Overcoming the structure–agency divide in small business research

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Abstract Explanations aimed at understanding the causes of variations in small business performance have tended towards either behavioural factors or structural explanations. However, this behavioural-structural dichotomy replicates the traditional structure-agency divide in social theory and consequently sets up artificial and unhelpful oppositions between agent-centred (behaviouralist) models that ignore social formations and structuralist theories negate the role of human agency in dealing with social exigencies. This paper endeavours to transcend this limiting dichotomy by drawing on the social theory of Pierre Bourdieu, to offer a more convincing framework for research on the small business sector.

Introduction
With some notable exceptions (Baines and Wheelock, 1998; Mariuseen et al., 1997), explanations of variations in small business performance have tended toward either behavioural factors (McClelland, 1965; Robinson et al., 1991) which focus on the personality of the “entrepreneur,” or structural explanations (Shutt and Whittington, 1987; Keeble et al., 1993). However, this behavioural-structural dichotomy replicates the traditional structure-agency divide in social theory. Agent-centred (behaviouralist) models tend to ignore social elements in the construction of individual motivation. Structuralist theories, on the other hand, tend to negate the role of human agency in dealing with social exigencies. This is not a problem unique to small business research:

The agency/structure debate refuses to lie down or quietly fade into obscurity. It raises fundamental questions about the nature of social reality, the manner in which it is conceptualized and the theoretical means most appropriate in explaining the relationship between its constituent elements (Reed, 1997, p. 21).

This paper seeks to approach this dichotomy, by drawing on the social theory of Pierre Bourdieu, to offer a more appropriate framework for research into the UK small business sector. Bourdieu’s methodological approach has become increasingly influential within the social sciences (Robbins, 1991) and his ideas present an interesting framework for analysing the small business sector. This is not to say that Bourdieu’s approach is the only possible one (Mouzelis, 1994) but it does represent a useful starting point for a critical analysis of these issues.

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The paper is organised as follows. The next section outlines the importance of both subjective and objective structures in understanding the process of small business formation and performance. It is argued that the traditional structure-agency divide does provide a framework for understanding the interpenetration of these objective and subjective structures. The third section outlines the social theory of Bourdieu and part four applies these themes to the field of UK small businesses. The final section draws out the conclusions of this application and argues that further work is required on developing alternative methodologies for better understanding the small business sector.

Subjective and objective embeddedness
The formation and performance of firms is inevitably embedded within the founder’s social world, not just in terms of objective structures (factors of production, the configuration of the local economy) but also subjective configurations such as family background. Embeddedness and historical continuity should thus be seen in terms of both mental and extraneous structures. It will be argued that this double reading is an essential foundation for an overall understanding of small businesses (Figure 1).

Objective structures
The linkages which bind formation and performance to accumulated factors of production (real property, labour and capital) and the exoskeleton of the local economy are drawn out in this section and summarised in Figure 1. Beginning with property and location, entrepreneurs tend to set up businesses close to
where they live. For example, Baker (1993) looking at new manufacturing firms in Leicestershire found that all had been established by individuals employed locally prior to start-up (within a radius of 15 miles). Similarly, Keeble et al. (1992) found that over 85 per cent of firms in their sample were founded locally.

Smaller firms tend to use more informal strategies of recruitment and utilise familial labour (paid or otherwise). For example Scott et al. (1989) report that 37 per cent of firms in their sample used family members or individuals with family contacts. This was echoed by Jones et al. (1993) who conclude that the use of family labour is a traditional and important feature of small firms and as such the formation of enterprise strategies cannot be divorced from an understanding of their embeddedness in familial relations.

