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### Controversies and conceptual development Examining public entrepreneurship

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## Abstract

The role of entrepreneurship in the public services remains controversial. In this article we present an initial framework for understanding public entrepreneurship based on a typology of entrepreneurship and an initial classification of relevant public service processes and outcomes. Each aspect is illustrated by case study evidence taken from the West Midlands Ambulance Service, and is integrated into the theoretical literature on entrepreneurship. When applied to this case, the framework helps to differentiate two types of entrepreneurial action. The first type is conducted away from the core service and is governed by commercial considerations, the second is linked to the core statutory service and is governed by bureaucratic obedience. We argue a feature of public management is the requirement to operate across differing 'orderings of life' where contradictory rules apply. The acceptability of entrepreneurship depends on whether managers can recognize and distinguish between the rules governing these spheres.

## Key words

Ambulance services, enterprise, entrepreneurship

# CONTROVERSIES AND CONCEPTUAL DEVELOPMENT

## Examining public entrepreneurship

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## INTRODUCTION

Entrepreneurship is recurrently linked to public sector management in a debate that has spanned Europe (Boyett 1996; Llewellyn *et al.* 2000), the USA (Lynn 1998) and Australia (Ryan 1999). American authors such as Drucker (1985) and Osborne and Gaebler (1992) have suggested that entrepreneurship provides a relevant framework for instigating competitive behaviour against a backdrop of decentralization and marketization. In discussions around which economic models should be applied in designing UK public services, entrepreneurship featured in a critique of bureaucratic rationality. In the 1980s entrepreneurship was proposed in support of privatizations. Recently, it has been advocated in thinking about individual behaviour, on behalf of local communities and service effectiveness (Leadbeater and Goss 1998). Typically, such arguments assume there is not enough entrepreneurship, although exactly 'how much' there is remains unknown. Entrepreneurship is presented as one answer to the perennial problem of 'failing' public services.

Talk and advocacy of public entrepreneurship has also aroused strong critical reaction. Critics suggest entrepreneurship destroys the values and collectivities upon which the idea of public service is based. A critique of public entrepreneurship has arisen based on an analysis of the entrepreneurial character (du Gay 1996, 2000) and specific processes such as 'bending the rules' (Kelly 1998; Lynn 1998). In an American context, Moe (1994: 112) suggests the entrepreneurial character is best characterized by an obsession with self-promotion and power politics. Similarly, Terry highlights entrepreneurial processes such as 'rule breaking and manipulating public authority' (1998: 197). In such writing, in both the UK and the USA, authors have followed Weber (1978) by arguing that the 'entrepreneur', the 'bureaucrat' and the 'politician' correspond to differing 'orderings of life' (Hennis 1988). The bureau, as a distinctive life order, presupposes a particular ethical code and a specific 'organisation of the person' (du Gay 2000: 120) which runs contrary to entrepreneurial instincts. Despite such strong reaction critics also disagree about the extent of entrepreneurial behaviour in the public services. While some argue it is predominant and represents the final stage of a programme of neo-liberal reform that conceals accountability and new inequalities (du Gay 2000) others suggest it is a fad, with the reality being defined by persistent bureaucratic conduct (Schofield 2001).

These arguments look set to continue, possibly without resolution. Not only is there little empirical evidence for these positions, but what is understood by the term public sector entrepreneurship is far from consistent. For some, entrepreneurship is discussed as part of a general process of 'businessing bureaucracy' (du Gay 2000: 71). In contrast, American authors such as Perlmutter and Cnaan link entrepreneurship to specific endeavours such as introducing 'user fees, redevelopment agencies, off-budget enterprises, etc' (1995: 35). By offering a theoretically grounded case study, the present article aims to advance this debate. We argue that existing studies have employed ambiguous and contradictory definitions of entrepreneurship. Hence, the article begins

by developing a straightforward classification of entrepreneurial endeavour. Second, we argue that advocates and critics alike have been guilty of a form of determinism, suggesting that certain processes and outcomes are a feature of entrepreneurship per se, rather than a feature of certain types of entrepreneurial endeavour. Possibilities for conceptual development arise in the mapping of relevant processes and outcomes onto specific types of endeavour. Such a framework would contribute to current debates, perhaps replacing generalized critique or advocacy with a more cautious approach that recognizes greater contingency and variation.

This article develops a preliminary framework for classifying and evaluating entrepreneurship. Each aspect is illustrated by case study data and is integrated into the theoretical literature on entrepreneurship. In the following section, the case study organization is introduced. A typology of entrepreneurship is subsequently developed. We then assess the patterning of outcomes and processes against the aforementioned types. The implications of the research are discussed. We argue that policy makers and public service managers alike need to recognize the existence of differing types of entrepreneurial action just as they need to understand the variety of consequences that flow from these actions.

### **EXPLORING ENTREPRENEURSHIP: THE WEST MIDLANDS AMBULANCE SERVICE**

Throughout this article conceptual issues are illustrated using data taken from a study of the West Midlands Ambulance Service in the UK. Salient aspects of this organization are discussed below, to put these data in context.

First, it should be noted that the environment within which UK Ambulance services operate can encourage behaviour consistent with unregulated markets and enterprise (Boyett 1996). As self-managed units, UK NHS Trusts have freedoms over remuneration and employment. They can retain financial surpluses and invest in the 'business'. They face competition and market demands. Such a context, defined by uncertainty and competition, can give rise to entrepreneurial behaviour (Boyett 1996). Furthermore, the Ambulance service faces numerous 'strategic challenges', which shed light on why entrepreneurship might become part of an adopted strategy. Some salient points are discussed below.

