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# Executive summary

There are more than five million small businesses in the UK. These businesses employ 12.1 million people and account for 33% of the total private sector turnover (BIS, 2014). Although a buoyant small business sector is vital to the success of the UK economy, it is well established that most small businesses never grow or, at best, achieve only modest growth. Accordingly, understanding the factors that drive and shape small business performance is a key concern for both academics and policymakers. By increasing our understanding of these factors, this innovative project can make a major contribution to entrepreneurship research and to the evidence base underpinning enterprise policy.

## Why this research is needed

Most existing research into small business has sought to identify associations between a range of generally tangible factors (e.g. regulatory burdens and access to capital) and business performance. This is particularly the case for research that has been used to inform policy development. This kind of approach is clearly necessary and useful but limited for at least two reasons. First, business performance and growth are usually shaped by multiple, often interacting, factors. More powerful explanations require methodologies and multi-layered explanatory models that can capture this complexity. Second, one-fifth of working age individuals in the UK are engaged in various stages of entrepreneurial activity (Hart et al., 2014). This population of entrepreneurs is highly heterogeneous; the individuals concerned have a wide range of backgrounds and tend to behave in markedly different ways (Stephan et al., 2015). Within this, it is clear that many small business owners do not act in an economically rational way as often assumed. Business owners are people, and just as anyone else in society, their attitudes or dispositions, aspirations and behaviours, are shaped by their experiences and an innate sense of where they do and do not belong. While some of these factors are not readily observable, they are, nevertheless, causally significant for small business performance.

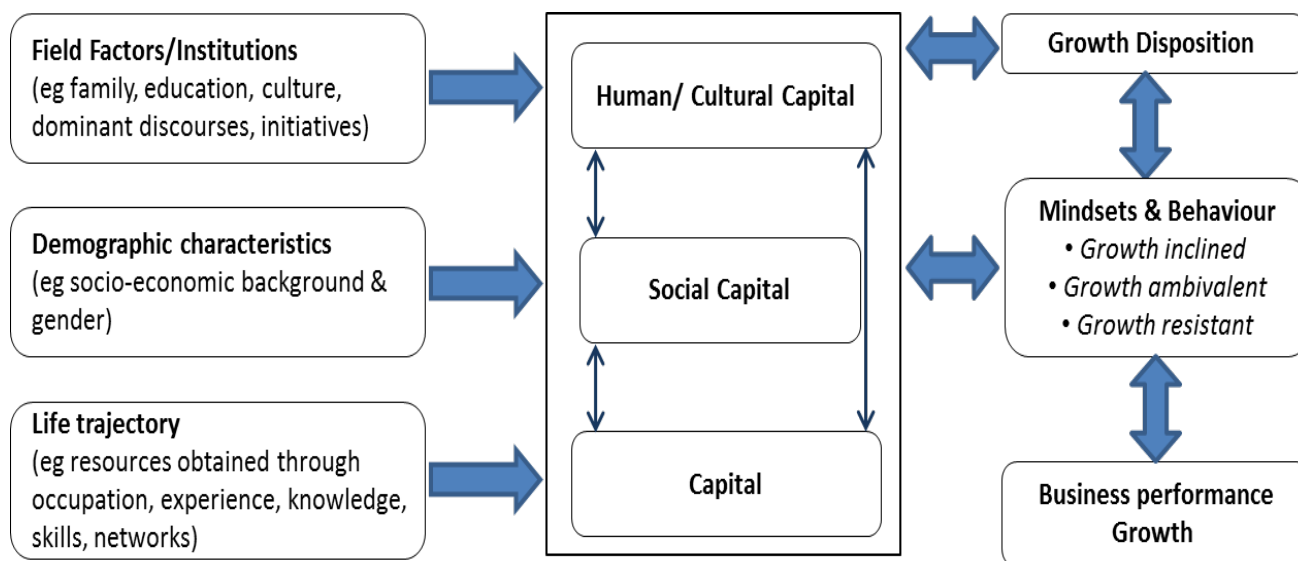
This research, led by a team from the Enterprise Research Centre (ERC), follows on from previous reports on *Understanding growth in microbusinesses* (Allinson et al., 2013) and *Understanding growth in small businesses* (Allinson et al., 2015), which showed that many business owners are **disposed** to resist change, particularly when it is perceived to involve transitions to environments where they do not feel they belong or where they believe they will not be comfortable. As Allinson et al. (2013) indicate ‘... many business owners resist change and growth almost instinctually and construct rationalisations for their conservative behaviours subsequently, by exaggerating the difficulties and costs involved with growth ... For these businesses, growth is unlikely to occur until these “mindsets” are changed.’ Their report suggests that using established **social theory** could provide a more layered and comprehensive model of the beliefs, behaviours and performance of small businesses. They explicitly referred to the work of Bourdieu and the notion of ‘**habitus**’ (or **disposition**) as a potentially useful basis from which to explore these issues further. This project picks up these points and develops them into a set of practical research questions relevant to enterprise policy.

## Research approach

The research was designed to consider whether small business owners do exhibit different dispositions regarding growth and if so whether, and how, these affect their mindsets, business behaviours (i.e. management practices) and subsequently the performance of

their businesses (see Figure A). One hundred in-depth personal interviews were undertaken with small business owners in early 2015.

**Figure A: Conceptual framework**



## Key findings

- The research provided clear evidence of a spectrum of dispositions towards growth among small business owners. These were shown to reflect factors such as demographics (gender, socio-economic status, etc.), family background, education, cultural norms and the scale and nature of international links.
- The findings also show that dispositions do shape the mindsets of business owners (i.e. how they think about growth).
- Different mindsets tend to be associated with different levels of ambition and different business behaviours. They influence whether, and how, business owners utilise the capitals (resources) available to them and in turn how this affects their behaviour and eventually business performance. For example, business owners disposed to growth are more likely to think and act strategically and more likely than others to engage in growth related behaviours such as innovation.
- The research also found a positive relationship between growth disposition and business performance and growth.

To better organise these findings, the analysis placed business owners in three categories according to the dispositions identified: **growth-inclined**, **growth-ambivalent** and **growth-resistant**. These are not absolutes, but are best seen as groups with common dispositions which tend to be associated with particular mindsets and business behaviours.

Businesses run by growth-inclined owners tend to perform better than those run by growth-ambivalent and growth-resistant owners, while the businesses of growth-ambivalent owners tend to perform better than those run by growth-resistant owners.

- **Growth-inclined:** Positively disposed to business growth. Growth-inclined owners tended to provide narratives demonstrating a strong vision of growth for their business and a commitment towards achieving that growth. They are more likely to come from a

higher status family background; have attended university or been in a management role; be in younger age groups; and have a more 'international' background and outlook. These individuals typically demonstrated positive mindsets and behaviours relating to strategy development, accessing finance, recruiting and developing employees, exporting, active networking, forging partnerships, accessing advice and support, taking advantage of technology and innovating.

- **Growth-ambivalent:** Somewhat disposed to business growth – but less likely to exhibit positive mindsets and behaviours than the growth-inclined. The narratives of this group can be characterised by an 'opportunistic' or *ad hoc* approach to growth, lacking a comprehensive exploration or exploitation of the full range of possibilities open to them.
- **Growth-resistant:** Largely not favourably disposed to business growth. These individuals did not demonstrate a strong vision of growth for their business, and generally did not want to employ staff or take on financial commitments that would support future growth; they can be said to exclude themselves from growth. They tend to be more likely to come from a lower status family background; lack successful business role models; be in older age groups; and have not attended university or been in a previous management role.

## Implication for policy

These findings have a number of implications for thinking about small business performance and the factors that affect this. They are also potentially policy relevant in a number of respects.

- ***The effects of disposition on mindsets, business behaviours and ultimately on performance are not a market failure in the sense in which this is usually understood.*** Business support policy is normally predicated on the identification of some form of market failure; most usually information failures associated with undervaluing the benefits of business support. However, growth-resistant dispositions as identified in this research are not the outcome of information failure and are not market failures in the sense that these are conventionally understood. At face value this conclusion represents a clear challenge to the current orthodoxy for policy intervention. However, the findings do indicate alternative ways in which business support interventions can be justified to enhance growth among small business owners.
- ***Understanding the dispositions of business owners can inform the targeting of business support.*** The research findings suggest that the growth-inclined segment and at least a part of the growth-ambivalent segment tend to be more receptive to business support interventions than the growth-resistant group. Within this, growth-inclined owners tend to be open to seeking out partnerships or mentors to enhance and augment their capitals (i.e. resources) and are more likely to consult other business owners for advice. Digging a little deeper into the narratives from this group it is observed that growth-inclined owners are open to a more diverse range of funding options, suggesting that facilitating access to a variety of options (e.g. crowdfunding and business angel networks, as well as growth-oriented products from banks, invoice discounters, etc.) may be beneficial.
- ***The research findings provide a positive commentary on aspects of current business support policy.*** Many growth-inclined owners who had used business support for growth (e.g. GrowthAccelerator, or university-based growth programmes) valued three aspects of these interventions in particular: (a) an 'outsider' looking at the business through a fresh pair of eyes; (b) the focus on 'forcing' the owner to reflect on



business strengths and weaknesses, and develop a longer term strategy based on both their vision and capabilities; and (c) the advice and support received from other growth-oriented business owners – the peer-learning approach is of importance to these individuals. This, arguably, transformed some business owners from growth-ambivalent to growth-inclined, by making them reflect more critically on the resources they possess, and how they may convert or combine them to improve their business performance and achieve higher growth. In this regard, an appropriately designed small business growth programme may compensate for a lower socio-economic status background or negative stereotypes relating to female or ethnic minority business owners.

- **The findings suggest that it may be possible to promote improved small business performance by changing the dispositions of business owners. Importantly they also show how this can, and cannot, be achieved.** This research supports the view that performance outcomes reflect the interplay of disposition, capitals (resources) and fields (environments) in which this interplay takes place. These associations are not linear and it may well be that interventions which enhance human, social and financial capital can have a positive impact on growth disposition, the formation of positive mindsets and associated behaviours and management practice among business owners. However, the research suggests that how these interventions are delivered may well be crucial. Approaches that simply tell business owners you could be more positive and you could do better, are not likely to be successful. The greatest impacts may well stem from exposing business owners disposed to resist change to their peers with more positive dispositions. Interventions that create a social space that fosters interaction among business owners can have a positive impact by nurturing communities of owner-managers in which the pursuit of business growth is the norm. Participation in such communities can challenge negative dispositions and encourage positive mindsets by changing perceptions of what is normative and confirming business owners' ability to grow. Those from higher socio-economic backgrounds are likely to access such support independently by using their social capital. Accordingly, those from a lower socio-economic background would benefit most from the establishment of social spaces to accomplish this.
- **The findings suggest that policy should not focus exclusively on growth-inclined owners.** The findings suggest that for some initiatives, it may be rational to focus on growth-inclined business owners as this may provide for the greatest impacts. However, they also suggest that many growth-ambivalent business owners could benefit from the right kind of support. The more general recommendations discussed above remain relevant, but the crucial factor for promoting growth in this segment is to encourage a more strategic and comprehensive approach to business development. Growth-ambivalent owners are not necessarily averse to strategising, but tend to undertake it in an *ad hoc* fashion and exhibit less evidence of clear, thought-through rationales for their business objectives and the approaches they need to take to meet these objectives.
- **Segmentation.** These research findings have the potential to inform thinking about the segmentation of the business population to better target particular policies. For example, growth-inclined owners tend to be open to seeking and effectively using external support. Conversely, most growth-resistant owners are unlikely to engage with or respond positively to a range of conventional business support initiatives. However, if these findings are to be used to segment the business population, further research would be needed to develop and test simple diagnostics that could be used to identify the range of dispositions identified in this research.

- ***The findings suggest that interventions that create a ‘social space’ to support formal elements of business support can have a positive impact on growth disposition*** and ability to convert one form of capital to another. It is important that future interventions nurture communities of owner-managers that pursue business growth. Such communities can confirm the business owners’ ability to grow, raise their aspirations and disposition, and shape positive mindsets and behaviours that are conducive to high business performance and growth.

# 1 Introduction

## 1.1 Background

This research, undertaken by a team led by the Enterprise Research Centre (ERC), follows on from previous reports on *Understanding growth in microbusinesses* (Allinson et al., 2013) and *Understanding growth in small businesses* (Allinson et al., 2015), which reported that most small businesses do not grow, and face multiple, overlapping constraints to growth. This research showed that many business owners are **disposed** to resist change, particularly when it is perceived to involve transitions to environments where they do not feel they belong or where they believe they will not be comfortable. As Allinson et al. (2013) indicate ‘... many business owners resist change and growth almost instinctually and construct rationalisations for their conservative behaviours subsequently, by exaggerating the difficulties and costs involved with growth ... For these businesses, growth is unlikely to occur until these “mindsets” are changed. This provides an important context and commentary on the potential effectiveness of more focused policy measures.’

Their reports suggest that using established **social theory** could provide a more layered and comprehensive model of the beliefs, behaviours and performance of small businesses. They explicitly referred to the work of Bourdieu and the notion of ‘**habitus**’ (or **disposition**) as a potentially useful basis from which to explore these issues further.

