Introduction

We all of us know someone who is an entrepreneur. He may be a property developer, a small businessman, or just someone who knows how to ‘turn a fast buck’. Perhaps he buys secondhand Jaguar cars that are destined for the scrapheap, does them up and sells them to the Japanese. Or he buys unwanted books from publishers and sells them at ‘unrepeatable’ bargain prices from a high-street shop.

Nowadays it is quite fashionable to be an entrepreneur. Suburban front rooms are stacked high with pocket calculators to be sold through mail-order advertisements in the local paper. Commuters’ wives run ‘nearly new’ boutiques in their local village. It was not always so. A French sociologist, challenged to give a definition of the entrepreneur, is reputed to have said ‘The entrepreneur is a pig.’ This book attempts to give a more balanced view, but in doing so it faces the same problem as did the French sociologist: the most difficult part of studying entrepreneurship is to define who or what is an entrepreneur.

Most studies of the entrepreneur make no attempt at definition. They rely instead on a stereotype, that of the swashbuckling business adventurer. Anyone who conforms loosely to this stereotype is dubbed an entrepreneur. An examination of the folklore of entrepreneurship enables us to sketch the following portrait.

JACK BRASH – ENTREPRENEUR

John Brash was born in Stepney, East London, in March 1912, the son of Oskar Brash and Sarah Meadows. His father, a Polish immigrant, changed his name to Brash on arrival in England, and took British nationality. He was a former merchant seaman, and ran a small import agency, supplying traditional Polish products to the immigrant community. By the outset of the First World War he had built up a useful trade, but increasingly the profits of the business were spent on drink. When John was only two years old his father abandoned his mother, who was forced to take a job making fashion garments. She worked from home and, as he grew up, John helped his mother with the outwork in the evenings after school. They were paid on piece-rates;
The entrepreneur

an item for which their wage was tuppence was priced at two guineas or more in the West End shops.

John did not do well at school; he was quiet and withdrawn. Leaving school at the earliest opportunity, he became an errand boy and then shop-assistant, but was sacked on his eighteenth birthday when he became entitled to higher wages. Finding another steady job hard to obtain, he resolved to go into business on his own account.

He chose house clearance and secondhand furniture dealing. It was a time of high unemployment, and many of the unemployed were so poor that they financed themselves by selling off family heirlooms, and many choice items were ‘going for a song’. Jack’s experience with fashion garments had taught him that, while many people were poor, there were still those rich enough to afford expensive goods, if you knew where to find them. His idea was to buy in bulk from the local neighbourhood and sell to West End dealers. What the dealers would not take he stored in the front room at home and sold from a market stall at the weekend.

Before he could begin he needed to buy a handcart. He did not have the ready cash but, finding a cart locally that was rather overpriced, he offered to give the asking price if he could be allowed six months to pay. The owner was delighted to find a buyer, and the cart was Jack’s.

Jack was selective in what he bought. He always promised his sellers that their effects would be disposed of discreetly. By this he meant that they would be sold on the other side of town for a high price instead of locally for a lower price. He often worked unusual hours, so that he could call when the husband was out of the house. Wives were more willing to sell old things that were ‘just gathering dust’. If they thought their husbands would miss it they might buy a cheaper item to replace it with; Jack often had something handy that would do. He soon learnt by experience what sort of things the West End dealers were looking for, but eventually these became more scarce as potential supplies were depleted by his own activities, and by competitors moving in on his field.

Jack realized that supplies were so tight that he would have to stimulate them artificially. In particular there was a strong demand for fancy gilt-framed mirrors, and to satisfy this demand he entered the reproduction market. He obtained a couple of quotations in nearby Whitechapel for a batch of 50 reproduction items, and set the retail price by quadrupling his unit cost. He took the mirror which was to be copied and hawked it round the dealers he knew, offering a basic trade discount of 40 per cent, with an extra 10 per cent for an order of five or more, and a further 5 per cent for cash in advance. In this way he collected enough cash to finance production of the first batch of 50.

The business took off in a big way. The dealers sold out the first batch very quickly and re-ordered in bigger quantities. However, Jack’s profit on the first
batch only allowed him to finance another batch of 50 right away, though by the
time the fourth batch was under way, ploughed back profits together with
prepayments allowed the production run to increase to 250. Unit costs fell as
batch size increased, and Jack found that he was doing very well indeed. He
began to look around for something to do with the cash. He realized that what
sold the mirror was the design of the frame, and that the same sort of frame
could be used for pictures, prints and photographs as well, so these products
were added to his range.

About this time it occurred to Jack that he could cut out some of the
dealers and sell direct to the public. Without the dealers’ margin he could set
a lower price and sell more units. The logical place to sell was where the
market was biggest, and so when the premises next to his largest trade
customer became vacant he rented them, and set up in competition. By
cutting his price he devalued his competitor’s existing stock, and shortly the
firm was forced into liquidation. However, Jack helped his old friend by
taking over the lease and buying up the stock, on what Jack considered very
generous terms.

When war broke out in 1939 Jack realized that, as a first-generation Briton,
he was in a rather vulnerable position. As a youngster he had been aware of
Cockney antipathy to the aliens who settled in East London. He sold his
business while it was still doing well, and invested the proceeds in jewellery.
This was the form in which he kept his savings throughout the war. Very
patriotically he enlisted, and soon found his niche running the stores on an
airfield. As a quartermaster his methods were somewhat unconventional, and
the stores often contained some things they shouldn’t and were short of a few
things they should have held. However, Jack never made anything personally
out of his deals, though by the end of the war quite a few people owed Jack a
favour. After the war Jack kept in touch with them, and some of them repaid
the favour by investing in his business ventures, or introducing Jack to useful
contacts.