Demand for emergency ambulance services is rising across the UK. In the four years from 1994–5 to 1998–9, activity in England and Wales rose by 10 per cent, 5 per cent, 7 per cent and 8 per cent respectively. The number of emergency calls rose from three million a year to nearly four million (*Guardian* 30 June 1999: 39). At the same time, performance targets have become more stringent. Paramedics now have to arrive at 75 per cent of the most serious category 'A' calls within eight minutes. This has increased from a figure of 60 per cent in 1997. For non-urgent calls, 95 per cent have to be met within fourteen minutes. Only one UK provider met the Government's target of

reaching three-quarters of 'life threatening' calls within eight minutes in 2000. Against this context there is a feeling that funding has failed to reflect increasing demands and expectations. While the Audit Commission estimates the average service handles one call every five minutes, it has been argued that 'financial allocations, some £470m in 1999, have failed to keep pace with the radical increase in activity' (*Guardian* 30 June 1999: 39). With less money around, managers have been interested in developing innovation or technology-led solutions.

The West Midlands Ambulance Service (WMAS) is the second largest NHS Ambulance Trust in England and Wales (measured by expenditure). It employs roughly 1,250 staff and owns 300 vehicles across thirty ambulance stations. What we subsequently term the 'core services' of the WMAS are the provision of emergency and urgent ambulance services and non-emergency patient transport services. Total demand for emergency and urgent services has risen from 309,100 calls in 1998/9 to 319,300 in 1999/2000. The service receives roughly 850 emergency 999 calls everyday. In 1998/9 the relevant targets were 60 per cent of category 'A' calls in eight minutes and 95 per cent of category 'B' and 'C' calls in fifteen minutes. The WMAS achieved figures of 61.6 per cent and 94.4 per cent, respectively. At the time the research was conducted, the figure for category 'A' calls was 67.2 per cent, rising to 75.4 per cent by March 2001. The core service contributes roughly £27m to the Trust's annual income, which has grown from £22.414m in 1993/4 to 38.418m in 2000/1. Outlining its strategic direction between 1999/2000 to 2002/3, the WMAS was conscious of positioning itself in an emerging NHS information network. The organization was one site for the second wave piloting for 'NHS Direct'.

In this article four prominent activities undertaken by the WMAS are used to illustrate themes and issues. These were identified during fieldwork as exhibiting entrepreneurial qualities.

- (1) The 'First Response' call-handling bureau.
- (2) The development and marketing of high-tech command and control systems.
- (3) The West Midlands Air Ambulance Service.
- (4) The development of a network of motorcycle paramedics.

The WMAS entered the market for call handling in the early 1990s. Its 'First Response' call-handling bureau provides services for both private and public sector organizations, e.g. British Waterways and Midland Electricity, and it also plays a role in some NHS activities, for example, co-ordinating organ donor and transplant team movements. In command and control systems, the WMAS was one of the first services to introduce a system of prioritization for emergency calls. It has developed a customer base for related products, for example that predict emergency calls. Services in Sussex, Essex, West Wales, the North East, Tees and East and West Yorkshire use systems developed by the WMAS. The WMAS established the 'County Air Ambulance' as a separate charitable trust that introduced a third aircraft in 1999/2000 and had total

funds of nearly £3.7m. Finally, the WMAS had claims to be the first to develop the concept of motorcycle paramedics. Throughout the article the bureau and technology examples are termed 'periphery', as opposed to core activities. They were periphery in the sense that WMAS could have exited from these activities at any time.

We wished to consider these activities in terms of established economic theory, in each case, illustrating themes with interview data and other case study evidence.

## CLASSIFYING ENTREPRENEURIAL ACTIVITY

Classifying entrepreneurial activity is complex and differing approaches exist within the entrepreneurship literature. Existing classifications tend to focus on 'entrepreneurial processes' or 'the essential entrepreneurial act' (Lumpkin and Dess 1996: 136). This distinction is similar to that between content and process in the strategy literature. Entrepreneurial processes refer to the 'practices, methods and decision making styles' (Lumpkin and Dess 1996: 136) that lead to entrepreneurship. The essential entrepreneurial act refers to launching a new venture, what the authors call 'new entry' (Lumpkin and Dess 1996: 136).

In their 'process' model, Covin and Slevin (1991) developed the concept of 'entrepreneurial posture' (1991: 10) which consists in risk taking with regards to investment decisions, the orientation to innovation and the extent of pro-activity. The focus on processes, at the expense of a focus on the act itself, can be seen as a weakness. The 'what' of entrepreneurship surely remains an essential consideration? Indeed, the approach of Covin and Slevin (1991) has been criticized by Zahra on exactly this point, its 'lack of specificity about the nature of entrepreneurship; the types of entrepreneurial activities a firm undertakes to rejuvenate or renew itself' (1993: 6).

In this article, we begin by attempting to differentiate types of entrepreneurial endeavour without reference to 'posture' (Covin and Slevin 1991) or 'orientation' (Lumpkin and Dess 1996). Instead we expand the definition of the 'essential entrepreneurial act', provided by Lumpkin and Dess (1996). In the following section we present three nominal variables which, when combined, produce a number of distinct types of entrepreneurial endeavour. In each case we present theoretical materials which support the inclusion of the variable within the emerging classification.

