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THE EFFECTS OF VARYING FORMS AND DEGREES OF
GOVERNMENT INTERVENTION UPON THE
EFFECTIVE COMPETITIVENESS OF UK SMALL BUSINESSES

PETER WYER
Doctor of Philosophy

THE UNIVERSITY OF ASTON IN BIRMINGHAM

March 1990

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THE UNIVERSITY OF ASTON IN BIRMINGHAM

The effects of varying forms and degrees of government intervention upon the effective competitiveness of UK small businesses

SUMMARY

This doctoral thesis responds to the need for greater understanding of small businesses and their inherent unique problem-types. Integral to the investigation is the theme that for governments to effectively influence small business, a sound understanding of the factors they are seeking to influence is essential.

Moreover, the study, in its recognition of the many shortcomings in management research and, in particular that the research methods and approaches adopted often fail to give adequate understanding of issues under study, attempts to develop an innovative and creative research approach. The aim thus being to produce, not only advances in small business management knowledge from the standpoints of government policy makers and "recipient" small business, but also insights into future potential research method for the continued development of that knowledge.

The origins of the methodology lay in the non-acceptance of traditional philosophical positions in epistemology and ontology, with a philosophical standpoint of internal realism underpinning the research.

Internal realism presents the basis for the potential co-existence of qualitative and quantitative research strategy and underlines the crucial contributory role of research method in provision of ultimate factual status of the assertions of research findings.

The concept of epistemological bootstrapping is thus used to develop a "partial research framework" to foothold case study research, thereby avoiding limitations of objectivism and brute inductivism.

The major insights and issues highlighted by the "bootstrap", guide the researcher around the participant case studies.

A novel attempt at contextualist (linked multi-level and processual) analysis was attempted in the major in-depth case study, with two further cases playing a support role and contributing to a balanced emphasis of empirical research within the context of time constraints inherent within part-time research.

Aslib Key Words: SMALL BUSINESS : OWNER MANAGER :
GOVERNMENT INTERVENTION : INTERNAL REALISM :
EPISTEMOLOGICAL BOOTSTRAPPING.

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My methodological thinking was extremely strongly influenced by Simon Archer who leads me through the philosophical controversies surrounding epistemology and ontology and provides me with the philosophical foundations of this investigation in the form of internal realism. From these foundations he provides the insights into the potential for footholding research, providing me with the opportunity to build upon and modify his views on the role of epistemological bootstrapping and to attempt a novel and innovative approach toward footholding the case study investigations.

The works of Peter Lawrence and Robert Lee combined with their earlier teachings on the Loughborough University Master of Business Administration course, have been instrumental in formalising and conditioning my thinking in the area of management.

With regard to the case study analysis, I am grateful to Professor Andrew Pettigrew, whose fascinating research work on ICI directed me toward the potential benefits of contextualist analysis, though I would

emphasise that my final practical approach is my own interpretation of contextualist analysis within the orientation of small business and does not profess to fully represent Professor Pettigrew's views on its application.

In the area of the highly fragmented and ad hoc small business insights, the assistance afforded by the works of Professor James Curran has been invaluable. I am most grateful.

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Underpinning the above acknowledgements, is my feelings toward my family and close friends, all of whom for many years have had to patiently accept and often merely endure, my constant attempts at academic and career advancement. Just how does one begin to offer the level of thanks necessary for that?

To all those who I should have mentioned by name, but which space restricts, I thank you. With regard to the ideas, underlying concepts, analysis and conclusions within this thesis, I am extremely grateful to the many contributors and emphasise that the final interpretation and combined presentation remains my responsibility.

PREFACE

At the outset of this study, the idea of developing a sound framework within which to examine the small business and the effect upon that business of government activity, appeared to be relatively straightforward.

That, though, was to overlook both the underlying philosophical controversies with the attendant potential to slide into a case study approach bordering upon brute inductivism, and the fragmented nature of current management knowledge which was to form the base insights for development of the research framework.

Literature reviews underlined the lack of a comprehensive theory of management. The evolution of knowledge about management, has seen expectations that each evolutionary stage, each stream of knowledge, would replace and improve on the previous stage. Yet whilst the total body of managerial knowledge has certainly grown, the various body components have not combined to form a unified set of theories, technologies or approaches. Rather, each respective departure has addressed itself to a particular managerial need and complemented, not replaced, the other - resulting in a mutually complementary spectrum of management knowledge. (see Ansoff, H.I., "Next Twenty Years in Management Education, 1973."

Moreover, the substantial body of knowledge in the management development field tends to be a body of knowledge formulated in general to meet the needs of large companies. It deals with the problems of large companies and develops skills to meet such problems in large company applications. Despite an impressive growing body of small business insights, in many ways the range of technologies and theories composing the potential kit of knowledge tools, lags considerably behind the needs of small business owner-managers.

Hopefully, the subject matter of this thesis begins to draw upon and develop underlying philosophical standpoints, innovative research method and management knowledge bases in a manner of practical relevance for the ultimate enhancement of insight into the functioning of small business.

Whilst the crossing of disciplinary boundaries to derive insight and development of the "bootstrap" of this research does not produce genuine multi-disciplinary theories and technologies, the resultant complementary spectrum of small business management insights does, it is hoped, offer itself to practitioners engaged in policy formulation, small business consulting, training and advising and to owner-managers themselves.

Peter Wyer
March 1990

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INTRODUCTION

- (1) U.K. COMPETITIVENESS - AN OVERVIEW
- (2) OBJECTIVES OF THE INVESTIGATION
- (3) DEVELOPING THE RESEARCH METHODOLOGY

INTRODUCTION

(1) U.K. COMPETITIVENESS - AN OVERVIEW.

The end of the Second World War saw Britain not only as one of the victorious powers, but still among the world's richest nations. Yet within a short period of 30 years, she has declined from a position of industrial strength and leadership to the status of a "second class" industrial nation (indeed, even "second class" status overstates British economic performance for some commentators; see Pollard⁽¹⁾). Random reflection on "traditional" criteria by which the Western world judges economic performance gives emphasis to the very poor British effort. By 1985, an examination of the principal indicators of full employment, income distribution, price stability, industrial relations, stability of the external value of currency, balance of payments or regional balance, revealed that there was not one objective in which Britain excelled in front of comparable Western nations. Incorporation of Northern Ireland economic data intensifies the demise. As Bhambri⁽²⁾ points out, *"examination of almost all the principal indicators of economic welfare would suggest that Northern Ireland has been trailing behind the rest of the United Kingdom throughout the post-war period"*.

The United Kingdom's declining ability to compete in world markets was in fact underlined by the competitive trade figures of the two decades commencing in the early 1950's:

Fig. 1: Share in World Exports of Manufacturers (%):

	<u>Average of Years</u>		<u>Change in Terms of</u>
	<u>1951-1955</u>	<u>1973-1977</u>	<u>World Exports</u>
USA	25.8	16.8	-7.0
West Germany	13.1	21.1	+8.0
France	9.4	9.7	+0.3
Italy	3.5	7.1	+3.6
Japan	6.4	14.2	+9.8
UK	20.5	9.1	-11.4

(Source: National Institute Economic Review (various issues) Statistical Appendix; in Pollard (1984))

Susceptibility to imports provides further emphasis of "competitive shrinkage".

Fig. 2: Import Penetration Factors for the UK
- August 1985 (i.e. Percentage of home market turnover taken by imports)

<u>Industry</u>	<u>Import factor (per cent)</u>
Motor vehicles	51
Domestic electrical equipment	40
Clothing:	
made up clothing	32
men's shirts	70
T-shirts	92
men's suits	65.9
women's and girls' jeans	73

(Source: Daily Telegraph Industrial Survey; August 1985.)

During the past 10 years the economy has certainly undergone transformation, but government compiled evidence which points to economic recovery under those 10 years of Thatcher rule is, in the words of Shadow Chancellor John Smith, "fragile and unconvincing."

It is not the purpose of this investigation to dwell upon just how far the UK economic recovery has gone. Since the publication of the above figures, some areas of improvement have occurred, some areas have worsened significantly. It is sufficient to emphasise the continued fragility of the economy by reference to the present record trade deficit - evidence enough to foster agreement from all corners of political life that UK firms are still not effectively competing. Indeed, this inability to effectively compete is not confined to manufacturing industry but manifests itself in all sectors of UK business, as data on failed business start-ups well supports.

Current government policy was born out of a desire to break with consensus economic policies of the past, in an attempt to improve supply-side performance. It is against this backcloth of declining competitiveness and "experimental" government strategy, that this investigation considers the implications for small business competitiveness, of varying forms and degrees of government intervention.

(2) OBJECTIVES OF THE INVESTIGATION.

The status of management as a nascent discipline, and therefore the multitude of major pitfalls inherent in attempting the production of knowledge in the management area, calls for careful consideration of research method and design. With regard to research relating to small firms' success, growth and failure, *"it is not so much the research or the integrity of the researchers that has failed, but the way in which we conduct our research. The methods and approaches adopted do not give sufficient understanding of the issues under study"* (Thorpe⁽³⁾).

The objectives of this investigation are twofold. Firstly, the intention is to attempt to advance knowledge with regard to the implications for UK small firm competitiveness of government intervention in its various forms. The study rests on the premise that for government intervention to aid competitiveness (or, in the case of government requirement systems, for it to minimise its constraining effects on competitiveness), policy makers need a clear understanding of how factors they seek to influence in small firms actually work; and the business itself requires the ability to foresee and adjust to competition (including an ability to both seize opportunities presented by government action and to counter threats from government). The study therefore aims to advance knowledge from the standpoints of both government policy makers and "recipient" small business. Secondly, however, through initial focus on philosophical fundamentals and subsequent overcoming of traditional controversies over epistemology and ontology, the investigation aims to offer insights into future potential research methods.

The experienced researcher may argue that this second objective is not an objective at all but rather the strategy through which the primary thesis objective can be fulfilled. A critical point would, however, be missed by such an interpretation.

"Even in an established scientific discipline, research method involves a tacit element of craft skills that have to be learned on the job". (Archer⁽⁴⁾). The nascent discipline of management especially requires a continued development of research skills and knowledge if the effective advancement of knowledge is to result. This research study in its approach toward methodology aims to provide dual benefits in the area of management knowledge. Firstly, the methodology does of course provide the means by which insights are produced regarding the implication of government intervention for UK small firm competitiveness (i.e. fulfilment of the primary objective of the thesis). But equally important, the study in its attempts to overcome many of the shortcomings of approaches to small firm management research, not only aims to produce advances in management knowledge, but also to offer, in its innovative and creative approach, crucial insights into future research method for the continued development of that knowledge. In other words, the methodology is formulated to produce advances in management knowledge in the areas outlined above, which are capable of further advance and advances in research skill knowledge which provides the tools to achieve that further advance in management knowledge. For the author there is a glove-tight relationship between advances in knowledge and the method of attaining those advances. As Kimberley⁽⁵⁾ emphasises ".....there is a tight coupling in science between content of understanding and method for understanding".

(3) DEVELOPING THE RESEARCH METHODOLOGY.

The methodology of this study develops gradually in its attempts to side-step the major pitfalls inherent in researching a nascent discipline and the shortcomings of much past small firm research. Its origins lay in the non-acceptance of traditional philosophical positions in epistemology and ontology; it evolves on the back of recently propounded new epistemological and ontological perspectives, drawing substantially (and gratefully) on the insights of Archer⁽⁶⁾; yet proceeds to decline full acceptance of the Archer guiding framework in its modification of the potential utility of "epistemological bootstrapping".

(a) Epistemology and Ontology.

Much of the debate regarding the role accorded to "quantitative" and "qualitative" research methods relates to what are acceptable epistemological (theories of knowledge) and ontological (theories of reality) positions.

Positivism and Normativism are two opposing epistemological standpoints. The adoption of a position of positivism requires acceptance of the view that an epistemological distinction can be made between fact and value, that value-free knowledge is possible. Normativism, on the other hand, is based on the possibility of deriving conclusions expressing a value judgement, and thus dismisses the fact-value distinction completely.

External Realism (Traditional Realism) and Realism are diverse ontological standpoints. External realism is an objective view where reality is seen as existing objectively and independently of the perceiving subject. Realism places one at the other end of the "reality continuum" where reality is accepted as a product of the cognition of the individual knowing subject.

It is the adoption of compatible epistemological/ontological combinations which funnel researchers into one of two base methodological camps. For Thorpe⁽⁷⁾, *"basically there are only two designs that are possible in research and these equate to fishing and trawling for data. The fisherman believes that in order to understand what is in the sea, all that you need to do is to pull out one or two fish and examine them. By studying how one fish works, he would have a good approximation of how they all work. It is realised that care has to be taken with taxonomics in the sense of finding the relevant variables, but once you have a type and it really is a type, then studying one or two will, it is thought, give tremendous insight into types of all sorts.*

The trawler on the other hand prefers to dredge the whole ocean to pull out as many fish as he can. Assessment of types is done by correlation, comparison and examination of what has been caught in the trawl."

Thorpe was using this analogy to underline the basic differences between positivist and normativist based methodologies. For the positivist complex problems, if reduced to their simple component parts, are better understood. Many samples are collected and analysed utilising statistical techniques. *"Those such as Abdel-Khalik and Ajinkya (1979), for whom rigor in research requires the testing of hypothesis against multiple observations using statistical tools, can generally be identified with a combination of positivism and external realism".* (Archer⁽⁸⁾).

External realism arrives out of the view of the independent existence of reality - independent of the researchers studying it.

Positivism arrives out of the view that the researchers' observations are independent of his/her values and beliefs.

This independence if maintained, provides the rigor of the research. A propounded benefit of such research method, is the potential for generalisation of research findings.

The epistemological and ontological combination of normativism and subjective idealism, on the other hand, suggests that for an understanding of variables, such as behaviour, the researcher must get close and analyse in detail *"Those who advocate the superiority of qualitative approaches tend to see rigor as requiring the close and intimate observation that can only be given to a small number of samples at any one time. Such observation does not really permit the independence between researcher and researched, or between fact and value to which positive external realists attach great importance"* (Archer⁽⁹⁾).

Validity, then, is based on the ability to understand in such a manner so as to attribute meaning. Underlying research techniques are interview and observation, and analysis is based on deriving relationships from keeping things close.

(b) Moving Away From Over-restrictive "Traditional" Philosophical Standpoints.

The author, a pragmatist management consultant, involved much of his working life alongside UK organisations attempting to advance insights into managerial problems, finds the practical value of much academic research to be limited. The tendency for research to fall into either pure "fisherman" or pure "trawler operative" camps is restrictive, and the respective underlying epistemological and ontological standpoints must be questioned from the stance of a practitioner.

Firstly, positivistic - external realism. As a management consultant attempting analysis of the internal environment of a company within the dynamism

of that company's external context, one cannot avoid the pull of the political nature of the organisation. The existence of coalitions; of a dominant coalition; the protecting of territory; the closing of ranks as rumour of change filters through. In effect, a "pluralist" model of the organisation emerges. This "pluralist" model *"does not see the organisation as a united whole, but as a loose and dynamic "coming together" of sectional groups and individuals. Each party will be pursuing sectional objectives which will often conflict. There will be conflicts of interest between workers and owners, government and boards of directors, marketing managers and production managers, industrial relations managers and trade unions"*. (Lawrence and Lee⁽¹⁰⁾) Hardly the stage for objective, value-free decision-making.

The management consultant, or indeed the management researcher, simply becomes one more social actor as he/she takes up his/her professional role within the organisation. The consultant or researcher finds his/her views coloured by the environment and organisational members he/she is working in and with. To always find oneself capable of distinguishing between fact and value, of deriving value-free knowledge, is very unlikely as is the ontological standpoint of external realism, with the consultant/researcher maintaining his/her independence of the reality under study being equally unlikely.

Does this then open the floodgates for normativist - subjective realism? Realism infers that reality is a product of the individual knowing subject. The consultant or researcher finds, however, that his views are coloured by the company internal and external environments. Of course, he/she entered the company to construct his/her own view of reality, but in practice this is not always possible. Moreover, the above rejection of positivism does not naturally lead to an acceptance of normativism. Whilst the possibility of deriving value-free knowledge, per se, is here

dismissed, this does not reject the possibility that occasions may arise within a company environment when apparent fact-value compartmentalisations do occur.

For example, *"to understand strategic change, it is necessary to examine the juxtaposition of the rational/analytical and the political, the quest for efficiency, growth, power and business survival, the role of exceptional men and extreme circumstances, the vicariousness of chance, the enabling and constraining forces of the environment, the way organisational culture shapes peoples' interpretations of the environmental forces, and explore some of the conditions in which mixtures of these occur"*. Pettigrew⁽¹¹⁾

Pettigrew's findings certainly emphasise the potential for inter-subjectivity and the limitations of value-fact free philosophy, but the existence of the "rational", for example, does not dismiss completely the potential for some degree of objectivity within the organisational setting.

Thus, the author's own practical experience involves the need to avoid the straight-jacketing of traditional philosophical standpoints relating to the nature of knowledge and the nature of reality.

Indeed, *"there is apparently a need for small business research to change in two ways to enable more rapid progress to be made in the understanding of the small firm owner and his capacity for development:*

- (i) *methodology to be more problem-centred so that it is less clouded by the abstraction factor of academics, which leads to a new narrow focus.*
- (ii) *multiple approaches, rather than a single approach to the problem under investigation. The multiple perspectives give much greater insight". (Thorpe⁽¹²⁾).*

This research study does strive toward a problem-centred multiple perspective approach. The yawning opportunity is to anchor the experience and knowledge base of the author to a methodological framework which transgresses commonsense naturalistic observation (which is not capable of testing) whilst overcoming the limitations of pure "quantitative" research, and produces an authoritative work of assertions capable of ultimately becoming fact.

Such an approach in its attempts to avoid the over-abstraction of many academics cannot, however, merely ignore the establishing of a philosophical standpoint. The author's practical experience of deriving working insights into the operations and deficiencies of organisations, as highlighted above, involves the need to accommodate all "actors" involved in the "reality" under investigation. Because the author's role is now one of deriving assertions capable of ultimate factual status and necessary "intelligent rigor", this does not mean any required change in the philosophy derived on the practical site as consultant. The philosophical standpoint adopted must still accommodate the fact that to the author, reality is formed by all "actors" involved, including the researcher (essentially the role of researcher remains that of consultant in so much as the consultant also sought to advance management knowledge and ability - and the researcher here seeks the problem-centred advance of knowledge with intellectually rigorous underpinnings which fall short of academic over-abstraction).

Archer⁽¹³⁾, drawing on developments by Kant, helps to "firm up" the philosophical underpinnings inferred in the author's practical experience and accommodate the above outlined objections to positivistic-external realism and normativistic-subjective idealism. Archer emphasises how Kant focused on the pre-conditions for human knowledge. Stemming from the traditional ontological debate relating to attributes of objects,

it is agreed that *"if subjects-in-themselves are considered apart from all their qualities, secondary and primary, then it is the case that we cannot know objects-in-themselves but only what the human cognitive apparatus makes of these objects"*. (Archer).

Humes 1748 work argued that objects-in-themselves do not exist. Kant's interpretation emphasises a situation where *"human knowledge cannot deal with objects-in-themselves, but only with those objects as apprehended by the human cognitive apparatus. Thus, not merely the "secondary" qualities, but also the spatio-temporal individuation ("primary" qualities) which we ascribe to objects, are a function of our shared cognitive apparatus and cannot be considered as inherent objects-in-themselves. The latter can be regarded only as contributing an interminable substrate for our experiences of reality"* (Archer).

One can now derive epistemological implications from the above ontological position with regard to positivism - the epistemological distinction between fact and value is no longer tenable. It is no longer possible to define facts by reference to an "objective" external reality in so much as that reality is not known to exist in a form independently of perceiving subjects. However, human cognition can discover inter-subjectively validated facts, derived from the human sharing of certain characteristic ways of construing reality.

Thus, to reiterate, the author's practical management consulting role in its need to derive information, to analyse, to offer solutions and to expand management knowledge - in its building of a management knowledge "toolkit" - finds no support at the academic/intellectual level from traditional theories of knowledge and of reality. On the one hand the author holds a view of knowledge which is neither value free (positivist) nor positioning fact and value as totally indistinguishable. On the other hand, his

underlying view of reality readily accepts neither external realism (reality existing independently of our construction of it) nor subjective realism (where each person constructs his or her own reality). A robust philosophical standpoint, however, is essential to accommodate the consolidating of the author's existing experience and knowledge-base as the basis for this research study's attempts at the formal advancing of management knowledge - that philosophical standpoint must, therefore, accommodate an inter-subjective view of reality and a non-positivist view of knowledge, and for this the invaluable insights of Archer have been utilised.

