an opportunity for the university and I felt that I should be playing a role in *NewBuC*. Secondly, I saw it as an excellent example of altruism in that people like Stan were successful and were happy to give up their time help other people achieve some sort of success.'

Alternatively, Edward Davis who was at that time manager of a bank located near the university campus was quick to recognise the potential conflict of interests :

'There is nothing wrong in wanting or expecting to take a shareholding in a new company. But I think that there were other agendas - personal agendas - within the core executive which were beginning to surface. *NewBuC* was being seen as a business in itself..... and the *raison d'etre* moved very quickly from a support organisation to one that was trying to develop a lot of the ideas for itself'.

Very soon after the change in objectives Davis withdrew from *NewBuC* although he remained committed to helping startup businesses in the region. The personal agendas of the main participants were explicitly identified by another private sector representative(Eddie Lawrence):

'I feel that the organisation has a number of people who are doing it for their own reasons. Stan wants an occupation and will set some companies up. Colin wants the business from the new firms which are set-up. Some of the others are going along with those two.'

Mark Mitchum, whose innovation of the brake calliper appeared, in the early stages at least, to offer an excellent opportunity for *NewBuC* rapidly became disillusioned:

‘It started off as a group with everyone putting in their knowledge and it ended with a few individuals trying to snaffle the one good idea which they’d looked at. Stan, Brian Johnson and his creep of an accountant or solicitor or whatever he was. If I were to speak, mmm, darkly, those three were trying to grab my idea for themselves.’

In contrast, members of the executive committee insisted that those involved with *NewBuC* remained true to the original principle (Brian Johnson):

‘There is certainly a philanthropic element to it. I think that most of the people involved do realise that there is more to creating a business than money. *NewBuC* will establish and grow successful companies but it will also provide opportunities for the University.’

Graham Frazier also acknowledged the altruistic element to *NewBuC*’s creation but recognised the frustration this caused for those wanting freedom to generate profit. Following a meeting of the executive in early May (2000) he felt that the rather ‘woolly’ guidelines had been clarified:

‘We’ve reviewed and crystallised the objectives which are to help people create new companies. But also for us to create *NewBuC* as a company as well. We’ve moved slightly away from the original idea because at the outset it was to act as a virtual incubator - we would provide all the expertise and these companies would be totally separate. What we want to try and do is to try and use our experience in a proactive day-to-day role to stop them (entrepreneurs) from making mistakes’.

Colin Ainsworth, Stan’s accountant was much more cautious in his comments and simply gave monosyllabic answers to the majority of questions. He did, however, agree that *NewBuC* had been set up to help stimulate new business:

‘We feel we have an advantage because we offer a package and whoever comes to us we can pick and choose. At the same time, the person who is approaching us is in the position to ask for the help they need and as long as we see eye-to-eye with them we can offer a particular skill without having to involve anything else as part of the package’.

The main actor, Stan, explained that while participants remained true to the original principle of supporting new businesses he believed profit was central to the creation of a thriving enterprise:

‘There’s a happy medium between philanthropy and ripping people off. I felt that we needed to create companies based on innovations that were good enough to allow people within the organisation to receive salaries and to generate profit we could invest in new companies. So that’s what it was and I don’t think it’s changed substantially.’

In addition to *Disc Technologies*, discussed above, a number of potential business ideas were considered by *NewBuC* representatives. After the executive board was set-up in December 1999 they took responsibility for screening of new proposals most of which originated from business contacts of Stan Astley. A small number of ideas remained under consideration for considerable periods without the board making a positive decision to support any of the ventures. It appeared to me that the central reason for this reluctance was Stan’s increasing openness in putting forward his own ideas. These varied from a regular proposal to develop ‘magnetic wallpaper’ to his idea for ‘fitted garages’ (similar principle to fitted kitchens). In early March 1999 a ‘brainstorming session’ was arranged to assess ideas put forward by those who regularly attended meetings. Almost 40 suggestions were evaluated and ‘fitted garages’ was rated the best business prospect. While neither Geoff Hutt nor myself objected to *NewBuC* supporting Stan’s business ideas we felt that ‘fitted garages’ hardly fulfilled the original criteria for developing a high-tech cluster. His argument, supported by other members of the executive board was that the potential for business success was more important than focusing on technology-based ideas.