### Service innovation

The first variable in the classification relates to the introduction of a new service and whether this is: entirely new, new to the sector, new to the geographical area or new to the organization. This variable coincides most closely with a Schumpeterian (1934) view, where entrepreneurship is identified with innovation. From this view the function of the entrepreneur is to revolutionize the pattern of production 'by exploiting an invention or,

more generally, an untried technological possibility for producing a new commodity, or producing an old one a new way, by opening up a new source of supply of materials or a new outline for products' (Schumpeter 1976 [1950]: 132). These ideas have immediate relevance for classifying the entrepreneurial practices of WMAS. For example, claims were made about the origins of the paramedic motorbikes:

We were the first organization in the country, certainly we could argue perhaps in the world, to combine the skill of a paramedic with a motorbike. It's quite simple now because you see it in every city in the country.

Here a claim is made about a totally novel 'combination of resources' (Schumpeter 1934). While motorbikes and paramedics existed separately, the WMAS put them together. This had the effect of shaking up the provision of paramedic services.

The notion of 'being first' to establish service innovations also resonates with accounts of the Air Ambulance service. In Schumpeter's definition, this was of a lower order, as it drew on an already existing model introduced by the Cornwall service. It represented the development of an already existing mode of service delivery. Hence, this variable perhaps needs to be tempered with a reference to the 'newness' of the endeavour. Claims of originality revolved around the idea that WMAS were the first urban services to translate the idea: 'We can't claim to be first, but we can claim to be the one who has probably developed it to the extent we have ... we were second, but the first urban service'. This tempering is important, as the 'first-mover' (Schumpeter 1934) clearly has no existing model upon which to base managerial decisions. Being 'first' involves having to manage particular uncertainties.

These two examples might be termed 'service innovations' (Osborne and Flynn 1997) related to the core service. But Ryan (1999), in an Australian context, has expressed concerns about the efficacy of entrepreneurial innovation. He draws directly on Schumpeter who suggested that innovation would have a 'destructive' effect. The present case study suggests that such destructive consequences do not flow equally from all innovations. In WMAS, new modes of service delivery, such as paramedic motorbikes, could be replicated in other areas with relative ease. In the case of the air ambulance, its impact on service performance was not so fundamental that insurmountable problems would have arisen if other services had failed to develop such a service. In both cases the introduction of new services did not make other modes of delivery redundant. The consequences for the public sector as a whole were more variable than the deterministic critique of Ryan (1999) suggests. It is important to recognize that innovation is not only highly differentiated but that it can also be differentiated in terms of its impact.

### **New venture creation**

The second variable relates to the creation of new ventures, whether innovation is carried out within an existing organization or whether some new organization is

established. The establishment of a new organization is often used to characterize entrepreneurship. Casson (1982) argues that organizations are the institutionalization of an entrepreneurial idea. This represents the core of the definition developed by Lumpkin and Dess (1996).

The relevance of this variable within the public sector might be illustrated by the case study. In this example, the organization established itself as corporate trustee of a new charity that operates the Air Ambulance service using leased assets and facilities and employing helicopter pilots and engineers.

Yet, in the case of WMAS, equating entrepreneurship with the establishment of new ventures highlights a conceptual limitation of relying on this variable in isolation. Within the WMAS both the First Response bureau and the software development activities were commercially focused. However, despite the possibilities of achieving greater economies, WMAS was not able to develop these activities. While entrepreneurship is a response to 'gaps' in markets the WMAS was held back from linking together different 'points' within networks (Burt 1992):

If we could do whatever the market will bear out there and if we had the freedom to do that ... there would be other things we could do within the (bureau) setting that would benefit us financially much more than at present.

There was that option, you know, should we set up a company, but we couldn't because we weren't permitted to and we cannot set up a trading company as a Trust either.

While public service providers are often criticized for 'not being entrepreneurial enough', some providers may feel frustrated at not being able to develop entrepreneurial ventures. Also, as public service providers are unable to 'exit' from their statutory obligations, this variable might have a relatively low significance in the public sector context.

### **Innovation in service delivery: The removal of organizational slack**

The third variable relates to the development of new modes of service delivery. Again, this variable is tempered by the extent of newness. Leibenstein's (1968) theory of entrepreneurship, which draws on x-inefficiency theory, perhaps provides the best theoretical case for this variable. In Leibenstein's model entrepreneurship is the 'creative response' to 'organizational slack' involving the reconfiguration of organizational resources.

While many of the activities examined within WMAS were designed to increase capacity, to expand the production possibility frontier, the paramedic motorcycles fits closely with the entrepreneurial role that Leibenstein calls 'resource completion' (1968). At one level, the provision of ambulance services can be seen as a relatively simple puzzle. The WMAS locates vehicles in areas where its software predicts resources will be



required. Until the development of paramedic motorbikes the ability to vary resources sent to calls was limited to an ambulance staffed by two paramedics. As many requests were for 'potential incidents', this caused problems:

If we have a serious fire arms incident going on for West Midland Police, to start with we would have to send a crew to stand by in case anything happened, now we can send a bike, you know, one resource instead of two. Major fire, we need to standby and we've got one resource instead of two. So it's been a huge resource benefit and there's been a response benefit.

By establishing the paramedic motorbikes there is an expansion in the possibilities of providing service. Differentiating between the levels of resources that could be used introduced flexibility:

The idea just bubbled up from one of the senior managers who was an enthusiastic biker, 'why not put them on a bike?'. Having got all the funny things out of our system, like where do you put the patient, you start to think seriously about it, perhaps it would work.

In this sense the paramedic motorbike can be differentiated from the air ambulance, which increased possibilities (pushing the frontier outwards) through establishing new sources of funding. Instead, it reorganized how resources and competencies within the Trust were combined.