In effect, Archer is offering a bridge for management researchers between the "fisherman" and "trawler operative" management research camps via his propounded philosophical position of internal realism.

By viewing:

- (i) reality as an inter-subjective construction of the shared human cognitive apparatus (internal realism).
- and
- (ii) facts and values as being intertwined and hard to disentangle - not indistinguishable as in normativism - with both fact and value involved in scientific knowledge (non-positivism).

Archer presents the basis for "methodological rapprochement" - the co-existence of the two different types of research strategy.

Moreover, the philosophical standpoint gives additional emphasis to the crucial role research methods play in maximising the potential for assertions of research findings to become facts.

This derives in part from Putnam's⁽¹⁴⁾ notion of Truth: *"Truth in an internalist view, is some sort of (Idealised) rational acceptability - some sort of ideal*

coherence of our beliefs with each other and with our experiences as those experiences are themselves represented within our belief system - and not correspondence with mind independent or discourse-independent states of affairs". (in Archer 1988) - in other words, the researcher derives the maximum degree of rational acceptability from the notion of truth. Having accepted the crucial role of research method, one is also naturally focused by internal realism upon the significance of research study design - internal realism highlights the inevitable theory-and-value- laden nature of our observations and thus the need to clearly spell out any underlying values and theories at research design stage.

Methodological controversies in the nascent field of management are certainly being currently addressed in the literature. The author has reflected upon the potential for selecting doctrines from the various epistemological and ontological bases which underlie the methodological controversies. However, in the final analysis, no accommodating combination of reality/knowledge viewpoints appeared to reconcile existing experience/knowledge bases with an acceptable philosophical standpoint from which to address the research via a much needed problem-centred, multiple approach. The philosophical foundations of internal realism are thus derived from the accommodating work of Archer (1988), following Putnam, rather than the less robust eclectic attempt of the non-philosopher author.

(c) Highlighting Major Pitfalls and Shortcomings in Management Research

It is the robust, subtle philosophical standpoint of internal realism which allows for the undertaking of multiple approaches to the investigation and the utilisation of the exploratory powers of both macrolevel research using quantitative techniques and microlevel research using qualitative techniques.

However, whilst a philosophical base for such multiple-accommodation of techniques may have been laid, if the resultant research assertions are to ultimately qualify for factual status, then the major pitfalls relating to the achievement of that status must be highlighted and utilised. This includes focusing on the shortcomings of much previous management research (not least upon the limitations relating to use of case studies) as guiding foundations for the research design.

(i)

Kimberly et al⁽¹⁵⁾ underlines the "*decidedly static orientation in much of the literature*" on organisations. He argues that much of contemporary organisation theory is static ahistorical and arid, emphasising that "*organisations are fluid and dynamic; they move in time and in space; they act and react*".

Research, in the main, tends to focus on "*the arrangement of the internal structural characteristics of organisations and the way in which environmental factors at a particular point in time impinge on these characteristics and affect organisational performance*".

Consideration of Kimberly's underlying reasons for this static orientation, provides useful partial guidance to the approach to this investigation:-

(a) Most researchers only become involved with a subject organisation at a particular point in time, thus resulting in cross-sectional research. The tendency, therefore, is for understandings of organisational life to be limited to that of organisational snapshots. Inherent within this point, is the fact that the research is working in an already existing organisational culture, structure and systems, which have gone through processes of role negotiation, value formation and structural development. By entering these

existing cultures/structures (norms, values and so on), the researcher will often ignore the origins of such structures and their development and thus the implications those origins and development may have for present and future structure, process and performance are not always considered. As Kimberly emphasises "...organisations do have memories, they do learn, and occasionally, they unlearn. Snapshots tend to underestimate seriously the significance of organisational memories and learning abilities".

- (b) If research is examining one time slice, there is a likelihood that the research is running the risk of over-personalisation, since organisations tend to outlive individual members. This can lead to a limited understanding resulting from a restricted interpretation of organisational events - not only does the perspective of the researcher have a static quality, but also the data from organisational members.
- (c) Kimberly ascribes the third reason for the limited dynamic perspective on organisations to the tension in organisational research between science and history. He points to most organisational researchers (many trained in disciplines of sociology and psychology) as being socialised in the values of traditional science - thus giving underlying emphasis to the importance of objectivity and empirical evidence and to the central role of verifiability and reproducibility. Researchers thus tend not to trust their own intuition and judgements, preferring to rely on the tools of science to explain areas of interest. Often this results in the placing of a negative value on historical analysis and in-depth descriptive case studies.

In effect Kimberly is giving additional emphasis to the existence of positivistic bias in

organisational research discussed above. Widespread acceptance of traditional scientific values produces this bias and thus the limitation on the problem type which organisational researchers accept as legitimate and upon the research strategy utilised.

- (d) Much organisational research sponsored by clientele such as government agencies and large companies, adds even further to the static nature of the research. The kind of questions asked by researchers and the base frame within which the research is tackled, tends to be constrained by the common client objective of deriving insights into performance.
- (e) Kimberly's final point regarding static orientation of organisational research, relates to the incompatibility of researchers reward structures and the demands of longitudinal research. Cross-sectional research offers potential for rapid publication, longitudinal research a far more limited potential.

The summation of Kimberly's conclusions regarding the lack of dynamic perspective in organisational research, is that *"on the theoretical side, there are now diminishing returns from cross-sectional comparative and quantitative research. This is not to say that nothing is to be learned from this kind of research, only that there are very apparent limitations to what can be learned. In my view the comparative, quantitative paradigm assumes implicitly that organisational developmental processes are either irrelevant or that their effects are randomised out in a sample of organisations.....a given sample of organisations is likely to include some very young ones, some middle aged ones, some senior citizen ones, and some very elderly ones. To include them all in the same sample of organisations implicitly*

assumes that those differences are unimportant. Although the theory spelling out how these differences are important awaits development, the assumption that they are unimportant does not seem tenable". (Kimberly et al).

For Kimberly, attempts by some researchers to use organisational age as a variable in their analyses, is commendable in its recognition of the possible effects of time - commendable but limited. Organisational development, in terms of where it is going or where it has been, may not directly relate to chronological age because of the possibility that calendar time and organisational time differ, with organisations having rhythms and cycles quite independent of their chronological age. Kimberley's point then, is that an increased sensitivity to, and understanding of, organisational cycles can greatly enrich the content of organisation theory - not least in the area to which this research is addressed (*i.e. "the kinds of intervention strategies appropriate for organisational change vary depending upon an organisations stage of development"* (Kimberly et al)).

(ii)

Kaplan⁽¹⁶⁾, on the evolution of management accounting, emphasises the limited progress of management research in that area - the effectiveness of management accounting practice having not benefitted substantially from theorising and empirical investigation. The theme of Kaplan's argument relates to the tendency for contemporary researchers in accounting to make reference to dated stylised models of managerial and firm behaviour whose origins derive from economic theorists, who themselves have limited practical or first-hand insight of the behaviour they have conceptualised. Thus the basis of the insight is one of abstract theorising rather than the development of

knowledge through "real-life" study of the decision-making process of actual firms.

Kaplan objects firstly to attempts to test inadequately operationalised theories, and secondly, that this testing is being undertaken by researchers who have little or no personal familiarity with the empirical areas they are testing (this insight derives out of Archer's underlining of Kaplan's emphasis in this area).

(iii)

O'Farrell and Hitchens⁽¹⁷⁾ underline the tendency in the industrial economics literature *"to assume implicitly that the small firm is a microcosm of the large enterprise in terms of organisation behaviour and strategy (in other words that small enterprises are quantitatively but not qualitatively different from larger ones)"*

O'Farrell's call is for recognition of the fundamental qualitative differences between large and small enterprises and thus the need for alternative conceptual frameworks, in order to analyse small firm growth. *"At present an adequate explanatory framework within which to analyse the growth of the smaller owner-managed manufacturing firm has not been developed. We are still seeking a theory which will simultaneously explain the infrequency of the phenomenon and account for the major processes underlying growth, and we argue that this crucially depends upon the competitive framework and the ability of the firm to foresee and adjust to competition. The issue of the growth of small manufacturing firms needs to be viewed in terms of both the internal and external mechanisms which influence it"* (O'Farrell and Hitchens).

(iv)

Williams et al⁽¹⁸⁾ in their explanation of the poor performance of British manufacturing industry emphasise how the theory of the firm is over-limited by the "traditional" manner in which it places the firm in a generalistic operating environment - that is to say the capitalist economy in general, thereby abstracting from the specific institutional features of particular capitalist economies. Moreover, the majority of the theories of the firm share a teleological characteristic in that they tend to assume that the firm is goal-oriented.

(v)

Many of the shortfalls outlined above suggest the need for exploratory research of a qualitative nature, and yet via a research approach which produces more than mere commonsense story-telling. The use of case studies as a basis for "clinical" knowledge has great potential, but the value of gross-inductivism, of "direct research", is questioned in the literature. Archer⁽¹⁹⁾ places limitations on Mintzbergian type "direct research", whilst Ravetz⁽²⁰⁾ emphasises that resultant case study assertions, if they are to become fact, must hold "significance" in that the work must be noticed if it is not to fall into oblivion; and "stability" in that *"it must be capable of reproduction and use by others if it is not to be refuted as spurious...."* (in Archer)

(vi)

Whitley⁽²¹⁾ emphasises the fragmented nature of social and behavioural science research in terms of the isolationist actions of individual research teams, and the ad hoc manner in which the development of theory tends to proceed. He calls for the avoidance of ad hoc inductive development of theory, instead suggesting the utilisation of a base proto-theory.

(d) The Research Approach

It is abundantly clear that if the major pitfalls to effective research in the nascent discipline of management are to be avoided, a creative and innovative approach to that research is called for. Adherence to positivistic - external realism, in its ignoring of subjective rationalities of social actors in favour of objective rationality, as emphasised in this study, severely restricts the potential for qualitative research and indeed perpetuates many of the above mentioned shortcomings. The objectivist quantitative research is probably only fully applicable at a point whereby the scientific models with which the research is dealing are sufficiently advanced for the relaxing of the inherent restrictive assumptions to allow for operationalisation of the model as a feasible theory in a set of real world conditions. The objectivist researcher tends therefore to either utilise the quantitative approach in the testing of inadequately operationlised theories, or for the collection and analysis of data for ad hoc theorising.

On the other hand, undertaking of the process of discovering and proving general preparations from particular ones (inductivism) carries little weight with the positivist, and even from the base of a more accommodating philosophical standpoint, can lead to descriptive storytelling with little chance of acceptance as a valid production of advances in knowledge.

However, the philosophical standpoint of Internal realism provides the foundations from which to utilise the above mentioned pitfalls and shortcomings in management research as a partial guide for the careful design and accommodation of multiple perspective research strategies capable of overcoming many of those shortcomings. The shortcomings call for a methodology capable of producing assertions which provide the basis for "clinical" knowledge. For such knowledge

development to occur, the methodology of this study will attempt to:-

(i)

Accommodate the dynamic perspective of organisations by laying the foundations for later longitudinal research (thereby avoiding the over-static orientation of much current organisational research).

(ii)

Build on, as the starting point of the research, the management and previous research experience of the author (thereby avoiding:

- (a) the tendency for individuals to research and model areas with which they have little personal familiarity;
- (b) the fragmented and ad hoc development of theory by proceeding from the authors experience base and knowledge of existing research; and
- (c) the testing of inadequately operationalised theories).

(iii)

Accommodate the small firm as qualitatively different (not merely quantitatively different) from the large enterprise. (Thereby avoiding the tendency to implicitly assume the small firm to be a microcosm of the large firm in organisational behavioural strategy terms).

(iv)

Produce complementarity in usage of quantitative and qualitative research techniques (thereby avoiding the limitations of objectivism on the one hand and brute inductivism on the other, and drawing on multiple perspectives to the problems under investigation).

(v)

Ensure regular priming of the research motor by the business world (thereby constantly orientating toward "problem-centred" methodology and thus minimising the abstraction factor of academics).

(vi)

In sum, adopt the status of *"methodology as an intricate and inter-linked part of knowledge-development"*; i.e. based on the premise that there is a glove-tight relationship between advances in knowledge and the method of attaining those advances.

If the production of knowledge is to avoid adhocism, fragmentation and building on ill-informed foundations, a solid starting point is the provision of a "partial framework" of knowledge and concepts to give a commencing foothold in the research.

Glaser and Strauss⁽²²⁾ underline the potential of such a "partial framework" and Archer⁽²³⁾ provides an excellent insight into what he calls "epistemological bootstrapping". The latter emphasises how a nascent discipline such as management, still only has an explanatory theory which is *"too under-developed to suggest anything at all clear and unambiguous in terms of taxonomic categories and concepts of reference. For these, the researcher is still largely dependent upon concepts which are pre-theoretical in the sense that they derive from taken-for-granted background understandings whose very limitations provide the stimulus for seeking to develop the nascent discipline"*.

An "epistemological bootstrap" takes the form of a proto-interpretive theory which is used to read in data and loads these data with its own assumptions (similar to Glaser and Strauss's "partial framework") Crucial insights are contained in this proto-theory,

insights which are not really there to be corroborated by withstanding disconfirmation, but rather to be instrumental in raising issues for investigation in the research - these investigated issues themselves producing findings which can be corroborated and achieve factual status.

This initial conceptual framework, this proto-theory, can, for Archer, be *"tentative and hazy"* for *"it at least suffices to set forth initial taxonomic categories and criteria of relevance"*.

The author's research approach is strongly influenced by the invaluable work of Archer with regard to both his findings on the philosophical base of internal realism and upon his suggested pre-conditions for the production of knowledge of which the "epistemological bootstrap" is central.

However, Archer's proposition about the full potential role of "epistemological bootstrapping" appears to derive from an over-generalist view of the would-be researcher. Archer does not see the role of bootstrapping as part of the research, but rather *"a process of personal discovery"*; i.e. *"it may be preferable not to characterise the essential self-education process as "research"*. *In fact it is a pre-requisite to research, as it is the phase during which the proto-theory, which is the springboard for the research programme, is developed. It is also an informal and individualistic process"*. (Archer⁽²⁴⁾).

The author feels though, that the experience and knowledge-base of a would-be researcher, raises important issues in this respect. An experienced practitioner with a wide management knowledge-base and already existing "partial" research experience in associated areas, may need to undertake initial research on a new research programme, to consolidate his/her knowledge-base into the initial "bootstrap". This is essential to ensure continuity of research and

to avoid the dangers of fragmentation and adhocacy highlighted by Whitley.(20)

The minimal familiarity with the field to be researched which Archer feels can be achieved through a combination of studying any extant literature and personal exposure to the field (possibly via some formal data collection), does not, in the author's view, provide the degree of formalisation necessary to ensure the establishment of a sufficiently solid initial conceptual framework capable of throwing up the major issues of the research. Certainly, "*the purpose of the proto-theory is not to offer formal hypothesis for disconfirmation*". (Archer). But if the proto-theory is to provide Archer's "epistemological bootstrap" in the quest to establish facts, then initial formal research may well be essential to consolidate the would-be researcher's existing knowledge-base with current occurrences and advances in the field to be researched - both with the world of management practice and with academic advances. (This to include advances from academic research in the management field and advances in methodology).

Without this "formal" consolidation, it is hard to see how the shortcomings of management research can be avoided. Research will progress from a weak initial "bootstrap", possibly addressing entirely the wrong issues.

Thus, the role of epistemological "bootstrapping" as envisaged by Archer, can be utilised as the foothold of the research, but, in its anchoring to the existing knowledge and research base of the author, has extended potential as an integral part of the research, contributing to the total methodology as follows:

(a)

An initial "epistemological bootstrap" forms the beginning of the actual research. Formal consolidation

of the researcher's knowledge and research experience base, with selective existing research advances and current management practice, provides the crucial insights for investigation. These insights in turn, as the research develops, raise issues and assertions capable of factual status.

However, with an investigation such as this study, where the potential areas of emphasis, both regarding forms of government intervention and the size and type of company affected, are extremely wide, the role of the initial "bootstrap" is utilised to focus attention on the issues relevant to the study within the context of current practical management needs and existing academic works in this area (including a selective review of the literature).

A distinction is thus made between an initial "loose" bootstrap and a second more rigorous conceptual framework or "tight" bootstrap (to be utilised later in the investigation).

Thus, the initial "base bootstrap" is utilised in this investigation to provide a partial (broader) framework for footholding the research. The bootstrap then assists in the formulation of initial research questions, these questions making the assumptions of the bootstrap framework (the proto-theory) begin to become more explicit. What must be known first and what is most important also begins to be highlighted.

(b)

The second stage of the investigation, draws upon the results of the "loose bootstrap" as the basis for initial discussions/interviews with prospective participant case study businesses and the small business community in general, as a first step in firming up the insights provided by the partial framework.

The practical insights are then utilised to modify the constructs of the author and are taken back once more to the literature as a base for additional literature analysis and interpretation. The whole approach is an iterative process, a to-ing and fro-ing between the literature and small business community to derive informed insight.

(c)

Stage three is the consecutive undertaking of a progressive review of the extant literature to build upon and consolidate the findings to date and provide the "second-stage tight bootstrap". Concurrent "related" occurrences in the world of academic research, anchor in to the practical findings originating out of the initial discussions with the prospective case study participants at this stage, from which to derive the more rigorous conceptual framework ("tight bootstrap") for the formulation of more precise research questions as the basis for the subsequent more detailed micro-level case study.

Tight bootstrapping also incorporates interviews/discussions with other management researchers, business agencies and governmental bodies.

(The methodology is thus directing the research from the broad to the specific).

(d)

The penultimate stage of the investigation is the undertaking of three in-depth case studies based on the insights of the tight-bootstrap.

In its attempts, via loose - and tight-bootstrapping, to establish sound foundations for detailed micro-level research (moving from the broad to the specific), the investigation seeks to by-pass many of the pitfalls of qualitative case study research. The case studies aim

to contribute toward the development of knowledge from "skill" to "clinical knowledge", in accordance with Roethlisbergers (1977) stages⁽²⁶⁾ in the possible evolution of a body of knowledge (see Appendix One).

It is critical to remember the limitations of case study-based research and the methodology utilised here is designed to produce case material which can form the basis of "clinical" knowledge. The approach aims to ensure that the resultant assertions are capable of ultimately achieving factual status and attempts to meet Ravetz's⁽²⁷⁾ guiding criteria in this respect, i.e. *"..... "significance", in that it must be noticed by someone if it is not to fall into oblivion; and "stability", in that it must be capable of reproduction and use by others, if it is not to be refuted as spurious In addition, it must have a (third) property of "invariance".... When new work is done on this basis, then the objects of investigation will necessarily change, sometimes only slightly, but sometimes drastically There is then the question of whether it can be translated or recast so as to relate to the newer objects descended from the original areas, and still be an adequate foundation for a conclusion. If not, then the original conclusion is rejected as dealing with non-objects, or as ascribing false properties to real objects".* (in Archer).

(e) Presentation of Findings

It must be emphasised that the development and presentation of the "bootstraps" takes place via the build-up of component parts; and that whilst in practice the process is iterative, i.e. a constant to-ing and fro-ing between literature, small business community and literature once again, the role of practical contact is essentially the modifying and adjusting of the author's own personal constructs. This "adjustment" process in turn is used to extract and interpret relevant areas of the literature from which to derive component parts of the "bootstrap".

Thus, the presentation of the build-up of the bootstrap is essentially one of interpretation of the respective relevant streams of the literature, with intermittent feed-in of practical findings.

Chapter one produces Component number one of the "bootstrap" through the development of a contextual framework within which to provide a natural focus of intervention variables for investigation (the actual focus comprising Component number two).

The chapter also reflects upon the insights of a revised paradigm of economic analysis of government to emphasise the need to derive insights from existing literature regarding government, policy makers and small business and interaction there between (the actual revised paradigm forms Component three).

Chapter two commences the attempt to derive insights from theory by examining macro theory, reflecting upon the limitations of monetarism and Keynesian demand management and preparing a "common constraining thread" underpinning the application of these "ideologies" in the form of "economic symbolism".