### **Analysis: The Two Cultures?**

Over 40 years ago C.P. Snow (1959) discussed the divisiveness of two distinct cultures: the ‘arts’ on one hand and the ‘sciences’ on the other. Snow argued that neither group had any real understanding of the intellectual endeavours of the other. More recently, Raelin (1986) referred to the divide between managers and scientists as a ‘clash of

cultures'. As illustrated above, there was clearly a cultural divide between the groups representing public and private sectors. This was not necessarily related to a complete lack of understanding as all those in the public sector had at some time spent a considerable amount of time in the private sector. Rather, it was based on ways in which different sets of values informed the activities of both groups. In explaining *NewBuC's* development over an eighteen-month period I utilise structuration theory (Giddens, 1984) which links the realm of action with the institutional realm. This is made possible by identifying the modalities, interpretative schemes, norms and facilities, adopted by agents to mediate social interaction.

### *Interpretative Schemes*

Interpretative schemes are the means by which individuals make sense of their own role at the same time allowing them to communicate meaning to other actors. Public sector participants agreed (Appendix 1) that the primary objective was to provide help for those considering starting their own businesses particularly XBS students. Furthermore, involvement was based on the principle that the knowledge, experience and time of those involved with *NewBuC* would be given freely. The broader 'social good' of helping entrepreneurs to create new organisations was regarded as more important than individual gain. As discussed above, Geoff Hutt and I gradually accepted the private sector 'worldview' that survival meant there should be a profit motive. It also became increasingly obvious that *NewBuC* was seen by Stan as the means by which he could develop his own ideas rather than help less experienced entrepreneurs. This internal emphasis was justified in terms of the difficulties in attracting good external business ideas. However, over a 12 month period at least 30 proposals (Appendix 3) were seriously considered by the executive and, at the time of writing, none had been judged suitable for support.

By the end of the first 12 months public sector contributions had been marginalised. *NewBuC's* incorporation and the setting-up of the three-man executive committee focused attention on economic outcomes. Catherine Gurling ceased attending within two

months of the inaugural meeting while Geoff Hutt and I became increasingly disillusioned with decisions made by the executive committee. My objectives changed from seeing *NewBuC* as a mechanism for business regeneration to regarding my involvement as an opportunity to observe the creation and, I had little doubt, the disintegration of an organisation. Setting-up the executive committee (Stan and his two friends) meant Geoff Hutt and I were excluded from all major decisions. For example, early in 2000 Graham Frazier replaced Stan as MD (managing director) but the reason for this change was never explained to the steering group.

### *Norms*

Norms, organisational conventions and ‘rules’ which govern appropriate behaviour are a key element in understanding the nature of individual actions. Normative values are an important influence on interpretative schemes utilised in day-to-day social interactions. A number of norms underpinned the creation of *NewBuC* including the right of individual entrepreneurs to appropriate financial benefits from their business ideas. Although there was at least one public sector participant who described himself as ‘an unreconstructed Marxist’ this did not appear to extend to a questioning of the principle of proprietary rights. There was broad acceptance of those rules and regulations which are the foundation of the capitalist system including patents, the legal ownership of firms and managerial prerogative. In other areas there was less congruence between the norms of public and private sectors. As indicated above, the most contentious issue was the extent to which individuals should profit financially from the support of new businesses. Certainly those associated with XBS were sympathetic to Catherine Gurling’s belief that *NewBuC* should be constituted as a charity. Furthermore, public sector norms associated with the principle of information transparency, particularly related to financial issues, were regarded as unrealistically naive by the private sector. Geoff Hutt regularly articulated the need for meetings to have a formal structure whereas, perhaps surprisingly, private sector participants appeared content to have meetings without a chair, agenda or minutes. As discussed below, this was at least partly explained by the

private sector consisting almost entirely of ‘friends of Stan’ who appeared to treat meetings as social occasions rather than a time for serious business decisions.

Private sector participants, particularly the ‘self-appointed’ executive regarded profits as the basis for *NewBuC*’s future success. As indicated in Appendix 1, the ‘public sector’ quickly became disenchanted with this emphasis on profit and on the way in which decisions were taken by the executive. After 12 months only two of the four original members remained: one a close associate of Stan and the other, employed by XBS and central to the creation of *NewBuC*, became ‘increasingly less willing to contribute’. Certainly, I was alienated because major decisions were made ‘*in camera*’ by Stan, Graham Frazier and Colin Ainsworth (the executive) and by the way in which ‘confidentiality agreements’ signed to protect the rights of potential clients were used as justification for their unwillingness to share information. Bank manager Edward Davis expressed his frustration with the executive board:

‘How can someone like me add value if I’m not privy to ideas in the first place? I think there were some very strong personal agendas coming to the fore because they didn’t want to share good business ideas with the advisory body. The cynic in me says Stan wanted to keep the ideas to himself’.