From this perspective, disposition to growth influences mindsets, which guide behaviours, which in turn influence business performance and growth. A key theme throughout the Allinson et al. (2013) report was that habitus or disposition of business owners is seen as an innate, often unconscious set of beliefs that resists growth for a variety of reasons. The authors argue that, ‘*For many businesses progress can only be made by first shifting the present set of beliefs, in order to open the business up to improvement, freed from exaggerated fears surrounding growth so that a better run business may emerge. For these businesses, growth is unlikely until these mindsets are changed. This provides an important context and commentary on the potential effectiveness of more focused policy measures*’ (p. 78). In fact, the report identifies habitus or disposition as a crucial concept for devising ‘*a new and potentially very influential strategy for policy*’ (p. 78). This project seeks to explore these issues in more depth to understand why such attitudes are pervasive, and use sociological theory to inform the research approach.

## 1.2 Aim and objectives

Given the starting position of the importance of ‘habitus’ or disposition to growth, the primary aim of this research is to examine whether, and how, the interplay between ‘habitus’ or disposition to growth, forms of capital (resources) and ‘field’ (environment) can be used to explain the formation of mindsets and behaviours of small business owners that hinder or enhance their business growth potential.

In particular, the objective of this research is to address the following questions:

- i. Is there evidence of distinctive **dispositions** and **mindsets** among a sizeable proportion of small business owners?
- ii. Is the performance and growth of micro and small businesses shaped by such **dispositions** and **mindsets** in that they fundamentally shape the attitudes and behaviours of business owners?

- iii. If there is evidence of this can we say how influential are they? Are they **associated with levels of ambition and business performance**?
- iv. How do these mindsets manifest themselves in practice? **How do they constrain or promote growth** among small businesses?
- v. **What relevance do the research findings have for enterprise policy**? What can they tell us about existing policy measures seeking to enhance business growth and what rationales do they provide for new policy interventions?

The remainder of this report is structured as follows. Section 2 introduces the sociological theory used to guide the research. Section 3 deals with the methodology of the project. Section 4 discusses the headline findings, offering some useful insights on the formation of growth disposition, pertinent categories and relevant mindsets. Sections 5 and 6 delve a little deeper into the results looking at the influences on dispositions and mindsets and various business behaviours respectively. Section 7 presents case studies for each of the three growth dispositions. Section 8 provides the conclusion, while Section 9 sets out the implications for enterprise policy.

## 2 Framing growth disposition

This section discusses the notion of *habitus* or *disposition*, its determinants and importance for forming mindsets and behaviours (management practices) related to business performance, drawing on social theory. Based on this discussion, a conceptual framework is provided at the end of this section, highlighting the key factors that contribute to the formation of owner-managers' dispositions, mindsets and behaviours that in turn influence business growth.

The notion of habitus refers to a subjective system of expectations and predispositions acquired through past experience.<sup>1</sup> Mauss (1934) defined habitus as those aspects of culture that are anchored in the daily practices of individuals, groups, societies, and nations. Habitus includes the totality of learned habits, bodily skills, styles, tastes, and other non-discursive knowledge that might be said to 'go without saying' for a specific group (Bourdieu, 1990). The particular contents of habitus are a complex result of embodying social structures – such as the gender, race, and socio-economic status – which are then reproduced through tastes, preferences, and actions for future embodiment.

Hence, habitus is created through a social, rather than an individual process leading to patterns that are enduring and transferable from one context to another, but that also shift in relation to specific contexts and over time. These ideas are elaborated comprehensively in Bourdieu's work, where it is explained how the '*social order is progressively inscribed in people's minds*' through '*cultural products*' including systems of education, language, judgements, values, methods of classification and activities of everyday life (Bourdieu, 1984: 471). According to Bourdieu, these elements shape an unconscious acceptance of social differences and hierarchies, to '*a sense of one's place*' and to behaviours of self-exclusion – for example, limiting attitudes to starting and/or growing a small business.

In this sense, habitus or disposition is created and reproduced unconsciously, '*without any deliberate pursuit of coherence ... without any conscious concentration*' (Bourdieu, 1984: 170). Seeing actors' 'best interest' through this prism, makes habitus a counterpoint to the notion of rationality, which is prevalent in other disciplines of social science.

In Bourdieu's social theory, habitus is best understood in relation to the notions of 'forms of capital' and 'field', which describe the relationship between individual agents (habitus), the forms of capital (resources) in their possession or accessible to them, and the contextual environment (field). Bourdieu (1986) extends 'capital' beyond the notion of material assets (economic capital) to capital that may be social, cultural (including aspects of human capital) or symbolic. These forms of capital may be equally important, and can be accumulated and converted from one form to another. Cultural/human capital – and the means by which it is created or converted from other forms of capital – plays a central role in societal power relations, as this '*provides the means for a non-economic form of domination and hierarchy*' (Malton, 2012). Notably, the possession of and the ability to convert capital from one form to another can influence dispositions.

A third concept that is important in Bourdieu's social theory is the notion of 'fields' – settings where agents and their social positions are located. The position of each particular agent in

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<sup>1</sup> It originates in Aristotelian thinking and was used in sociology initially by Elias ([1939] 2000) and Mauss (1934).

the field is a result of interaction between the specific rules of the field, the agent's habitus and his/her capital. Importantly, fields are social and institutional arenas in which people express and reproduce their dispositions, and where they compete for possession of, and access to, different forms of capital (Malton, 2012). As a social arena in which actors manoeuvre and struggle in pursuit of desirable resources, a field is a structure, network, or set of relationships which may be of various kinds – for example, intellectual, occupational, religious, educational or cultural.

Fields interact with each other, are hierarchical (most are subordinate to the larger field of power and class relations), and are organised both vertically and horizontally. A field is constituted by the relational differences in the position of social agents, and the boundaries of a field are demarcated by where its effects end. Different fields can be either autonomous or interrelated. The operative capital in each field is the mix and level of resources that can be used to obtain an advantage within it. Therefore, capital is a factor of the field dynamics, as well as a by-product of the field (Bourdieu and Wacquant, 1992). Different forms of capital operate in different fields, which in turn are shaped by the balance of power determined by capital. The extent to which actors, such as small business owners, are able to make an effective use of the resources they are endowed with is a function of the adaptation of their disposition in this specific field. In that regard, family, education and dominant discourses tend to shape ability and willingness to access forms of capital and disposition.

Actors, such as small business owners, often experience power differently depending on which field they are in at a given moment and, therefore, context and environment influence their disposition (e.g. disposition to growth).<sup>2</sup> Therefore, fields or '*spaces of social struggle*', help explain the differential power, for example, that women experience in '*public, private or intimate*' arenas of power (VeneKlasen and Miller, 2002). For instance, female business owners can take a role and position of power in their business that is very different to the one they have in their family unit under certain conditions. Bourdieu (1984) outlines how the interplay of habitus – a notion characterising disposition – and forms of capital in certain fields informs behaviour in the following way:

$$[(\textit{habitus}) \times (\textit{capital})] + \textit{field} = \textit{practice}$$

Therefore, growth disposition and ambition to start and/or grow a business (practice) can be seen as the product of the interplay of habitus (i.e. disposition) – often determined by factors such as socio-economic status, gender and ethnicity – with different forms of capital (resources), in particular fields (e.g. family and education), which are characterised by structural properties (e.g. cultural norms, dominant discourses) and positions of power.<sup>3</sup>

Bourdieu's work, therefore, supports the exploration and analysis of the socially constructed nature of small business management and the consequent performance outcomes as a field from a perspective based on the disposition and forms of capital that different business owners have. Bourdieu's conceptualisation also supports a critical analysis of how institutional factors and the wider political and historical contexts shape the growth

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<sup>2</sup> As Moncriste (2006: 37) points out, Bourdieu's work '*...accounts for the tensions and contradictions that arise when people encounter and are challenged by different contexts. His theory can be used to explain how people can resist power and domination in one field and express complicity in another.*'

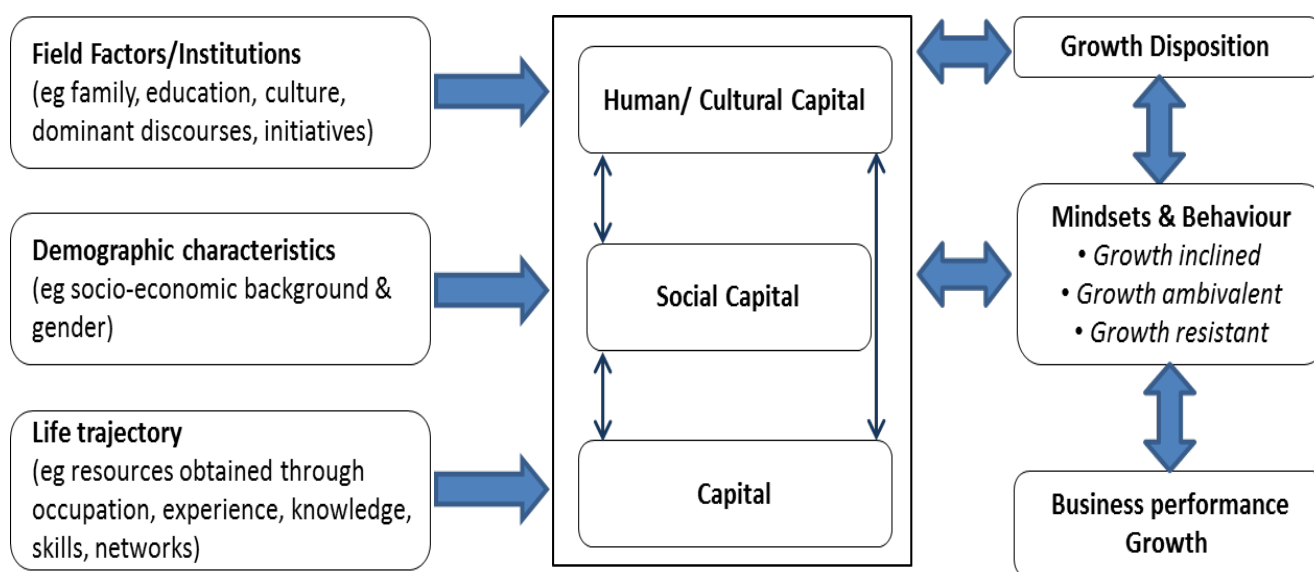
<sup>3</sup> Habitus (or disposition), influenced by, but also shaping forms of capital, encounters fields as competitive arenas, and actions reflect the nature of that encounter. Individual and collective notions are viewed as interrelated and not mutually exclusive and in constant negotiation rather than separate (Bourdieu, 1984).

disposition of small business owner-managers. Previous work has indicated that access to forms of capital embedded within certain economic, market and other institutional conditions shape entrepreneurial experience and growth ambitions of disadvantaged communities.<sup>4</sup>

Also, there are indications of how disposition towards entrepreneurship is, in part, shaped by the education field for men and women (Jones, 2012) and prevalent discourses in the entrepreneurship/small business management field. Such discourses are often propagated by the media, where for instance new high-technology based businesses are typically presented as being run by men.

Based on a Bourdieuan approach, our central organising framework for this project is displayed in Figure 1.

**Figure: 1 Guiding conceptual framework**



This conceptualisation suggests that:

- owner-managers' disposition to growth is related to their personal experiences and their possession of, or ability to access, different forms of capital and their ability to convert one form into another form of capital;
- in this logic, contextual factors, demographic characteristics, as well as knowledge, skills, experience and relationships gained through life impact on the possession, access and convertibility of different forms of capital and disposition to growth; and
- disposition to growth is associated with certain mindsets, which tend to be manifest in behaviours relating to management practice that shape business performance and growth.

<sup>4</sup> See e.g. Ram et al. (2008); Theodorakopoulos et al. (2012a).

# 3 Methodology

## 3.1 Collection and analysis of data

Guided by social theory and prior research on entrepreneurship and small business growth, a range of methods were used to examine:

- how the interplay of growth disposition and forms of capital of business owners running micro and small businesses can explain the shaping of mindsets and behaviours related to management practice; and
- whether the impact of these mindsets and associated behaviours related to management practice can be traced through to business performance and growth.

This approach enables a critical analysis of how contextual factors such as family and education and the wider political, cultural and historical contexts shape growth disposition and small business management practice. Moreover, the study considers the influencing characteristics such as gender and socio-economic background, and the life events of the business owner as relevant dimensions. Although an initial conceptualisation of growth disposition was used to guide the study, the research team remained open to new discoveries throughout, using '*controlled opportunism*' (Eisenhardt, 1989: 539) to exploit new insights. The initial conceptual framework was flexible enough to allow for emergent categories, for instance participation in business growth programmes by some of the business owners.

The sample for this study was framed to identify prevailing tendencies in the formation of growth-disposition and associated mindsets and behaviours related to small business management practice and performance. Rather than establishing representativeness and statistical generalisation, the sampling frame was geared towards covering a variety of situations that would allow for analytical generalisation, taking into account the heterogeneity of the small business sector and relevant theoretical dimensions. One hundred personal face-to-face interviews were conducted with business owners of micro and small businesses throughout England.

This theoretical sample (Bryman, 2008) was drawn from various sources, including the database of businesses that participated in the 2013 study conducted by Durham Business School (contacting business owners who indicated that they would be happy to be re-interviewed), the Global Entrepreneurship Monitor (GEM) dataset of new and established business owners (who agreed to participate in future research), as well as the Aston Business School dataset of small business owner-managers across the Midlands.