As most new businesses are started largely on the personal financial resources of the founder, the level of capital owned prior to start-up is crucial. A survey of start-ups in Scotland found that of the £400 million invested each year in new ventures 51 per cent came from personal sources, 40 cent from banks, 6 per cent from the public sector, 2 per cent from informal investors and 1 per cent from venture capitalists (Scottish Enterprise, 1993). Those people who, prior to start-up, have higher levels of savings derived from above average incomes are thus in a better position to adequately fund their enterprise. Those who are owner occupiers, and whose houses are worth more are also in a better position in terms of having a larger collateral base (Black et al., 1996), which is particularly important given the structure of bank lending. Binks et al. (1988) found that for 85 per cent business loans the ratio of collateral provided to the size of the loan exceeded unity, and for loans below £150,000 the average ratio of collateral to advance was 5.6 on overdrafts and 3.1 on fixed-term loans. A similar survey by Cressy (1993) discovered that 95 per cent of business overdrafts in excess of £20,000 were fully collateralised. Residents of those regions with low levels of home ownership and house prices will therefore have lower collateral bases from which to obtain bank loans. Evidence from the Training for Work Programme (Enterprise Option), for the long-term unemployed to start their own business, found the lack of personal savings and collateral to be a major, often insurmountable, barrier to business formation. Finally, inherited wealth tends to open up opportunity sets: for example, Blanchflower and Oswald (1991) found that quite modest increases in inheritances appreciably raised the probability that 23-year-olds would become self-employed.

As most new firms begin by serving a restricted (local) geographical market, variations in the growth of regional and local demand will also have an important bearing on business start-up and growth rates (Keeble et al., 1993). This will be particularly pertinent for those firms supplying goods that are not easily tradable over space, such as the vast majority of consumer services. One of the few comprehensive surveys which has considered the linkages between service sector growth and opportunities for small enterprises was conducted by Thrift et al. (1987) on the effects of deregulation in the City of London. Large salary rises increased what the authors call “discretionary income” which was
most likely to be spent in their “home” region – the South-East. This
discretionary income was largely spent on status and positional goods such as
personal services, cars, private education, foreign travel and leisure. This
created opportunities for small firms in a wide range of areas such as: estate
agencies, restaurants, health centres, private schools, nanny agencies,
construction and riding schools. Small firms were often suited to the provision
of these goods in regard to the desire for exclusivity rather than mass
consumption.

Finally, the ownership structure and functional composition of local
economies has an important influence on the opportunities for small
enterprises. Local economies based on small firms tend to create greater
opportunities for other existing, and new, small enterprises (Davidsson et al.,
1994). In contrast, establishments that are part of multi-plant companies
generally have limited freedom to source inputs independently of the overall
corporate decision-making process. This means that divisional or head offices
usually control sourcing of key inputs with individual branch plants having
limited powers of discretion. These structures of purchasing are inimical to
local supplier involvement and, where strong, the linkages between externally
owned plants and the rest of the local economy tend to be weak (Turok, 1993).
The opportunities for existing and potential small firms are far from uniform
but are embedded within the local economic structures of which they are part.

Subjective factors
Embeddedness should, however, not just be seen in terms of objective
structures but also the reproduction of preceptoral or subjective dispositions.
The strongest historical linkage here is with family background, in particular
the propensity for small business formation. Rosa (1993) conducted a survey of
former students from UK universities, finding that graduates from a business
family background showed a greater tendency to enter self-employment
compared to those from employee backgrounds. Significant differences were
also found on attitudes to work. Graduates with family business backgrounds
tended to be less disposed towards comfort and security in work, were less
likely to favour working in the public sector, were more favourably disposed to
working in their own business, had more positive attitudes about
entrepreneurs, and a greater internal locus of control. Graduates with both
parents and grandparents involved in business ownership registered the
highest incidences of entrepreneurial activity and attitudes. A similar
investigation by Stanworth et al. (1989) showed that significantly more
individuals who had a father who owned a business were themselves
contemplating being or already were self-employed.

Interconnected with family background are wider social dispositions and the
nebulous environments of which we are part. As Low and MacMillan (1988)
write:

Opportunities do not drop from the sky. Opportunities are created within and among existing
organisations as a product of ongoing networks of relationships and exchanges.
Opportunities come most frequently to people located at advantageous positions within networks. Furthermore, exploiting an opportunity requires certain resources (human resources, capital, marketing and technical information, sales etc.). The same type of network relationships and contacts needed to identify opportunities are also necessary to obtain the resources required to exploit opportunities.

The entrepreneurial process is embedded in a shifting network of continuing social relations that facilitate and constrain linkages between small business owners and their environment in two fundamental ways. First, individuals’ mental models incorporate their particular past experiences so that knowledge will be selected, configured and used differently by heterogeneous decision makers (Bartlett, 1932). In such a way the relationship between knowledge and decision making will be mediated by the cognitions (specific belief systems of individual decision makers) of actors (Swan, 1995). Moreover, human beings have a limited capacity for processing information, so that decision makers tend to construct simplified mental maps when dealing with complex problems based on heuristic reasoning and analogies (Tversky and Khaneman, 1974).