By the time he was demobilized Jack’s experience in the stores had given
him a good idea of the sort of surplus goods that would be coming onto the
market, and for some years after the war he made a living buying up motor
spares and selling them to people who were trying to keep their pre-war
vehicles on the road. However, his big opportunity did not come until restric-
tions on the production of domestic furniture were lifted.

Immediately after the war the rate of household formation had been very
high on account of marriages deferred because of the war. All these house-
holds had been furnished with utility items, built to government specification,
but public provision had resulted in too low a degree of product differentia-
tion for most consumers’ tastes. As a wartime economy measure this was
fully justified, but it was ill-adapted to the emerging post-war ‘affluent soci-
Jack decided to go back into fancy frames and mirrors, but to give his products a futuristic look.

He sunk his own savings in an initial batch of frames and was fortunate to sell them outright to a buyer for a chain of high-street stores. The frames sold well, but to Jack’s surprise the buyer suggested that an antique-look frame might also sell, provided that the frames were in better taste than Jack’s pre-war product. As the chain expanded so did Jack’s own business; however, the store managers always insisted on putting the frames at the back of the store, instead of at the front, as Jack would have preferred.

Jack resolved to set up his own outlets in order to keep the chain store on its toes, and to improve his bargaining power. He rented a number of shops and sold prints, antique maps and mirrors as well as frames. However, although his sales were high, his costs were even higher, and very soon he was in financial difficulties. He approached his bank manager to ask for an overdraft to finance his working capital. The manager was sympathetic, but cautious. He introduced him to an accountant who drew up a proper balance sheet and made projections of income and expenditure. The accountant made a number of recommendations for ‘turning round’ the business.

1. The shops should sell a wider range of merchandise and not just Jack’s own products.
2. Stock control should be improved, using more formal procedures.
3. Jack should stop trying to run everything himself, and managers should be given more discretion.
4. Higher wages should be paid to attract better-quality staff. He should stop recruiting ‘yes men’ and hire people with some flair of their own instead.
5. Jack should form a limited company and put some professional people on the board to advise him.

The bank manager indicated that the money would be available if these changes were made. It seemed to Jack that the ‘establishment’ had finally gained the upper hand. But he needed the money and so he agreed; and this is how the Flash Furniture Company was born.

Very soon Jack’s stores were stocking a complete range of furniture and glossy household goods, and ‘Flash Homes’ were pictured in full-page advertisements in the women’s weeklies. They could also be seen in the show houses on the big new estates. A special feature was that items were co-ordinated to form a complete range of room furnishing in a particular style. You could buy Tudor or Spanish as well as the budget-price Superluxe range. You chose the items you wanted using the special Adjustable Room Planner. Later a Nordic range was introduced, finished in brightly coloured plastic for easy
cleaning, but this dated rather quickly. Much of it was sold off for office use; the remainder was lost when a mysterious fire gutted a warehouse, but fortunately it was fully insured.

About this time unpleasant rumours began to circulate about Jack’s personal life. He featured in the gossip columns, particularly in the flat-racing season, when he hosted frequent parties for other racehorse owners. It was said, however, that he neglected his mother, who still lived in a flat in East London. Jack strenuously denied the charge, and said that his mother was given everything she wanted – including a television – and that she was too old to get about anyway.

In 1936, he had married Georgina, only daughter of Brigadier Mount of Monk’s Court, Oxfordshire, and an heiress to a small fortune. They had no children, and after the war Jack had begun to groom his young cousin Robert to take over the business. Soon after Robert came of age Jack retired from active management of the business, and began devoting himself to the pursuits of a country gentleman. He became well known for his views on free education as the key to equality of opportunity. He lavishly endowed one of the newer universities, and re-equipped its common rooms in the Nordic style. The business began to go down hill, but Jack did not seem to notice, being preoccupied with the honours heaped upon him by the establishment. Shortly before his death he was knighted for his services to education and industry, and was awarded an honorary doctorate from one of the newer universities. At the degree congregation he was described as a ‘great public benefactor’ and a ‘man of the people’. He always tried to ‘give the public what it wants’ and believed passionately in the housewife ‘voting with the pennies in her purse’. It was generally agreed that, if there were a few more people like Jack Brash, then the country would not be in the state it is in today.

The existence of this stereotype has undoubtedly impeded the economic analysis of the entrepreneur. There is a tendency to evaluate theories solely on the basis of their ability to rationalize this preconceived view. This procedure is the very antithesis of proper research methodology. Many of the qualities with which the heroic stereotype is imbued are simply a reflection of contemporary cultural attitudes.

Nevertheless, the stereotype is useful in that it provides various hypotheses regarding the family background, personal qualities and the business methods of the entrepreneur. The fact that these hypotheses are value-loaded does not matter, so long as they are regarded only as working hypotheses and not as statements of empirical regularity. The stereotype is useful as an articulation
of the view that there is a correlation between various personal characteristics and entrepreneurial activity. It serves to direct the theorist’s attention to the need to derive, if possible, relations between observable personal characteristics and the level of entrepreneurial activity. It is one of the objects of this book to deduce from very simple assumptions testable hypotheses of this kind.