### *Facilities*

The term facilities refers to the rules and resources drawn on by individuals when exercising authority over and between other social actors. Giddens distinguishes between *allocative resources*, which arise from command over objects, goods and other material phenomena and *authoritative resource*, which arise from the capability to organise and coordinate the activities of other social actors. One public sector employee did have important access to allocative resources through his ability to utilise XBS resources to provide a meeting room and refreshments (tea, coffee and sandwiches). This was certainly an important factor in both setting-up *NewBuC* and in its subsequent survival. Using XBS facilities helped because they were geographically central for the majority of those who attended regularly and provided a pleasant environment in which

to conduct business meetings. Authoritative resources were more significant in shaping the 'institutional' structure of *NewBuC*. Stan's position as originator of the concept meant that he took the lead in setting-out a vision for the way in which the organisation should develop. If, as was the case with Catherine Gurling's suggestion about charitable status, he disagreed with an idea then it was difficult to persuade others to go along with it. The majority of private sector participants were Stan's associates and generally deferred to his views which was partly explained by the fact that two participants were his 'customers'. Johnson was employed by a local education college which supplied training services to his company and Ainsworth was his accountant. Stan's experience of running a successful high-technology company, which counted Rolls Royce Area Engines amongst its main customers, gave him authority in considering how best to encourage the setting-up of such companies.

### **Agency, Modalities and Structure**

Although I have discussed the three factors independently, I agree with Willmott's (1987:29) assertion that 'the distinction between the modalities is purely analytical'. Linkages between individual action and institutional change involves the 'simultaneous and interdependent employment of interpretative schemes, facilities and norms' (Willmott, 1987:64). In utilising structuration theory as an analytical framework I have tried to demonstrate that organisational structure is not an artifact which can be studied in isolation from its social context. Modalities link action and structure which mean that the interpretative schemes, facilities and norms adopted by key actors associated with *NewBuC* influenced way in which relationships were *structured*. Differing signification systems adopted by key actors in the public and private sectors led to them interpreting the nature and mission of *NewBuC* in very different ways. As Scott (1995:37) points out, norms and values are a key element of insitutionalisation as they 'introduce a prescriptive, evaluative and obligatory dimension into social life'. Commitment to the idea that there was a broader 'social purpose' underpinning the creation of *NewBuC* encouraged those associated with XBS to engage with the project. Initially, Stan's vision

appeared similarly philanthropic but it gradually emerged that he and his network had a more instrumental motivation. Greater focus on *NewBuC* as a mechanism for mobilising ideas developed by Stan was legitimated by the argument that opportunities for financial gain were a stronger unifying force than a desire to encourage economic regeneration. This view was also reinforced by Stan's status as a successful high-technology entrepreneur as well as others in the private sector who were successful in their own right. As pointed out by Barley (1986) all organisational activity 'is driven by actors' interpretation of events, by differing access to resources, and by moral frameworks that legitimate a setting's social order'. Public sector participants were marginalised in favour of a profit-driven approach to the search for new business ideas. Although Stan's role was apparently subservient to that of MD Graham Frazier there was no doubt who actually exercised power in *NewBuC*.

Exclusion of the public sector can also be explained by the presence of two distinct groups. Stan's network of friends and business associates appeared to be based on long-standing links between the main actors (Appendix 2). Furthermore, Stan was very much the focal actor around whom other members of the network were organised. In contrast, ties between members of the smaller public sector network, were work-based linkages rather than friendship, primarily dyadic and much less strong (see Locke, 1995). The absence of a 'boundary-spanner' was of much greater significance in terms of links between agency and structure. In the early stages, Geoff Hutt did span the public-private networks because of his role in providing facilities for the fortnightly meetings. Geoff expressed his own frustration with the way he became marginalised:

'The direction's changed and I'm less able, possibly less willing, to contribute to the development of products for *NewBuC*. I think that the organisation is evolving in a very informal way but I like structure and things like minutes and properly run meetings. Each wasted minute is multiplied by the number of people at the meeting'.

Stan confirmed Geoff's exclusion when asked who was responsible for *NewBuC*'s continued existence. He identified himself 'because I have lots of contacts', other members of the executive (Frazier and Ainsworth), as well as

Brian Johnson ‘because he organises the minutes’.