Having detailed the evidence for this dual embeddedness, it is argued that small business research should follow the central tenet of Bourdieau’s methodological approach by integrating:

...into a single model the analysis of the experience of social agents and the analysis of the objective structures that make this experience possible (Bourdieu, 1988, p. 782).

The behavioralist accounts of small business behaviour (Brockhaus, 1980; Chell et al., 1991; Robinson et al., 1991) do not sufficiently address the role of objective structures, while structuralist explanations (Barkham, 1992; Dunne et al., 1989; Shutt and Whittington, 1987) do not allow sufficient attention to be drawn to subjective factors. Only by overcoming this divide and recognising the interpenetration of both poles can progress be made. Bourdieu is one very influential thinker who has formulated a methodological approach to doing this. This approach is not presented as a panacea but rather as a useful starting point, although not necessarily the only one, for thinking more rigorously about methodological issues and our conceptualisation of the small firm.

The social theory of Pierre Bourdieu

Bourdieu’s dialectic is an attempt to transcend the structure-agency dichotomy and provide a framework for understanding the processes governing social reproduction. By pursuing such a course he seeks to avoid the limitations of mechanical structuralism or teleological individualism, which a moncausal reading of each pole in the structure-agency dichotomy respectively produces. The small business literature, in the way in which it tends to polarise between psychological and structural accounts, is a classic example of this divide.

The starting point of Bourdieu’s reading of the social world is the mutual penetration of objective and subjective structures and a recognition that the social world leads a “double life” (Bourdieu, 1977, p. 22). Social phenomena emerge from both the “objectivity of the first order”, constituted by the distribution of material resources and means of appropriation of species of
capital (socially scarce goods and values) and in the “objectivity of the second order”: mental systems of classification, that function as symbolic templates for the practical activities (conduct, thoughts, feelings, and judgments) of social agents (Bourdieu and Wacquant, 1992). Social facts are thus objects which are also the object of knowledge within reality itself, because human beings make meaningful the world which makes them (Bourdieu, 1990a).

Bourdieu does not attempt to produce “a catch-all theory” of social existence but rather a focus on processes in the field in question (Mahar et al., 1990). Moreover, as Mahar et al. (1990, p. 15) note “it is only through the study of particular practices that a field can be delineated, the forms of capital perceived and the methodology assessed.” In introducing this focus on practical processes it is useful to outline the relationships between the key concepts of practice, habitus, field, capital and reproduction (Figure 2).

**Practice**

Beginning with Bourdieu’s notion of practice, his aim is to produce a non-reductionist model where practice cannot be subjugated to habitus, objective structures, or historical circumstances alone, but rather each plays its part in the generation of social phenomena (Harker, 1990). Given this recognition of historical circumstances and objective structures, particular practices cannot be understood outside of their spatial-temporal context. Deriving from this, two key aspects of practical logic can be outlined. First, actors can never fully confront their present circumstances because they are an integral part of those circumstances (Jenkins, 1992). When growing up, individuals develop through a largely unconscious experience, acquiring a social identity. As this process is primarily unconscious, individuals do not constantly reassess their position in the world. As Richard Jenkins writes:

...the business of social life would not be possible unless it were taken for granted most of the time. We don’t spend our time questioning the meaning of life because we cannot afford to and social imperatives do not allow – in both senses of the word – us to do it (Jenkins, 1992, p. 17).

Practice is thus embedded in processes of which we are never wholly conscious, but which form part of an evolutionary learning experience that is integral to

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**Figure 2.**

Reproduction and change in the social theory of Pierre Bourdieu

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**Source:** Harker (1990), p.101
growing up and maturing. As a result, the understandings we have of the social environment to which we belong will have a major part in the reproduction of that world. As part of being embedded within a particular environment actors usually know, without consciously knowing, the right thing to do (Bourdieu, 1990b). This condition aids the coincidence of objective structures and the internalized structures (the causality of the probable) which provides the illusion of immediate understanding – a key characteristic of practical experience of the familiar universe:

If a very close correlation is regularly observed between the scientifically constructed objective probabilities (for example, the chances of access to a particular good) and agents’ subjective aspirations (“motivations” and “needs”), this is not because agents consciously adjust their aspirations to an exact evaluation of their chances of success, like a gambler organizing his stakes on the basis of perfect information about his chances of winning. In reality, the dispositions durably inculcated by the possibilities and impossibilities, freedoms and necessities, opportunities and prohibitions inscribed in the objective conditions (which science apprehends through statistical regularities such as the probabilities objectively attached to a group or class) generate dispositions objectively compatible with these conditions and in a sense pre-adapted to their demands (Bourdieu, 1990a, p. 54).

The second key characteristic of practical logic is its fluidity and indeterminacy: practice is the art of necessary improvisation (Bourdieu, 1977). Social interaction can never be satisfactorily conducted simply on the basis of rules, edicts or abstract models. It is not possible to have a set rule for every conceivable situation that one could possibly encounter. Given the impossibility of living solely by rules we must, by necessity, improvise.

**Habitus**

Habitus literally means habitual or typical condition and is defined by Bourdieu as:

...a system of durable, transposable dispositions which functions as the generative basis of structured, objectively unified practices (Bourdieu, 1979, p. vii).

Dispositions are embodied in human beings and created and reformulated through the conjuncture of objective structures and personal history (Mahar *et al.*, 1990). Dispositions are thus acquired in social positions within a particular environment and imply a subjective adjustment to that position, so that habitus is not just manifest in behaviour, it is an integral part of it. What distinguishes Bourdieu is this importance placed on the thoughtlessness of habit and habituation. Socially competent performances are produced as a matter of routine, without the actors necessarily “knowing what they are doing” (in the sense of being able adequately to explain what they are doing).

Habitus also includes a person’s own knowledge and conceptualisation of the world, which makes a separate contribution to the “reality” of that world (Mahar *et al.*, 1990). An individual’s knowledge, therefore, has a genuine constitutive power and is not merely a reflection of the “real” world (Bourdieu,
1984). Because of its mode of development, habitus is never “fixed”, either through time for an individual, or from one generation to the next. As positions within fields change, so do the dispositions which constitute the habitus.

Ways of thinking and feeling are influenced by the habitus and the way in which dispositions to act and think are enshrined in the ethos of the group into which we were born. There is thus not an infinity of selves that we are free to become, but rather inculcated limits on the autonomy of agents (Robbins, 1991). Bourdieu outlines two fundamental constraints on our ability to make ourselves different. The first constraint is the habitus of the socialising agents:

Between the child and the world the whole group intervenes … with a whole universe of ritual practices and also of discourses, sayings, proverbs, all structured in concordance with the principles of the corresponding habitus (Bourdieu, 1977, p. 167).

However, within periods of rapid structural change, the objective conditions of the material and social environment will not be the same for the new generation. This forms the second source of constraint of the habitus in each generation – objective conditions also durably inculcate dispositions, engendering both aspirations and practice in sympathy with the objective conditions (Mahar et al., 1990). The habitus will therefore change with each historical discontinuity in a direction that attempts a compromise with material conditions. However, this compromise can never be “neutral” as the perception of objective conditions is itself engendered and filtered through the habitus. Changes in the habitus will thus reflect structural changes, the habitus of previous generations and how historical changes are perceived and reacted to on the basis of the prevailing habitus.

Field and structure

I define a field as a network, or a configuration, of objective relations between positions objectively defined, in their existence and in the determinations they impose upon their occupants, agents or institutions, by their present and potential situation (Warquint, 1992, p. 37).

A field is therefore a field of forces; a structured system of positions within which individuals and organisations operate. The structure of this system will determine, to a large degree, the possibilities agents face. As fields of forces, they are arenas “within which struggles or manoeuvres take place over specific resources or stakes and access to them” (Jenkins, 1992, p. 84). Contrasting stakes (such as employment, land, power, intellectual distinction and prestige) will be ventured within different fields according to the latter’s defining content. Each field has a different logic and taken-for-granted structure, which is both the product and producer of the habitus of the field in question.