Chapter three examines micro-theory. Utilising traditional micro-economic theory as a base for comparison, the review reflects then upon managerial theories of the firm before proceeding to derive "bootstrapping" insights from the Organisational Behaviour literature. Given that this latter body of knowledge tends to be large company oriented, the review attempts to extract small business relevant insights. The Classical, Human Relations, Systems, Political and Contingency schools of thought, are examined and resultant insights include emphasis of the need to incorporate a processual input into the analysis. Alongside the insights of these schools of thought, therefore, are those deriving out of Pettigrew's proposals for a contextualist, processual approach to organisation analysis.

The totality of his analysis inputs into the provision of Component four of the "bootstrap".

The large company orientation of the above literature, leads one naturally into examination of the small business knowledge bases. An innovative approach to analysis of current insights in this area, is attempted in Chapter Four by utilisation of the large company pro-active management process as a foundation against which to build up insight into the differentiated nature and unique problem-types of small business.

The resultant insight contributes toward the ultimate development of the final Component (five) of the "bootstrap" in the form of a taxonomy for auditing the small firm case study participants within their environment. Combining with the processual input and guided by the inputs of the other "bootstrap" components, Component number five offers the underlying framework for the ultimate analyses.

Chapter five re-emphasises the role of "epistemological bootstrapping" before presenting the full "tightened" bootstrap through diagrammatic representation of the component parts and summary of the major issues for the investigation raised by these parts.

The "bootstrap" in action sees the first case study, an o/m attempting to establish a unique market niche pets boarding service and parallel livery stables, presented in Chapter six. This study is the major practical focus of the investigation producing in-depth processual analysis.

Chapters seven and eight present studies of an o/m whose attempts at self-employed furniture restoration failed; and a small family chain of jewellers which is struggling to survive in the face of their now fast-changing environment.

Conclusions relating to both the findings of the practical studies and to the methodology used, are presented in Chapter nine.

(f) Notes on Terminology and Classification

(i) Small Business

For the purpose of this investigation, small business refers to any business whose organisation and decision-making lies predominantly in the hands of the owner-manager (o/m) or owner-managers.

(ii) Effective Competitiveness

Effective competitiveness relates to a small business's ability to survive and/or grow in order to allow for the attainment of the objectives of its owner-manager.

(iii) Reference to "the author"

Whilst not everyone's preferred style of presentation, this thesis refers to the originator of the investigation as "the author" throughout. This approach responds to the adopted underlying philosophical standpoint that knowledge is not value-free; fact and value are not totally indistinguishable. Nor does reality exist independent of our construction of it and each person does not construct his own reality.

Thus, the author's views and opinions are inextricably intertwined with the reality under observation, and whilst the "bootstrapping" is designed to provide as much objectivity and insight as possible, presentation in the form of the "author" is utilised to underline the role of the author's own personal constructs as part of the whole research scene in the development of that insight.

APPENDIX ONE

The knowledge enterprise			
Levels	Characteristic statements (theories)	Method	Products
Analytical scientific knowledge	General propositions	Creative and inductive leap of imagination	Deductive systems
	Empirical propositions	Operational definitions Rigorous measurement	Statements of the form x varies with y under given conditions
	Elementary concepts	Definition of concepts and variables Elementary measurement	Statements of the form x varies from y
Clinical knowledge	Conceptual schemes	Observation Interviewing Classification	Descriptive cases and syndromes Taxonomies
Skill	Knowledge of acquaintance	Practice and reflection The phenomena	How-to-do-it statements & aphorisms
<p>For the development of knowledge, read from the bottom up; for the practice of knowledge, read from the top down.</p> <p>From Roethlisberger (1977, p393) in Archer (1988)</p>			

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PART ONE

CHAPTER ONE

DEVELOPING A CONTEXTUAL
FRAMEWORK WITHIN WHICH TO
EXAMINE GOVERNMENT
INTERVENTION

(1) CURRENT GOVERNMENT POLICY - AN OVERVIEW

Economic strategy pursued by the Thatcher government since 1979, has broken with the consensus economic policies of the past and rejected the potential for Keynesian demand management. Indeed, the roles accorded to macro- and micro-economic policy are exactly the opposite to those propounded by previous post-war thinking. Traditionally, macro-economic policy has been utilised to counter unemployment and pursue economic growth whilst an objective of micro-economic policy has been the quelling of price rises.

The Conservative government, however, formulated a macro-economic strategy based on the view that traditional policies of fiscal expansion could not work, because of their impact on inflation and because of interest-rate and exchange rate crowding out. The centre-piece of their economic policy was thus the reduction of inflation by means of monetary policy. At the micro level, an improvement of supply-side performance through the liberalisation of markets has been sought - namely, the promotion of more efficient functioning of product, labour and capital markets, via a combination of supply-side measures including the abolition of exchange controls, controls on bank lending and encouragement of small business enterprise.

In the words of the Chancellor of the Exchequer, *"the British experiment consists of seeking, within an explicit medium-term context, to provide increasing freedom for markets to work within a framework of firm monetary and financial discipline"*.⁽¹⁾

An integral part of current government philosophy, then, is the creation of a low inflation environment which allows for the gradual recovery of output and employment. Moreover, the smaller firm is recognised as an important part of wealth and job creation and *"the government aim is to promote a more rigorous*

enterprise culture and stimulate the development of small business. They approach this as part of their broader strategy to create an economic climate which will promote sustained growth".(2)

By 1983, the Department of Trade and Industry was boasting a list of 98 measures designed to aid small firms⁽³⁾ and many more have been developed since then. The Enterprise Initiative announced in January 1988 *"forms the biggest and most comprehensive self-help package ever offered to British business. It constitutes a formidable array of advice and practical support to encourage enterprise within British companies"*⁽⁴⁾

Thus, the government in its efforts at the macro-level to create a low inflation economic environment and at the micro-level, to establish conditions conducive to enterprise, appears to be making a genuine attempt to assist businesses, large and small, to compete effectively both at the domestic and international levels.

However, if government is to make a truly positive contribution toward business competitiveness (that is to say, to actively aid competitiveness through positive intervention measures and minimise restrictions on that competitiveness through reduction of the burdens of requirement systems) a sound understanding of the workings of the factors they are seeking to influence is essential. In other words, it is not possible to effectively create conditions conducive to enterprise without a clear understanding of the intricacies of the functioning of the business (large or small) one is attempting to influence.

In particular with regard to the smaller firm, the level of understanding is to date minimal. O'Farrell and Hitchens⁽⁵⁾ emphasise that *"our ignorance of how small firms behave in response to certain stimuli is still too great for us to be confident in the design of*

policy instruments to encourage growth". Curran⁽⁶⁾ supports this view of the ignorance of public policy-makers who attempt to promote the small business sector. For him the source of such ignorance does lie in a shortage of basic data on the sector and in a lack of knowledge about the effectiveness of instruments of public policy. But Curran also points to the fact that many officials appear to be unaware of the results of studies of small firms, not least because the researchers themselves submerge their results in a mass of writing in such a fashion that the policy-makers could not be reasonably expected to derive useful conclusions.

It is, therefore, a combination of forces which leads this investigation toward government intervention and the smaller firm - firstly, the commendable efforts of the current government to adopt policies with the aim of creating an enterprise culture, but, secondly, the "ignorance-base" from which those policies are designed, in terms of the apparent shallow understanding derived to date of the small business; and thirdly, the limitations and shortcomings of management research itself in the provision of understanding of the small firm (not least the static orientation of much research, the implicit assumption that the smaller firm is merely a microcosm of the larger enterprise, and the fragmented, ad hoc nature of much of the research).

The urgent need for innovative approaches toward management research of the kind outlined in the introduction of this study becomes abundantly clear. The potential areas of emphasis regarding forms of government intervention are wide and complex, and the knowledge-base relating to the functioning of small business is as yet crude - the researcher is not blessed with anything sufficiently clear, concrete and unambiguous which is capable of taxonomic categorisation and conceptual relevance in terms of explanatory theory. In order to cope with these

deficiencies, it is to the process of "epistemological bootstrapping" that this investigation proceeds - the development of an initial conceptual framework capable of throwing up major issues for investigation, the formulation of initial research questions and of making explicit the assumptions underlying that conceptual framework.

The framework is derived from the development of sub-frameworks which conceptualise government intervention and current understanding of the small firm in such a manner so as to allow for the combining of these sub-frameworks into the integrative "initial bootstrap" of the investigation. The starting point of this "bootstrapping" is the development of a conceptual framework of government intervention.

(2) DEVELOPING A "CONTEXTUAL" CONCEPTUAL FRAMEWORK OF GOVERNMENT INTERVENTION.

(a) The Rationale of a "Contextual" Framework.

As emphasised above, the Conservative government utilises monetary and fiscal policy (with great emphasis on the former) at the macro-level with the major objective of reducing inflation. Numerous supply side measures are implemented at the micro-level, many aimed specifically at the small business. Most of the business policy initiatives "*lack almost any but the most superficial of appraisals*"⁽⁷⁾ by government. Moreover, Wickstead⁽⁸⁾ emphasises the sheer number and diversity of issues covered in his survey on University, enterprise and local development links and the consequent multiplicity of public policy concerns at both central and local levels.

Wickstead's concern was how a serious and constructive treatment of issues in his survey could be undertaken in public policy terms and is here (albeit in a different context) a problem which must be accommodated. The sheer number of potential areas of government intervention and their potential interactive nature, on the face of it, gives the researcher a choice - on the one hand, a superficial analysis of many measures; or on the other hand, a selection of a few issues. The danger with both is the production of a resultant superficiality of the kind enforced on government either through its hurried "*headlong plunge into a programme of policy discrimination in favour of the small enterprise in the early 1980's*"⁽⁹⁾, or through its ignorance of the small firm sector. The very superficiality that this investigation is seeking to overcome.

Clearly no constructive analysis can accommodate all areas of government policy affecting the small business. However, the development of a "contextual" framework which provides the potential parameters of

government intervention, presents a structure within which to determine policy initiatives of current specific significance to the small business. The "contextual" framework will be utilised initially within the next section where the author's experience and current research insights will be anchored to determine areas of current intervention which appear to be particularly constraining small business, or providing specific opportunities. This then, when integrated into the "initial bootstrap", will be utilised to help foothold the research and highlight the research questions. Finally, the framework will provide the "intervention context" (a working tool) within which business proprietors are questioned - thus allowing for a widening of intervention-measures focus should the participant firms be experiencing wider problems or opportunity-taking with regard to government actions.

A full "contextual" framework within which to consider the effects of government intervention on small business gains implicit support from the findings of Curran⁽¹⁰⁾

"While governments may set up all kinds of schemes designed to aid small enterprise these can never be the whole of government - small business relations. First, whatever the intentions of government, there can be no guarantee that o/m's will learn about what is on offer. Respondents in the study complained again and again of how poor they felt the publicity for current small business support initiative was. Secondly, other aspects of government policies and actions, not in themselves primarily directed at the small enterprise, will nevertheless have an impact. Indeed, some of these general policies such as changes in investment allowances or VAT procedures, may be seen by o/m's as having more of an impact than any support scheme directly aimed at the small firm".

Similarly, Porter⁽¹¹⁾ points out that whilst government policy in some areas may have direct social benefits, it often has secondary consequences for market entry which are unrecognised.

Moreover Wicksteed⁽¹²⁾, in his explanation of links between universities, enterprise and local economic development, touched on topics of small firms start-up and growth, technology transfer, real estate development, education, government procurement and so on. He emphasised how each of the topics has direct and indirect public policy implications for central government and its various institutions and agencies, regional bodies and local government and concluded that *"a rounded view in central government of the numerous inter-linked issues involved is now needed in Britain"*.

Wicksteed's major point is that as long as a rounded view in central government does not exist *"decisions will continue to be taken on an unnecessarily ad hoc basis. At regional and local level, there will continue to be an imperfect grasp of the whole subject and of where specific schemes or institutions "fit in". There will similarly continue to be fragmented and under-resourced new initiatives. Too much is ultimately at stake for this to be the best way to proceed"*

Thus, the need for a "contextual framework" within which to consider the effects of government intervention on small business is clear - the possibilities of *"indirect effects"* (Curran); *"secondary consequences"* ((Porter); and the *"need for a rounded view of inter-linked issues in central government"* (Wicksteed) all (albeit from slightly different perspectives) emphasise the pre-requisite that the researcher must "contextually" focus, when determining intervention areas for initial emphasis and that he/she must proceed, even if in a selective fashion, to approach participating businesses within a full "contextual" framework, should the particular small businessman's need point to wider (direct or

indirect) constraints (or opportunity making) of government policy, which do not seem obvious to the researcher.

(b) Toward a "Contextual" Framework of Government Intervention.

One way of approaching a conceptualisation of government activity within an economy, is to begin by reflecting upon major policy objectives which have come to be accepted in the post-war Western world.

Four major objectives are universally propounded in the economic policy literature. Government will intervene in the economy to:

- (1) increase the nation's economic capacity (and thereby its material living standards)
- (2) reduce unemployment levels (via a high level of economic activity, including capacity utilisation)
- (3) achieve price stability
- (4) achieve a long term balance in international transactions

To these, Livesey⁽¹³⁾ adds:

- (5) to minimise the production of economic "bads" (pollution, congestion and so on)
- (6) to reduce inequalities in terms of income levels and job opportunities
- (7) to extend state ownership of the means of production (or reversing this process - depending upon political stance of ruling government)
- (8) to increase economic efficiency via the structure of industry (through competition policy and also direct intervention as in (7) above; and since efficiency includes meeting consumer needs, through consumer protection policies; and finally, regional and manpower policy is utilised to bear down on structure)

Livesey quite rightly points out that this list is not comprehensive but stresses that it fulfils the role in

aiding in explanation of major measures adopted by governments.

Donaldson and Clifford⁽¹⁴⁾ identify three key areas where government may see intervention necessary on behalf of the community as a whole:

(a) National responsibility:

(e.g. national security and national welfare)

This classification relates to government ensuring everyone achieves a reasonable living standard and will incorporate the four major objectives as discussed above.

(b) Key resource allocation:

This area refers to those areas of activity too important to leave to the free interplay of producers, consumers and price (e.g. government control of power (coal, gas, electricity), steel, health and education).

(c) "Unfair" resource allocation:

Referring to the necessity to make "value judgements" regarding income distribution.

Effectively, the above classification is a "broad" categorisation of intervention areas relating to the earlier listed potential policy objectives. Further insight is derived, however, from Donaldson and Clifford's discussions on the rationale for government intervention which in turn derives from "*the danger that a totally unregulated market economy will fail to produce a socially acceptable outcome*".

Donald and Clifford's rationale, then, is based on:

- (a) the market left completely to its own devices would not produce a certain range of goods and services in either the quantities generally regarded as desirable, or not at all (e.g. law and order; education; health).
- (b) the market is likely to get its mathematics wrong (e.g. the householder's decision to save is made

from different motives, and ignorance of, enterprises decisions to invest; there is thus no sound reason why savings funds will equate with desired investment funds)

(c) the market may fail to result in an optimum allocation of resources because of the existence of real-world imperfections which mar its operation

(e.g. the immobility of resources suggests the need for regional policy;

or

the dominant position of one enterprise suggests the need for anti-monopoly policy).

(d) the existence of the disabled, unemployed, infirm and the old, requires intervention regarding the distribution of income and wealth; otherwise the market, left alone, would ignore them.

Thus the broad parameters of potential government intervention can be conceptualised through the highlighting of objectives and emphasis upon why the free market, if left to its own devices, will not allow for the fulfilling of these objectives - government intervenes both to harmonise and to adapt the decisions made by producers and consumers; in some respects, government directly determines economic choices and in others, it sets broad conditions within which market forces allocate resources.

A very loose conceptual framework thereby begins to emerge. *"The government can choose to influence industry in a variety of ways ranging from general exhortation or selective quid-pro-quo action at the individual firm level; from simply increasing the intensity of competition (relying upon private decisions to allocate resources) through participation by way of the (now defunct) National Enterprise Board, all the way to public ownership and control; from privatisation to nationalisation".*⁽¹⁵⁾

This over-loose framework in its offering of very broad parameters of government activity, is now a candidate for "tightening-up" - for revision into a "contextual" framework. That is to say a framework which (a) provides the potential parameters of government intervention as a structure within which to determine pragmatic focal areas for the investigation; but also (b) the framework must be capable of utility as a "working tool" within which discussions with o/m's are conducted - a de-jargonised framework conveying the full government intervention context from which the o/m can extract and highlight government actions, not of a nature selected as the focal area of the research, but nevertheless imposing considerable "indirect effects" (e.g. Curran above) or of significant "secondary consequences" (e.g. Porter above).

However, whilst the "tightening-up" of the above loose framework of broad parameters of government activity can indeed provide a framework capable of accommodating the criteria outlined in points (a) and (b) (that is to say, a full context of potential intervention upon any business), such a framework is still deficient. deficient in that the framework in reality is a sub-context of the small firms' full external context. Any conceptualisation of government intervention must derive not solely from examination of that sub-context, but from that sub-context within the full contextual external environment of the small business. Without such an approach, it is impossible to accommodate Wicksteed's call for "*a rounded view of inter-linked issues*".

Pettigrew⁽¹⁶⁾ emphasises the importance of both inner and outer context of the business and how Andrews⁽¹⁷⁾, Kind and Cleland⁽¹⁸⁾ and Porter⁽¹⁹⁾ tend to treat context in a limiting manner in the form of the competitive environment. Milne and Thompson⁽²⁰⁾ emphasise that the competitiveness of a small firm and its ability to grow, is greatly dependent upon the speed with which an o/m can adapt to and learn from its

experiences with its environment. O'Farrell and Hitchens⁽²¹⁾ underline that the small firm external environment is to be considered in terms of suppliers, buyers, strength of competition, potential entrants, interest rates, company taxation, degree of dependency upon a small number of customers, trends in exchange rates, and social, legal and political conditions.

Thus, when "tightening-up" towards a "contextual" framework of government intervention, it must be remembered that a framework portraying full contextual parameters of potential intervention is, in fact, only one component part of the small firm's totalistic context - a sub-context of the firm's full external context.

This accepted, the way is clear for the derivation of a full contextual framework of potential areas of government intervention capable of meeting the above criteria and fulfilling the requisite roles.

Viewed in this "full contextual" manner, one can enlist the insights provided by the systems model of business organisation to assist in the "tightening-up" process. The systems model views the business as an open system *"with a wide range of complex and changing features in its environment which have to be managed. It has interdependent sub-systems such as accounts, marketing, personnel and purchasing which have to be integrated so that the organisation can continue to function".*⁽²²⁾ Not only do each of the sub-systems have to be understood, but also how they interact with each other to produce synergy (an organisation greater than the sum of its parts) and how different actors and associated variables within the firm's environment affect the business.

Positioning government intervention as a sub-context of the small firm external environment, effectively places government as an actor on the same legal, economic, political, social and technological stage as the small

firm - influencing and influenced by that small firm. The government, so accepted as an actor on the business stage, the (sub-context) "contextual" framework of potential government intervention, can then be derived in terms of the variety of roles the "actor" government may adopt in its status as external environmental variable - the "tightening-up" of the framework can thus take place.

Morris and Stout⁽²³⁾ underline the parameters of government role activities which are available for overcoming the deficiencies of the unregulated market discussed above and helping toward the achievement of governments' chosen objectives. Converting the government activity classifications of Morris and Stout into government actor categorisations the following "contextual" conceptual framework of government intervention can be derived.

Fig. 1

<u>Acting Role</u>	<u>Role Activity</u>
(a) <u>Customer of private sector</u>	e.g. buying drugs for NHS
(b) <u>Employer</u>	e.g. absorbing skilled workers in nationalised industry competing with private employers
(c) <u>Tax and subsidies lawmaker</u>	e.g. setting framework within which private decisions are taken; such as determining relative tax burden on various products or relative labour costs within/between regions
(d) <u>Prohibitive authority and/or enforcement officer</u>	e.g. prohibiting pollution e.g. health and safety measures at work
(e) <u>Agent for ultimate control of economy</u>	e.g. managing level of demand and employment through consistent influence over variables such as money supply, interest rates, exchange rates, level of public spending and taxation

(f) <u>Collector and disseminator of statistical indicators and forecasts</u>	e.g. influence industrial expectations and decisions via White Paper or, say, figures on monthly housekeeping
(g) <u>Commitment maker</u> (in return for reciprocal commitments)	e.g. Commitments to generate the confidence necessary to invest, or in pursuit of a voluntary pay and prices policy
(h) <u>Channeller of savings</u>	e.g. direct savings to particular industries or classes of firm, via the tax system, or by augmenting the lending functions of the private capital market (such as guaranteeing loans to small firms)
(i) <u>Adjustor of industry structure</u>	e.g. privatisation

The above "contextual" framework developed, it is now possible to impose structure onto an analysis of government intervention and the small firm to determine areas deserving consideration within this investigation.