## Summary

We have sketched a classification for distinguishing types of public sector entrepreneurship. This has been supported by economic theories and illustrated by qualitative data. Definitions provided by Schumpeter (1934), Leibenstein (1968), Casson (1982), Covin and Slevin (1991) and Lumpkin and Dess (1996) have been influential. Three nominal variables have been presented: (1) service innovation; (2) new venture creation; and (3) innovation in service delivery. These variables clearly interact and when combined they give rise to at least eleven distinct types of entrepreneurial endeavour that might be expected to differ substantially in their 'intensity' (Zahra 1993: 10). At one end of the scale are entirely new organizations established to provide entirely new services. At the other end are organizations making relatively small changes to the way services are delivered following examples available elsewhere. Whether these latter actions are genuine entrepreneurship is a point for debate. We would argue that entrepreneurship resides in the challenges faced by the 'first-mover', where the entrepreneur establishes the model that others subsequently follow. Not all innovations involve entrepreneurship, only those made originally by the first-mover. However, we would suggest some intermediary endeavours reside in-between these two points that exhibit a degree of entrepreneurship: establishing an entirely new service that is

delivered through an existing organization; developing a type of organizational structure that is entirely new to a specific sector, etc. (see Table 1).

The basis of this classification is clearly innovation and this should be justified explicitly. We have chosen not to consider entrepreneurship in terms of ‘arbitrage’ (Kirzner 1973) for a number of reasons. Studies that have applied such perspective, e.g. Boyett (1996) and Ennew *et al.* (1998), tend to end by listing the factors that limit its applicability in the public sector. For example, in the context of purchasing secondary care Ennew *et al.* (1998) argue that GPs have the scope to perform an ‘arbitrage’ function. If there were a movement away from a steady state in local markets, rapid switching between suppliers might follow with the better-informed GPs profiting. Ennew *et al.* (1998) found this behaviour was very limited as price considerations were only one within a large bundle of factors such as quality, the availability to specialist services and relational factors such as trust. While it is notoriously difficult to define entrepreneurial activity (Covin and Slevin 1991) we feel our straightforward approach is useful as it employs a concept of enterprise that is likely to have salience in the public sector context, namely first-mover innovations.

This classification highlights problems with existing approaches. For example, based on a case study of the Department of Recreation in the city of Philadelphia, Perlmutter and Cnaan (1995) link entrepreneurship with fund-raising through direct support for specific programmes, selling advertisements and charging fees for services. Whether these activities represent genuine entrepreneurship is questionable as there were

**Table 1: Differentiating between types of entrepreneurial activity**

<i>Variable</i>	<i>Types</i>	<i>Case examples</i>	<i>Supporting theories</i>
Establishing an entirely new organization	To deliver services that are (1) entirely new, (2) new to the sector or (3) new to the region	Air Ambulance	Schumpeter (1934: 132) and Lumpkin and Dess (1996), link entrepreneurship with new venture creation
Service innovation in an existing organization	The development of products or services that are (4) entirely new, (5) new to the sector, (6) new to the region or (7) new to the organization	Predictive software Bureau services	Zahra (1993) links entrepreneurship to organizational decisions to enter new markets
Innovation in service delivery	Changes in the delivery of services that are (8) entirely new, (9) new to the sector, (10) new to the region or (11) new to the organization	Motorcycle Paramedics	Leibenstein (1968) locates entrepreneurship in new resource allocation decisions made within firms

precedence for all the activities undertaken by the City. As the City was not the first-mover innovator they could draw on existing models to minimize uncertainty. Within our schema such activities involve low levels of entrepreneurship. Similarly, the cases studied by Leadbeater and Goss (1998) are ambiguous, with the distinction between 'pro-active management' and 'entrepreneurship' being inadequately developed. This ambiguity is a recurrent feature of the literature, with Osborne and Gaebler (1992: 19–20) listing such varied factors as 'focusing on outcomes rather than inputs' and 'redefining clients as customers' as entrepreneurial principles, rather than differentiating these categories in terms of innovation. While du Gay (2000) is critical of Osborne and Gaebler, he employs a similarly ambiguous concept, emphasizing the introduction of contracts and the decentralization of authority down to the unit level. In our view, there is such disunity within debates, that there is some merit in focusing-down on the crux of entrepreneurship. In our schema entrepreneurship is captured by the distinctive problems and challenges faced by the first-mover innovator, the initiator of practical models that are subsequently replicated sector wide.

This initial classification suggests the 'what' of entrepreneurship is still very broad, i.e. there can be different types of 'first-moves'. Rather than engaging in generalized critique (Terry 1998) or support (Leadbeater and Goss 1998) the challenge for research should be to link different types of entrepreneurial activity, which perhaps differ greatly in terms of their 'intensity' (Lumpkin and Dess 1996) with a mix of public service processes and outcomes. Only after this has been done can a rational discussion proceed about the uses and applications of public sector entrepreneurship. It is to this task that we now turn. In the following section, we extend the analysis by differentiating entrepreneurial actions in terms of relevant processes and outcomes.

## DIFFERENTIATING BETWEEN ACTS OF PUBLIC ENTREPRENEURSHIP

This section addresses two entrepreneurial processes and two outcomes of public entrepreneurship. The discussion of processes refers to the 'orientation' that senior managers require when entrepreneurial opportunities present themselves. Outcomes are self-explanatory, referring to specific consequences of different endeavours. An inductive framework emerges, with the above classification being differentiated in terms of processes and outcomes. This represents an initial development, an attempt to show how management processes and outcomes vary across a classification of entrepreneurial endeavour. As just two management processes and two outcome variables are presented, the following is clearly not exhaustive. The dimensions considered are:

- (1) uncertainty and entrepreneurial judgement (process);
- (2) public support and visibility (outcome);
- (3) type, acceptability and management of risk (process);
- (4) income generation and the management of funds (outcome).