The internal composition of a field will derive from the structure of power relationships within it (Bourdieu, 1983). The positions of actors within the field thus “are determined by the allocation of specific capital to actors who are thus located in the field” (Mahar et al., 1990, p. 8). Hence positions between actors within a field can be classified in terms of relationships of domination,
subordination or equivalence, by virtue of the access they grant to capital (Jenkins, 1992). The objective definition of an actor’s position thus proceeds from the constitution of the relationship between it and the relevant form of capital. Through its existence and the involvement of actors, participants attach legitimacy and value to the capital at stake within a field (Bourdieu, 1990b).

**Capital**

For Bourdieu, capital includes “all the goods, material and symbolic, without distinction, that present themselves as rare and worthy of being sought after in a particular social formation” (Bourdieu, 1977, p. 178). In opposition to Marx, Bourdieu thus contends that there are immaterial forms of capital – cultural, symbolic, and social – as well as an economic form and that it is possible, though with differing degrees of difficulty, to convert one of these forms into others:

These fundamental social powers are … firstly economic capital, in its various kinds; secondly cultural capital or better, informational capital, again in its different kinds; and thirdly two forms of capital that are very strongly correlated, social capital, which consists of resources based on connections and group membership, and symbolic capital, which is the form the different types of capital take once they are perceived and recognized as legitimate (Bourdieu, 1987, p. 3-4; cited in Calhoun, 1993, p. 69).

Economic capital is that which is “immediately and directly convertible into money” (Bourdieu, 1986, p. 243), distinguishing it from the other two forms of capital. Capital must subsist within a field in order for the field to have meaning and participants to associate with it. In other words, goods or resources must be perceived as “rare and worthy of being sought after in a particular social formation” (Bourdieu, 1977, p. 178). This value given to capital is allied to the social and cultural characteristics of the habitus (Bourdieu, 1984). The types of capital that are recognised in particular fields and incorporated into habitus are, in part, generated by the objective power relationships present and their underlying, material base (Mahar *et al.*, 1990). To delineate a field it is thus empirically necessary to understand the volume and structure of capital present.

**Reproduction**

Tradition tends not to be passed on in formal situations such as school, where that passing down is itself a manifest project. Rather, most transmission and subsequent affirmations of culture take place in the course of interested actions in which people pursue a variety of ends, both conscious and unconscious. As people succeed or fail, their actions meet with approval or disapproval. In trying to carry out their manifold projects of daily life, they may adjust slightly the traditional information that they have received from various others in the course of previous interactions (Calhoun, 1993).

Individuals can pursue strategies, because agents are not structurally determined and have a degree of autonomy in that they can adopt a number of
positions within often relatively autonomous fields. Bourdieu’s conceptualisation of strategies is unusual in that he sees them as intuitive, garnered from an understanding of “the rules of the game” rather than as rational, calculating actions. Strategies are thus spatially and temporally specific.

The field of UK small firms
The aim of the rest of this paper is to sketch out how Bourdieu’s emphasis on processes may be utilised by small business researchers and Figure 3 applies the generic framework for understanding Bourdieu’s thought to this particular field. This application focuses on the field of UK small firms in the 1980s. The latter was chosen as a period of major change in both objective and subjective structures and as such it provides a useful illustration of the interpenetration of changing habitus, structures and practice.

The starting point for developing a new research agenda should be an attempt to understand the everyday rationality of small business owners, which is not captured by either psychometric testing or structuralist accounts. This would unearth the rules of operation and the lessons drawn from experience which guide everyday decision making. To be effective this requires longitudinal studies of multifarious small businesses. In so doing it may be possible to trace through the degree to which decision-making processes are durable to changes in the market environment and how different managers react differently to the same macroeconomic stimuli given divergent dispositions. It is only by making these connections (Figure 3) that researchers can come close to predicting the reactions of managers to the introduction of new policy initiatives aimed at stimulating the small business sector. For “realistic policy” one requires an understanding of owner-manager “common sense” (everyday rationality) which has been sadly lacking in the introduction of most support policies.

Figure 3.
Reproduction and change – a new research agenda for small firms
Habitus and the small firm

The primary focus of the small business literature to date has been on the causes of, and prerequisites for, firm growth. This emphasis has been reinforced by public policies concentrating on the creation of new jobs and a reverence towards "achievement", "winners" and "best practice". However, such a conceptual approach is not the best way of understanding small firms, as one is starting from a poor conceptual position as most small enterprises are simply not growth oriented (Gray, 1993).