A semi-structured guide was used to elicit narratives from the owner-managers, which provided a reflection on their disposition to growth as well as the enabling and constraining factors. All the interviews were recorded and a transcription made. Moreover, the tendencies to construct *post hoc* rationalisation for growth-resistant mindsets and behaviours mentioned in the Allinson et al. (2013) report were also considered in this research. The focus was on how their personal circumstances affected how they accessed resources, thought about potential barriers to business growth, and shaped mindsets which may restrict or enhance their potential for business growth. The data were interrogated with theoretical sensitivity, drawing on relevant concepts to enhance our findings and to generate new and important insights.



By applying Miles and Huberman’s (1994) general analytic procedure, a coding scheme was devised by the research team. Final categories were developed in an iterative process, initially deductively by applying our conceptualisation to the accounts provided by the business owners and then inductively, by re-sorting the data to pre-set categories informed by our Bourdieuan approach (i.e. forms of capital – fields – disposition to growth), but also by developing new ones.

The QSR NVivo software package was used to support data analysis, build a database and create an audit trail (i.e. documenting data analysis and the process of interpretation). This software was used to handle the large volumes of transcription data in the analysis process but primarily its value was for the purposes of coding and retrieval. Interpretation of data relating to categories, themes and their interrelationships was agreed among the researchers involved in this project. To ensure the credibility and trustworthiness of the data analysis process, the research team allowed time for coding validation through regular cross-checks to corroborate the coding and interpretation of the data.

### 3.2 Profile of owners and their businesses

In total, 100 business owners were interviewed. Just under half (47) were sole owners, 29 were part of two-person partnerships, while the remaining businesses had more than two owners. Thirty interviews were with female owner-managers. The majority of owners were White British (or, in a small number of cases, identifying as Irish) with a further four White owners migrating to Britain in adulthood. Nine were non-white, most of them born and raised in Britain. The sample covered a diverse range of ages of owners, slightly biased towards the older age brackets, as shown in Table 1.

**Table 1: Age of business owners**

Age	Number
Under 40	22
40–49	31
50–59	27
60+	20

Source: ERC Owner-Manager Survey (2015)

The majority of business owners (78) owned businesses which were registered for VAT. Thirty were home-based, half of which were registered for VAT. Approximately 60 reported that they spent more than 40 hours per week working in the business.

A good selection of business owners was achieved from all major sectors of activity – albeit with very small numbers from the primary and transport sectors – and with businesses with a wide range of turnover and employment sizes. Some 40 businesses reported that their turnover was under £150,000, with a further 24 under £600,000, and the remaining 36 being larger. Twenty-one had no employees other than the owner, 20 had four or fewer, 25 had between five and nine, and the remaining 34 had 10 or more.

Just over a third of owners are exporting on a regular basis, or have hopes to expand their current small level of exports to achieve this and were taking active steps to do so. A similar number of owners stated that their product or service was not suitable for export, while a sixth had never considered exporting, and had no desire to. The remaining sixth had either tried exporting and considered that it was not right for them; were interested in exporting but did not know how to start; or were exporting small quantities on an irregular, *ad hoc* basis.

Approximately a quarter of owners reported that they had made a loss or negligible profits in the previous 12 months, with a further 12 either not knowing their level of profits (mainly because business income was very small and it was regarded almost as a side-line to their main income stream) or refusing to answer. The remaining business owners (just over 60) reported that they had made a profit, although several did not give exact figures (reporting turnover as a range, rather than a precise figure, and profits as a percentage). Among the 54 businesses which gave precise figures, profits ranged from £3,000 to £1.2 million.

Questions about increases in turnover in the past were answered with imprecise estimates in many cases. Among the 90 businesses which had been alive and had suitable turnover figures for more than two years, approximately a sixth refused or were unwilling to give an answer. One-sixth reported no change in turnover over the past two years, while just over half reported some increase. Only 10 owners reported that turnover had gone down.

The figures for turnover change in the previous five years followed a similar pattern, albeit with higher proportions unwilling to answer, or being unsure, while 22 businesses had not been established for more than five years.

# 4 Dispositions and performance

The research found a spectrum of mindsets among the business owners interviewed. This section seeks to explain how these mindsets can be related to three main categories of shared dispositions. It then goes on to discuss the influencing factors (both pre-business and in-business) that together contribute to the way in which the growth disposition and associated mindsets are formed. The behavioural choices in business emanating from these mindsets are important as they can impact business performance and growth.

## 4.1 Disposition categories and mindsets

The analysis placed business owners in three categories according to shared dispositions: growth-inclined, growth-ambivalent and growth-resistant. These are not absolutes, but are best seen as groups with common dispositions which tend to be associated with particular mindsets and business behaviours.

Overall, three types of disposition were identified:

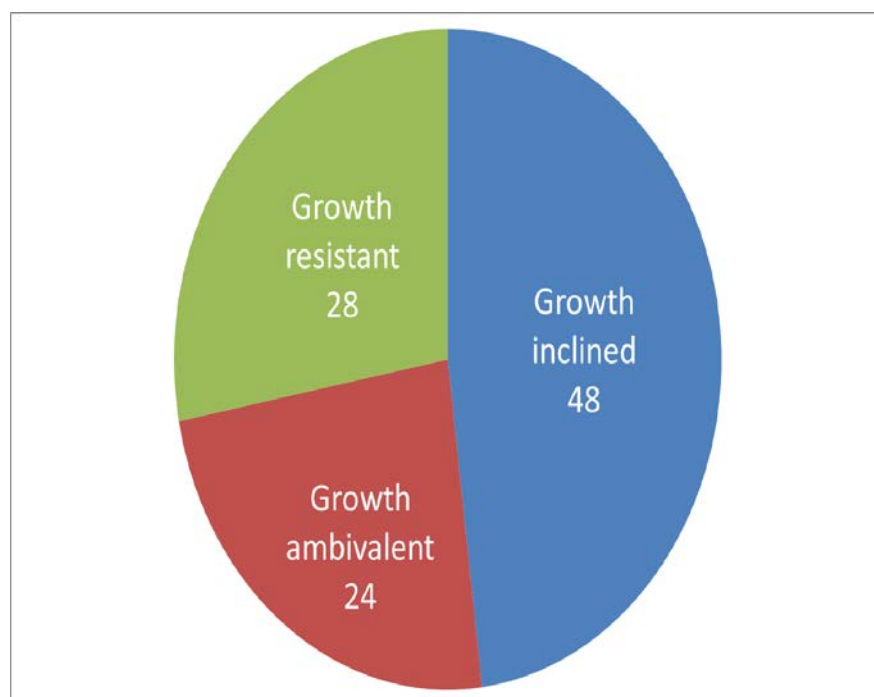
- **Growth-inclined owners.** This segment includes owners who were strongly disposed to grow their business. Owners tended to provide narratives demonstrating a strong vision of growth for their business and a clear commitment towards achieving it. In terms of this categorisation, realising growth in practice is less relevant than their intentions and activities towards achieving that end. Accordingly, some businesses in this segment had not achieved growth, despite their best efforts – for example, the business may be too recently established, the economic background may be poor, or the business may have suffered an unforeseen shock. Owners tended to have positive mindsets relating to strategy development, accessing finance, recruiting and developing employees, exporting, active networking, forging partnerships, accessing advice and support, taking advantage of technology, and innovating. They also tended to have a strategic and planned approach to growth and to have proactively carried out activities to try and realise this aim – for example, seeking out opportunities, investing in innovations, pursuing exporting and an ‘opportunistic’ vision and mindset in relation to growth.
- **Growth-resistant owners.** This segment covers owners who are clearly indisposed to grow their business. Business owners provided narratives that did not demonstrate a strong vision of growth for their business and they generally did not want to employ staff or take on financial commitments that would support future growth. This group of business owners tend not to have experienced business growth in the recent past and are far less likely than those in the growth-inclined category to exhibit the positive mindsets and associated behaviours typically demonstrated by owners in that category.
- **Growth-ambivalent owners.** This segment covers owners who broadly sit between the other two groups. They are not actively seeking growth and do not proactively seek to identify opportunities, but may pursue opportunities for growth which are presented to them, if they are perceived to have relatively low risks. In contrast to the growth-inclined segment, therefore, the narratives of this group can be characterised by an ‘opportunistic’ and *ad hoc* approach to growth, lacking a comprehensive exploration or exploitation of the full range of possibilities open to them.

As is clear from the above categories, there are a number of points which must be borne in mind in this analysis:

- The research examines the owners' *current* disposition to growth, which may switch between those three categories at different times in the owner's life or in respect of the ownership of different businesses.
- The current size of the business may not reflect the owner's growth disposition.

Figure 3 shows the proportion of owners placed in each of the three dispositions, based on the evidence gleaned from interviews.

**Figure 2: Business owners by growth disposition**



Source: ERC Owner-Manager Survey (2015)

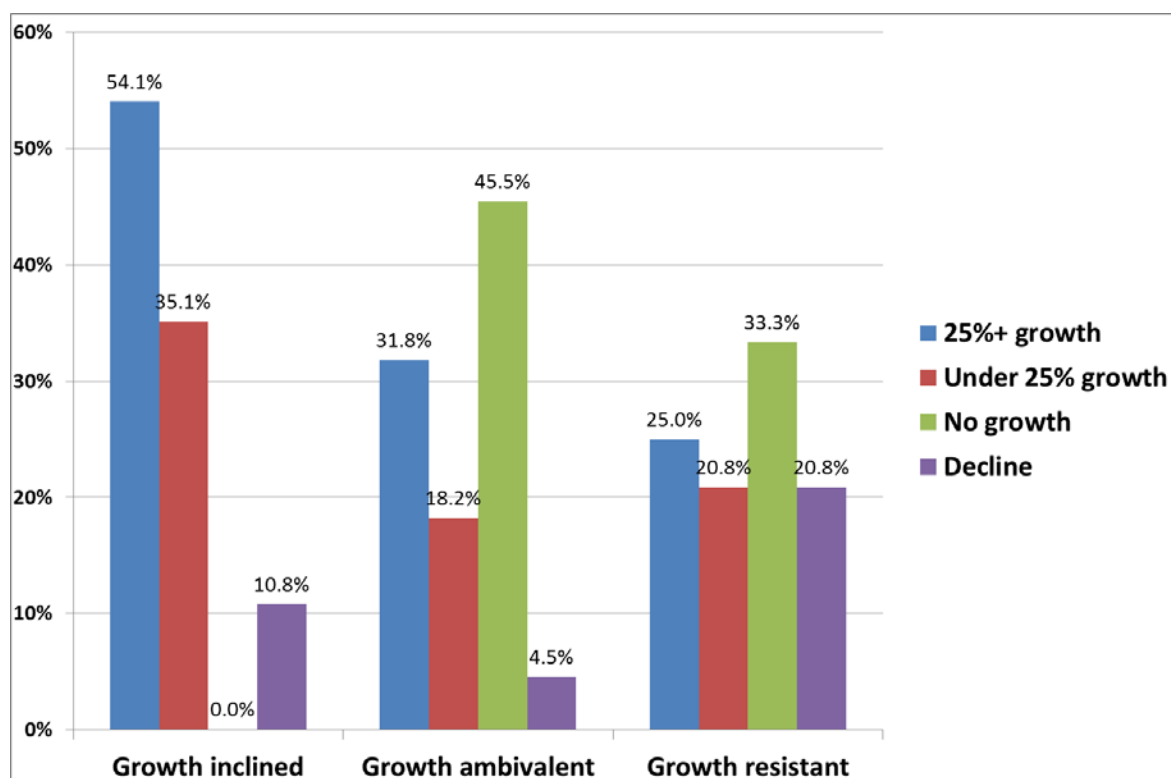
Of central importance to the research we find an association between growth disposition and business performance. Businesses of growth-inclined owners tend to perform better than those run by growth-ambivalent and growth-resistant owners, while the businesses of growth-ambivalent owners tend to perform better than those run by growth-resistant owners.

Evidence suggests that growth disposition is associated with higher actual business performance. Examining employment over the previous two years, growth-inclined owners reported mean growth per business of 52%, compared to 40% for the growth-ambivalent. The latter group also had a higher proportion of negative performers than the former, where very few reported a decline. It is not feasible to report an average for the growth-resistant group, due to the high number of businesses which had never had any employees other than the owner, and the distortions in percentages caused by having small numbers of employees. However, it is sufficient to note that very few in the growth-resistant group reported any employment growth at all.

Reporting an average for turnover growth for each of the businesses is more difficult, due to the fact that many owners did not have the exact figures to hand, and reported the

approximate size of increases or decreases. Nonetheless, it is still possible to give an indication of performance with respect to turnover. Among the growth-inclined owners, only four owners out of 48 reported a decline and that was very small. By contrast, 20 owners reported increases of 25% or over. Among growth-ambivalent owners, only seven owners (out of 24) reported similarly high increases (although only one reported a decrease). Five growth-resistant owners (out of 28) reported a decrease. However, judging their average performance is again quite difficult because many had very small turnovers and their income can be erratic from year to year and as a result exaggerated the size of percentage increases or decreases (see Figure 4).