## Uncertainty and entrepreneurial judgement

For Casson (1982), entrepreneurship is characterized by judgmental decisions made in the presence of ‘uncertainty’. This theme is central to the work of Knight (1964 [1921]), where ‘absolute uncertainty’ exists when objective probabilities cannot be known, the entirely unprecedented situations faced by the ‘first-mover’. The ability to take decisions in conditions of uncertainty might therefore be a key process variable.

The WMAS case highlights the importance of the orientation towards uncertainty of senior managers. For example, to establish the bureau activity there needed to be an initial investment in capacity, management time, etc., if credible bids were to be developed. There could be no guarantee of securing the level of business that would cover the initial investment: ‘You actually need to invest with no certainty of payback, no certainty that could proceed, no certainty that you would succeed, and you actually need to be able to do that.’

Initially there needed to be some managerial judgement about the likely success of the venture. If the project were to get started, there would be an element of uncertainty. The bureau activities cost roughly £200,000 p.a. to operate:

Now obviously you won't do it with no business, but if the first contract you win is worth 100,000 you're in there. So you've got to take it and hope you get another worth 100,000 and then some more because, you know, what is the chance of us winning a 250,000 contract with no experience?

In this example the bureau activity (service innovation: new to sector) involved uncertainty at the beginning of the endeavour, because – as first-mover – it could not predict how the market would respond to an Ambulance service attempting this type of activity. Even if the WMAS were not first-mover, there would still be uncertainty as it could not know in advance whether the value of the contracts would cover start-up costs. However, as the first-mover it faces additional uncertainties while laying down precedents others might follow.

This form of entrepreneurial judgement is also evident in the example of the development of technology-based products. Having conducted collaborative work with a UK University, the WMAS became aware of commercial opportunities. It expanded the size of its IT department and persuaded a member of the University's team to join it. This was based on an expectation that it would recoup the initial investment:

We have an IT group writing our software, if we get it right we can then sell it to other services to recoup our investment... I think now there are nine services that have brought our system from us and that continues to be upgraded.

The software technology (service/product innovation: entirely new) thus represents a structural innovation. It differs from the bureau activities in terms of the function that bearing uncertainty has on the sector. In the bureau example, a large number of other

services in the UK or Europe might observe how the WMAS has utilized its distinctive competencies and replicate this to generate income. While the software development and technology example does produce new products for the sector as a whole, it is perhaps less obvious that other providers will expand their IT departments. It is perhaps only the larger services that might be able to undertake such activities.

In the case of the air ambulance there was also a degree of uncertainty, although this has a slightly different character. In the above examples, WMAS is essentially betting against levels of market demand. In the case of the air ambulance, the helicopter was to be funded by charitable contributions. However, it was difficult to stimulate 'charitable giving' without the helicopter being fully operational. The regional health authority (RHA) demanded that the WMAS should have at least one month's funding (£50,000):

The regional health authority said to us, we'll close it down unless you've got one month's running costs, we didn't have a penny ... so it's chicken and egg ... people need to see it, it's very difficult to sell a dream when you can't actually see it. You can talk about it but unless you can see it ...

A number of compromises were arranged that enabled these rules to be met. However, for six months it was unclear whether charitable funding would match the running costs. Despite the requirements of the RHA, there was an element of uncertainty.

These examples raise a number of themes for debate. First, the entrepreneur's faith in its own ability which drives it to find ways around barriers (Chen *et al.* 1998). This ability to negotiate rules has been seen by some as indicative of an intrusion of an enterprising ethos which is contrary to the public servants 'ordering of life' (du Gay 2000: 118). Second, the constraints imposed from within the health service are highlighted and whether these are always valuable. The question arises on what grounds can different levels of uncertainty be justified? Should the record of organizations be considered? Third the basis of uncertainty can differ from one endeavour to the next. In two examples, uncertainty was linked to fluctuations in markets. In another, the extent of charitable giving could not be known before hand. Finally, not all entrepreneurial actions involve the same level of uncertainty. The motorcycle paramedics example required lower levels of entrepreneurial judgement. As the initial outlay was of a lower order these decisions were more easily reversible.

### **Public support and visibility**

The second dimension considered refers to an outcome of public entrepreneurship. If public entrepreneurship is to be assessed, initial considerations of consequences are required. Classical definitions of entrepreneurship typically stress profit as the key driver of entrepreneurship (Knight 1964 [1921]) and this argument is translated by Webb (1999) into the public service context, when she argues that entrepreneurship is little more than new ways of generating money. A more positive interpretation is offered

by Leadbeater and Goss (1998) who advocate entrepreneurship as a method for re-engaging with communities. As we have argued throughout, these contrasting views might not represent an actual disagreement, but rather a level of ambiguity about what entrepreneurship actually means.

In this debate we would take a middle line that recognizes contingency. Clearly a key task of public service providers is to galvanize public support. This might be slightly easier for an ambulance service, when compared, for example, to a social services department. Indeed, the illustrative examples considered in this article shed light on how entrepreneurship might generate public support.

The air ambulance was particularly significant in this regard. Individuals spoke of how it enabled a new relationship to be formed between the public and the service:

One of the biggest things was getting the public on our side. And the public love something to fight for ... so you get the right amount of dramatic publicity so the public would be aware of the work it was doing and then push the name of the charity.

Public support was linked to the generation of charitable funds. One air ambulance requires roughly £0.8m annual funding. Running costs equate to around £50,000 per month. That the public is prepared to offer such donations is one measure of a level of engagement with the service. The extent to professional pride within the uniformed service was so great that reducing entrepreneurship to 'bring in money' seems unnecessarily narrow.