(3) DETERMINING AREAS OF GOVERNMENT INTERVENTION FOR INVESTIGATION.

(a) Government role: agent for ultimate control of economy; "general" policies

Current government strategy, as emphasised earlier, is placing great emphasis upon the reduction of inflation. Whilst both economic theorists and business practitioners alike are agreed about the ills of inflation (not least the problems associated with planning revenue and costs in an inflationary environment), the actual tools used by government to combat inflation are causing considerable strain for the smaller business in particular.

Government utilisation of interest rates to attempt to control the money supply is causing undue pressure for the small firm. Whilst many larger companies have the management ability to counter adverse economic variables, the smaller firm is often not blessed with such a luxury. *"The major implications of smallness relate particularly to the limitations this may place on availability of specialist management in the company, its weakness in being able to control and relate to the environment and the overall lack of resources".*(24)

Evidence to date suggests that the current government, in its relative ignorance of the functioning of the smaller business, is grossly underestimating the effects of escalating interest rates on such businesses.

Companies in the mould of ICI have the overall resources, including management ability, to ensure the management process is primarily "Predictive". Management in larger companies *"is concerned with the clarification of long-term objectives, the formulation of appropriate policies and strategies, to meet such objectives, and the feedback of information to indicate*

successful or unsuccessful achievement of the goals established".(25) For example, current interest rate levels are being held to maintain a strong pound. ICI have developed new strategies to counter exposure to exchange rate fluctuations - a move toward internationalisation; the development of their own currency dealing rooms (made possible by the government's 1979 removal of foreign exchange controls); and a shift of emphasis in what they now produce toward high value-added products and those of a less cyclical nature. For ICI, margins are still being squeezed but possession of financial and managerial resources allow for a "pro-active" management process which is capable of formulating counter-strategies to cope with many adverse environmental variables. The plight of the small firm with its primarily "adaptive" management process⁽²⁶⁾ is, however, extremely grim - a situation which in fact concerns ICI also: *"we are alright but we worry that it hits our customers".(27)*

Take Malcolm Moss and his small kitchen furniture business, Kitchen City, a victim of high interest rates. The hiking up of interest rates, and with it mortgage rates, not only puts pressure on the business in terms of costs. The kitchen furnishing market is closely linked to mortgage rate changes - new starts in the housing industry are inversely related to interest rate changes; moreover, existing mortgage holders spend less on the likes of kitchen renovation in the light of increasing outlay on mortgage repayments. Result - *"I've lost near enough my whole life, the third interest rate increase put the cap on the whole thing".(28)* Kitchen City went under with £250,000 debts.

The smaller business is being hit by high interest rates in ways not anticipated by government - lack of knowledge of the small firm means a "general" managing of the economy at great cost to the smaller business.

Two additional samples emphasise the need for further insights of management of the small business within the context of general economic policy measures.

Armitage, a light engineering business, borrowed £250,000 (mid-interest rate changes) to purchase new plant. The firm's problems are two-fold: firstly, escalating repayments are seriously inhibiting cash-flow and starving the business of further investment capital; but, secondly, customers, in the light of their own pressures, are pushing for shorter and shorter delivery periods and Armitage is being forced to pay overtime to meet delivery dates - thereby exerting further pressure on margins. A true irony underlying the whole process is the fact that Armitage cannot afford to bring in a marketing manager, much needed to ensure full use of the newly acquired capacity, because the increasing interest on the debt incurred to purchase the equipment is now overbearing.⁽²⁹⁾

A further case encountered by the author, produces yet a different form of problem. A small foundry business is finding that customers are paying bills much later since interest rates have been increased. Late payments are hitting cash-flow and the business cannot borrow to purchase new equipment needed. Prior to current high interest rate levels, the business had such a relationship with its customers, that it needed only to talk with them to reduce outstanding debtors. Now all the talking in the world will not persuade these customers to pay. Thus, ironically, the burden of high interest rates appears to fall on those citizens supposedly closest to the current government's heart - the smaller business. Evidence overwhelmingly points to the need for a fuller understanding of the small firm, its problems, its potential and its underlying unique management process. That evidence points to such understanding being needed within the context of economic variables such as interest rates and, indeed, the accompanying high level of sterling.

Thus, the "contextual" framework of intervention allows for the highlighting of areas for investigation in the government "acting role" of "agent for ultimate control of the economy" - delving into that framework at the practical ground floor level of the small business directs one to the need for urgent insights in three areas relating to the general economic climate:

- (a) interest rates
- (b) parallel fluctuating exchange rates
- (c) underlying downward pressures on consumer spending

The inter-linked nature of these three variables and their resultant single, and often combined, forces, are producing pressures on the smaller businessman which may well be avoided if general economic management were based on a sounder understanding of the functioning of the small firm. The intervention areas of interest rates and exchange rates will thus be the focus of attention of this investigation, at the general economic climate level. The urgency of the need for such insights is indeed well underlined by pleas from the Confederation of British Industry Smaller Firms Council. The Council, in relation to exchange rate fluctuations, supports British membership of the European Monetary System and was disappointed that Britain had not joined. Harry Kleeman, the Council Chairman said *"currency fluctuations can present a real obstacle to smaller firms anxious to take full advantage of opportunities offered by the single European market"*.⁽³⁰⁾

The fact is that consideration of the plight of the small business within the context of the above derived conceptual framework, leads the investigation naturally to the major intervention variables, at the general level of the economy, which not only cause the small business major problems, but also cause problems of an extent and dimension not anticipated by government.

(b) Government role: Channeller of Savings; subsidy lawmaker.

Having considered the general economic climate in terms of areas of intervention adopted by government in its role as "agent" for ultimate control of the economy", one can continue to follow a similar natural course for determination of further critical areas of intervention. That is to say, the above selection of variables, emerged from an analysis of the unique problem type facing smaller businesses, within the context of the conceptual framework of the total potential areas of government intervention.

Extension of the analysis of the unique and differentiated nature of the smaller firm and its associated unique problem type again highlights further areas of intervention requiring investigation. As already discussed, an overall lack of resources and inability to relate to its environment⁽³¹⁾, not least because of a lack of specialist management, are major problems facing the small firm. In order for the smaller business to effectively compete (be it in the domestic and/or international markets), it must somehow try to overcome, or at least cope with, these problems. Government, it appears, is not helping considerably at the "general" economic level of interest rate/exchange rate intervention.

The next question, surely, is how is the government helping positively at a more "local" level in terms of (a) assisting in the alleviating of the finance problem for the individual firm and (b) increasing the managerial ability of the small businessman so as to move him nearer, if appropriate, to a "pro-active" management process⁽³²⁾ and cope more successfully with the external environment? Moreover, the negative government assistance (and this may well include a more "general" level of assistance), is critical in relation to these problems in the form of the minimising of compliance costs imposed on small business by

administrative and legislative requirements (by central and local government).

Thus, from the unique problem-base of the small firm, once again the "contextual" framework is called upon to highlight the (positive) government role of assisting the small firm in these areas and that associated with administrative and legislative requirements (the negative).

With regard to the finance problem, the government is undertaking the activity role of Channeller of savings. Whilst the clearing banks are responding more and more to the finance problem of the smaller firm, a major criticism emerges from the small firm sector that interest charges are still exorbitant and that expected levels of security are ridiculously high⁽³³⁾ *"The government sought to fill this gap by a number of measures, two of which have been especially significant. The first of these - the Loan Guarantee Scheme - was mainly designed to help start-ups..... The second measure - the Business Expansion Scheme, was aimed at allowing outsiders to buy shares in a small enterprise (minimum £500, maximum £40,000) and obtain tax relief on their investment at their highest rate of tax".*⁽³⁴⁾

Research findings with regard to the Loan Guarantee Scheme suggest that the scheme is simply too expensive. Moreover, red tape problems were anticipated and general enthusiasm was not high.⁽³⁵⁾

With regard to the Business Expansion Scheme, findings pointed to interest in the scheme but again the common theme was that it would not be suitable for the respondent's business.⁽³⁶⁾

There are serious implications with regard to the attempts of government to alleviate the difficulties confronting small business in the provision of finance. It is again the differentiated nature and problem-types

of the small firm - the psychology of the o/m in his unique environment - which needs to be more clearly understood if policy initiatives are to be more effective. Often, the philosophy of the o/m is to use the bank but borrow as little as possible and repay the loan as soon as possible.⁽³⁷⁾ What the small firm finds acceptable as management practice, differs greatly from that of the larger enterprise. *"Emphasis on growth based on high external borrowing, for example, would be inconsistent with the typical owner-manager's feelings about controlling his business".⁽³⁸⁾*

Thus, the finance problems of small business, the government's attempts at reducing these difficulties and the findings of current surveys, point strongly to a need for further insights into the needs of small business in this area, in the context of his/her unique characteristics and operating environment. Government finance support schemes are therefore further candidates for the focus of this investigation.

With regard to the small firm lack of specialist management, this is of course, tied in closely with the lack of finance.⁽³⁹⁾ However, the current government has attempted to respond to this problem, not least through the Department of Trade and Industry Enterprise Initiative.⁽⁴⁰⁾

Here, government in its role as subsidy "lawmaker", is implementing a range of new business development initiatives covering design, marketing, quality and management of computer-aided manufacture, to encourage the development of management skills through the use of outside consultancies by small and medium-sized businesses. Gradual expansion of these initiatives has taken place to cover business planning and financial information systems.⁽⁴¹⁾

Again, commendable in its response to the difficulties of the small firm sector and yet research once again points to underlying difficulties. In fact, a

recurrent theme is running through each area of government intervention discussed in this paper - inadequate understanding of the complexities of the smaller firm are seeing the small firm sector facing growing difficulties with interest rates and exchange rates; a low level of understanding of the psychology and needs of the o/m has seen only limited progress with financial support schemes. This "low level of understanding" theme cannot merely stop there - one must ask how can government become involved in small business management development if policy initiatives are continually formulated from a base of relative ignorance regarding small business operation. The immediate government retort is that experienced agents - marketing consultants, quality consultants, college, polytechnic and university management expertise - are being utilised.⁽⁴²⁾ In many respects this is true, but many scholars specialising in the area of small business development suggest otherwise.

There certainly is a substantial body of knowledge in the management development field, but this was, in the main, put together to meet large company needs. "The problems identified" have been large company problems and the skills developed to meet them have large company applications.⁽⁴³⁾ *"There is, as yet, little national agreement on content or effective teaching strategies for small business training. Probably the most favoured approach is to take accepted large firm management techniques and adapt these to the starting or established small enterprise".*⁽⁴⁴⁾

Thus, one begins to hypothesise. The research findings to date, imply that government has inadequate insights into the operation of the smaller business, (a) to fully comprehend the potential effects on such business of "general economic climate" type policies (such as interest rate and exchange rate initiatives) and (b) to successfully design support scheme initiatives to aid the small business at a "local" level.

It is therefore the intention of this investigation to utilise its findings at the "general" policy level (i.e. interest rates and exchange rates) and at the "local" finance support scheme level, to derive implications for the use of current policy initiatives in the area aimed at the improvement of small business management skills, (after all, it is the very problems, management style and management processes relating to those areas of investigation, which management training should be predominantly addressing).

(c) Governments combine role: administrative and legislative requirements of central and local government.

Government, in the undertaking of its combine acting roles, must inevitably rely upon the administrative and legislative process as it strives toward its objectives. The full "contextual" framework of government activity, allows for the highlighting of requirement systems which are proving to be a specific burden on the small business and constraining competitiveness.

Other surveys (⁴⁵) for example) have considered:

- (a) identification of problem requirement systems (e.g. V.A.T.; P.A.Y.E.; N.I.C.; planning controls; fire and building regulations; health and safety at work; company and consumer law).
- (b) the nature of the burden (i.e. two main kinds of "compliance costs" have been detected for the small firm, (i) staff management time needed to understand and meet government requirements and deal with enforcing agents; and (ii) the direct expenses incurred in meeting the requirements)
- (c) what kinds of business are most affected and how significant the burden, as a whole, is.

There is a need to examine how these burdens affect the small business management process, including how they aggravate the small business managers' attempts to overcome difficulties in relating to other elements of the external environment. The author's experience points to the urgent need for a greater understanding of how these burdens exert constraints on the management process and pleas by the Confederation of British Industry⁽⁴⁶⁾ and the Association of Independent Business⁽⁴⁷⁾, for immediate attention by government for reduction of these burdens, provides further emphasis of the importance accorded to this area.

The conclusions of the above mentioned government commissioned report on the burdens on business, pointed to the need for policy-makers to undertake an "impact analysis" to assess potential affects of newly designed "requirement" initiatives. Have the policy-makers sufficient understanding of the small business management process to make such an assessment? Evidence suggests not. This investigation will embrace an assessment of the major problem areas of requirement systems within the context of the problem-types, personal characteristics and capabilities of the participant case study o/m's.

(d) Summary

In summary, the development of a "contextual" conceptual framework of potential areas of government intervention, provides a structure within which to combine the author's experience of small business and current selective small business insights, to derive the requisite focus for the investigation. Initial skeletal consideration of the unique problem-types, psychology, management process and environmental difficulties of the smaller firm within the full context of potential government intervention activity, begins to provide for the natural focusing on intervention areas where practical insights are critical for the small business sector and public

policy-makers alike. The analysis thus led the investigation naturally toward a pragmatic focus (a problem-centred focus) on four major areas:

- (a) at the "general economic climate" level - current government philosophy with its unabating utilisation of interest rates and exchange rates in economic management, point to urgent need for greater understanding of the workings of the small business and implications of these two variables (within the context especially of small firms' difficulty in relating to their environment).
- (b) at the "local" level of support schemes directed toward the individual firm - the critical problem of lack of finance (or at least difficulty in raising finance) underlines the need for investigation of the small business within this context and implications for support scheme design and implementation.
- (c) the problems in (a) and (b) (i.e. difficulty in relating to the environment and in the raising of finance) emphasise the need for improving small business management skills and thus an examination of government management training initiatives on the basis of results and insights derived in (a) and (b) (this considering the possibility that government is attempting the provision of small business management training from foundations of relative ignorance regarding the workings of the small business).
- (d) requirement systems permeating all areas of government role activity which may well be an over-negative force on small business competitiveness.

Moreover, the development of the full contextual framework of potential government intervention, in its de-jargonised form lends itself as a "working tool" within which to approach participant o/m's and embrace

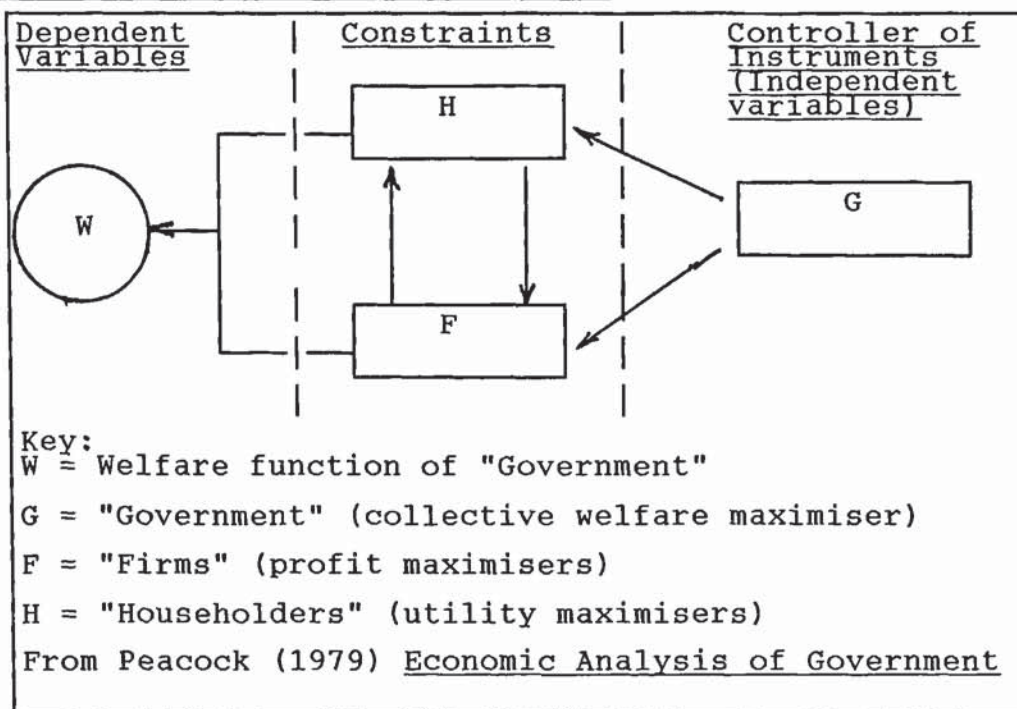
areas of intervention other than the above four areas which may be causing the o/m specific problems (or offering opportunities).

(e) Economic Analysis of Government

The determination of areas of government intervention for emphasis in this investigation, has clearly demonstrated that government is not influencing the smaller business in the manner intended by its underlying policy initiatives. This, in turn, underlines how *"policy-makers clearly need a better understanding of how the factors they are seeking to influence in the small firms, actually work...."*(48)

The situation begs the question, can traditional theory of economic policy provide insights to enhance understanding in this area? Within the traditional theory of economic policy, government is assumed to be a unitary being possessing a stable welfare function. This welfare function will be painlessly adhered to as the process of adjustment to maximise it continues. Moreover, the assumption that such an adjustment process can be carried through immediately and trouble-free, pre-supposes a dominant status of government - for the effecting of such a faultless adjustment process, government must be able to dominate all agents and actors of government and all private sector decision-makers. Government optimises its welfare function by making adjustments in the opportunity sets of households and firms.(49) The following Economic Policy Paradigm is thus derived.

Fig. 2 Economic Policy Paradigm



Peacock, from the base criticism that firms and households will not positively adjust to changes in their opportunity sets which government may attempt to force on them, proceeds to more useful insights through revision of the above traditional paradigm.

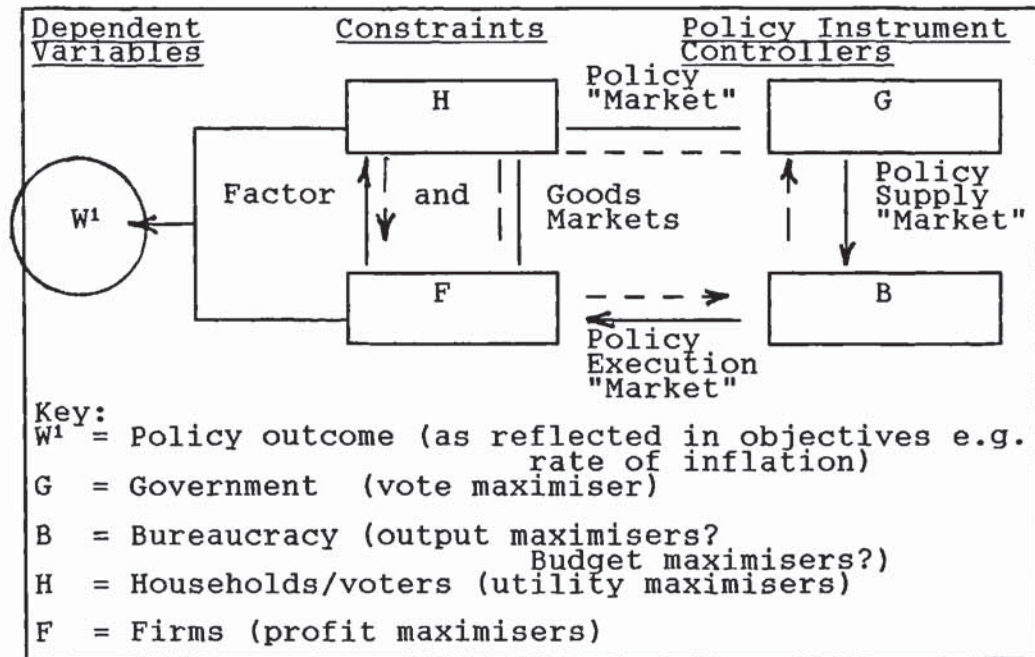
He underlines that government is not a monolithic being, but rather a collection of individuals with cabinet status who in turn have differing trade-off functions and differing perceptions as to how to maximise them.