**Figure 3: Business owners by turnover performance in previous two years (% reporting)**



Source: ERC Owner-Manager Survey (2015)

# 5 Influences on disposition and mindset

## 5.1 Growth-inclined owners

### 5.1.1 Demographic characteristics

Male owners tend to be over-represented in the growth-inclined group, and females under-represented, but over-represented in the growth-resistant group. However, virtually all growth-inclined females were identified as coming from a family background of high managerial/professional occupations, or identified high earning/entrepreneurial social networks as part of their family history descriptions. By contrast, no females from the growth-resistant group identified such a background. For instance:

*I grew up with horses and racehorses and it was all very much riding the Downs, and going to different race meetings ... and it was always people who never had a 9–5 job. They were either independently wealthy or they had already made their money and that is my overwhelming memory. They always had time.*  
**(Growth-inclined, female)**

Of the few business owners with growth-inclined dispositions identified as coming from low socio-economic family backgrounds, all were male. This evidence suggests that while growth inclination may be more associated with males, family background can be a mediating factor.

Similar conclusions can be found with regards to ethnicity: family background again seems to be a key mediating factor in the development of growth-inclined dispositions. A large number of growth-inclined ethnic minority group business owners had a family background associated with high managerial/professional occupation. For instance:

*Well, I grew up in Uruguay because my mum's from there. My dad is English ... My dad, I've always known him to be, like, a high-level business person.*  
**(Growth-inclined, male)**

Business owners can be characterised in other ways – for example, in terms of having an 'international' or a 'local' background which included those who had lived abroad when younger or prior to business start-up. The level of international exposure is not higher among the growth-inclined owners *per se*, but *is* over-represented among those with a high socio-economic family background. This would seem to be consistent with the notion that those with a higher exposure to different cultures, combined with family capital transfer and the other advantages from a high social class, are likely to hold increased stocks of social and human capital.

Finally, age and life stage may be a factor in the formation of growth inclination; those aged under 50 are over-represented within the growth-inclined group, with those classed as at or near the official retirement age under-represented. However, a high number of those in the growth-resistant group would likely have been classed as growth-inclined when younger – their answers suggest their inclination towards growth declines with increasing age, as they are 'too tired' or want to 'slow down'.

### 5.1.2 Family background

As noted above, there is an over-representation of business owners with family backgrounds involving higher managerial and professional occupations in the growth-inclined group. However, this over-representation is at the expense of *intermediate* (rather than lower socio-economic) backgrounds, which are correspondingly under-represented in the growth-inclined group.

Among the growth-inclined owners there is also further evidence of the importance of family background in terms of the provision of support for their establishment of a business. This support was likely to include practical support for those from a wealthier background (e.g. financial provision, both to gain an education and then at the business formation stage) while those from a less wealthy background stressed self-improvement, and the desire for a better standard of living, as a strong theme, downplaying the importance of practical support. For instance:

*I was fully supported through college, and then heavily supported when I started my business.* **(Growth-inclined, high socio-economic family background)**

*When I was growing up my mum was on the dole for most of my life, so I didn't really see people having businesses or anything like that ... No, my mum has a degree, my mum's a social worker now, but she wasn't when I was growing up, and she really believed in education, everyone in my family really believes in education. My mum was really pushing me that I should do something that I enjoy as well.* **(Growth-inclined, low socio-economic family background)**

### 5.1.3 Life experiences

Growth-inclined owners, therefore, tend to have high levels of both academic (in particular) *and* management experience compared to the other two dispositions, as shown in Table 2. It is worth noting that nearly nine in ten growth-inclined owners have academic qualifications beyond school examinations, compared to four out of five growth-ambivalent owners and around two-thirds of the growth-resistant owners.<sup>5</sup> There was no strong association *per se* between early exposure to entrepreneurial behaviour and growth inclination. Approximately half of all owners in the growth-inclined group reported having an entrepreneurial family background, similar to the proportion across all owners in the survey.

However, when the character of the family business background was taken into account, a clearer association with growth inclination was found. A background of having business owners as role models emerged as an important influence for the growth-inclined owners, if those family members were very successful, and/or had a 'rags to riches' history:

*My father was very entrepreneurial, always ran his own businesses. I don't remember really having any in depth conversations with him about my career and what I would do which is very strange because that's the sort of thing that I would talk to my kids about, I think I absorbed his work ethic and how he was because I'm very similar, you know, looking at opportunities.*

**(Growth-inclined)**

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<sup>5</sup> Note that the relatively low proportions of growth-ambivalent and growth-inclined owners with neither a university education nor management experience would be higher if older owners, who would formerly have been growth-inclined, were excluded.

**Table 2: Business owner education and managerial experience**

	University level education only	Management experience only	Both	Neither
<b>Growth-inclined</b>	31%	4%	56%	8%
<b>Growth-ambivalent</b>	29%	21%	38%	13%
<b>Growth-resistant</b>	21%	25%	43%	11%
<b>All</b>	28%	14%	48%	10%

Source: ERC Owner-Manager Survey (2015)

## 5.2 Growth-resistant owners

### 5.2.1 Demographic characteristics

Typically the demographic characteristics of this group are the antithesis of those in the growth-inclined group. Thus, female owners tend to be over-represented in the growth-resistant group, in particular those from a lower socio-economic family background (e.g. manual and lower skilled occupations). The evidence suggests that while growth resistance may be more associated with female owners, family background can, however, be a mediating factor. Similarly, family background is an important mediating factor in terms of ethnicity, such that there is no clear association between ethnic origin and growth inclination *per se*.

Growth-resistant owners who have an ‘international’ background also tend to have a lower socio-economic background which has been the result of their moves between countries. Their narratives feature evidence of such migration resulting from political, social and economic necessity drivers:

*Well, [my parents came to the UK] because they saw no future for the children [... or] for them, either, and it's proved to be right. The whole country has just disintegrated. I've been out to Zambia [recently] – it's just fallen apart.*

**(Growth-resistant, international background)**

Finally, age is a factor in the formation of growth inclination, with those aged over 50 (especially those close to or past the official retirement age) over-represented within the growth-resistant group. Many of this group are older males who formerly had a far more growth-inclined disposition, which suggests a mediating effect with age, with owners ‘downshifting’ into growth ambivalence, and then growth resistance as they near retirement:

*If you were talking to someone now who is 30, they would probably want to grow and I want to slow down.*

**(Growth-resistant, male, late 50s)**

### 5.2.2 Family background

The growth-resistant group had an over-representation of business owners with low (routine and manual occupations) and intermediate family backgrounds, and a corresponding under-representation of those with higher socio-economic backgrounds. In general, the impact from negative life events and experiences on the business owner’s human capital



(e.g. educational attainment) was more severe for those from lower socio-economic backgrounds. Growth-resistant owners tended to stress these negative impacts, whereas the growth-inclined owners were more likely to downplay these negative impacts, stressing instead that they could be a positive formative experience, or the value of self-improvement in transcending 'humble' beginnings.

Growth-resistant business owners tended not to suggest that their families were a source of support for them to enter business, regardless of the type of support (emotional, social, knowledge transfer, or financial).

### **5.2.3 Life experiences**

Where there had been exposure to family entrepreneurship at an early stage of life among growth-resistant owners, it tended to be characterised as small-scale self-employment – a 'way of life' rather than a successful, growing business. Family business examples cited in this group tended to be small, local and/or artisanal – for example, a farm, accountants, bakery, restaurant, builder, market trader, and hairdresser – with few narratives relating to growth. Only a few growth-resistant owners cited a family business background where the business was fairly substantial; for the most part, however, these were older owners who would have been classed as growth-inclined in their youth.

As shown in Table 2, growth-resistant owners were less likely than the growth-inclined to have attended university or held a management role in the past, and their narratives often noted that their lack of academic progress had shaped their place in the world – as opposed to those of the growth-inclined, which made more of the value of education in helping them move up in the world.

## **5.3 Growth-ambivalent owners**

In terms of demographic characteristics, family background and life experiences, growth-ambivalent owners would tend to sit in the middle of the spectrum between the two extreme positions described above. For example, they may have a smaller range of the experience which contributes to capitals (e.g. some, but not a large amount of international experience); or some characteristics associated with tendencies towards growth-inclination, and others towards growth-resistance. Given that this research deals with a continuum of tendencies, rather than universal principles, it is difficult to say which characteristics may have a greater influence on each individual: it is the interplay or interaction of influences which determine precisely where individuals are likely be placed on that continuum.

# 6 Business behaviours

## 6.1 Introduction

The shared characteristics outlined in Section 5 are related to dispositions and mindsets, which are in turn associated with certain behaviours in the business. These can be seen to be **normative** for each group. That is, the behaviour is accepted, unquestioningly, as the norm for the group. This section outlines those normative behaviours for each of the three growth dispositions by thematic area focusing, in particular, on those where there are clear differences between the groups. These include: strategy development, seeking finance, recruitment and employee development, use of technology, innovation, formation of business partnerships, networking, and the use of business support.

However, there is a clear continuum running through the three groups, such that growth-ambivalent owners hold attitudes and undertake activities similar to, but with less intensity, than the growth-inclined group. The growth-ambivalent group tends to undertake some strategic thinking and planning, but to a lesser extent, or less holistically, than the growth-inclined owners. This reflects a tendency to a more superficial, simpler and less than comprehensive approach to calculating risks and returns, which in turn means that many decisions are less than fully informed. For more marginal decisions, this tends to result in 'playing it safe', rather than taking the risk.

## 6.2 Growth-inclined

### 6.2.1 Aspirations for business entry

In general, the pattern of motivations to establish a business in the first place was similar across the different segments, but growth-inclined owners stood out in a number of respects. Compared to the other two groups growth-inclined owners had: (a) the highest incidence of expressed 'interest in business ownership' prior to start-up; (b) an absence of narratives that suggest the individual was 'forced' into business ownership due to events beyond their control such as redundancy; and (c) a confidence in their business abilities, being more likely to report that they could exploit those abilities in many different types of business, rather than just in the context of their own human capital:

*I knew people in the business. It was more the opportunity that was identified, than it was that I said, 'Oh, I want to own a restaurant.' I was looking for what I wanted to do, because to me, businesses are not necessarily product-based. They're business-based, and so the first step of looking at a business to own, or brand, was about what is the opportunity.* **(Growth-inclined)**

*I used to teach about aircraft at college, so I was always keeping up to date with everything, so I just saw this little hole in the market that I thought I could get into.* **(Growth-inclined)**

### 6.2.2 Strategy development

A clear pattern that emerges from the interviews is that growth-inclined owners tended to discuss in more detail how and why they approached particular issues. They gave clearer and more precise rationales for the decisions they had taken, noting as they did so the inter-connections between disparate business factors, both internal and external. They are less likely to regard obstacles as insurmountable than owners allocated to the other two

growth dispositions, and more likely to frame them in terms of challenges to be overcome through the full range of resources available to them.

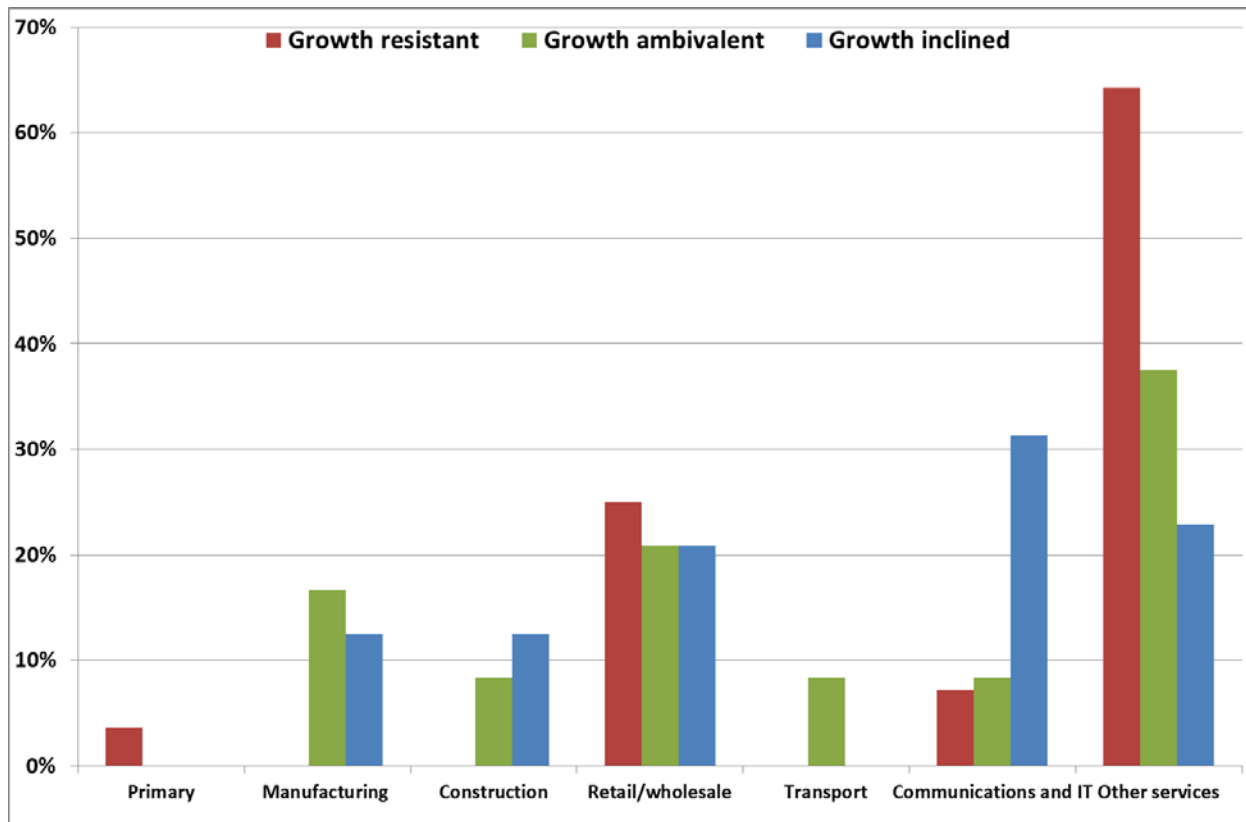
A far smaller group of growth-inclined owners than growth-resistant owners, for example, spontaneously volunteer exogenous (i.e. outside the owner's control) barriers to growth when the topic was raised. A good example of this is mindsets relating to regulation. Although regulation was perceived as a barrier in some respects by some owners from all groups, growth-inclined owners were more likely to perceive it as a manageable, than an absolute, barrier. Similarly, growth-inclined owners tended to be more willing and able to analyse the strengths and weaknesses in themselves and their business (i.e. seeking new capitals that complement their own), and take actions towards filling those gaps – such as recruiting to fill skill gaps or seeking the right type of finance to match their purpose.