The objectifying procedures which are central to institutionalisation (Berger and Luckman, 1966) were weakened by two forms of rationality: public good and private gain. Those in the public sector accepted that the creation of successful new firms entailed the appropriation of profits and the majority of private sector participants accepted their involvement had an element of philanthropy. Contestation centred on the extent to which members of *NewBuC* should benefit financially from the time, knowledge and experience donated freely by others. In the terms outlined by Hasselbladh and Kallinkos (2000:705) the institutionalisation of *NewBuC* never progressed beyond ideals and discourses with the consequence that there were neither clear goals nor ‘techniques of control’ by which the organisation could have been given an objective reality. This process depends on the creation of various organisational roles associated with corporate control (Fligstein, 1990) such as finance (Rose, 1991) and HRM (Townley,1995). Other than the creation of an MD and separation of executive and steering groups there were no clearly delineated roles within *NewBuC*. While this informality was initially seen as strength compared to other institutional actors (Appendix 2) it increasingly became an arena for disputes between public and private sector participants.

### **Conclusion: You’re Not Going to Get This Thing Going**

Based on my direct involvement I have analysed the activities of the main actors associated with the setting-up of *NewBuc*. As Aldrich (2000) points out, there are few studies which examine the process by which new organisations are established. *NewBuC*, as originally conceptualised, was intended to operate as a vehicle by which the knowledge of experienced entrepreneurs could be transferred to those considering starting new businesses. Initial objectification of the organisation occurred through the conjunction of the idea, developed by Stan, and the provision of resources (a meeting-place in XBS) by Geoff Hutt. This conjunction helped mobilise two networks: the private sector comprising business and friendships ties associated with Stan and the

public sector consisting of XBS employees. The strength of this public-private partnership gradually became a weakness as the differing norms and interpretative schemes of the two groups were revealed. Three main factors inhibited the institutionalisation of *NewBuC*: conflict over the profit-motive, changed objectives *vis a vis* development of new ideas and a reluctance to commit to any proposals. Philanthropy versus profit was the topic which dominated early meetings and led to the withdrawal of Catherine Gurling who had most experience in policies related to startup firms. Increased emphasis on ideas, such as fitted garages, put forward by Stan at the expense of ideas submitted by nascent entrepreneurs further disillusioned the remaining public sector participants. Geoff Hutt and I were also frustrated by the executive's unwillingness to commit to *Disc Technologies* which we believed had considerable business potential. We began to assume that this reticence was engineered by Stan who was using *NewBuC* to develop his own ideas rather than support other entrepreneurs. Institutionalisation was further inhibited by the lack of premises and the lack of any full-time employees. All participants accepted that in the early stages it was essential to incur as few costs as possible. At the same time, this lack of an institutional focus typified the inability of participants to establish a definite mission for *NewBuC*.

Although no doubt influenced by my own subjectivity I have tried to provide a balanced account of why a project to which I was highly committed in the early stages failed to develop in a way that satisfied both private and public sector participants. In summary, it seems that the voluntary nature of the organisation meant that there was no real imperative to resolve deep-seated differences based on divergent normative values. As a consequence, those such as Catherine Gurling and Edward Davis as well as the Mitchums simply stopped attending meetings when they realised their opinions were not considered. Similarly, because both Geoff Hutt and I recognised that *NewBuC* was being directed along a very different trajectory than originally anticipated we became passive observers rather than active participants. The project was flawed by Stan's unwillingness, or inability, to impose any *structure* on proceedings. The lack of any confrontation over this mis-management was symbolic of the overall failure as I came to

the same conclusion expressed by Catherine Gurling after six weeks: 'you're not going to get this thing going'.

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## Appendix 1: Summary of Interviews

Question	geoff hutt	cathryn gurling	OEJ	brian johnson	mark mitchum	ruth mitchum	eddie lawrence	edward davis	graham frazier	colin ainsworth	stan astley
Original NB objectives	facilitation of business ideas	help new entrepreneurs	assist business startups	grow successful SFs	help commercialise ideas	commercialise ideas	help start-up companies	help budding entrepreneurs	foster people with ideas	commercialise innovative ideas	create innovative companies
Revised objectives	developing SA's ideas	too much emphasis on profit	developing SA's own ideas	no change	focus on SA's ideas	develop own ideas	needs to be more focused	emphasis on profit	same but have crystallised	No - tempered by practicalities	moved a little way from philanthropy
Five year objectives	set-up <i>NewBuC</i> companies	withdrawn	withdrawn	generate capital to invest in SFs	don't know	no longer attend	not clear at present	stake in a few successful SFs	portfolio of investments	6-10 successful startups	generate profit - invest in own ideas
Main actor	SA	SA	SA	the executive	geoff hutt	geoff hutt	SA and AC	the executive	the executive	the executive	the executive
Advantages of <i>NewBuC</i>	Informality	don't know	experienced entrepreneurs	business experience	lack of bureaucracy	ditto	focus on people	no clear USP	understand the problems	offer complete package	entrepreneurial experience
Reason for Involvement	opportunity for university	interest in SFs	help XBS students	involvement with SA	help exploit own idea	help others exploit ideas	'ideas' person	interest in entrepreneurship	put something back into community	Interest in innovative SFs	wanted to encourage new ideas
Personal contribution	link <i>NewBuC</i> to University	understanding of SF sector	link students & experienced entrepreneurs	understand private sector	balance business & academia	practical business experience	sales and marketing ideas	finance + business network	experience as management consultant	experience as accountant	created & run SF for 10 years
Change in role	less willing to contribute	no longer involved	no longer involved	no - except take minutes	no longer involved	no longer involved	not so involved	withdrawn	currently MD	more involved	not much
Skills + experience	project management	business & public sector	business & academia	engineering + manufacturing	30 years as inventor	commercialisation of ideas	experience of SF sector	evaluation of high-tech SFs	accountant + MD of SF	accountancy	growing new companies
Successes	too early	none	continues to survive	attracted large number of ideas	none	none	continued survival	group of like-minded people	combining group with common aim	too early to say	haven't had any
Failures	Needed greater formality	lack structure & mission	no clear objectives	no-one works full-time	the executive	no help with new ideas	too long time to mobilise	no structure no objectives	not one SF up and running	reluctance to act	perhaps too slow to react