If strategies are to be understood, it must come from a study of practice and the dispositions of owner-managers towards satisficing. However, left like this, satisficing becomes merely a black box. There is a requirement to see how thresholds for satisfaction are individually and culturally determined and how these thresholds emerge out of practice (Bourdieu, 1990a). For example, the higher probability of business formation by individuals whose parents and grandparents owned businesses (and more pro-entrepreneurship values) (Rosa, 1993) can be best understood in terms of Bourdieu’s notion of the habitus of socialising agents.

The field of small businesses

Three key characteristics of the field of small businesses in the 1980s can be discerned. First, since the 1970s the importance of the small firm sector has risen when measured in terms of both their share of the stock of businesses and the percentage of the labour force self employed (Storey, 1994). By 1991 nearly two-thirds of UK firms had two employees or fewer (Storey, 1994). Second, while the total number of firms has increased the majority of new firms stay small. In fact the absolute numbers of medium-sized and larger-smaller companies over the past 30 years in the UK has remained broadly static, with few new firms becoming large or even medium-sized operations. Storey (1982), on the basis of a survey of new manufacturing firms in the North East, calculated that the probability of a new firm having 100 or more employees within ten years of start-up was 0.5-0.75 per cent. A follow-up survey found that while the numbers of start-ups in this region has increased over the 1980s the average quality of start-ups has diminished, with a consequent decrease in the already tiny probability of a small firm growing into a medium-sized enterprise (Storey and Strange, 1992). Finally, there was a spatial dimension to small firm formation and growth in the 1980s, with the former and the latter positively related to local economic changes in favour of the South of England and rural localities (Keeble et al., 1993).

In providing a framework for explaining these patterns, a series of related notions can be postulated. First, small business formation in the 1980s was embedded in the objective structure of an economic and credit boom and the subjective dispositions of how this phenomenon was interpreted, in particular the expectations of continuing growth and prosperity fueled by rising house prices. In such a way, "historical conditions are mediated through the habitus, so that structures do not exist and do not really realize themselves except in
and through the system of dispositions of the agents” (Bourdieu, 1969, p. 705). It is these dispositions which have been ignored in previous considerations. Dispositions, particularly in South-East England, were conducive to start-up with a cultural shift towards individual achievement and an expectation of continuing prosperity. In the light of the subsequent recession, if many of those who started up businesses were asked if they would do the same, with hindsight negative responses would be elicited. Thus, even when the late 1980s/early 1990s recession had ended, the level of business formation did not regain the heights of the mid-1980s (SBRT, 1997). This underlines how dispositions are both spatially and temporally contingent and critical in decision making.

**Perceptions and strategies of small firms**

The actual strategies pursued by small firms are inevitably based on improvisation; grounded in practical logic and part of an adjustment to market changes. In the 1980s the latter went largely unquestioned. The new small businesses formed in this era were linked to the promotion of individualism (including personal property and responsibility), were presented as “natural” and “instinctive” and the morality of the market was couched in terms of individual choice (Morris, 1991). If one looks at the weaknesses of these new businesses two key trends are apparent:

(1) the very high failure rate associated with business formation; and

(2) the lack of adequate preparation by and for, and the limitations of, the founders.

Many of these founders overstated their freedom to pursue their own ends, with a failure to conduct market research and, consequently, a high churning rate (Keeble et al., 1993). If the internal composition of a field derives from the power structure with it – new entrants must understand but have tended to ignore, or not discover, the likely weakness of their position.

In explaining this further, it can be seen that small businesses operate in two domains which together provide a system of statements for diagnosing, and reacting to, problems by providing financial, social and moral rewards: the business as a way of life and as an enterprise within a market. Considering the business as a way of life, it is usually supporting or contributing economically and socially to family relations, and thus subject to wider demographic processes, which are motivated by conceptualisations (socially and personally constructed) of adequate standards of living. As Gray notes:

...the patterns of growth and motivation ... provide for the evidence that many firms are driven by independence and other intrinsic motives and are strictly speaking not businesses. Rather they are small organisations with non-business objectives (Gray, 1993, p. 69).