### **6.2.3 Sector and attitude to exporting**

The evidence suggested that growth-inclined owners were most likely to establish a business which was more inclined towards growth from the outset. While it is important to remember that the study is qualitative and not designed to provide representative and generalisable data, the finds suggest an association between growth disposition and sector (see Figure 5).

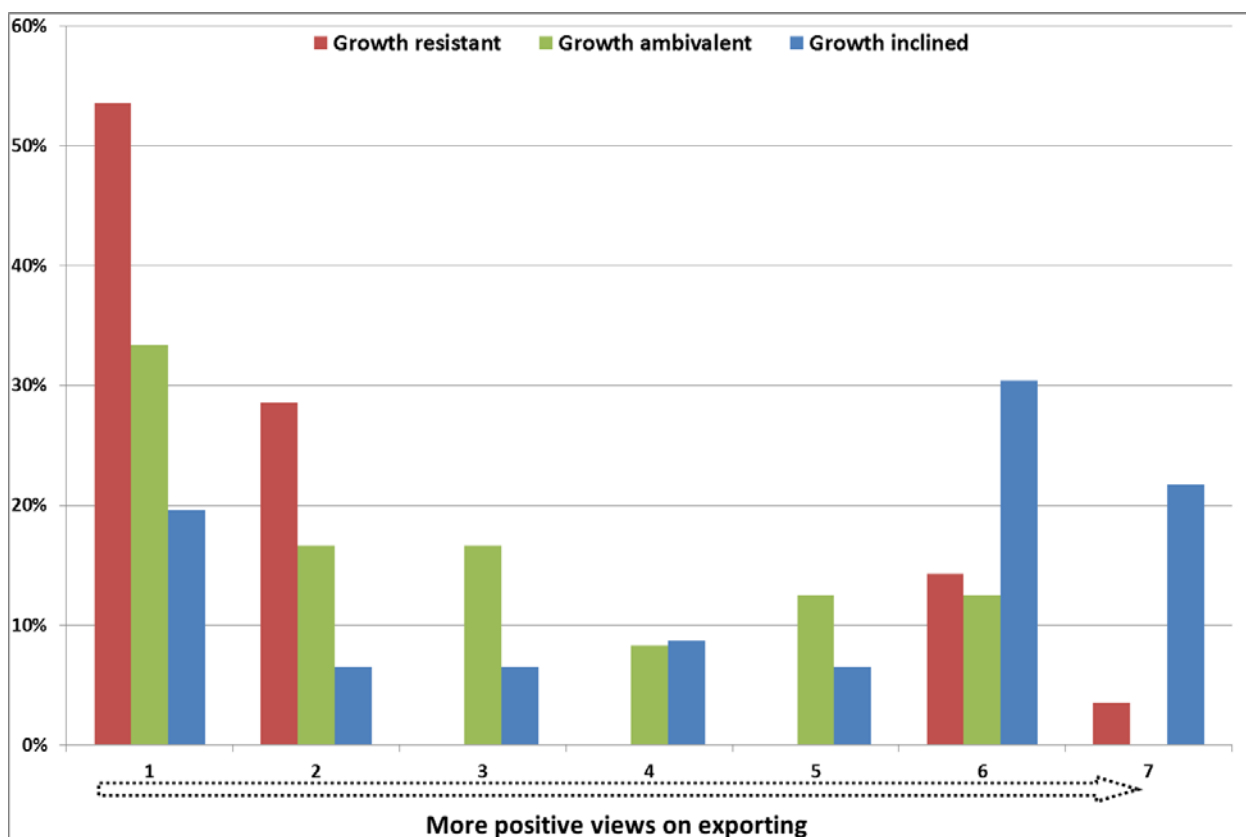
Growth-inclined owners also tended to be the most positive towards exporting (see Figure 6) – either exporting a small amount and planning to increase in the future, or already with a high proportion of exports in their turnover, with only a small proportion indicating that their product or service was not suitable for export. They were also more likely than the other two groups to report that exporting had been central to their business model from the start, and even if they did not export, there was a clear and detailed rationale presented for why not (often presented in terms of managing risks).

**Figure 4: Sector of business by growth disposition**



Source: ERC Owner-Manager Survey (2015)

**Figure 5: Attitude to exporting, by growth disposition**



Source: ERC Owner-Manager Survey (2015)

## 6.2.4 Finance

A similar proportion of owner-managers in all three growth dispositions – approximately half – reported that they felt that banks were not willing to lend sufficient amounts, to be sufficiently flexible, or to lend to projects which carried a perceived higher risk. Also, a fairly high proportion of all three dispositions noted that they preferred to avoid debt, if possible, relying on internal reserves in the first instance.

However, growth-inclined owners were more likely than those in the other two groups to discuss a strategic approach to raising finance (e.g. switching providers to get a better deal – or, indeed, any finance at all), considering the use of banks other than their regular provider for particular purposes, the consideration and use of alternative forms of finance. This was accompanied, in many owners, by a greater level of confidence that they possessed the necessary skills to access the finance they required, and could choose and use the best method available. Although banks may be regarded as less than helpful, this did not prevent many growth-inclined users from noting that, although it may not be their first choice, they would not avoid debt if no other course was obvious to enable them to grow:

*I believed that I could do everything organically, and I could do everything with the money we'd created ourselves ... When we needed to give lines of credit, we couldn't do that. So I went to [my regular bank] ... we put in a £500,000 credit line through invoice discounting, and they agreed that, as we started to grow the business, they'd increase that line. After about six months we went back to them and said, 'We're growing like we said, we need more cash,' and they weren't able to do it. So I left them, and we came across [another company that could accommodate that].*  
**(Growth-inclined owner)**

## 6.2.5 Recruitment and employee development

In terms of recruitment, growth-inclined owners place more emphasis than the other owners on:

- the processes and methods involved in finding staff in the first place;
- the type of recruits sought, and particularly their attitude in terms of entrepreneurial attributes and ability to manage themselves (as opposed to 'reliability' or punctuality, as was more commonly emphasised by other groups); and
- retaining and developing staff within the company in terms of attitudes, behaviours, empowerment and team-based working in addition to simply skill-based training.

This led to a greater emphasis on leadership among the growth-inclined, as opposed to simply managing the business, and on creating the environment and processes for staff to flourish:

*Finding people with the skills and knowledge that are able to demonstrate that they actually have the skills and knowledge [is hard]. There are a lot of people that think they know a lot of things that don't. That's why there's a difference between somebody who works for a very large company, and works for a small employer. Those people that work for small employers have to have entrepreneurial spirit as well, or they're not the right people. If somebody's just*

*worried about the pay check at the end of the day, they're not going to help a small business be successful.*  
**(Growth-inclined owner)**

### 6.2.6 Partnerships

The importance of recruiting employees stems partly from their value in providing complementary capitals from the outset, or the ability to enhance conversions of capital time. The establishment of a partnership between owners can serve a similar purpose, which may lead to a higher growth disposition if the partner(s) are chosen strategically.

Several growth-inclined owners reported that they had high levels of certain types of capital (e.g. skills in a trade or in managing a business, financial capital to invest, selling) but needed partners who could bring complementary skills (e.g. two related trades, management skills supporting trade skills). This allows either the formation of a business in the first place, or allows a business to perform a greater number of functions 'under the same roof' and facilitate growth by offering a greater range of services, achieving cost efficiencies, and so on. The partnership offers a means to aim for growth through the conversion and combination of capital from two or more different owners. For example, a newly-established personal services business is owned by a skilled tradesperson, with their partner as the co-owner contributing financial capital and business management/administration skills. A good example of a non-family partnership involves the combined skills of a graphic designer and a programmer, enabling them to offer a service with greater value-added to the client.

It is clear that spaces which bring together partners with the potential to forge a successful partnership (e.g. incubators, a diverse range of training courses connected to business, networking meetings) would be helpful in creating the conditions where owners may begin to think about combining capitals. That is, such an interaction can serve to promote changes in both disposition and the ways in which resources are deployed.

### 6.2.7 Technology and innovation

Growth-inclined owners were generally more positive about the benefits of using technology and more confident in their own abilities to do so, but also more open to innovation or diversification. Formal innovation (i.e. totally new products or services) was relatively rare, but the growth-inclined owners tended to be receptive to, have knowledge of, and endorse the use of a wider and more innovative potential range of products/services (e.g. peer-to-peer lending, use of iPads, making more use of Skype rather than mobile phones or landlines). As one growth-inclined owner put it:

*I don't suppose we're innovators. We are adopters of other people's innovation and we are resellers of other people's innovation so for us it's about stealing the march on your competitors by being an early adopter. So that, you've got to have some confidence in the products that you're dealing with.*

**(Growth-inclined owner)**

Those that had more vigorously pursued high-technology and innovation in their business conceded that it was hard work but, increasingly as the business grew, became the most important factor and the keystone of the entire strategy. A considerable number of businesses had changed (or were in the process of changing) their mode of operations on the back of developing new products or services (either entirely new or new to their market), which would (it was hoped) lead to higher growth:

*Grabbing all your opportunities [is important to growth], and being creative and looking for new market sectors. Our market sector is limited in the UK, because in the fullness of time we'd have cleaned up all the contaminated land, so we have to diversify. Then I think every business has the risk of becoming redundant, so you have to reinvent yourself ... So when I say reinvent yourself, you have to innovate, you have to keep looking at your market and saying, 'Is this need still applicable?' 'Do I need a new product to meet a new need?'*  
**(Growth-inclined owner)**

### 6.2.8 Business support

Growth-inclined owners approached the potential use of business support as a way in which they could fill specific gaps – either in knowledge or skills (their own or those of their workforce), or in terms of the best way of obtaining finance for a specific purpose. If the available support could meet a need, it was regarded as highly valuable; if not, growth-inclined owners would tend not to use it at all.

Among the most valued types of support, was advice on planning and strategy in the form of, for example, a sounding board from more experienced owners on the implementation of their plans and strategies, or in the conversion of ideas into a more focused plan. This often increased the growth-inclined owner's confidence that they were going in the 'right' direction:

*There were a lot of principles that the [business growth] program taught us which I was already aware about. However they structured it in such a way that it gave **me** structure. So one of the big things that came out of it was a structured business plan, so I was able to pull everything that I'd thought about together in a box.*  
**(Growth-inclined owner)**

*The nature of the three directors, we are so head-down all the time that sometimes we don't have the time to step back and really analyse the data. This guy came in and really analysed the data, and told me basically what I already knew, but giving me the hard facts about it rather than relying on my gut, which was key.*  
**(Growth-inclined owner)**

Growth-inclined owners, therefore, tended to be selective in their use of support, and had strong, reasoned opinions on why programmes had not been considered or about the failings in others – while being quick to praise those that met or exceeded their expectations. It is evident that 'good' programmes are valuable, as they can enable growth-inclined owners to raise their aspirations for growth, convert one form of capital into another and form positive mindsets and behaviour. The main challenge faced by growth-inclined owners was sourcing high quality support, and being able to judge the quality before use.

#### *Incubators*

Incubators were seen by some in the growth-inclined group as useful for the support they offer, but more particularly, in terms of facilitating contacts with 'like-minded' people – that is, a useful and straightforward way to obtain advice from a business in the same situation (seeking to grow, probably in a similar business area at a similar stage), compared to the prospect of attending a more general forum (e.g. a Chamber) and hoping that a relevant owner will also be in attendance. The presence of similar owners in the same building for a prolonged period of time

increases the chance of a reciprocal advisory relationship – and a social friendship – developing and deepening, and leading to a fruitful exchange to support both businesses in terms of both advice and contacts – in other words, a deepening of social and human capital. A growth-inclined owner, a recent migrant to Britain, noted these benefits:

*There's something attributed to psychology that we want to find the way ourselves, we did more by asking other people who had already done it. In the incubator there's people like us at that stage we asked them, would you go for a drink and we asked them how to do that and they just gave you the right way to do it.*  
**(Growth-inclined owner)**

### *Mentoring*

Owners from all three growth dispositions were potentially interested in mentoring, but those with a growth inclination were more likely to approach this strategically, defining what they would like to receive from a mentor and where such a mentor may be located – rather than hoping for a serendipitous meeting at a local networking space with a mentor they appeared to get on with.