## Appendix 2: Individual Attributes and Network Linkages

Actor	Occupation	Attributes	Motivation	Links to SA	Decision-making	Formal role in meetings	Informal role in meetings
geoff hutt	AU business liaison	knowledgeable & helpful	help new businesses	increasingly weak	initially influential	member of steering group	constructive
oej	academic	enthusiastic	help new businesses	weak	marginalised	steering group	initially constructive
cathryn gurling	academic	knowledgeable + antagonistic	help new businesses	none existent	marginalised very quickly	withdrew (2 months)	initially constructive
brian johnson	lecturer in FE	indecisive & easily dominated	friendship with SA	friendship + business links	inner circle but little influence	minutes secretary	passive
mark mitchum	businessman + inventor	enthusiastic + opinionated	support for own invention	limited	no influence	withdrew (6 months)	regular irrelevant interjections
ruth mitchum	business advisor	dominated by father	assist father	non-existent	no influence	withdrew (6 months)	few contributions
eddie lawrence	SME manager	competent + ideas	help startups	friendship	some influence	steering group	peripheral
edward davis	Bank manager	assured, business-like, organised	help startups + business for bank	through <i>NewBuC</i>	very influential in early stages	withdrew (3months)	constructive and organised
graham frazier	entrepreneur	knowledgeable + receptive	support SA	appeared strong	increasingly influential	chair of executive committee	calm, assured and thoughtful
colin ainsworth	accountant	supercilious, opinionated & patronising	opportunity for accountancy practice	strong friendship + business links	increasingly influential	chair of steering group + member of executive	bullying (except to SA)
stan astley	entrepreneur + inventor	self-confident & friendly	create new business opps for self		Main decision-taker	executive committee	disruptive - unwilling to stick to agenda

### Appendix 3: New Business Proposals

	<b>Business Idea</b>	<b>Originator</b>	<b>Status</b>
1	Fitted garages	stan astley	under development
2	Computer-aided engineering	external	no progress
3	Laptop security	external	on hold
4	Bookeep	stan astley	under review
5	Dietease	external	under review
6	Employment agency	external	not pursued
7	Digital hearing aid	XBS student	not pursued
8	Power indicator	stan astley	under review
9	Safe-sign	external	not viable
10	Smelly jewellery	stan astley	under development
11	Brake callipers	mark mitchum	still negotiating
12	Glazescape	external	not pursued
13	Individual busts	external	not pursued
14	Magnetic wallpaper	stan astley	not pursued
15	e-mail postcards	stan astley	under review
16	24hr PC support	stan astley	not pursued
17	credit card park. metre	stan astley	not pursued
18	power consumption display	stan astley	under development
19	wave powered bilge pump	external	not pursued
20	video running machine	external	not viable
21	WAP data agency	stan astley	under development
22	custom-pattern knitware	stan astley	under development
23	footwear protection	external	not pursued
24	photo index software	external	not pursued
25	ICE efficiency	stan astley	not pursued
26	w'creen wiper replacement	external	not pursued
27	unbreakable crockery	external	not pursued
28	invisible satellite dish	external	under review
29	non-scratch floor cleaner	external	not pursued

30	model railway timetable software	stan astley	not pursued
31	low-weight batteries	external	under development
32	driving efficiency indicator	external	not pursued
33	selling ante-post bets	stan astley	not pursued
34	local network tv for elderly	external	not pursued
35	unbreakable shower hose	external	not pursued