However, the business is always also an actor within an (often volatile) external environment. In this way the market operates as a selecting mechanism, that applies sanctions against economic agents, punishing or rewarding them on the
basis of realized performance, so that as an actor within a market two sets of selections are made. Firms, led by their subjective competencies and strategies, select between the perceived available possibilities and in so doing make the first choice. All firms will have to guess what in the future will be considered the best chances, but different perceptions or possibilities will guide each firm. These decisions will be “judged” by market forces, ruled by the level of competitiveness existing within each market (in terms of price and quality).

It is argued that the behaviouralist approach to small business formation, by stressing personal autonomy, is inimical to the realisation of this second selection criterion. This can be illustrated with a very simple example. Let us suppose that only two types of car can be produced: red cars and blue cars. Now suppose that the interaction of all producers and consumer preferences brings forth the outcome that at cost price or above, only red cars will be purchased and no blue cars will ever be sold. The producer, with the first imperative of survival, has to produce red cars, s/he has no independence whatsoever to manufacture blue cars. The decision to produce either red or blue cars is thus not made at the level of the unit (the producer) but at the level of the system (the market). Under this approach, those who set up their own business with the desire of greater independence per se will soon become disillusioned. This lack of independence is not exclusive to what is produced – but other critical success factors (delivery dates, marketing channels, branding, etc.). “Being one’s own boss” in this sense is mythical. However this elementary point has received little attention in the literature. Nor was it made clear in government advice and support during the 1980s. The lack of preparation for start-up is illustrated by Gorton’s (1999) findings on small firms over five years old. Only just over half the sample had spoken to potential buyers or produced a financial plan, with merely 25.2 per cent having conducted market research as part of their start-up preparations. When one considers that the sample covered only businesses that survived for at least five years, it may be expected that the actual proportion of start-ups that had followed these procedures was considerably less. Bourdieu’s conceptualisation of the social strategies of individuals as intuitive, improvised and garnered from an understanding of “the rules of the game” rather than as “rational” actions is just as appropriate for understanding the small business field.

One of the problems for successive governments in the 1980s was their dual promotion of:

- market sovereignty; and
- individual sovereignty.

The two, however, may not be compatible, as the red and blue car example illustrates. Individuals’ desires to realise their own ends will be limited by the nature of the market, and the selection processes that occur within it. As both an enabling and constraining mechanism, the government’s promotion of the market’s enabling properties, tied to its philosophical outlook, integrated with a nebulous shift towards a more individualistic oriented culture, meant that
while market solutions were championed, its constraints were never fully
realised by too many founders. This was reflected in the strategic deficiencies
uncovered, particularly a lack of market research. While some may argue that
market sovereignty was always dominant in Conservative ideology (Elliott et al., 1988; Morris, 1991), its legitimacy rested on its concurrent promotion of
individual sovereignty – a relationship that is highly imperfect.

Conclusion
While small business literature at present highlights the importance of
objective and subjective factors it does not provide a framework for their
integration and thus can only offer partial insights. It is argued that Bourdieu’s
emphasis on processes can aid small business researchers overcome the
impasse between the structure-agency divide, and the separation of
behavioural and structural explanations to which it leads. Figure 3 offers a
useful starting point for the application of Bourdieu’s theoretical framework to
the small business field and for the adoption of a more critical methodological
stance in this research area. This is not to say that Bourdieu is the only option
for an alternative theoretical perspective, and if the only outcome of this paper
were to stimulate this debate I would nonetheless consider this to be useful.

If one is more inclined to Bourdieu a clearer research challenge is evident.
Vital to gaining fresh insights is an understanding of the role of habitus as a
system of dispositions that mediates between structures and the practices
through which social life is conducted (Brubaker, 1985). Small businesses are
embedded in two structural environments: as an enterprise within a market
and as an institution entwined in family and social relations. The market
operates as a selecting mechanism, applying sanctions against economic
agents, punishing or rewarding them on the basis of realised performance.
Small business managers typically devise strategies on an intuitive and
improvised basis, mediated by the culture of the moment and past experiences.
In the 1980s the promotion of the market’s enabling properties integrated with
a nebulous shift towards a more individualistic oriented culture, meant that
while market solutions were championed, its constraints were never fully
realised by too many founders. This set of circumstances led to the creation of
many poorly prepared enterprises with a consequently high churning rate.

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