That a firm may be far from rational and clear objective seeking is supported by the author's practical experience - firms are made up of people, of individuals who may act alone (if their Power-base permits) in pursuing personal objectives; or individuals who may come together in a dominant coalition to pursue a group goal which is contrary to the interests of the organisation as a whole. Indeed, organisational research has recently placed emphasis on the political model of organisations.^{(50) (51) (52)}

Peacock's revision of the traditional paradigm seeks to allow for economic analysis of government in a manner

which accommodates study of the interaction between policy formulators and executors and those whose actions are to be modified by policy instruments.

Fig. 3 Revised Economic Policy Paradigm (Peacock 1979):



Note: The firm lines with arrows represent the transmission of "instructions" from one maximising group to another, whereas the hatched lines represent "feed-back" designed to modify (and possibly nullify in extreme cases) the impact of various instructions.

Peacock's revised paradigm in its underlining of the need to accommodate the study of the interaction between policy formulators and executors and those whose actions are to be modified by the policy instruments, serves to provide additional emphasis of the urgent need for insights into the functioning of small businesses (the latter being some of "those whose actions are to be modified"). Peacock's emphasis that the firm is not a passive adjuster to change together with the above "skeletal" insights into small business unique problem types, psychology, management process and environmental difficulties, are clear base indications of the need to derive deeper insights in this area, if effective policy initiatives toward the small business sector are to result - and the need to draw further upon existing literature and insights to adequately foothold this investigation and provide

effective frameworks with which to ultimately approach the "case study" research.

The following chapters of this study thus proceed with an examination of economic theory, the organisational behaviour knowledge-base and current insights into the operation of small business to "firm-up" on the above "skeletal" insights and develop toward the total epistemological bootstrap capable of clarifying the major issues of this research and ultimately providing the framework within which to study the three participant "case firms" and derive understanding of "those whose actions are to be modified".

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DERIVING INSIGHTS FROM
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INTRODUCTION

Integral to this investigation is the theme that for government to effectively influence small business, a sound understanding of the factors they are seeking to influence is essential. The above discussion has suggested that understandings of the workings of small business is, to date, inadequate for small business policy initiative design and implementation to confidently proceed in the manner and speed currently undertaken by British government.

The economic stage upon which business performs is, of course, extremely complex. Indeed, the ever-increasing pace of change of technology, is just one example of the intensifying dynamism and complexity of domestic economies and their internationalisation, not least through advanced communications. Given such a dynamic and internationally interwoven "stage", there can be little doubt that the formation of government policies must, to some extent, be based upon theoretical ideas about the functioning of business and the workings of national and international economies in general. Economic theory is capable of a crucial input to policy design.

However, *"recently theory and policy seem to have become more and more intertwined: the most important single issue in contemporary debate concerns the effectiveness of government policy, while policy disputes in Britain have increasingly taken the form of wrangles over theoretical matters".*⁽¹⁾ The tendency in Britain appears to be toward an over-reliance on theory as the basis of policy design. Thus it is essential, if one is to derive a framework capable of raising issues relevant for research investigation in the area of government policy, that an examination of underlying theory upon which policy initiatives have been based is undertaken. The inherent strengths and weaknesses of that theory then provide the foundations of issues for investigation.

Moreover, not least because of the apparent limited success of the application of the conclusions of economic theory in this country (for example⁽²⁾), the examination must be extended into other areas of theory which may offer insights into the understanding of organisations, so as to aid in the highlighting of the applicability and limitations of previous policy initiatives, offer itself as a potential basis from which economic policy initiatives may be formulated and thus input into the framing of the research. For example, *"most individuals by the time they reach maturity, have built up an array of concepts which they use to interpret the data they observe. Many of these concepts are not part of our conscious awareness. Often they could be more accurately called beliefs, hunches or assumptions. Sometimes even myths, stereotypes and superstitions. Organisation theory seeks to substitute a coherent set of conceptual frameworks for those collections of assumptions"*⁽³⁾

Against the backcloth of the apparent applications and limitations derived from macro and micro-economic theory, a selected review of the conceptual frameworks of the "organisational behaviour" literature is undertaken, to ascertain the potential utility of those frameworks as interpretive devices regarding the workings of organisations in the economy. A multi- or cross-disciplinary analysis will thus produce a knowledge-base derived from theories and insights across the disciplinary boundaries. Moreover, since much of this knowledge-base is large company orientated its implications for, and applicability to, the smaller business is considered.

Finally, a substantial body of small business research has emerged in the past 15 years. Unfortunately much of this research is somewhat ad hoc and fragmented.⁽⁴⁾ Moreover, researchers continue to have persistent problems in getting policy-makers to listen. *"Politicians seem to prefer making policy instinctively rather than providing rationally based policies to help*

the small business enterprise make its maximum contribution to the economy. Even so, small business researchers in Britain continue to produce high quality work and add to the understanding of this important form of economic behaviour".(5)

An innovative, pragmatic approach to a selective, co-ordinated review of insights into small business is undertaken, to combine with findings from the examination of economic and organisational behaviour theory, to contribute toward an eclectic conceptual framework for the raising of critical issues for this investigation.

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CHAPTER TWO

MACRO THEORY

MACROECONOMIC THEORY

(1) MONETARISM

Current Conservative government economic thinking, dismisses the Keynesian view of economic management, as theoretically defective and suggests that answers to many of the problems facing the British economy, rest in greater reliance upon the market mechanism and less upon state intervention. *"Much of the fervour of the present monetarists flows from a passionate belief in free enterprise and the self-correcting nature of a free market economy".*⁽¹⁾

Given much of the indiscriminate government actions and accompanying economic decline of the post-war period, occurring within a framework of Keynesian macroeconomics, it is to be expected that many economists, politicians and journalists have seemed to snatch willingly at the opportunity to sing the praises of an alternative doctrine.

"A party which has just tested state intervention to the miserable point of destruction, had by 1975, become a party unafraid of the consequences of capitalist competition and free market allocation of resources".⁽²⁾

However, to listen to many politicians propounding the virtues of the free market (efficiency, consumer choice and so on), one must question their level of understanding of the underlying theoretical base from which their policies derive. The broad theoretical foundations derive from the theory of markets. Smith⁽³⁾ underlines how, in the light of general equilibrium theory, monetarism can be seen in terms of two distinct ideas.

The first and most important being simply that *"monetarists treat the general equilibrium model as the appropriate starting point for discussion and analyses*

of economies like Britain". The second central idea concerns the money supply. Effectively, it concerns the role of money in general equilibrium models, out of which derives the by now well documented "quantity theory of money", which is based on the premise that the general level of prices is determined by the size of the stock of money.

Thus, any analysis of monetarism should pivot around these two central ideas - the theoretical foundations of the doctrine (the general equilibrium model); and the logic and application of the actual derived monetary theory (the quantity theory of money). In practice, however, persistent drawing upon the base general equilibrium assumptions can, even given their brute simplicity, lead to a belief that the model is, in fact, realistic and accurate - constant reference to the virtues of the free market, over time, produces the evolution of a belief in the self-regulating nature of markets. The unrealistic assumptions upon which the general equilibrium model is based, are either forgotten or accepted through ignorance - and current British economic policy initiatives, in their endeavour "*to provide freedom for markets . . .*"⁽⁴⁾, suggest an emergence of such unrestricted market beliefs.

Consequently, given the emerging "faith" in the self-regulating propensity of markets, much attention, analysis and discussion tends to centre around the strengths and weaknesses of the logic and technical difficulties of the application of monetarism and due regard for the assumptions of the underlying, theoretical foundations is not afforded. This review promotes those theoretical foundations back to centre-stage and addresses the technical difficulties associated with monetarism at a later stage, following analysis of Keynesian Demand Management.

Obviously, given the complexity of an economy, any manageable theory must be based on a set of simplifying assumptions. The underlying assumptions of general

equilibrium theory are well documented, but are recalled below both to serve as an insight for those not conversant with free market economic theory, and as a reminder for any free market apologists who may have become temporarily hazy as to the over-restrictive nature of the assumptions. The assumptions thus provide the foundations from which to consider limitations and implications relating to any utilisation of general equilibrium theory.

The following is not intended to be an exhaustive list (comprehensive coverage of the underlying assumptions is readily found in many introductory economics texts; see for example (5), (6), (7)) but provides adequate foundation for analysis:

- (1) "free competition" exists in all markets; many buyers and many sellers operate in the economy, so that the behaviour of any one seller or any one buyer will have no influence on the market price. Prices are competitively determined and flexible.
- (2) all units of the commodity must be "homogeneous"; thus buyers will be indifferent as to the seller they approach, and sellers will be indifferent as to the buyers to whom they sell.
- (3) there must be "perfect knowledge" in the market; all economic actors have immediate and costless access to information.
- (4) there must be "perfect mobility of factors of production" and "of consumers" Everyone will try to maximise his returns.
- (5) there are no "economies of scale"
- (6) there are no "externalities" in the economy.

An excellent exposition of the underside (weaknesses) of the theoretical basis of "free market" policy-making is provided by Smith.(8)

He points to the restricted nature of the theoretical model, in that it only functions on the basis of over-simplified assumptions in the form discussed above. A major difficulty relates to the fact that if any of the underlying assumptions do not hold in general, a general equilibrium may arise, but not an equilibrium where full employment is achieved, nor an equilibrium whereby efficiency is possible, nor whereby "best possible" social outcomes can be achieved.

Smith utilises insights from "welfare economics" in the form of the "second best theorem" which suggests that if any one of the conditions (assumptions) is violated, then optimum intervention throughout possibly all markets in the economy will be necessary if the "next best" solution to the "best of all possible worlds" is to be achieved. *"In other words, it is no good having a bit of competition, a bit of the free-market economy, or a bit of laissez-faire. It is a case of everything or nothing: if the initial assumptions do not hold in their entirety, then none of the beneficial outcomes which are beloved of Conservative economists and their journalistic hangers-on, necessarily follow".*

Smith proceeds to acknowledge that nobody is likely to claim the existence of such stringent conditions in the U.K. economy, but that the monetarist response, in its acceptance of the over-simplified form of the "model", is to suggest that the U.K. economy does not operate as per "model" because of the toleration of "imperfections"; in other words, we need only remove these imperfections in order for the economy to operate as per "model".

Conservative government policy initiatives since 1979, tend to support this view. The abolition of: controls on pay, prices and dividends (1979); exchange controls (1979); controls on bank lending (1980); and hire purchase restrictions (1982), all provide examples of the removal of "rigidities" and the opening up of the financial system to a more competitive environment.

Many other market "impediments" (or so viewed by the government) have been tackled by the Conservatives promoting the more efficient working of the product, labour and capital markets, through a whole series of supply-side measures.

The move toward the liberalisation of markets since the arrival of the Conservative government, has been impressive in terms of sheer quantity of measures. In the light of the above weaknesses of the underlying theoretical base and given the poor economic performance throughout the 1980's, one must question, however, whether government has sufficient understanding of the markets and, in particular, the economic actors operating in those markets, to effectively influence them - especially given the speed with which many of those policy initiatives have been designed and implemented. (9) (It should be acknowledged that in some quarters, claims are emerging as to performance levels in the Thatcher years bordering on that of an "economic miracle"⁽¹⁰⁾, or at least a "near miracle"⁽¹¹⁾). Whilst claims of considerable achievement are valid in some areas of economic activity, the presiding over record levels of unemployment, record balance of trade deficits and inflation levels above all major competitors, is a damaging indictment of much British post-war economic policy and emphasis of severe weaknesses in current policies. More specifically, Professor L Tobin of Yale University, underlines how *"supply-side policies are supposed to show up on the bottom-line in increased productivity"* and emphasises how *"they don't in the U.K."*⁽¹²⁾

The Conservative government is striving to remove market rigidities - in effect, striving nearer toward the conditions of the equilibrium model. However, as Smith⁽¹³⁾ points out, many of the assumptions of the model cannot hold; some others are unrealistic; and some imperfections are an integral part of the institutional structure of society.

Fig. 1

Examples of general equilibrium theory conditions	
which cannot be fulfilled in the U.K. economy	
(a)	
Cannot possibly hold	-delivery of perfect knowledge
	-absence of uncertainty
	-instantaneous price adjustment
(b)	
Unrealistic	-removal of monopolistic or
(in that they are the	oligopolistic industries
product of the natural	
development of the	
economy; the basis	-absence of externalities
of functioning of	
the economy; and	
the outcome of it)	
(c)	
Institutional	-taxes
conditions	-manner in which public goods
	are provided
Adapted from Smith: The British Economic Crisis	
(1986) (p 145)	

Weaknesses of the underlying market theory alone point to the real dangers of speeding relentlessly nearer and nearer toward self-regulating markets. It is not, however, the intention of this investigation to condemn free-market based economic policies. Rather, to emphasise, through provision of a reminder of the unrealistic nature of the base general equilibrium model, that many market rigidities cannot or should not in reality be removed, that others should be removed or modified with care, and thus, that policy initiatives, whether striving to open up part of the economy to market forces, or to offer support through intervention, must be based upon greater understanding of those market forces - in particular the workings of the private company sector, and the economic actors

therein, which government so often attempt to influence.

An example of current government policy will suffice to underline policy initiative design from a base of minimal understanding. On the one hand in its pursuit of combatting inflation, the government is utilising policy instruments of interest rates and exchange rates. On the other hand, at the microlevel, the government strives to remove any rigidities restricting the functioning of the markets, and more specifically for the smaller business, offers consultancy and management training assistance.

The defeat of inflation is proving extremely difficult and requires the continuous hiking up of interest rates. A "bitter pill" which the populace must quietly swallow according to the Chancellor of the Exchequer whose recent (1989) budget speech saw great apology extended toward those hit by escalating mortgage payments; but no recognition of the effects on smaller businesses.

Some of the effects on small business of extremely high interest rates have been discussed in the previous chapter - the point to be emphasised here is that a limited government understanding of the small business sector is seeing the utilisation of contradictory policy initiatives: much small business assistance offered with one hand is being counterbalanced by constraints imposed by the other hand. "Both hands" (i.e. the assistance offered and the high interest rate policy initiatives) must be formulated from an informed knowledge-base. Monetarist (government) retort is that in the long-term "all will be well" - but lack of understanding of small business sees many such businesses with potential for the longer term, failing because they are unable to ride the short-term pressures exerted by the government.

"....the theory (general equilibrium theory) has many problems. In recent years there has been considerable debate within the economics profession over results - especially concerning economic policy - which have been "proved" on the basis of general equilibrium theory. However, even though many dispute these results, it remains true that the overwhelming majority of economists still accept and back a broad view of the market system which is consistent with general equilibrium theory, or derived from it. The consensus is that markets work, more or less well, and that some form of "market economics" is the appropriate framework for both theory and policy. It is an article of faith that free markets produce desirable outcomes. But the theory simply does not support such conclusions, especially in the field of policy."⁽¹⁴⁾

As a consultant to small business, the author in attempting to cope with "sharp-end" problems of the smaller firm, wholeheartedly supports Smith's view that policy making in Britain "has been marked by a disastrous over-confidence in the capabilities of the market economy, and a careless belief in the essential correctness of market economics."⁽¹⁵⁾ Smith is by no means dismissing the free-market as non-efficient or useless; what he is doing is calling for "greater care in assessing the role of private enterprise and market forces in economic recovery".

For the author such "greater care" has its origins in deriving more pragmatic insights into the functioning of private enterprise - from the standpoint of smaller business a sound starting point rests in government listening to the mounting body of small business researchers (see for example⁽¹⁶⁾).

Neil Kinnock⁽¹⁷⁾ has in fact criticised the Thatcher monetarist approach in terms of it "subordinating economic decision-making and abdicating responsibility for improving Britain's competitiveness to the market place".

The above review clearly spells out the limitations and dangers associated with over-reliance on ill-informed "market force" based policy formulation. However, before concluding this analysis of monetarism, it is prudent to first examine the type of alternative doctrine to which Kinnock himself may turn - for it is within the full context of analysis of alternative policy approaches that common ground of weakness can be highlighted in U.K. post war economic policy. The following section thus examines Keynesian demand management thereby providing a full backcloth of analysis of the post-war market-state intervention policy continuum from which to derive summary conclusions of implications unique to the policy camps of monetarism and of demand management, and also of implications deriving from a "common constraining thread" running through all U.K. post-war economic policy. The final section on macroeconomic theory demonstrates the "common constraining thread" and to so do draws upon the technical difficulties which have confronted monetarism in practice and so far been ignored in this review.

(2) KEYNESIAN DEMAND MANAGEMENT.

It is neither within the scope of this investigation, or necessary, to undertake in-depth analysis of the numerous varieties of Keynesianism. Such analysis would require consideration of some schools of thought enveloping underlying concepts of the market mechanism and others which move toward an incorporation of Marxian economics.

Just as the previous discussion analysed the foundations upon which pronouncements of monetary policy are made, so as to determine its potential as a basis for economic policy-making, similarly it is the foundations of Keynesianism which provide the focus of analysis.

The "neo-classical" monetarist emphasis on the operation of free markets tends, as seen above, to look for explanations of problems such as unemployment in terms of market rigidities and/or imperfections. For the monetarists, therefore, a natural emphasis of policy is toward the "supply side" with efforts to remove imperfections and help markets function more effectively.

For Keynes, however, supply side influences such as the wage rate, are not the only determinants of unemployment. Firms' potential market share is also seen as a major determinant. Thus, the Keynesian emphasis is on the demand side. *"It is (the) demand problem, and the recognition of demand failure, which forms the connecting thread between the varieties of Keynesian doctrine: in one way or another, all see the problem of unemployment and recession as caused by it. The differences lie in the way in which they describe the emergence of demand failure, and the reasons which they give for the persistence of unemployment once demand has occurred."*(18)

Keynes explanation of how the economy functions has become a major foundation of modern economics and an integral platform of economics teaching within schools, polytechnics, university and professional courses of education and management training.

In 1972 Stewart⁽¹⁹⁾ wrote: *"The fact that Western Countries have enjoyed virtually full employment throughout the whole of the post-war period is an indication of the extent to which Keynes' ideas have been accepted and applied. Western governments practice Keynesianism continuously; they forecast the likely change in the economy's productive capacity, the likely change in demand, and if necessary take steps to bring the two into line. The maintenance of full employment has enabled Western Countries to shift their sights on to another economic objective - a faster rate of growth. Once Keynes had shown how existing resources could be fully utilised, it was inevitable that attention should shift to the problem of increasing the size of their resources."*

That "Western governments practice Keynesianism continuously" is very much open to dispute (and was so at Stewart's time of writing). Indeed Pollard⁽²⁰⁾ emphasises that in continental Europe during the period after the war, Keynesian policies were not generally accepted. Pollard's interpretation underlines how the faster growing European Countries managed to do well compared with Britain and America without the benefit of Keynes - he cites Brittan, S.⁽²¹⁾ who recalled *"The economic performance of Countries such as Germany and France, in their years of superiority, probably owed little to the economic steering of their authorities. If anything, it was achieved despite their efforts."*

Pollard continues to emphasise that France certainly did not rely on Keynesian-type "steering", but they did in fact utilise their first post-war plan to "steer" the economy by giving *"concrete answers to concrete questions for which the theories with which the British*

economists are weighed down, are of little proven worth". The French approach was "steering" in a micro sense with priority being given to massive investment in selected sectors of the economy - it was not Keynesian-type "steering".

The German dislike for demand management techniques gains emphasis in Symonds⁽²²⁾ 1985 review of *"How Germany handles the Economy."* For him *"nobody should under-estimate the strong conservatism of the German economics profession. The Germans only reluctantly adopted Anglo-American demand management techniques in the late 1960's. When they appeared to achieve little other than un-German rates of inflation and a rapidly growing national debt, it was with some relief that German officials returned to more cautious fiscal policies."*

Within the context of progress of the British economy, Keynesian demand management techniques must be questioned with regard to their potential efficacy. Pollard⁽²³⁾ suggests that Britain enjoyed the progress she did make only because the rest of the world was being pushed forward by *"a massive secular boom which transmitted itself even to Britain, and the worst policy makers could do was to reduce the potential growth rate of 5% to an actual one of 2-3%."*

Manufacturing output was partially pulled up by exports rising at a rate of two-thirds of world demand. Thus, for Pollard, it was not government policies which provided full employment but rising exports and a higher rate of investment than during the pre-war period.