The air ambulance can be differentiated from the software development and the bureau services in these terms. The latter activities, while innovations in their own right, did not capture the public's imagination, indeed it was not clear that the public knew of them. They took place 'behind the scenes' although they did impact on the core service, producing money that could be feedback into emergency provision. Perhaps one important test of public entrepreneurship would be whether local people would champion an entrepreneurial Ambulance service if they knew of its record in innovation and of its orientation towards uncertainty. While public support has been discussed in positive terms, it should be noted that entrepreneurship brings with it the potential for failure.

### **Type and acceptability of risk**

Entrepreneurship is often criticized as being unsuitable because it is risk-laden (Lynn 1998). Yet it is important to differentiate between different types of risk. This is important for managers and decision-makers. In the following, we differentiate between financial risk, relational risk and service-based risk.

Financial risks were closely associated with uncertainty. In relation to the bureau service, a failure to win contracts would have resulted in the closure of the service at

a net loss. Managers recognized the tensions between these actions and basic stewardship functions: 'One can argue that you shouldn't be using public money that's been given to improve health to gamble, and when you get into the entrepreneurial and innovative area there is a gamble'.

In examining the area of risk Knight (1964 [1921]: 283) makes the link between entrepreneurship and 'luck'. While professional knowledge is subject to formal examination, entrepreneurial skills are much more intangible, once more indicating a possible distinction between the 'external given conditions' of the differing 'orders of life' inhabited by entrepreneurs and bureaucrats (Hennis 1988). The question of what basis should be employed to judge acceptable risk requires open debate. With respect to WMAS, it might be argued that risks are reduced when they are contextualized in relation to a substantial income from non-core activities and when they are carried out away from the core service.

Second, risks can be linked to implementing entirely new or 'untried' services. In relation to the development of software packages, there was clearly a risk that it would not work as effectively as desired:

The analysis suggest that history was a good predictor, but actually doing it and running it in the live situation, that's one of the things when you have to say, if we get it wrong we stand the risk of killing people and that's a risk that doesn't sit comfortably with any of us.

In this case, the software represented a managed risk, in the sense that the software was subject to considerable testing prior to 'going live'. However, concerns arose as the innovation impacted directly upon the core statutory service. The motorcycle paramedics represent a similar kind of risk.

Finally, risk can be linked to rules and political relationships. In relation to the air ambulance there were issues around promises given to the RHA and the actual situation of the WMAS. The RHA threatened to close the service down unless it could cover its running costs. The money was generated through a relationship with a local chain of hotels and the helicopter operators, although there was some 'flexing' of the rules along the way.

Even within these simple illustrative examples, it is apparent that the types and degrees of risk involved in different entrepreneurial endeavours vary in terms of type and intensity. Some involved financial risk, others have little impact on the core service. The air ambulance involved political risks in terms of the relationship with the RHA, but it did not risk core services.

### **Income generation and use of funds**

The final cross-cutting dimension refers to an outcome of entrepreneurship, the generation of income. Underneath all the positive talk, entrepreneurship might just

represent a rational response to demands to create efficiencies (Webb 1999). By helping to 'grow the business' entrepreneurship enables fixed costs to be spread over a larger output thereby generating cost efficiencies.

The illustrative examples considered can be differentiated with respect to income generation and the application of funds. Both the bureau service and the software development brought in entirely new sources of money that could then be fed back into the service as a whole: 'We then marketed it . . . it provides an income stream for us, that income enabled us to develop our systems even further. We felt that would give us a market gain in that respect and to a degree it has.'

The two examples that involved handling uncertainty and financial risk also generated the most funding. However, innovation was not necessarily driven by the need to generate new income. For example, while the Air Ambulance service generated new income streams, this was clearly 'fenced off' from the core service. The motorbike paramedics also did not generate new sources of funding.

## AN EXPLORATORY INDUCTIVE FRAMEWORK

The above sections have briefly outlined four aspects that modify the classification of entrepreneurial activity identified earlier. The picture is potentially one of great complexity, with many considerations and contingencies. The framework is summarized in Table 2.

This framework provides an initial way of classifying and evaluating entrepreneurial activities in the public sector. It provides a straightforward way of analysing public service developments. This framework is analytically useful in the sense that it allows the generation of further hypotheses. For example, a distinction can be made between two types of entrepreneurial endeavour that share similar characteristics in terms of the categories discussed. The first grouping links the bureau activity and the software development work. These activities are undertaken within an existing organizational structure. While the predictive technology represented an entirely new service, the bureau services were in competition with private sector organizations. They are commercially focused and are conducted away from the core service, although this latter point is complex as both generated new sources of funding that could be fed back into the core service. Both have the potential for the creation of commercial enterprises, although neither were visible to the public. In both, financial risks are 'managed' in the sense that potential losses would not eat into 'core' budgets and could be covered by income from non-core activities. In conceptual terms these practices conform to definitions that emphasize the need for entrepreneurial judgement in conditions of uncertainty (Knight 1964 [1921]; Casson 1982), insights and information regarding localized wants and desires (Hayek 1949) and a desire to expand ventures and enterprises.