### **6.2.9 Networking**

In terms of associating with other business owners, there is only a weak link between each of the three categories of growth disposition and the nature of the owner's social circle. Some business owners from each disposition reported that the majority of their social circle consisted of other business owners; conversely, each disposition contained several business owners who reported that their circle was mainly non-business owners. Growth-inclined owners were not more likely to ask for advice from their social circle, and had a wide range of views on whether that was useful, and whether their conversations with other owners mostly consisted of conversation about problems rather than advice *per se*.

Whether or not owners made use of their social networks for advice depended on a wider range of factors than simply their growth disposition. For example, location, type of business, family commitments, free time, and personality were also important. There is some slight evidence that growth-inclined owners are more likely to associate with business owners than the other segments, but this is, at best, a weak indication. If they had *not* used networking as a source of learning, growth-inclined owners would often clearly explain why, but with rationales focused as much on personal as business reasons.

However, it is also clear that some networks more actively target growth-inclined owners, and tend to be seen more favourably by these owners. There is an indication that networks of 'alumni' from particular business support programmes have proven effective at building ties and a sense of 'community' between business owners. If a growth-inclined owner has not encountered such a network, opinions of networking in the locality tend to be less favourable.

Overall, therefore, growth-inclined owners were no more likely to use networking than other owners, but their reasons for using or not using it, and how they used it, differed greatly. Essentially, growth-inclined owners in areas without the right sort of networking opportunities (i.e. one which gathers like-minded owners together to focus on 'growth' rather than a membership of a Chamber or a representative organisation such as the



Federation of Small Businesses (FSB) or Institute of Directors (IOD)) were likely not to network at all, whereas the other two categories of owners may still do so, as they are attending networking for slightly less business-centred reasons, and/or to try and forge leads, rather than learn from other owners. So a surface reading may not see that there is a difference between the level of use of networking across the three growth dispositions, but a more nuanced reading would.

## 6.3 Growth-resistant

### 6.3.1 Aspirations for business entry

Growth-resistant owners were more likely to cite 'necessity' reasons for start-up than the other two groups, along with a lower level of early interest in start-up. In addition, a variety of 'personal reasons' are clearly of higher importance for this group, which are often engaged in 'lifestyle' businesses and are more prominent among female business owners.

Owners in this group also tended to stress their 'realistic' assessment of the income they were currently generating, or *could* generate – for example, citing the strength of competition that they faced rather than, as tended to be the case among the growth-inclined owners, suggesting a way in which this obstacle could be tackled. This led to having limited ambitions to (try to) develop the business.

### 6.3.2 Strategy development

Growth-resistant owners tend to undertake relatively little strategic planning, often rationalising that they are too small to require such effort, or that they would only need to undertake such planning if they were intending to pursue growth more actively (e.g. seeking investment finance), which would tend to be unlikely.

### 6.3.3 Sector and attitude to exporting

As shown in Figure 5 the growth-resistant disposition is dominated by 'other services' businesses, many based around relatively low-skilled trades, and inherently local in their outlook. This also limits the degree to which growth-resistant owners see their product or service as suitable for export, as shown in Figure 6. There was also a greater emphasis than among the other two groups on 'personal' reasons for not exporting among this group (with age, again, often being emphasised as a reason for not pursuing such an activity which was seen as requiring great effort), which tended to foreground more business-related issues.

### 6.3.4 Finance

The growth-resistant owners were less likely than the other groups to actually use any external finance, and were far more resistant to using debt than the growth-inclined owners. Most reported that they preferred to 'live within their means' if possible, not pursuing ambitious projects in the first place and ensuring tight financial control. A high number ascribed this to risk-averse values instilled by their upbringing.

### 6.3.5 Recruitment and employee development

Growth-resistant owners, when recruitment is necessary, tended to use basic methods, seeking mostly fairly low-skilled applicants, potentially leading to a large number of applicants (e.g. adverts in the local press or Jobcentre). Their emphasis was on finding *reliable* people, as opposed to high level skills or entrepreneurial attitudes; the perceived low level of reliability was often seen as a major challenge.

### 6.3.6 Partnerships

Examples of partnerships among the growth-resistant group tended to be between family members or friends, where there was no clear rationale behind the formation of the partnership in terms of complementary capitals – the owners had simply considered that they would like to run a business, and had not analysed whether such a partnership was actually a good use of their skills, or whether they had the complementary skills necessary to build a successful business.

### 6.3.7 Technology and innovation

The growth-resistant owners were more hesitant than the growth-inclined about their use of technology, and less likely to report that their business was based on new or innovative ideas. Many reported that the main constraint to improving their use of technology was pressure of time or lack of funds, without considering (as more growth-inclined owners would tend to do) that an investment of resources today may save them time and money in the future. For example:

*No, I need more technology, but the trouble is, the software doesn't exist. I'm not computer-literate enough, by any means, to write it myself, or even to specify, I can't afford, without borrowing money, to get the software developed. There is software that I could use, if it existed, but it doesn't. So it'd have to be custom-written, and then I could do measurements electronically.*

**(Growth-resistant owner)**

Some growth-resistant owners still cited innovation as important. However, this was often closer to product differentiation than use of new techniques or the introduction of new products (e.g. a minor enhancement to a fast food product to better enable the business to compete with others in a very small locality). This goes some way to demonstrate the limited horizons within which growth-resistant owners may be operating.

### 6.3.8 Business support

The more growth-resistant an owner was the more likely they were to simply reject support, or not give precise reasons for their negative views about a particular scheme. There was also a widespread lack of knowledge among this group about the breadth of support available (exacerbated by incorrect information about support, especially relating to the cost), and little idea about which organisations are able to support them in this area. They expressed a desire for more basic, generalist support than the highly specific support which would meet growth-inclined owners' needs:

*I think if there was a person or a place you could go to and say, 'Look, this is my idea, this is what I'm looking to do, can you offer advice?' Somebody who could provide assistance with financial start-up maybe, marketing ideas, how to find out whether or not your services are going to be required in the area that you're starting up so I think having somebody there to help maybe with the research. You can come up with this idea and you think, 'Okay I know what I'm doing,' and I found I didn't.*

**(Growth-resistant owner)**

### 6.3.9 Networking

As noted above, there is only a weak link between each of the three categories of growth disposition and the nature of the owner's social and business circles. Growth-resistant owners still use social and business networks to pursue leads for business, and to ask

about issues relating to managing the business, with personality and preferences important for how they network in the first place. How they implement suggestions from their circle may well vary, but that depends on their attitude towards strategy development, rather than their willingness to talk about their business with other owners of their acquaintances.

## **6.4 Growth-ambivalent**

In most cases, the business behaviours of the growth-ambivalent follow those of the growth-inclined, although either with a lower intensity, or simply undertaking fewer of the behaviours listed here. That is, they tended to have a less holistic view of the business, undertaking some but a lower level of strategic thinking.

### **6.4.1 Aspirations for business entry**

For growth-ambivalent owners the clearest points of distinction with the other two groups are the relatively high numbers classed in the 'being own boss' and 'achievement' categories – that is, reasons relating to status and independence – and a highly diverse range of 'other' factors relating to their personal life and interests. This suggests a strong drive to establish a business in the first place, for reasons relating to their own interests – but insufficient to strongly encourage growth (while, at the same time, not strongly inhibiting growth).

### **6.4.2 Strategy development**

The growth-ambivalent owners would tend to undertake some strategic thinking and planning, but to a lesser extent, or less holistically, than the growth-inclined owners. This may lead to a tendency for more heuristic methods for calculating risks and returns, which are simpler and less intensive, and not take account of all the variables necessary to make a fully informed decision. For more marginal decisions, this may well result in 'playing it safe', rather than taking a risk (which may have been the case if all the information was more carefully analysed).

### **6.4.3 Sector and attitude to exporting**

In some respects, the growth-ambivalent again tended to fall between the two extremes – this is very clear in the sectoral pattern for ICT and Other Services businesses (see Figure 5). There also seems to be a stronger tendency for such owners to choose manufacturing than among the other two groups.

Growth-ambivalent owners may have pursued exporting but the evidence would indicate that they tended to treat it in isolation from other strategic choices (see Figure 6). That is, compared to growth-inclined owners, the growth-ambivalent group tended to have a less holistic view of the business, with a more compartmentalised outlook, and a less clear rationale for how decisions in different operational areas interacted. They were also more likely to indicate that they 'fell' into exporting (e.g. through overseas customers discovering their website, or a serendipitous meeting), than more growth-inclined owners, who had a clearer strategy.

### **6.4.4 Finance**

Growth-ambivalent owners were the most likely group to report having borrowed, and the least likely to report having a negative view of banks. This may be linked to plans which err on the side of caution, following their general approach to strategy, as outlined above.

#### **6.4.5 Recruitment and employee development**

Growth-ambivalent owners again tended to fall between the two other groups – they emphasised the need to find the right qualities in a new employee, but showed a less intensive approach to recruitment than the growth-inclined (albeit still involving more than simply placing an advert in the Jobcentre, e.g. approaching local FE colleges), and some discussion of encouraging empowerment of workers – although with greater restrictions, and a lower likelihood of career progression – than indicated by the growth-inclined owners. Discussion, therefore, revolved around being ‘lucky’ in finding the right people, as opposed to the growth-inclined owners, who would tend to emphasise the hard work involved in the search and advertising correctly.

#### **6.4.6 Partnerships**

Growth-ambivalent owners were as likely to form partnerships as the growth-inclined, but in a less effective manner, tending to be less likely to take advantage of the ways in which a partnership can augment individual capitals, and less likely to seek out a partner based on strategic reasons (but more likely than the growth-resistant to do so). Partnerships are often based on closeness at hand (e.g. family members) but compared to the growth-resistant would tend to be accompanied by a more thorough rationale.

#### **6.4.7 Technology and innovation**

Growth-ambivalent owners were generally positive about the use of technology, and innovation, but – as with other aspects – may approach this more in isolation than the growth-inclined (e.g. basing their business model on innovation, but not linking it so clearly towards expansion through exports), or pursue it with a lesser intensity.

#### **6.4.8 Business support**

Growth-ambivalent owners were open to, or have considered seeking business support, in somewhat vague terms (possibly indicating a lack of research, also suggested by their preference for – apparently unreliable – word of mouth knowledge of schemes). Many were likely to have put off the actual use of support due to shortage of time – that is, they knew they needed some help, but were less likely than the growth-inclined to prioritise long-term benefits against short-term costs. The growth-ambivalent group were open to engaging mentors, but tended to approach this in a less strategic manner than the growth-inclined. For example, they tended to be less specific in defining what they would like to receive from a mentor or the characteristics of potential mentors, often simply hoping for a chance meeting at a local networking space with a mentor they appeared to get on with.

#### **6.4.9 Networking**

As noted above, there is only a weak link between the categories of growth disposition and the nature of the owner’s social and business circle. As with growth-resistant owners, growth-ambivalent owners still use social and business networks to pursue leads for business, and to ask about issues relating to managing the business, with personality and preferences important for how they network in the first place. How they implement suggestions from their circle may well vary, but that depends on their attitude towards strategy development, rather than their willingness to talk about their business with other owners of their acquaintances.

# 7 Case studies

The case studies presented below are considered as illustrative of the three growth dispositions identified in this study.

## 7.1 Growth-inclined

Owner A's background has a number of factors which are likely to be associated with an inclination towards growth:

- An international background: he grew up in Colombia, with Italian/Colombian parentage. Starting a business, and even emigrating, was quoted as being a 'Colombian tradition'.
- Business ownership in the family: his father and grandfather were cited as 'inspirations' who 'started from nothing' in diverse professional sectors. He was expected to follow in their footsteps: *'That's the way we were raised.'*
- An independent outlook, following his own passions while simultaneously developing human capital in technology. He was interested in computing from a very early age: *'My father bought the first computer when I was seven, six years old. Then I was really in to internet and all these technologies and stuff, I would spend quite a lot of time inside the home just playing the computer. I was probably the person that didn't go out to play football and for a Colombian person it was important to be good at football.'*
- A university education: undergraduate degree in advertising, followed by a masters in graphic design in England.
- An early interest in entrepreneurial behaviour: he started selling to his schoolmates, and stated that he knew that he needed to market himself to 'stand out' from the others doing the same thing. He went on to form a digital advertising agency with friends, on leaving university, making use of his human and social capital.

This business failed because online businesses in Colombia were *'obviously [at] a very early stage and we didn't have the money and the government probably didn't help us much,'* prompting a move to the more advanced market in England: *'That's why when I moved to the UK, that was just a big opportunity to build your own business and everything was easier. This is probably the easiest place in Earth [to run a company] ... there's no complication.'* This shows his growth disposition in being able to reflect on the business and its market, and adapt his skills, and the business outlook, to pursue what is the most propitious course at the time. He chose to augment his human capital to pursue a higher degree in graphic design, rather than advertising *per se*, for a similar reason: *'Advertising is something really localised depending on where you live ... but graphic design is something that's massively international because it's a visual communication.'* He is amenable and flexible towards adapting his skills to reach a much larger market, rather than simply pursuing a course he already knows, in order to aim for growth.