The author, from the standpoint of a "pragmatist" management consultant involved also in University and Polytechnic Management Centre lecturing, has long since found it difficult to reconcile the tendency of the British economics profession to strive for ever increasing levels of sophistication and refinement of

economic theory - at the expense of tackling the real, earthy problems besetting the economy.

From Secondary school level through to Master of Business Administration courses, the tendency is to contrive to "impose" refined theoretical, and yet largely non-practicable, frameworks on to management trainees and practitioners, and onto young people about to enter the real world of work. Having both studied under, and taught alongside, teachers and lecturers, the author continues to be amazed and dismayed at the approach. Two samples suffice to push home the point.

Firstly, "A" level economic courses. It is not that an "A" level economics syllabus purports to convey real-life applicable wisdom, but rather that some conveyors of that wisdom (some of the teachers) have never stepped into a factory (or anywhere other than a school or university) in their lives, and begin to actually believe that much of the inherent theory has potential application - and worse, that impressionable students actually believe them, so that the problem of "application of theory" is perpetuated. An example of such teaching relates to the author's recent "liaison" with an "A" level teacher and his group of students; the teacher was explaining the potential for government deflating of the economy in the face of balance of payments problems. "In the face of such problems in the past" stated the teacher enthusiastically "the British government has slowed the economy down by fiscal and monetary policy measures - bearing down in the main with pressure on investment. It's very straight forward, we can represent this algebraically thus: $C+I+G+(X-M)=Y$ ". "Of course we can" thought the author "but what are the consequences for my £0.75 million capital investment consultancy project in terms of cost of borrowed capital; in terms of a potentially reduced consumer demand, and so on?".

The point here is that to formulate, to refine, to sophisticate a macroeconomic model of the economy in the comfort and safety of the non-competitive environment of a public sector office, is to potentially lose touch with reality. Demand management in practice is not bearing down on, and from within, algebraic symbols; it is bearing down on real resources, on real business decisions, on real human lives. "Generalist" economic policy derived from the development of an internally logical model fails to recognise the industrial sectors, the individual firms and the individual people whom it affects - it is not a straight forward matter of deflation, downward pressure on investment and/or switching of resources. Companies are committed to existing investment projects and the consequences of "generalist" deflation can be devastating - variables such as industrial relations, quality levels, reliability, availability (delivery), after sales service and disincentives relating to productivity improvement, are all examples of inherent problems. Similarly new investment projects (development of new technologies etc.) are shelved - sometimes forever.

The second example derives from the author's attendance on a part-time M.B.A. course, the economics component of which confused and bewitched pragmatic managers as they struggled to comprehend the algebraic teaching of demand management.

The underlying criticism relating to demand management techniques rests on the weaknesses inherent within the foundations of the theory itself - the "generalist" nature of the approach to economic management which bypasses the more specific problems facing the British economy. The varied needs of British companies have been largely overlooked. Quantity and quality of production investment was by international standards abysmal. Research and Development was similarly poor. The educational system failed to provide requisite "productive" skills. In short, the climate created

through the utilisation of "generalist" aggregate demand management policies, was not conducive to steady long-term growth in which companies carefully scan their environment, confidently determine market opportunities, assess their inner resource strengths and weaknesses, and undertake long-term "state-of-the-art-based" investment projects in accordance with their overall "mission statement" (a somewhat idealised textbook process, but nevertheless one more or less adopted by our more astute continental larger company competitors). The by now well documented stop-go policies engineered by successive British post-war governments bent on demand management, produced a climate from which management shied away.

Proponents of Keynes' theory of employment point to contributory factors of government misinterpretation of Keynes' analysis or to economic mismanagement through over-adherence to economic constraints. For example, Stewart⁽²⁴⁾ underlines how for some time governments, when faced with rising prices on attainment of full employment, felt that a situation existed whereby Keynes' analysis could simply be applied in reverse. Keynes held that unemployment would result if there were too little demand, so the U.K. government corollary was that inflation would result if there was too much demand: government response - deflate the economy.

Stewart emphasises how this analysis was faulty. Rising prices for Stewart were a symptom of too much demand, with the pushing-up of wages and profit at a faster rate than production, the probable cause of rising prices. Reducing demand had little effect on prices and, in the event, deflation merely reduced output growth and unemployment. Thus, this explanation sees government misinterpretation of Keynes' analysis with an inherent false interpretation of the cause-effect relationship regarding inflation, and British government utilising demand management in a manner contrary to that inferred by Keynes' theory.

Stewart also offers the recurring balance of payments crisis as a reason why successive British governments utilised demand management in a deflationary manner. In the short-run a success, but in the longer term, following expansionary policies, the problem constantly reappeared and the accompanying deflations always worsened the situation by bearing down on the rate of investment. For Stewart the exchange rate was "treated as a totem pole to be worshipped" rather than a "powerful and legitimate instrument of policy".

Discussion which could follow from both of Stewart's points is academic - that is to say, the criticism inherent within this review holds whether the above mitigating factors of deflationary government action exist or not. Whether a government is trying to expand or deflate an economy, the use of "generalist" aggregate initiatives fail to address the specific problems of the economy and the specific problems of particular industries and particular companies.

"Keynesian policies of demand management are aimed elsewhere; they are pitched at an abstract level which brackets out the specific problems of industrial organisation which face Britain. For this reason it is necessary to explore such problems directly, without relying on policy panaceas derived from the highly abstract pre-occupations of theoretical economics. It is not that theoretical economics is not important, not a worthwhile and necessary activity. It is simply that it is time for politicians and others to stop thinking that it can offer simple answers".(25)

Recent work by Curran⁽²⁶⁾ provides emphasis of the author's criticism of over-generalist government policies. As mentioned in the previous chapter, his research into small enterprise and government relations, showed that government provision of all kinds of schemes aimed at assisting small enterprise, can never be the whole of government - small business relations. Aspects of government policies not

primarily directed at the small business, have an impact and in fact often have more impact than support schemes aimed directly at the small firm. Curran found one o/m to be troubled by N.H.S. spending restrictions - the firm produced medical electronic equipment which made such cuts very significant in the context of his particular business. Another o/m found levels and timing of defence spending problematic.

Thus, it is the underlying foundations of Keynesian demand management policies in its "over-generalist" "aggregate" approach to which this review levels criticism. However, that is not to dismiss Stewart's above points on the British government's approach to recurrent balance of payments constraints. Government application of demand management in tandem with a view of balance of payments as an overwhelming constraint, certainly combined to produce a "stop-go" cycle and progressive worsening of productive investment rates. And the attitude of British governments toward algebraic symbols such as the balance of payments must be accommodated in any critique of demand management. Indeed, it is here held that there is a "common constraining thread" running through British macroeconomic policy, and that is what the author labels "symbolism". It is to "symbolism" that the next section turns.

(3) A "COMMON CONSTRAINING THREAD" IN POST-WAR ECONOMIC POLICY

Smith⁽²⁷⁾ and Pollard⁽²⁸⁾ both give specific emphasis to the over-reliance of British economic policy-makers on economic theory. The above discussion has reinforced this view with just a few examples of many whereby this tendency perpetuates throughout the academic world - both in teaching and in research. In many instances the internal logic of the theory is not at issue - rather that theory is too abstract, too divorced from the reality of the intricacies and problems of the U.K. economy.

For Pollard⁽²⁹⁾ *"real investment has been used as a regulator for the temporary balances of purely symbolic quantities, an expendable item in the notional accounts. Whenever the government has faced an economic emergency since the war, it has reached out, like a blind man with a single automatic gesture at his command, and taken a smack at investment"*.

The major theme of Pollard's analysis relates to the tendency for successive British governments to concentrate first and foremost on symbolic figures and quantities such as balance of payments, exchange rates and prices whilst neglecting the real quantities of goods and services traded. If a clash of interests occurs the real is sacrificed to the symbolic. The retort from many Conservative policy apologists is to underline how "all that is now long since gone" with the abandonment of Keynesian type demand management. But is it? The Conservative government in placing inflation onto the "economic altar" is gradually falling into the trap of "symbolism". With inflation edging up once more, the Chancellor immediately resorts to the hiking up of interest rates. Penal interest rates squeeze consumer spending, but they cripple capital spending too. The pound responds upwards making industry less competitive, and output rather than imports fall as domestic demand shrinks.

"Present policies will undoubtedly curb total demand growth. They will probably produce a crash landing. But if, as seems likely, manufacturing gets mangled once more in the process, less inflation today will simply mean more inflation tomorrow".(30)

The more unkind government policy critics could make a case for the witnessing of a gradual shift back to stop-go. There may be some truth in such a proposition given the current level of interest rates and response by industry. The emergence of stop-go in another guise.

Whatever, the major underlying point relates to the existence of a common denominator within British economic policy. Monetarism with its main objective of beating inflation and its critical policy instrument of interest rates, in effect fits as squarely into the "symbolism" box as did Keynesian demand management - by concentrating first and foremost on symbolic quantities the government is neglecting the real quantities of goods and services. Currently, capital spending projects are being appraised within the companies of Britain, against a backcloth of soaring interest rates. Many such projects will not leave the drawing board.

For the author, Conservative conducted "symbolism" has been gradual - early success with beating down inflation allowed for the easing of interest rates and a climate conducive to investment and growth did seem a possible reward for the earlier imposed squeeze. The fullness of time, however, was to underline the continuing folly of British governments with regard to their passion for refined economic theory. Monetarism is impressive as a theory, but in reality *"its attractions concealed some fairly fundamental practical difficulties".(31)* Those difficulties seemed to have focused government once again into the "symbolic. That over-focus has been on the quantitative policy instrument of interest rates to control the quantitative measure of money supply to achieve a lower

quantitative objective of reduced inflation. General debate amongst policy-makers, supporters and economic media thus centres upon interest rates - money supply - inflation. Sacrificed is a focus on real quantities of capital investment, the pre-requisite for real quantities of increased output of consumer goods and services and the inherent pre-requisite for improved quality in this output.

The earlier review of monetarism centred upon the underlying foundations of monetary theory - an intensive belief in the self-correcting nature of free markets. The role of monetarism was to restore the authority of the market; the establishment of monetary rule would allow the market to do the rest. Little was said of the actual practical difficulties inherent within monetarist policy within Britain. Essentially those difficulties surround the money supply. *"The first is that peoples' ability to spend depends not only upon the amount of money they have, but also upon their access to credit. To take one example; if one firm has spare cash it can lend to other firms, either directly or in the form of credit. The money supply is not increased, but people have more money to spend. The money supply is only part of the total liquidity available.*

Secondly, there is the difficulty, some would say the impossibility, of defining money. If a theory and a policy depends entirely upon controlling the money supply, it is a considerable weakness if the money supply cannot be defined.

There is, thirdly, the difficulty that even if the money supply can be identified, in some arbitrary way, control of it may not be possible. In the United Kingdom, the relevant money supply was identified as Sterling M3, but its control proved impossible"⁽³²⁾

Given such fundamental difficulties, especially when considered against the backcloth of unabating

Conservative policy, it is hardly surprising that the economic policy emphasis once again moves toward "symbolism".

The construction of sophisticated and refined theoretical models, which by necessity are founded upon unrealistic assumptions, may be a fine academic training of the mind. But to proceed toward the application of policy based upon such algebraic symbolism is folly. Over-reliance upon generalist demand management policies in the name of "symbolism" resulted in severe downward pressure on investment and company performance. Current monetary policy, though founded on the rejection of demand management techniques, is now proceeding in a similar fashion within a framework of symbolism, with investment suffering in the name of the "price symbol" and the underlying policy instrument symbols of interest rates and exchange rates. (*"Needlessly high interest rates prevent expansion of manufacturing capacity and so reduce the supply of goods".*⁽³³⁾) Ironically the resultant macroeconomic climate is likely to confound the very recipients of the micro initiatives in which the government is placing so much store for the creation of an entrepreneurial environment - the small businesses. "Symbolism" overlooks the specific and unique problem-types facing smaller businesses - larger companies have the financial and managerial capability to cope with high interest rates, fluctuating exchange rates and inherent human relations problems. Such a luxury is not available to smaller business.

Recent Labour Party leadership speeches aimed at fixing guidelines for the party's revised economic strategy, in fact dismisses any return to old style interventionist policies. Moreover, the intended approach accepts that it is inadequate for Labour to attempt to patch up omissions of the market system. Rather a clear identification of mutual interest between government and private sector companies is suggested as the foundations for systematic action⁽³⁴⁾.

Such intentions, presented within the context of Neil Kinnock's view that Mrs Thatcher subordinated economic decision making and abdicated responsibility for enhancing British competitiveness to the market place, are commendable. But again the approach faces two major potential constraints. Firstly, utilising one specific proposal to illustrate - Mr Kinnock suggests a national strategy to boost publicly funded research programmes for small companies. There is, however, a school of thought suggesting that there is no shortage of ideas originating from small businessmen, but rather the question mark hangs over the ability of such businessmen to actually see the idea through⁽³⁵⁾. Kinnock's related proposal, a network of professional advice centres to help small firms, certainly has the potential to move some way toward addressing the problem. At issue, though, is fundamentally the same constraints facing the Thatcher government - the initiation of effective supply side policies which support and/or complement the market can only derive from real understanding of the issues to which they are addressed. One finds little evidence of Labour party intentions to ensure small business oriented initiatives will be based on greater collaboration with the small businesses themselves, their associations and the growing body of researchers attempting to address small business problems.

These and other supply side issues, if omissions of the market system are to be effectively tackled, will have their origins in "clear identification of mutual interest between companies and the government", as suggested by Kinnock - but it is the detail as to how such a strategy will be effected that is critical. In broad terms Mrs Thatcher's supply-side intentions are in fact very commendable. Despite Labour party criticism of "abdication of responsibility to the market place", this government has pushed the small business very much to the fore and created a multitude of positive initiatives - and yet so many of these initiatives are hastily construed from an ill-informed

knowledge-base and thus fall short of their potential. "...all is not going well, perhaps because Mrs Thatcher is trying to do too much too soon"⁽³⁶⁾. Paradoxically, we now have both major parties advocating the role of government in terms of "participation" and of "regulation" - the effective balance, however, derives from a gradual development of understanding of private enterprise and of market forces. Within the context of small business this issue is particularly critical, given the infant nature of the existing knowledge-base and the tendency to view the small firm as a microcosm of the large company oriented applications.

Even accepting that Labour Party strategy overcomes constraints deriving from lack of understanding of private sector behaviour and of the workings of participant businesses, and that it sets off on a course of "positive intervention" and "plugs the gaps" in the market, the question then arises whether it is capable of overcoming the second major constraint - "symbolism". No British post war government across the entire free market-interventionist economic continuum has yet succeeded in overcoming constraints imposed through economic management by "symbols", and there is no reason to believe that, when confronted by exchange rate, inflationary or balance of payments pressures in the short-run, a Labour government will stick to the task of enhancing the real variables critical to the success of the economy in the longer-term - the real quantities of capital investment and human investment critical to the provision of the real quantities of consumer goods and services.

The corollary of this analysis is that the conduct of small business research should take place within a context of "symbolism". That is to say, attempts at the enhancement of understanding of the workings of small business must have due regard for the fact that government, whilst well intentioned on the one hand with regard to provision of small business micro initiatives, is likely to straight-jacket itself with

the other hand via economic management by "symbolism" - the potential result is that small firm micro initiatives, even if effectively conceived, may well be counteracted by the constraints imposed by the "symbolistic" macroeconomic management. A major reason why the recognition of "symbolism" is vital to research efforts rests in the fact that it is a phenomena unique to Britain. It derives from our obsession to be guided by economic theory, and is to be found in no other European country. No other European country faces the British paradox -

"Britain has a capital gap. We do not have enough factories, plant or equipment for labour to be fully employed. Charles Bean at the London School of Economics estimates that our Capital stock was 13% too small in 1987. He says investment would have to be increased by 20% above 1980's rates to eliminate the capital gap. At this rate it would take three to four years to halve the gap. But to reach full employment using more labour with the same factories we have got would require an impossible 50% fall in relative labour costs. Increasing investment is better than reducing wages...."

...Too few goods caused inflation to accelerate. Monetary policy cannot cope with this; you cannot persuade manufacturers to increase the amount they can make by reducing the amount they can sell. They expand capacity when they can profitably sell more than they can now produce. That is why investment in new capacity is at last booming at a rate sufficient to close the capital gap".

"Higher interest rates and a strong pound will curb today's inflation by reducing demand. But then investment plans will be aborted. The capital gap will remain or grow larger. Capacity shortages will cause worse inflation tomorrow. But lower interest rates and a weaker pound - to keep industry investing - will cause more inflation today" (Brian Reading Sunday Times Economics Correspondent⁽³⁷⁾)

Reading spells out the dilemma so very well. The British paradox however, is that economic management through "symbolism" sees the government constrained in its approach by the "price symbol". It relentlessly pursues the reducing of inflation, pushes up interest rates and the pound and thereby exerts downward pressure on the very real quantity, capital investment, the lack of which is causing much of the inflation in the first place. Thus - the British paradox: over reliance on economic theory leads to economic management by "symbols" (symbolic figures and quantities); this in turn leads to the neglect of the real quantities (investment and consumer goods), the lack of which is the cause of much of the inflation which the symbolic economic management is attempting to combat.

Brian Reading is one of the few economic commentators recognising the need to break with such an approach when he suggests that *"it could be better to live with faster inflation for a while, as we had to with higher unemployment, than fruitlessly attempting to reduce it in the short-run in ways that make it worse in the long..."* Indeed for him *"...monetarism and the market mechanism never did mix"⁽³⁸⁾*

Any case study investigation of small business if it is to enhance understanding of the workings of that business, must have due regard for the nature and level of "symbolism" inherent within the macro economic management by government, and the manner in which that policy approach constrains the small business and/or counteracts any micro initiatives utilised by government to assist that business.

This is vital for two major reasons. Firstly, post war macro economic "symbolism" coupled with a variety of micro supply side initiatives, has produced degrees of "counter-activity" which suggest little government understanding of the workings of recipient supply sides - this understanding must be enhanced (cite

current small business micro initiatives and the counteractive constraints of high interest rates). Secondly, that "economic symbolism" has been followed by every British post-war government suggests that its removal is remote and that a suitable antidote rests in the enhancing of small business management ability to cope with the phenomena. This requires insights into the resultant problem-types and the development of creative and innovative approaches to manage such situations. The study of small business must thus accommodate a determination of the nature of the enabling and constraining forces resulting from a given form of "economic symbolism".

(4) SUMMARY OF MAJOR SMALL BUSINESS RESEARCH ISSUES
DERIVING FROM THE MACROECONOMIC FRAMEWORKS UTILISED IN
BRITAIN.

(a)

Given the dismal British post-war economic performance and resultant disillusionment with the various attempts at Keynesian demand management, it is not surprising that a "love affair" with an alternative economic doctrine is now in evidence in the form of monetarism.

There is a tendency for economic commentators to discuss the inherent weaknesses of monetarism predominantly in terms of the difficulties inherent in its attempted implementation within the context of control of the money supply. This is to overlook one other idea central to the doctrine - the treating of the general equilibrium model by the monetarists as an appropriate analytical starting point for discussion of an economy.

A potential danger is for politicians and policy makers to persistently shout the praises of the virtues of the free market and its self-regulating nature, and lose sight of the brute simplicity of the underlying assumptions of the equilibrium model.

Given that many of the model's assumptions can not hold, that some others are unrealistic and that some market imperfections are an integral part of the institutional structure of society there is a great danger in speeding relentlessly nearer and nearer toward self-regulating markets. Great care is thus required to derive the understanding of the workings of private companies and of market forces. The apparent speed with which policy initiatives are designed and implemented and the contradictory nature of many policy initiatives, suggest the requisite level of care is not being taken by governments and policy makers.

Two major research issues "relating to the author's investigation", thus derive out of current government attempts at the utilisation of monetary policy:

- (i) Past and potential effects of government policy must be considered within the context of the workings of the participant case study small businesses. That is to say, what are the enabling and constraining forces of the market, competitive and economic environments in which the small business operates, and what is the nature of the management process it utilises to cope with these forces?