The second group links the paramedic motorbikes and the air ambulance. Both of these relate directly to the core service, defined as the provision of emergency and



Table 2. Assessing and evaluating public entrepreneurship

	<i>Uncertainty and judgement</i>	<i>Public visibility and support</i>	<i>Financial</i>	<i>Risk</i>	<i>Service</i>	<i>Income generation and use of funds</i>
<i>New org – existing/new service</i> (air ambulance)	Uncertainty based on unknown public enthusiasms	Highly visible, support expressed as charitable donations	Medium to high. The risk of losing initial start-up costs	No experience at running such a service	Substantial income, could not be fed into core services	
<i>Existing org – new services</i> (predictive tech)	Medium to high. The need to invest without having won contracts	Behind the scenes activities, not directly visible	Potential losses if unable to read the market	Impact on core service, could be managed	Income generating, could be fed back into core services	
<i>Existing org – already existing services</i> (bureau)	Medium to high. The need to invest without having won contracts	Behind the scenes activities, not directly visible	Potential losses if unable to read the market	Detailed knowledge of managing such an operation	Income generating, could be fed back into core services	
<i>Existing org – new mode of service delivery</i> (paramedic motorbikes)	Very low levels of uncertainty	Visible, support needing to be evaluated through consultation	Cost of bikes, etc., vs. service improvement	Impact on core service offering and targets	Not income generating	

urgent ambulance services. Both involve the creation of new services but relatively low levels of financial risk. In both, financial and service-based risks are closely managed, e.g. the air ambulance is based on a model that exists elsewhere and the paramedic motorcycles could be piloted. Neither involves making decisions on the basis of market-based uncertainties. Both endeavours are highly visible and enable the service to engage with the public. Both are checked to a substantial degree by demands set down by the regional health authority. These examples conform closely to Schumpeter's notions of innovation, although they did not have radical and destructive effects for other services.

While these examples derive from the case study, there appear to be some grounds for suggesting they correspond to conceptually different types. The mentalities and practices that went along with commercially oriented ventures around the periphery seemed to be 'bracketed off' in discussions about running the core service. This is particularly apparent when considering the patterning of risk and uncertainty across core and periphery examples. Combining these two dimensions in a diagrammatic representation helps both to differentiate the activities of WMAS and also inform debates about the acceptability of public entrepreneurship as a whole (see Figure 1).

Across the public services the prevalence of activities that could be located in the quadrant 'core service – high uncertainty' is worthy of investigation. This is relevant as it is typically this type of entrepreneurial activity that authors such as Terry (1998) and du Gay (2000) concentrate on in their critical writing. While such activities raise

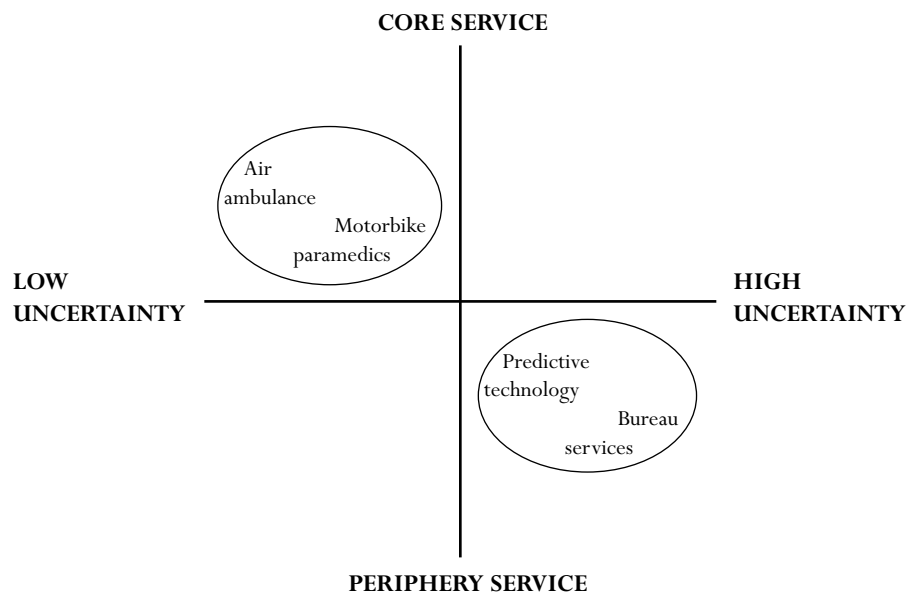


Figure 1: Classifying different entrepreneurial activities

legitimate concerns, we have found that entrepreneurial activity need not be reduced in this way; entrepreneurship need not risk the provision of core statutory services.

Through the analysis suggested here a more subtle conceptual approach to public entrepreneurship might emerge that clarifies some problematic aspects that have clouded debate. For example, while the classic act of entrepreneurship, what Lumpkin and Dess (1996) call 'new entry', will typically involve elements of uncertainty, these will vary depending on a number of factors, e.g. whether the organization is replicating structural forms or activities that exist elsewhere. Furthermore, equating entrepreneurship with risk is too simplistic. While some entrepreneurial endeavours will involve investing money up-front without guaranteed returns, it is clear that this is not a necessary feature of entrepreneurship *per se*. Hence, while this framework is only preliminary, it provides an initial formulation that might address weaknesses in current debates. It suggests that advocacy and critique should recognize great variation and contingency.

## DISCUSSION

If current debates are to have any coherence a consistent concept of public entrepreneurship should be developed. We have examined the concept and an elaborative framework has been developed. Additional empirical work might take place around this framework to develop it further. The application and implications of the research are considered below.

Initially, the argument of Webb (1999), that entrepreneurship can be reduced to generating income, would appear too restrictive. While entrepreneurship could be linked to the need to generate money and meet new service targets, etc., this had not quashed the enthusiasms of those we spoke to in the study. Rather the possibility of new definitions of professional progress seemed to be possible around enterprise. While entrepreneurship has been seen as synonymous with managerialism, the WMAS case reveals something of the professional motivation of entrepreneurial practices, where senior managers are also part of the highly regulated, uniformed service. The rewards flowing from 'being first' might be expressed in terms of status and the generation of professional pride.