He is also open to sourcing support from a range of sources, being aware that any advice is useful, especially bearing in mind that he is not fully cognisant with English norms and attitudes. He shows a willingness to learn; he displays a high level of confidence in his abilities to run a business – talking in detail about what is needed and what the obstacles to success could be – and in his skills in advertising and graphic design, but at no point does he display arrogance that it would be an easy process, or that he 'knows it all'. There is

clear evidence of reflection that he wishes to grow the business, but that it will inevitably be hard, and a learning process, and that he requires support to develop his own social, financial and human capital. This provides evidence for spaces where capitals can be augmented and converted, and ways in which this might be accomplished to enhance growth inclination:

- Entering (and winning) a business planning competition in East London, with the prize of accommodation in a technology-oriented incubator.
- Winning provided independent affirmation of his business skills, and the viability of his plan, encouraging him further to progress towards ownership (he was already certain that he wanted to own his own business).
- The incubator provided, most importantly, a space to enhance his social and human capital, by putting him in touch with businesses in a similar position – in fact, they form the bulk of his social circle in London. This enables him to share advice (which he welcomed, and used extensively) and seek recommendations for contacts, business and employees and a business partner to complement his skills. He is open to joining organisations such as the Chamber, but *'doesn't know where to start,'* and expresses similar feelings about using support programmes. The incubator has therefore proven to be an effective space for putting him in touch with people in a similar position, who can provide timely advice pitched at the right level for his needs. Other spaces (e.g. business support programmes) may be more useful, and relevant in the future, as he moves out of the incubator.
- The incubator, therefore, provided a space to find a business partner, as he was aware that he needed programming skills to complement his human capital (and vice versa – he used his graphic design skills to complement his partner's programming skills). His partner was German, bringing an even more international and diverse outlook to the business.

This pragmatic, realistic outlook – reflecting on the business and what is needed to make it grow – means that the initial ambition for the business was not expressed in financial terms. 'Success' meant creating a good, sustainable business, and building up both partners' capitals, with growth as the eventual, hopeful outcome: *'I've learnt these three years, you have to be realistic and you have to take everything as it comes.'*

As such, he frames problems as obstacles to be overcome rather than complaining, for example, about PAYE. He sees it as simply another challenge for which he can take advice and use his own business skills to find a solution: *'Learning from other guys that already run a business and getting advice from lawyers ... we found out a way how to do it and that's it.'* In fact, they do not hold him back, but provide encouragement to grow further: *'Those little laws and small regulations also help you growing because you know you have to make more money paying that, therefore, you have to be obligated to pay to get more money.'*

## 7.2 Growth-ambivalent

Business B is an entertainment promotion business in London, which makes a good case study of growth ambivalence as it shares some traits with both the other two segments.

Owner B has the following associations with the growth-inclined segment:

- He has an international background, having emigrated from his original home in a Commonwealth country, and being the son of European immigrants.

- His father owned his own business – albeit only a self-employed construction worker, who would *‘go to work and come back like anyone would’*, and he knew no other business owners. In other words, his role models were limited and small-scale.
- He attended university (in his home nation), and had management experience and training in his first post-university job.
- He has high level skills in technology: *‘The companies I started working at put me through a lot of courses on the Internet, which I really love – technology. I can actually code and design websites now.’*
- He had some large ambitions, about eventually expanding internationally, and strictly controlling the quality of the acts, and noted that: *‘I wanted to build something I would be proud of.’* However, this came after the initial decision to start a business. Once established, he moved into ‘importing’ European acts showing a willingness to diversify the offer, and deal internationally.
- He is skilled in operational issues – especially marketing, the subject of his first degree.

There were also some associations with growth-resistant factors:

- He had no early desire to start his own business – his *‘sights were set on graduating and getting a suit job’*.
- He started the business partly for personal reasons – *‘One thing I couldn’t handle about working with companies and other people was the hours. I’m not a morning person, and ... I like working by myself, I like working late at night’* – and because he ‘fell’ into it: *‘We were given the opportunity. The room in X came and approached me and asked do you want to do a [regular show] there? I spoke to this guy and said the risk was there was already some other comedy nights in X, but they weren’t very good. People thought we wouldn’t succeed, but he had a business background too, he was [in the same trade]. We just thought we’d give it a go, and once it kind of got off the ground a little bit about a year and a half later is when I said go on we’ll try and do this full time.’* *‘It just kind of happened so organically I didn’t really think about it. I mean I only really felt the pinch or started thinking about money round [5 years after he started].’*
- He notes that external factors limit his ambition and ability to grow: his market is limited by geographical reach and he remarked that it would be difficult to stage his shows outside London, as only the capital has sufficient ‘critical mass’ of customers; by the consumer spending power, which limited growth possible during the recession; and by difficulties in finding good employees without an indication that he had tried alternative routes to recruitment.
- Although he is skilled in operational issues there is less evidence of longer-term strategic thinking, reflection on the business’s strengths and weaknesses, explicit activities aimed at growing or use of business support, external advice and networking: *‘I would probably research it myself online – first thing I would do, and if it was an area where I couldn’t educate myself on it or learn it myself, then [seek external advice].’*

The owner expressed a desire to grow the business: *‘If you don’t do anything, it will stay the same. So we need to improve the business, we need to come up with new ideas, and we need to stay ahead of the competition.’* However, he has only limited plans to undertake this on a strategic level, in particular noting that he is held back by the difficulties in finding good staff, especially those he can delegate to. This places him in the ‘middle’ segment of the

three – running a successful business, with a desire to expand, but not taking the final step to successfully convert and combine his capitals that have the potential to lead to faster growth.

### 7.3 Growth-resistant

Business C is a small Caribbean restaurant in London, run by two partners, a married couple, with the husband being the chef, and the wife (the interviewee) taking care of administrative matters. There was clear evidence of a number of factors associated with a growth-resistant disposition:

- A relatively less affluent background: her father was in a food production trade in a large company, while her mother worked in factories on a production line.
- A lack of an international background: although both are ethnically African-Caribbean, they have never moved out of their home locality (North London).
- A lack of business role models: interviewee E stated that she did not know business owners while growing up.
- The owner is approaching retirement age (58), and thus is likely to experience the mediating effect of age on growth disposition: her son had told her to market on social media, *'but we're too old for this sort of thing'*.
- A lack of self-reflection: answers were generally very short and non-discursive, about both personal issues and the business.
- The interviewee did not attend higher education, nor stay in school post-16. After her O-Levels, she entered a low-skilled administrative job and never held a management role prior to being in business for herself.
- She had little interest in starting a business until she *'fell into'* ownership: she was *'roped in'* by her son, who had started a promotions business in the late '90s to undertake an administrative role, which involved co-ownership. She moved into the restaurant business, because she *'likes her food'*.
- Neither she nor her husband had experience of catering or management, and her discourse tended towards convincing herself of her abilities: *'We thought, no, we know a lot about, from the customer point of view and just the business brains that both myself and my husband felt we had. No, we can do this.'* Q. So, almost in the dark starting a business? *'For starting the business, yes.'*
- The business had a largely parochial outlook in that it was aimed at the local market, not able to export and the use of technology is minimal – she was aware of online sites such as JustEat, but decided against using it as that would mean paying for a driver.

The lack of growth inclination can be illustrated by their approach to managing the business. The lack of growth has been rationalised as being due to difficulties which they could not tackle, with little evidence of reflection on how they may be tackled, or belated responses aimed at 'damage limitation' rather than proactive business development:

- Poor staff, and lack of strategies to recruit, engage or develop staff: *'Good people are hard to find anyway ... I've put my heart and soul in it, but that breed of people doesn't exist anymore, people are just there to get what they can get and go. They don't care what damage they're doing to your business, especially in the Caribbean world, you find the few restaurants that there are, of Caribbean type, the staff are*



*rude.*' The exception to this is that they have 'a good chef', who brings in regular customers but this is insufficient to make a profit.

- Poor location – chosen on the basis that it was near to a large employer and public transport links, but such that there was very little passing trade. This shows evidence of lack of reflection about location choice.
- Lack of support from banks, and little consideration of other finance sources, nor even of efforts to improve their financial position, instead relying on their own savings: *'I went to [my personal banker] to talk about an overdraft and he gave me a wad of forms to fill in, and I thought, I haven't got the time, can you just sort this out for me? I can't remember what he said, because it was quite a while ago, and I didn't find him very helpful. Most of the time, when you actually call to speak to him, he's not there and he doesn't call back and things like that, so I don't feel the bank are very supportive. We've managed to do things without getting loans ... we're a bit old-fashioned, we don't like to owe money.'*
- Little evidence of reflection on the business more generally: the business owner considers that it would be 'easy' to grow the associated juice business, without noting that she had said the same thing about the failing restaurant. Q. What factors, inside or outside the business, help the business grow? *'I don't know.'*
- The poor economy, blamed for both lack of trade and difficulties selling: *'We spent £70,000 on getting it up, we couldn't just walk away and say, right, we'd have to sell it. We have tried to sell it, people are interested, they just haven't got the money.'*
- A lack of networking or seeking support to develop the business.

# 8 Conclusions

This research provides **a more comprehensive understanding of the factors that influence growth** by elucidating how dispositions to growth and associated mindsets are formed and how these shape business behaviours and growth.

## 8.1 Factors influencing dispositions

### 8.1.1 Family background

Business owners provided clear evidence of a person's family background influencing the reasons and motivations for business entry. Entry motivations were generally described across a mix of financial and non-financial dimensions for all business owners. Those from a more wealthy family background, though, were more likely to report entering business as always being an ambition and a desire to be, in some way, 'independent' or 'their own person'. More growth-resistant owners were less likely to identify their families as being a source of support for them to enter business regardless of the type of support – that is, emotional, social, knowledge transfer, or financial. Growth-ambivalent owners were more likely to enter business for personal reasons, or reasons connected to a desire to be independent or achieve an enhanced status.

Growth-inclined owners were more likely to have the financial means to support a venture, and/or regard themselves as being able to manage a business with relatively little or no personal knowledge of the product or service offered. They tended to regard themselves as possessing appropriate skills to run a business, rather than needing specific skills in a specific sector. The acquisition of such specific human capital about the sector they were operating in was seen as something that would emerge in the fullness of time. Owners from this group were confident in their ability to build up human capital, perhaps as a result of the relatively high educational level, the managerial/professional background of their parents and the more diverse range of social capital (e.g. a more international background) which often characterised their youth. Growth-inclined owners not only had a greater access to a range of capitals to begin with, but they also displayed greater confidence in their abilities to amass further capital, and convert it successfully to the benefit of the business.

Necessity reasons for business entry (i.e. there were no alternative opportunities in the labour market) were more likely to be associated with business owners that demonstrated a low/no-growth mindset.

Business owners from wealthier/more privileged family backgrounds also benefit from greater access to support through high status networks. There is clear evidence of this exerting a positive influence on the decision to start and grow their businesses. There were a number of examples within the high growth, and financially successful group of business owners, of family and friends providing a range of financial and commercial advantages that strongly supported the business model.

Those with positive inclinations towards growth are also more likely to actually *achieve* high (at least 50%) sales growth over the last two years. Many in this group also made a point of noting the confidence they had in their growth plans. The combination of their social, financial and human capitals meant that they were willing to be patient about the achievement of growth, and the financial capital they possessed (or could leverage from banks or other sources of funding through their human or social capital) facilitated this.

Owners from less affluent backgrounds were over-represented in the growth-resistant and growth-ambivalent groups. This suggests that family background is a mediating factor reducing growth orientation, despite profiles of 'seriousness' in their business start-up motivations, which is known to link to stronger growth ambition (see the discussion in Allinson et al., 2013). Equally, it seems to be the case that the entrepreneurial role models for those from a working class background were more small-scale, or less prestigious (e.g. several people referring to 'tradesmen' rather than 'business owners'), encouraging business *ownership* but not necessarily *growth*. This applies to both growth-resistant and ambivalent owners.

### 8.1.2 Education and experience

Compared to both growth-resistant and growth-ambivalent owners, growth-inclined owners were more likely to have a university-level education and management experience, enhancing their human and social capital and their capacities to convert capital. Higher education can have a mediating effect on growth disposition, with several owners seeing it as a way to 'escape' the disadvantages of a less affluent background.

### 8.1.3 Gender

Women owners were much more likely to report having 'fallen' into business ownership due to an opportunity arising, with far fewer women than men reporting that they had an interest in business ownership prior to starting. Women are also over-represented in the low-growth orientation groups; those females in the higher-growth orientation group all have wealthy/affluent family backgrounds, again suggesting that social class can positively mediate perceived gender inequalities in relation to business growth orientations.

Women are also much more likely than men to report work/life balance and care issues as a barrier to business growth. Conversely, only men reported innovation or IP protection as an enabler of growth. This suggests that these specific factors have differing impacts on businesses and growth orientation depending on the gender of the owner.

### 8.1.4 International links

Only a few owners were from a non-white British background but within this group the financial motivations in relation to business entry appear to be much stronger. The higher incidence of financial motivations does not appear to be translating into higher growth motivations, with around half displaying a low/no-growth orientation. This is a higher proportion than for all business owners. However, owners with international links and exposure tend to be positively inclined to growth and exporting.