Government policy is thus viewed as one component part of these forces and considered in terms of its potential enabling or aggravating effects. The case study becomes a vehicle which allows for the consideration of government policy initiatives within the context of the workings of the participant business - market impediments and rigidities and enabling and constraining forces of the contextual operating environment specific to the business can be highlighted and the implications of and for government policy initiatives considered.

- (ii) The technical difficulties associated with monetarism (in particular the problems relating to control of the money supply) need to be considered in the context of the workings of the participant case study small businesses. Given the contextual research findings in (i) above, the contradictory nature of monetary policy and micro policy initiatives can be highlighted.

(b)

Just as analysis of the underlying theoretical foundations of monetarism highlight critical research issues, so too do the underlying foundations of Keynesian demand management. The over-generalistic nature of demand management policies result in the bracketing out of specific problems faced by small businesses. This raises the issue of the implications of such "generalist" economic management (which at the extreme, manifests itself in severe "stop-go" fluctuations for reasons outlined in (3) above) for small businesses in terms for example of its contradictory or counterbalancing impact on small business micro level support schemes, or intensifying of the problems of small business complying with government requirement systems, (whereas contradictory monetary policy initiatives may in the main result from restrictive government action such as increasing of interest rates, it may well be that contradictory/counterbalancing forces within a demand management programme may in fact also derive from expansionary government policy initiatives which for example redirect increased government expenditure and inadvertently impact on the smaller firm).

(c)

There is a severe tendency for British governments, whether "Keynesian" or "monetarist" oriented, to concentrate predominantly on symbolic figures and quantities (balance of payments, exchange rates, prices) whilst neglecting the real quantities of goods and services. This approach appears to derive from the unique British tendency toward over-reliance on economic theory.

Thus: Over -reliance on economic theory -- economic management by "symbols" -- neglect of real quantities -- restrictions on growth of physical investment and human investment-base of the economy. This raises the

vital issue of the nature and level of "economic symbolism" within a given government macroeconomic management programme and consideration of the way in which that "symbolism" impacts, or has impacted upon, the participant case study small businesses.

At issue is the manner with which government emphasis on quantitative variables in their adherence to the theoretical frames of monetarism or demand management is particularly constraining upon the effective operation of the small business. "Economic symbolism", in its concentration on quantitative variables involves considerable "to-ing" and "fro-ing" of policy emphasis; for example, increasing and decreasing of interest rates; expansion and deflation through changes in government expenditure. Fluctuations which large companies are better equipped to anticipate and manage. Small businesses have particular difficulties with such fluctuations, and there is a need to clarify the specific small business problem-type in this respect to government, and, since British governments are unlikely to abate from such "symbolic" economic management, provide insights into this problem-type as a foundation from which to consider the way in which small business management ability can be better enhanced to cope with the phenomena.

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CHAPTER THREE

MICRO THEORY

MICRO THEORY OF THE FIRM.

A somewhat confusing body of insights into the functioning of the firm has emerged over the years. Traditional economic theory has many revisions and additions, and the literature often discusses this area in very broad terms to include managerial and behavioural theories.

Fitzpatrick⁽¹⁾ feels that managerial theories might be seen as alternatives to the traditional theory, and that behavioural theories might be considered as a supplement in that they focus attention on the internal decision-making structure of the firm. The objective with behavioural theories is not to concentrate on predicting price and output, but rather to understand the decision-making process and internal context relationships - what Fitzpatrick clearly emphasises is the fact that such theories are addressing slightly different questions.

This is an extremely important point in that any attempt to derive insights into the functioning of the firm from a given body of theory must have due regard for what is intended as the main object of the study within that theory. Given this prerequisite, this review commences by reflecting upon traditional economic theory as a base from which to progress into revisionist managerial theories, and that body of knowledge known as Organisational Behaviour (OB) in order to tease out further insights into the small firm in the real world, and raise issues for the research investigation.

(1) TRADITIONAL MICRO-ECONOMIC THEORY.

An emphatic point of departure for examination of micro theory must be emphasis of the objectives of traditional neo-classical micro-economic theory. Neo-classical theory never had as one of its objectives the provision of insights into the functioning of the firm. The firm itself was a fully specified, hypothetical construct, designed as part of the explanation of how markets functioned, and how resources were optimally allocated. It is the market which is afforded a status central to the study.

For Alan Bennett, Senior Lecturer in the Aston University Business School⁽²⁾, *"it has been at best mistaken, and at most disastrous, to confuse the attributes of the hypothetical firm with the characteristics and behavioural modes of real firms..."*. Take the profit maximisation assumption, *"to make the neo-classical model "work" firms have to maximise a utility function - as do households. Whether real firms do, or not, is quite irrelevant to the neo-classical model. In my mind one cannot criticise the model (ride shackle - its a marvellous intellectual construct); one criticises its misuse, its mis-application at the micro level"*.

Thus, utilising the traditional micro-economic model as a basis from which to progress into revisionist insights into the functioning of the firm, reduces the potential for locking into models/theories which may derive out of "misinterpretation". Indeed, it is helpful to take on board the terminology utilised by Bennett, who tries to distinguish in his own mind between what he calls the *"theory of the firm"* - i.e. the neo-classical explanation of that part of the functioning of the market economy; and the *"theory of the behaviour of the firm"* which deals with accounts and explanations of how non-hypothetical firms behave.

Clearly if useful insights into the behaviour of non-hypothetical firms are to be derived, the approach should not be one of incorporating minor revisions to the base neo-classical model. The objective of traditional micro economic theory is, as discussed above, not one of offering insights into the functioning of the firm - it is the market which is the main object of the study. Bridge and Dodds⁽³⁾ quite rightly emphasise how a closer investigation of decision processes and objectives is needed than that in neo-classical micro-economics to understand the manner in which large firms allocate resources - they stress that *"in order to analyse the workings of a modern economy, it seems more fruitful to take the firm as a basic unit rather than the market"*. Bridge and Dodds treat the firm as *"an active entity which influences and reacts to the environment in which it finds itself, rather than as a mere cog in the system, which in effect is the treatment given in neo-classical analysis"*. For the author, Bridge and Dodds call for a re-focusing of emphasis away from the market toward the firm as an active entity within its environment is critical if greater understanding of the firm in the modern economy is to result - however, this shift of emphasis goes hand in hand with a shift in objective away from that traditionally associated with neo-classical theory. Thus, to be absolutely clear, what is sought in order to derive insights into the functioning of the firm in the modern economy, is a shift of emphasis in theoretical modelling - not mere revision of a base neo-classical model whose objectives lay elsewhere.

Bridge and Dodds' study (relating to planning and the growth of the firm), is in fact geared toward large firms, though they point out that it is not restricted to such firms, since firms of all shapes and sizes are finding it necessary to plan. Thus, one would expect their emphasis on a need for a closer investigation of decision processes and objectives to be discussed in relation to large firms (their discussion in fact

derives from the emergence of the divorce in practice in large firms between ownership and control). It is felt, however, since their claim is that their study is not restricted to large firms, that emphasis should also be given to the need for closer investigation of the small firm management process.

This is particularly so when one considers their discussion of the emphasis given to profit in traditional theory. For Bridge and Dodds, whilst accepting that the maximisation part of the profit maximisation objective is *"a convenient simplification which facilitates theoretical analysis"*, the profit emphasis in orthodox theory *"follows from a consideration of what would be rational for an "entrepreneur" who owned and managed the firm"*. They continue, *"clearly as the recipient of all proceeds, the entrepreneur would at least give high priority to the making of profits. Even if the entrepreneur exhibited a preference for some other kind of reward, a competitive market would constrain his ability too far from profit making objectives"*.

Bridge and Dodds rightly underline how large firms often follow objectives other than profit, but their interpretation of the motives of the "entrepreneur", which effectively supports the profit maximisation (or at least profit making) objectives of the o/m as a valid assumption of orthodox economic theory, shows an extremely limited understanding of small business.

Clearly, practice proves this to be a largely false assumption. *"There is a considerable body of research material which indicates that small business owners are mainly motivated by a desire for independence and autonomy rather than a drive to maximise profits..."*⁽⁴⁾

This is a clear example of a tendency in the literature to underestimate the unique nature, characteristics and needs of the smaller business. Whilst many o/m's may be motivated by profit, or at least constrained from

deviating too far from profit-making objectives, this is far too much of an over-generalisation. The author is currently involved with two small businesses, the owners of which are giving little thought to the potential to increase profit - in one instance the sense of achievement of producing a quality service is the prime "objective function"; for the other, it is the way of life derived from the running of the business. Bridge and Dodds emphasis on the need to treat the firm as an active entity which influences and reacts to its operating environment, is an approach to which this investigation avails itself - to be clear here, however, this approach derives out of acceptance that traditional neo-classical micro theory has, as one of its objectives, the study of markets, not the offering of insights into the functioning of the firm. Thus the approach is one of a shift of emphasis in line with alternative aims. Moreover, the need in the real world to accommodate various company objectives and/or objectives of those involved in and with such businesses, is inherent within such an approach which promotes the firm (rather than the market) within its environment to the centre of the study - in the same way, however, that Bridge and Dodds have suggested the necessity to accommodate objectives other than profit into an "alternative formulation of the theory of the firm", that accommodation should address also the motivations of small firms.

The bottom line of this review must be (a) elevate the firm (rather than the market) to centre stage of the investigation; and (b) ensure the small firm is not "bracketed out" - the shift of emphasis should be toward the particular firm and its specific market(s) within its specific wider environment. Neo-classical micro-economic theory had as its aim something quite different. To fail to accept this will see attempts at partial interpretation of the model and marginal revisions - all of which can lead to misuse and misinterpretation. It is to such revisionism that this review now turns.

(2) MANAGERIAL THEORIES OF THE FIRM.

A major reason propounded for questioning the assumptions of orthodox microeconomic theory is the above mentioned divorce of ownership and control in industry. With the widening of individual shareholding, ownership of a company has fallen into the hands of many, many different shareholders. Some will have voting rights, many will not.

Managerial theorists thus suggest that directors and managers are securing more and more control of large companies. Whilst ultimately responsible to all shareholders, in practice decision making and control is left in the hands of management who, according to managerial theorists, are able to reject the profit maximisation objective and formulate their own objectives (i.e. the evolvement of "managerialism").

Baumol⁽⁵⁾ proposed that sales revenue is a major managerial goal, though he does not totally dismiss profit which he sees as a constraint. Management must meet a minimum profit constraint and then it can aim to maximise sales. The minimum profit level allows for contented shareholders and for ploughback and expansion as required.

Williamson⁽⁶⁾ developed the theory of managerial utility maximisation which is based on the assumption that managers are able to work toward objectives which will provide personal satisfaction. Williamson's objective functions incorporate staff control, salaries and fringe benefits.

Morris⁽⁷⁾ propounded a managerial theory with an objective function of growth. The underlying management motivation derives from assumed links between company growth and inherent management security; potential status and managerial salary from expanding size; inferred management capability from successfully engineering growth.

Whilst there may be considerable areas of truth within the respective models (for example, expanding sales may be beneficial in terms of winning over financial institutions who are "happier" dealing with the "successful" company; and salaries may be linked to sales - factors inherent within the Baumol model), the theories all have two major inherent weaknesses, both well expounded by Williams et al.⁽⁸⁾

Firstly, the majority of the theories of the firm share a teleological characteristic in that they tend to assume the firm is goal oriented. The above new theories have attempted to replace the traditional view that firms pursue a profit-maximisation objective. Essentially, however, all of these assume the firm to have a goal.

Secondly, (and this weakness of course applies equally to orthodox theory) theory at the micro-level tends to place the firm in a generalistic theoretical operating environment - that environment being the capitalist economy in general. Williams et al emphasise here that, with the adoption of such an heroic assumption, the theory is abstracting from the specific institutional features of particular capitalist national economies. The recognition by Williams et al that theories of the firm, in the main, credit all firms with overly general objectives in an unspecified environment (the capitalist economy in general) has prompted their development of an explanatory framework which is "able to conceptualise the firms discretionary calculations made under the specifically national rules of the game". They identify four national conditions of enterprise calculation which they feel to be relevant in the British context and show how these conditions (one of which is government policy) fit together into a coherent pattern affecting the whole of British manufacturing industry after 1950, and how individual conditions impinged differently on various segments of manufacturing.

The stated intention of Williams et al was to make a shift in the problems dealt with by "applied economics" rather than to draw policy conclusions from the analysis and description. This review draws gratefully on their emphasis as a reinforcer of the author's views and experience regarding the over-generalist approaches by much of the economics literature on businesses, their objectives and their operating environments. The review now turns to the Organisational Behaviour literature to attempt to gain deeper insights into the functioning of the firm.

(3) "ORGANISATIONAL BEHAVIOUR" (OB) LITERATURE.

A major distinction between the micro-economic approach toward analysis of the firm and that of the OB theorists is the importance accorded to people in organisations. Certainly the orthodox theory of the firm has little to say about the people working within the organisation, and both current attempts to apply economic policy based on free market theory, and academics recurrent attempts to salvage "as realistic" underlying assumptions of that theory appear to ignore many of the implications of those actions for the people in the affected firms.

For example, at the traditional level, Blight and Shafto⁽⁹⁾ argue that the traditional framework of microeconomic analysis, with its assumption of profit maximisation, remains important for a number of very good reasons. One of these reasons is that *"any assumption based on the optimisation or maximisation of an objective lends itself to precise and powerful mathematic analysis, and helps us to master techniques which are essential for further study into "more realistic" and certainly more complex assumptions"*.

First of all the earlier discussion on monetary policy has emphasised how initial acceptance of "unreal" assumptions has, over time, led to many economists accepting several of these assumptions as real world applicable. This in turn has led to the attempted application of economic policy based on these assumptions, to the detriment of many of the British populace (for example, monetary policy's legacy for many has been bankruptcies, redundancies and in some cases, human misery).

Secondly, and closely interrelated, Blight and Shaftos emphasis on assumptions based on optimisation or maximisation of objectives lending themselves to "precise and powerful mathematical analysis" is one of the major reasons why economic theory so badly ignores

the human element. Emphasis upon the "quantitative" lends itself to the development of mathematical models as a basis for formulation of economic policy and forecasting.

This line of reasoning dovetails into the earlier analysis of symbolism and indeed is propounded as a major reason for symbolism. British governments tend to concentrate on symbolic figures and quantities whilst neglecting real quantities⁽¹⁰⁾; Blight and Shafto's part justification of the profit maximisation objective on the grounds of its role in "precise and powerful mathematical analysis" is a sound reminder how economic theory utilises mathematical modelling (algebraic symbols), how the economic policy makers utilise economic theory, and how British governments thus move in the world of symbols. But what about a real understanding of people? People are the lifeblood of any organisation. They are the potential passport to domestic and international competitiveness. This review will draw on the Organisational Behaviour knowledge bases to develop insights to supplement and complement the foundations derived to date. Lee and Lawrence⁽¹¹⁾ emphasise that *"OB" is not a neatly defined academic discipline in the current literature it has a wide range of definitions and there is a confusing array of related subjects and alternative or overlapping names, including human resource management, organisation theory, industrial psychology, industrial sociology, personnel management and human relations. In the broadest sense "OB" is the study of people in organisations"*.

Lee and Lawrence demonstrate how several different "organisation theories" provide a range of different frameworks for thinking. These in turn help to identify key concepts. It is these frameworks which will be analysed and developed here and extended to the context of applicability for small business management (bearing in mind that much of the "OB" knowledge-base is large company oriented). Thus, following Lee and

Lawrence's classification, the review examines the classical, Human Relations, systems and political approaches and concludes with insights derived from contingency theory of organisations.

(a) The Classical School.

The classical or bureaucratic, hierarchical view of organisations has its origins in the early "investigators" of business operations. The basis of the approach is the attempted synthesis of the managerial experiences of these "investigators" and their peers, in a systematic fashion, to provide a simple model and accompanying set of rules for enhancing organisational performance.

Major areas of emphasis are shopfloor management (see Taylor⁽¹²⁾), formal structure and general processes of management (see Fayol⁽¹³⁾).

"The basic tenets of the classical structure are specialisation of work (departments), span of management (nobody supervises over six subordinates), unity of command (nobody reports to more than one boss), and chain of command (authority delegation). The manager determines work activities to get the job done, writes job descriptions, and organises people into groups and assigns them to superiors. He then establishes objectives and deadlines and determines standards of performance. Operations are controlled through a reporting system. The whole structure takes on the shape of a pyramid".⁽¹⁴⁾

In fact the classical model is vastly over-simplified, but it does provide the "learning manager", and indeed economic policy-makers, with a skeletal framework from which to enhance understanding of the organisation. The model in its crudity draws attention to the need to consider concepts such as appropriate structure and whilst the pyramid and attendant principles (outlined above) are far too rigid, and inappropriate for all businesses, if accepted as rough base-approximations,

can contribute toward the makings of a first guiding framework. The tendency of the classical view, as with traditional microeconomic theory, is to treat people like a mere cog in the system and it offers a timely reminder that the human relations school of thought was born out of recognition that the classical school views a business in terms of a network of inter-linking job descriptions rather than a network of human relationships.

The classical school grew up in response to the increasing complexity of the business environment and the increasing size of organisations - it is thus essentially large company oriented. However, the model does have a role to play in the context of smaller businesses in its focusing of attention on formal structure and concepts such as organisational balance and effective span of control, Essentially the small business is informally structured (see for example Wilkie and Deeks⁽¹⁵⁾) and in many instances what structure does exist may be of a Web type (Power Culture) with the organisation working on precedent, or anticipating the wishes and decisions of the central power source (the o/m) (see for example Handy⁽¹⁶⁾). For a small organisation to grow effectively, though, it will be necessary for that organisation to gradually formalise its structure in accordance with its environment (internal and external). *"Many of the family businesses that stagnated and were eventually annexed in Britain after the second world war were power cultures that had died at the centre. A web without a spider has not strength".⁽¹⁷⁾.*

From the standpoint of economic policy designers, an understanding of the strengths and limitations of the classical school insights is a sound first base from which to develop a knowledge base of the smaller firm. In particular the model in its attempt to offer structure and principles for uniform application inadvertently draws attention to the dynamic environment of the 1980's and the need for businesses

to avoid rigid structures and to differentiate structure and culture according to the dominant activities of that organisation (see for example, Handy⁽¹⁸⁾). Thus in the first instance this school of thought focuses one on the need for formal structure as a business grows in complexity (a strength of the model), but, in its over-uniformity (a weakness), draws attention to the differentiated nature of businesses. For the policy maker this should underline not only the nature of this differentiation, but also the fact that (a) many small businesses have not, and often do not need, a formal structure, and yet the central figure (the o/m) often has to perform a multi-functional role, process incredible quantities of information, and respond to a changing environment (to which the economic policy maker contributes substantially), and (b) as operations grow in size and communications become more complex, proper coordination and direction demand written directions and procedures and thus more formal structure - unfortunately not all small businesses are willing and/or able to impose a more formal structure appropriate to the fast changing environment which they now face. Policy design should thus reflect the differentiated nature of businesses and be sympathetic to the major problems facing smaller businesses with regard to structure. If it is remembered that the classicists offer a static model which is not change oriented the skeletal model can act as a "focus vehicle" which emphasises the need to give attention to structure and certain principles of management (though these as stated are not universally applicable and must be considered within the context of a specific business.)

(b) The Human Relations School

For Lawrence and Lee⁽¹⁹⁾ the insights of the human relations view of organisations "*help to put flesh on the classical skeleton*". There is no place for the over-general classical view of people which assumes them to be basically lazy; not wanting responsibility;

motivated, in the main, by money; preferring decision-making to be taken out of their hands and having to cope with little more than routine, repetitive tasks.

From the author's experience, some people are of the rational economic man type inferred by classical theory. However, many more are not. Human relationists consider many people to be far more complex in nature - McGregor⁽²⁰⁾, an intrinsicist, suggests the potential for coordinating organisational end employee goals. That is to say, some workers have needs which can be satisfied, not by financial reward alone, but by achievement. A substantial body of knowledge has responded to the need to understand people if effective organisations are to result. Alongside McGregor in the field of motivation, valuable contributions have been made by Maslow⁽²¹⁾ (for example, his hierarchy of needs); Herzburg⁽²²⁾; and Schein⁽²³⁾; among others.

Handy⁽²⁴⁾ underlines how grains of truth exist in all of this work and offers an eclectic approach which accommodates the changing needs of employees.

The Human Relations school also contributes to understanding in the field of leadership with solid insights on style originating from, for example, Blake and Mouton⁽²⁵⁾ and a contingent view from Hersey and Blanchard⁽²⁶⁾.