We found public entrepreneurship to be about more than just 'bringing in money' (Hanlon 1998). It engaged mentalities of governance, ranging from professional pride, to organizational ambition *and* a more commercial ethos. Within WMAS we found entrepreneurship to be more than a fad, as suggested by Schofield (2001) and that it co-exists with, rather than totally displaces bureaucratic mentalities as suggested by du Gay (2000). The same individuals that employed a commercial ethos with respect to non-core activities also responded with bureaucratic obedience in driving through changes in policy (for example, a new regime of clinical assurance). Indeed, it was this crossing-over from one sphere of activity into another that appeared critical to understanding the study

and perhaps the practice of entrepreneurship within a highly regulated environment. From this perspective, the reworking of Weber undertaken by du Gay (2000) and Hennis (1988) seems to disregard an essential feature of contemporary public management which is the need to work across seemingly contradictory 'spheres of life' from one moment to the next. Managing the WMAS seemed to involve a continual movement across such boundaries, from activities conducted around the periphery driven by an entrepreneurial ethos, to those impacting on the core service that were tightly controlled by bureaucratic rules imposed from within the NHS. It would be our contention that this crossing-over and the subsequent implications for the ethics governing conduct is something recognized by managers themselves. From this perspective, the acceptability of entrepreneurship depends on whether there is a blurring of these boundaries with the rules and mentalities of enterprise encroaching. As yet, despite the well-developed theoretical arguments of authors such as du Gay (1996, 2000) there is very little empirical evidence for his position.

While clear advantages can result from entrepreneurial activity in public services, we need to move away from generalized support or critique. In advocating or critiquing such activities researchers need to specify the type of endeavour discussed. At the most basic level, when considering the 'essential entrepreneurial act' (Lumpkin and Dess, 1996), we have suggested it is useful to think in terms of a sliding scale of entrepreneurial endeavour. Hence, critics need to specify whether they are concerned only with the most radical of entrepreneurial activities. We have suggested two preliminary groupings that might have relevance within the public services context, but which have radically different implications for ethical and normative arguments.

While constraining entrepreneurial innovation on dogmatic or ideological grounds has little merit, we have recognized that the entrepreneurial ethos brings with it problems and issues for debate when applied across the public sector as a whole. Reflecting these we would suggest the normative debate should develop around three areas, particularly given the advocacy of public entrepreneurship from the very top of government:

One of the things I would like to do, as well as stimulating entrepreneurship in the private sector, is to get a bit of it into the public sector as well. I mean people in the public sector are more rooted in the concept that 'if it's always been done this way, it must always be done this way' than any other group of people I've ever come across.

(Tony Blair, *Guardian* 7 July 1999: 2)

First, in such blanket statements, there is often ambiguity about exactly what is being encouraged. If entrepreneurship is equated with innovation, there is a need to specify exactly which types of innovation are to be encouraged. Innovation can have radical implications for the rules governing accountability. It can also have destructive effects for other service providers, although this article has shown that such consequences are not inevitable. It involves a willingness to make different kinds of entrepreneurial

judgements. These are not automatically correlated with certain kinds of risk, our framework suggests they can be de-coupled. Innovation might involve adopting a previously untried technology, it might involved taking service-based as well as financial risks. The visibility and public support for these ventures, and their rationales in terms of resources needs to be clear. The question of how individual service providers are to be treated or protected when the inevitable and visible service failures occur should be based around these complexities.

Second, there is the question of where entrepreneurship should be practised, within which sectors, by which organizations, etc. Blanket statements that advocate or condemn entrepreneurship hide uneven development. The WMAS was able to develop endeavours because of the freedoms enjoyed by Trusts and because it was, compared to smaller services, relatively cash-rich. These factors allow ambulance services to become entrepreneurial. Yet, even between different ambulance services there are likely to be differences in the ability to engage in entrepreneurship. This might have significant implications for service delivery, leading to greater inequities in the level of services provided across boundaries. Such limits to the applicability of the concept of enterprise in the public services should be recognized at the policy level and at the level of political rhetoric.

Third, there is the linkage between the advocacy of entrepreneurship in political speeches on the one hand and government actions on the other. New financial constraints will limit the WMAS. Through investing funds in 'safe havens', they would generate between £100,000 and £150,000 per annum. This would enable them to grow and to innovate. Under new rules, the Treasury will take control of this money, allowing individual Trusts to have access as and when they need it. These centralizing tendencies might reduce the ability of services to find new ways of doing things. This fits with a general trend, where the UK Labour government has been linked to increased centralization while maintaining and language of innovation and enterprise (Webb 1999).

## CONCLUSION

Despite some overgeneralized claims from some critics, it has become part of the 'accepted wisdom' that the public sector is not entrepreneurial. Yet there is little empirical evidence from the UK to support this proposition. From an illustrative case study, we have identified a number of activities that conform closely to economic definitions. These appeared to be only partially a creative response to increased 'rationalization' and simultaneously had the effect of positioning the organization within a developing NHS network in which they might gain additional resources. At the same time, they provided the sector as a whole with models and precedents that could be followed. While entrepreneurship can be linked to tangible benefits, there are also significant contradictions within the term in its public service context that have profound policy implications. Further analysis across differing sectors is required which might

utilize the mode of analysis we have proposed. By highlighting the differentiated nature of entrepreneurial action, this article argues there should be greater specification of the types of entrepreneurial action that should be encouraged. If this is not done, entrepreneurship in public services may remain a highly contradictory and ambiguous concept despite potential benefits.

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