### 8.1.5 Age and life stage

Age and life stage is a key mediating factor in the growth disposition of owners, with a very clear inverse relationship between age and growth inclination. Older owners were also likely to report the same relationship as they had aged themselves. Those who were at, or beyond the official retirement age tended to report that they wanted to continue working, but only to provide a small income, or to provide them with a degree of stimulation, which indicates that life stage plays a crucial role in growth disposition.

## 8.2 Mindsets and behaviours as enablers

The following mindsets, often manifested in behaviours relating to management practice, are seen as enablers to business performance and growth.

### 8.2.1 Aspirations to entry

Growth-inclined owners were more likely to have a prior interest in start-up, and a desire to be 'in business' (rather than a particular type or sector of business) and less likely to report opening a business out of necessity. The latter motivation is found more often among growth-resistant owners, as are personal or family motivations connected to running a 'lifestyle' business, rather than a growth business.

### 8.2.2 Strategy development

Growth-inclined owners were more open to a process of 'reflection on the business', identifying strengths and weaknesses which enable a more considered approach towards growth and market opportunity identification. They were less likely to ascribe blame for lack of growth to the economy or other external factors such as regulation, or to see such barriers as absolute. The economy, for example, may have been seen as hindering growth, but many had prepared to take advantage of an eventual upturn, or had tried to look for diverse ways to maximise returns during the recession. They were also more open to buying in expertise where they had identified a clear gap in knowledge or skills.

Narratives of business entry also reflected this point. Growth-inclined owners were more likely to report that they had identified an opportunity (mainly through social contacts and the ability to exploit their own human capital), rather than being 'forced' or 'falling into' business ownership.

Content analysis of the interview transcripts suggests that growth-inclined owners appear to be clearer about their aims and objectives, and how to achieve them over the long term. In contrast, growth-resistant owners display a smaller amount of reflection and thought, concentrating on the operation of the business, rather than projecting forward, or considering the amount of profit or work that it might entail.

### 8.2.3 Sector and attitude to exporting

Growth-inclined business owners are substantially more likely to report that their products/services are suitable for exporting or that they already export. By contrast, a large majority of growth-resistant owners do not see their product/service as suitable for export, or have any wish of pursuing exporting as part of a business growth strategy. However, it is unclear whether growth-resistant owners are choosing business models (and specific sectors of business) that are less likely to be associated with exports, while growth-inclined business owners are choosing activities and business models that are suitable, and whether such choices are driven by 'habitus' factors. Growth-inclined owners are more likely to select a dynamic, high growth sector with potential to expand beyond the locality than the other groups (illustrated by the high proportion of personal services businesses among the growth-resistant owners).

### 8.2.4 Finance

The role of financial capital seems relatively less important than social or human capital as an enabler either in establishing the business or as an initial motivation to grow. The majority in all three growth disposition groups noted that they wanted to make a *comfortable* income; excessive wealth was not a common motivation for start-up, even for those with high growth disposition. Equally, owners preferred to start relatively small, which could generally be accomplished by saving small amounts or borrowing (for those from wealthier backgrounds) from their family. There is a reluctance to seek financial support from banks or other financial institutions to support business growth. Those which are more growth orientated remain somewhat reticent in seeking finance, but are generally less likely to

completely reject the notion of debt than those with lower growth orientations, and are more certain in their ability to gain external finance if necessary. This is partly due to their high levels of human and social capital in knowing how to deal with lenders, or having contacts who may provide finance. In addition, they are more open to less traditional sources of finance (e.g. crowdfunding) and to the opportunities presented by bank switching. Financing, in general, is approached in a similar way by the growth-inclined as other issues in the business. In other words, the need for external finance will be evaluated and addressed with high levels of confidence that success will be achieved. Given that this group of owners already tend to have higher financial capital (through their own or their family's wealth), their businesses will tend to be better-capitalised and more likely to be able to survive until growth is realised.

### **8.2.5 Employee recruitment and development**

The employment of staff is often described by owners in all three growth groups in emotive terms, as well as practical ones. Among those growth-inclined owners most perceive an increase in sales growth should come before the recruitment of additional staff. In the other two growth groups owners are more likely to discuss staff in negative terms, for example, tribunal risks, additional workload, and financial responsibilities, rather than as a necessary part of growing the business. Growth-inclined owners would be more likely to consider staff positively, and that recruitment, skills development, management structure and delegation need to be approached more systematically, with a greater sense of how the workforce can be shaped over time in order to meet the strategic needs of the business. As such, they are aware of the importance of creating teams which work well together and that their own role may be more about leadership than management. They see the importance of retaining and developing a stable workforce, and ensuring staff are attentive to business needs and have positive attitudes to where the business is going.

### **8.2.6 Partnerships**

There is evidence of the value of multiple owners combining their own forms of capital to create more growth-oriented partnerships. Such partnerships bring together financial, human and social capital to exploit synergies for developing new products and accessing new markets.

### **8.2.7 Technology and innovation**

Growth-inclined owners were generally more positive about the benefits of using technology and more confident in their own abilities to do so, but also more open to innovation or diversification. Formal innovation (i.e. totally new products or services) was relatively rare, but the growth-inclined owners tended to be receptive to the development of a wider and more innovative potential range of products/services. A considerable number of growth-inclined business owners had changed (or were in the process of changing) the mode of their business operations on the back of developing new products or services (either entirely new, or new to their market), which would lead to higher growth.

### **8.2.8 Business support**

Government support and formal business networks are in the main not well understood, not widely engaged with (although high growth orientated are more likely to engage), perceived to be difficult to engage with, and where previously engaged with, to have had limited value or impact on their business.

There are, however, a number of notable exceptions to this general profile, whereby government and formal business support is positively viewed and seen as an enabler of business growth. The owners with these viewpoints are more likely to have high-growth outlooks. These owners were more open to using support and advice, and showed greater evidence of reflection on their (personal and business) circumstances, and greater analysis (even if informal) of the financial returns likely to accrue from paid-for support.

A dominant theme, by contrast, among growth-resistant owners was that there was insufficient *free* support. Either they had not thought of the possible benefits, or some had simply not investigated at all, rejecting out of hand the idea of paying for support. Growth-inclined owners (even if they had not sought advice) tended to have greater confidence in their own abilities to *judge* value, and plan for the future.

Another difference in growth disposition can be illustrated by the attitude to identifying a suitable mentor. Growth-resistant owners tended to meet mentors by chance which compares to a more purposeful, reflective approach from growth-inclined business owners (e.g. '*I went and looked for a mentor who could do X for me, because I knew where my gaps and weaknesses lay.*').

Having external experts diagnose or confirm the challenges faced by the business helped some owners to become more growth-inclined. For example, some business owners had taken steps to build up their own human and social capital, but had underestimated the ways in which this could be translated into management practice in their business, and needed to be somehow convinced that the combination could be successful. Consultants did help in this process, by encouraging the owner to appraise and more fully exploit the forms of capital they possessed.

It was also indicated that participation in business growth programmes that enhance access to human, social and financial capital directly, or indirectly, can have a positive impact on growth disposition. Interventions that create a social space to support formal elements can impact growth positively, by a creating a community of like-minded owner-managers that pursue growth.

### 8.2.9 Networks

Social and business networks appear to provide limited support to less growth-inclined owners. Most do not socialise widely with other business owners and where this is the case, it is not reported as providing significant business support.

However, access to high status networks provides a more significant source of support and enablers to achieve business growth (including the potential creation of partnerships). Participation in such a community can confirm their ability to grow, shape positive mindsets and raise their aspirations/disposition to growth.

Several growth-inclined owners attributed their success to the social capital derived from their upbringing, and barely mentioned their skillset or their business acumen. Others from poorer socio-economic backgrounds tended to foreground the development of their skills, often portraying them as an aspirant reaction to this background, which could provide a similar confidence to grow.

# 9 Implications for policy

The findings of this study provide a more comprehensive understanding of the factors that influence growth by elucidating how dispositions to growth and associated mindsets and behaviours relating to management practice are shaped, and how these underpin business growth.

The findings suggest that business owners do exhibit a range of dispositions which shape their ambitions and business behaviours and ultimately the performance and growth of these businesses. Crucially, more growth-inclined dispositions tend to be associated with more positive business performance.

These findings have a number of implications for thinking about small business performance and the factors that affect this. They are also potentially policy relevant in a number of respects.

- ***The effects of disposition on mindsets, business behaviours and ultimately on performance are not a market failure in the sense in which this is usually understood.*** Business support policy is normally predicated on the identification of some form of market failure – most usually information failures associated with undervaluing the benefits of business support. However, growth-resistant dispositions as identified in this research are not the outcome of information failure and are not market failures in the sense that these are conventionally understood. At face value this conclusion represents a clear challenge to the current orthodoxy for policy intervention. However, the findings do indicate alternative ways in which business support interventions can be justified to enhance growth among small business owners.
- ***Understanding the dispositions of business owners can inform the targeting of business support.*** The research findings suggest that the growth-inclined segment and at least a part of the growth-ambivalent segment tend to be more receptive to business support interventions than the resistant group. Within this, growth-inclined owners tend to be open to seeking out partnerships or mentors to enhance and augment their capitals (i.e. resources) and are more likely to consult other business owners for advice. Digging a little deeper into the narratives from this group it is observed that growth-inclined owners are open to a more diverse range of funding options, suggesting that facilitating access to a variety of options (e.g. crowdfunding and business angel networks, as well as growth-oriented products from banks, invoice discounters, etc.) may be beneficial.
- ***The research findings provide a positive commentary on aspects of current business support policy.*** Many growth-inclined owners who had used business support for growth (e.g. GrowthAccelerator, or university-based growth programmes) valued three aspects of these interventions in particular: (a) an ‘outsider’ looking at the business through a fresh pair of eyes; (b) the focus on ‘forcing’ the owner to reflect on business strengths and weaknesses, and develop a longer term strategy based on both their vision and capabilities; and (c) the advice and support received from other growth-oriented business owners – the peer-learning approach is of importance to these individuals. This, arguably, transformed some business owners from growth-ambivalent to growth-inclined, by making them reflect more critically on the resources they possess, and how they may convert or combine them to improve their business performance and achieve higher growth. In this regard, an appropriately designed small business growth

programme may compensate for a lower socio-economic status background or negative stereotypes relating to female or ethnic minority business owners.

- **The findings suggest that it may be possible to promote improved small business performance by changing the dispositions of business owners. Importantly they also show how this can, and cannot, be achieved.** This research supports the view that performance outcomes reflect the interplay of disposition, capitals (resources) and fields (environments) in which this interplay takes place. These associations are not linear and it may well be that interventions which enhance human, social and financial capital can have a positive impact on growth disposition, the formation of positive mindsets and associated behaviours and management practice among business owners. However, the research suggests that how these interventions are delivered may well be crucial. Didactic approaches that simply tell business owners you could be more positive and you could do better, are not likely to be successful. The greatest impacts may well stem from exposing business owners disposed to resist change to their peers with more positive dispositions. Interventions that create a social space that fosters interaction among business owners can have a positive impact by nurturing communities of owner-managers in which the pursuit of business growth is the norm. Participation in such communities can challenge negative dispositions and encourage positive mindsets by changing perceptions of what is normative and confirming business owners' ability to grow. Those from higher socio-economic backgrounds are likely to access such support independently by using their social capital. Accordingly, those from a lower socio-economic background would benefit most from the establishment of social spaces to accomplish this.
- **The findings suggest that policy should not focus exclusively on growth-inclined owners.** The findings suggest that for some initiatives, it may be rational to focus on growth-inclined business owners as this may provide for the greatest impacts. However, they also suggest that many growth-ambivalent business owners could benefit from the right kind of support. The more general recommendations discussed above remain relevant, but the crucial factor for promoting growth in this segment is to encourage a more strategic and comprehensive approach to business development. Growth-ambivalent owners are not necessarily averse to strategising, but tend to undertake it in an *ad hoc* fashion and exhibit less evidence of clear, thought-through rationales for their business objectives and the approaches they need to take to meet these objectives.
- **Segmentation.** These research findings have the potential to inform thinking about the segmentation of the business population to better target particular policies. For example, growth-inclined owners tend to be open to seeking and effectively using external support. Conversely, most growth-resistant owners are unlikely to engage with or respond positively to a range of conventional business support initiatives. However, if these findings are to be used to segment the business population, further research would be needed to develop and test simple diagnostics that could be used to identify the range of dispositions identified in this research.
- **The findings suggest that interventions that create a 'social space' to support formal elements of business support can have a positive impact on growth disposition** and ability to convert one form of capital to another. It is important that future interventions nurture communities of owner-managers that pursue business growth. Such communities can confirm the business owners' ability to grow, raise their aspirations and disposition, and shape positive mindsets and behaviours that are conducive to high business performance and growth (Theodorakopoulos et al., 2012b,



2013, 2014). Information and communications technology (ICT) can be used as a support mechanism to this effect, by supplementing real spaces with virtual spaces for growth-oriented communities of business owners, facilitating their interaction and learning on regional, national and international levels. Future research should examine how entrepreneurial learning and development interventions can successfully nurture communities of growth-inclined owner-managers. Such research should focus on the key components of interventions that support access to and convertibility of different forms of capital, so that positive mindsets and behaviours relating to appropriate management practice can be fostered.

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