It is neither possible nor necessary to do justice to the work of these and other writers in the areas in this review. But its inclusion does serve a two-fold purpose; the highlighting of the human resource unique-problem type faced by smaller businesses; and the utilisation of the emphasis of this problem-type as a focus point for economic policy-makers.

Firstly, from the writer's experience in the capacity of Management Consultant, much of the Human Relations

school findings do offer themselves as practical guiding frameworks with real world applications. However, in the main, this body of knowledge is large company oriented. From the point of view of the small businessman, the jargon and complexity of the underlying theory will find little reception - moreover, for many small businessmen, the concept of human resource management is not a primary problem. At the extreme, for example, the self-employed manager has few, or no, employees. Almost two-thirds of those working for themselves employ nobody else.⁽²⁷⁾

Nevertheless, for those having employees and/or as the small company begins to grow, concepts of leadership, motivation and job design do become significant to the success of the business. This raises the issue of the varied needs of small business managers in these areas in terms of guiding frameworks and acceptable language.

Curran⁽²⁸⁾ points out that segmented labour market theorists^(29; 30) have outlined how the kind of labour market faced by most small employers and career opportunities such business can offer, together with wage levels which can be afforded, act as constrainers as to the quality of labour small business can attract. Curran emphasises that *"small firms tend to have labour forces which are younger, less well qualified, less experienced and more prone to turnover than those in larger enterprises"* Higher wages, range of fringe benefits, security and potential for better jobs associated with larger firms, are major contributory factors relating to the structure of the small firm workforce.

Thus, the problem-type faced by small business in the area of human resource management differs considerably from that of the larger enterprise, and the requisite management capability relates to overcoming the above shortcomings and playing on any strengths. In respect of the latter, Curran points to advantages of offering early responsibility and of a less bureaucratic work

environment. However, even the "carrot" of early responsibility has its own constraints, in that the situation in many small businesses, sees very few responsibility levels below director level - thus, early responsibility, whilst a motivation in itself, may in the longer term not lead far. The tendency, as the firm expands, is to fill more senior roles with better qualified and experienced outsiders.

A further critical point made by Curran, relates to the state of internal relations often claimed by small employers. Drawing on earlier studies^(31; 32), Curran emphasises how small firm claims of non-existence of the "them and us" syndrome, a problem for many larger firms, is not fully supported by the evidence, and that small firm manager-employee relations are easily exaggerated. Disillusionment can result from employees leaving at short, or no, notice; or if they fail to meet anticipated standards. Overall, close relationships are difficult to foster if employees remain with the business for relatively short time periods.

The very different problem-type of small business worker relations, calls for the development of special management skills and, as Curran puts it, *"the main point to be stressed is that employee relations should be thoughtfully and carefully structured"*.

The highlighting of the unique problem-type of small business human resource management serves as a major point of focus for economic policy-makers. The British government tendency toward "symbolism", as discussed earlier, has potentially devastating effects on the human component of small business. One can draw on past demand management policies or on current monetarism to exemplify the situation - for Pollard⁽³³⁾ it is the *"terrifying belief, central to the monetarist credo, that cutting off the money supply will simply force firms to pay lower wage increases or go bankrupt...."* *"The plan, in other words, is to turn*

industrial relations into a battlefield, and to do it on some mind-boggling assumptions. One key assumption is that the firms will know exactly where the brink of bankruptcy is and how far they can go, but there is no guarantee that either the market as a whole or individual firms can see that line....". He continues "...It is also ironic that the small firms from which the government expects much of the positive initiative to rejuvenate the economy will be the hardest hit by this strategy".

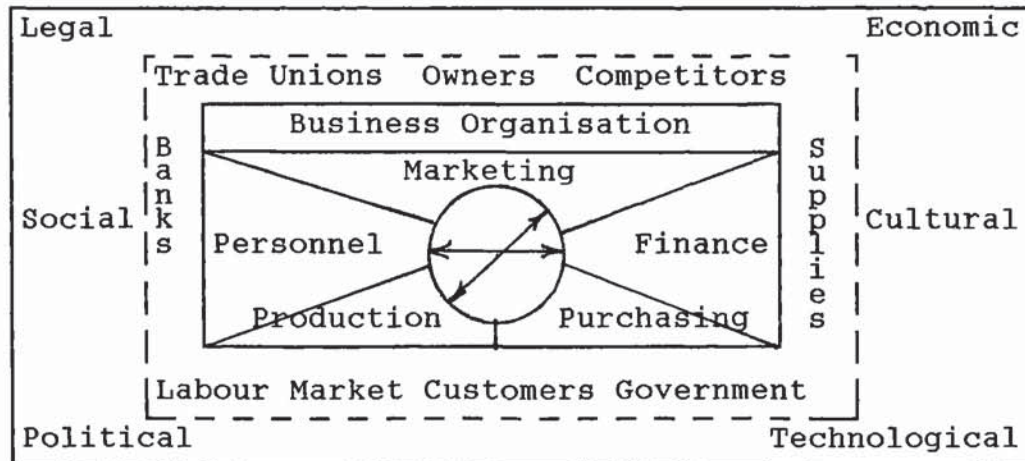
Pollard's interpretation, of course, encompasses many more problem areas for the small business than that of human relations, but the severe implications with regard to the latter are succinctly placed into the context of macro-government policy by the above extracts from his analysis.

(c) The Systems View and the Political Model.

The systems approach to business provides yet another perspective on business organisation and takes a further step forward in the overcoming of weaknesses inherent in other models of the firms. The tendency in large firms is for specialist managers to focus on their "specialism", (be it finance, production or whatever) to some degree in isolation of the business as a whole. The systems view offers a descriptive model which shifts the emphasis from description and analysis of the component parts of the business, to that of the inter-relationship and interdependence of the business sub-systems.⁽³⁴⁾ Moreover, both the Classical and Human Relations models of the organisation view the business as a closed system - that is to say, the inputs and outputs of the business, are viewed as easily controlled. In reality, of course, any business is faced with the complexities of a dynamic external environment composed of economic, legal, political, social, technological and cultural variables and the actions of competitors, government, suppliers and so on. The systems model thus views the

organisation as an "open system" consisting of interdependent sub-systems, all of which have responsibility for interfacing with different aspects of the dynamic environment.

Fig. 1 Systems Model



The Systems Model (from Lawrence and Lee (1986) *Insight into Management*, p75.)

Again, one can point to the large firm orientation of this view of the organisation. Its obvious advantages relate to the need for large businesses to ensure effective integration of the sub-systems, that environmental changes are monitored, anticipated or reacted to through the conveying of relevant information as a base for necessary action by relevant sub-systems. Effective utilisation of this view of business can, moreover, offer a sound contribution toward the minimising of "selective focusing" by specialists referred to above.

However, whilst the smaller business often does not have or need physical sub-systems (personnel department, finance department, and so on), and the o/m often is the system, having to negotiate finance, determine customer needs and produce the goods himself, the author has found that in practise, the systems model does have a very real role to play toward the small business. In many instances, a newly formed business has originated out of the o/m's "ability to produce" - for example, enforced redundancy has directed many individuals toward utilising their

"productive skill" in the form of self-employment. The author has found many of these individuals not only to be relatively finance and marketing illiterate, but also naive as to the effects of action in one "functional area" (say acceptance of increased volume in response to demand) on another (say cash flow). Moreover, many of the author's small businessmen contacts have been relatively ignorant to the more obvious external environmental forces affecting their business (this being compatible with research findings regarding the "reactive" nature of small business, vis-a-vis the more pro-active nature of larger businesses(see for example⁽³⁵⁾).

The systems model in its simple diagrammatic form has, in several instances, aided the author in helping small businessmen see their operations beyond the narrow perspective of their particular specialist skill and move toward acquiring a more integrative view of their business. In turn, this allowed for the highlighting of requisite management skills (be it finance or marketing, or whatever) within the context of the specific business (the modelling of the business in its environment allowed for the highlighting of those environmental variables likely to act as enabling or constraining forces in that particular business).

It is the Trist and Tavistock group in its consistent application of systems thinking which has been instrumental *"in illuminating the dynamic nature of organisations and their functioning, the crucial importance of boundary management, and the need for a new approach to organisational design which can accommodate environmental change"*.⁽³⁶⁾

For Lee and Lawrence⁽³⁷⁾ *"managerialism tends to be the underlying ideology for the systems approach to understanding organisations"*. As seen earlier, "managerialism" grew out of the divorce of ownership and control (dispersed share ownership giving management more and more control) and the inherent belief is that management has the right to control an

organisation, with little influence from shareholders, and that management formulate and impose goals for the organisation.

It is the ideology of managerialism upon which Lee and Lawrence partly base their criticism of the systems model. Rather than viewing the organisation as a unitary whole, they would argue it to be a "pluralist" model, *"as a loose and dynamic "coming together" of sectional groups and individuals. Each party will be pursuing sectional objectives which will conflict"*.

Thus, "managerialism" with its foundations in organisations having management formulated goals becomes a weak proposition for Lee and Lawrence and with it, since its underlying ideology is "managerialism", the systems model is similarly weakened. *"If there were no goals how could we design systems to achieve them? If there was no direction, how could we make decisions, how could we coordinate activities, how would we know what information to gather?"*

There is, however, an apparent flaw in this argument - the "over-generalist" discussion of the "organisation". It should be made clear that the author, following considerable management experience within larger organisations, recognises the credence of the political "pluralist" model of organisations. However, whilst the vast majority of the body of Organisational Behaviour literature, including systems thinking, tends to be large firm oriented, the fact that the author has found some application of systems theory in practice in the smaller business suggests that any discussion of a model should be "contextual" - that is to say the model should be considered within the context of its potential application. This requires recognition of the nature and characteristics of the businesses to which a model may be applied and thus accommodate the possibility that a model such as the systems model may not in all particular business applications be weakened

by the "political" nature of that business. In other words, there is a need for acceptance of the fact that some models of business organisation may find application in some firms and not others.

Lawrence and Lee themselves emphasise that *"most things can be viewed as systems provided they fulfill some simple criteria. They must be composed of independent parts or subsystems. These subsystems must combine together in some way to form a unit. The unit or system must perform functions for some greater system of which it is a part".*⁽³⁸⁾

An Oxford dictionary definition of the "organisation" is *"an organised body or system".*⁽³⁹⁾

Whichever definition one utilises, the small business, whether it be small manufacturing, private limited company employing 30 workers, an accountancy partnership of four, or, at the extreme, a single self-employed garden furniture producer, is technically accommodated - as an "organisation" and as a "system".

The point being made here is that the overall body of management knowledge is large company oriented. Within that body of knowledge some insights have small firm application, some are totally inappropriate. Unfortunately, a current trend is developing whereby a base of this knowledge is being utilised as "directly transferable" to the small businessman and to the addressing of his problems. Similarly within the literature one is often left to extract which areas of insights have potential small firm applicability, or to assume uniform application of the knowledge-base for all firms - because of the tendency for the literature to dismiss concepts in an over-generalised fashion in terms of the "organisation".

A self-employed single operator (no employees) is an open system. He effectively is an "organisation" with a complex and fast changing environment; the

"organisation" has interdependent sub-systems (finance, production, and so on); these have to be integrated. The major difference between this "organisation" and the larger company is that the self-employed businessman is, at different times during the management process, the various sub-systems; at one stage of the day he is production manager, at another he is in charge of finance negotiating a loan, or chasing debtors, and so on. For the larger organisation (and indeed many smaller businesses) those sub-systems may be more visible through the physical existence of actual sub-systems departments.

Having accepted the potential for all businesses to be modelled as systems, however, any subsequent discussion of the application of the systems model, must accommodate the unique and differentiated nature of the small business. The "managerialism"-based criticism of the systems model which introduces the potential for the non-existence of company objectives (and thus the question of how systems could be designed to achieve non-existent goals and attendant inability to make decisions, to coordinate activities and gather information because of lack of direction), no longer holds in all circumstances. The concept of "managerialism" is not an issue in many smaller firms, and thus "managerialism" and many other sectional groups as a source of political activity within such firms, is not a valid weakener of the systems model of the business. For the self-employed single operator, for example, managerial and organisational goals are often one and the same thing - the divorce of ownership and control is not an issue and a systems approach to such a business is not based on an underlying ideology of "managerialism". The o/m single operator has the opportunity to set organisational goals and design systems (even if crudely and informally) to achieve them. He has the opportunity to co-ordinate activities and to become aware of the information to gather. (Certainly many small businesses do not function as effectively and tidily as this in reality because of

their inherent weaknesses discussed in this investigation - but the potential for systems application is not constrained by the same type of political forces associated with larger companies.

Certainly as a business grows, the issue of "managerialism" (share issue, gradual wide dispersal of those shares and divorce of management from ownership) and evolvment of individual and sectional interest groups, may well arise. In this situation the author agrees with Lee and Lawrence's criticism of the systems model - the underlying political interactions of the organisation would prevent a management process whereby organisation and sub-system goals could be neatly formulated and their criticisms of a systems model tidily based on "managerialism" hold sound.

Moreover, as a business grows, the issue of divorce of management control and ownership may not exist, but the growth of the workforce and increasing levels of management, together with intensification of relationships with external groups (government, suppliers, banks and so on) still give rise to "political" interactions.

What should one conclude then regarding the potential political nature of smaller firms? The above discussion appears to suggest that as companies grow larger and are conditioned by "managerialism", and have a growing workforce and increasing number of management levels, then they may well be "political" in nature with objectives deriving from dominant coalitions of interest groups within those firms - and thereby minimising the potential for "systems" applications. The discussion similarly appears to suggest that at some given point of "small size", a business will not be potentially "political" in nature, but that the o/m will set his own goals (which will be synonymous with the organisations goals) and that the potential for encouraging a systems thinking approach for such o/m's is completely without constraint.

Within Lee and Lawrence's apparently larger firm oriented discussion, their political model of organisations *"involves no reification of the organisation as though it were a person who could think, have goals and take action. It involves no managerialist assumptions about management prerogative and obligations. The individual is characterised as active and essentially rational in pursuit of his goals. The organisation is characterised as a complex network of competing and cooperating individuals and coalitions in which conflict is a natural occurrence".*(40)

Whilst the smaller business may not be characterised by a *"complex network of competing and cooperating individuals and coalitions in which conflict is a natural occurrence"* and "managerialism" may not be a source for criticism of potential systems application, the author's experience within small business and the insights of the small business literature (reviewed in the next section) strongly suggest a need to accommodate some form of "political modelling" of smaller businesses.

Lawrence and Lee's large company oriented definition of a political model of organisations *"involves no reification of the organisation as though it were a person who could think, have goals and take action"*. The author's accommodation of the "organisation" has, above, almost conveyed the single operator o/m as the organisation "as though it were a person" - but even in those circumstances, there is a need to accept the potential for "political" interactions within and surrounding that o/m's business, which may constrain him from fulfilling his objectives, or strongly influence the formation of his objectives. In many ways, the small firm (even the "one man band") is no less potentially political than the large firm - the major difference is the sources of the political influences and the size and complexity of those

influences and interactions. Large firms have to cope with an extensive workforce and many levels of management, but research shows strong influences of a differing nature within smaller firms, which are no less critical to its operation - the o/m's family and their needs; his perception of his standing within the local community (and thus the influence of society) being examples.

By way of conclusion, one can re-emphasise the over-generalist nature of discussion within the "O.B." literature which tends to envelope the "organisation" in such a manner as to leave the reader unsure of the level of applicability of many insights - are the insights intended for uniform application, irrespective of the size of an organisation, or are they large company oriented? An assumption of "uniform application" appears to be resulting in a tendency by many trainers, to attempt a "direct transferability" of some insights inappropriately to small firm applications.

An assumption of large company orientation on the other hand, tends to bracket out potential applications of some insights into understanding and development of smaller firms, or to ignore the need to modify the concepts and insights within the context of the unique and differentiated nature of the smaller firm. Valuable insights into the smaller firm operations are beginning to emerge and it is time that the unique problem-types were accommodated in the literature - and a starting point would be to clearly define the potential recipients of insights discussed under the uniform terminology of "organisations".

The above discussion has begun to clarify the benefits of such an approach, in its propounding of the potential applications of systems thinking to aiding smaller firms and, indeed, policy-makers, in deriving greater understanding of their business and the environment in which they operate. Similarly, in distinguishing the unique and differentiated nature of

the smaller business, the discussion has highlighted the need to consider potential political forces within a small firm quite different from those to which the general "political model" literature (e.g. 41) give emphasis. As such the systems view may find considerable practical application and the potential "political" constraints upon its utilisation may be considerably less than within a larger firm context (albeit its actual utilisation may be toward slightly different ends).

(d) Contingency Theory.

A body of thought exists which suggests that current trends in quantitative, behavioural and systems approaches to management are emerging into a contingency theory of management. Luthans⁽⁴²⁾ represents the contingency approach as *"a mid-range concept that falls somewhere between "simplistic, specific principles" and "complex, vague notions"*.

The contingency approach attempts to respond to a two-fold challenge: *"to develop a theory of management that is capable of providing convergence among the several schools of (management) thought and between theory and practise. The contingency approach can best be described as a logical extension of open-system theory. It takes a decidedly ecological approach and views organisations as complex systems of interdependent parts operating within the context of an environmental supra-system. Contingency theory is concerned, not just with identifying the key variables and relationships that comprise different systems, but with understanding the multitude of roles and defining the patterns of relationships (interactions) that contribute to the organisation's ability to achieve its objectives efficiently and effectively".*⁽⁴³⁾

Situational analysis is effectively the approach - organisational structure, systems and procedures and leadership and institutional management styles, are

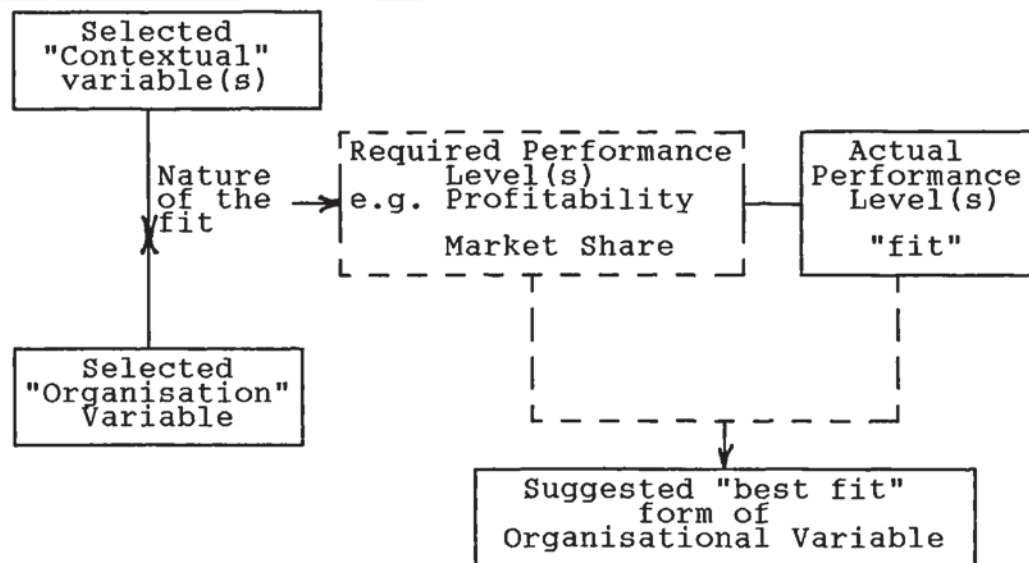
derived from an understanding of the organisation and its operating environment. Decisions no longer derive out of "fundamental truths" and "universal principles", but are contingent upon the specific conditions and circumstances within which the decision is made and will be implemented.⁽⁴⁴⁾

Contingency theory thus attempts to build upon the open-systems approach whilst at the same time overcoming a major weakness of that approach - the systems model tends to be over-broad in that it tends to be all things to all men in so much as it emphasises the need for management to consider all relationships (the interdependence of sub-systems; the interface of sub-systems with external contextual variables) and yet fails to offer insights into the nature of specific relationships within that total system context. Contingency theory, on the other hand, concentrates upon specific relationships - it is almost a microcosm of the open-systems approach in that it adopts open-systems philosophy to individual areas of management. Contingency research attempts to determine relationships between selected organisational variables and contextual variables and suggest "best fit" organisational design and management practices for those given situational (contextual) variables. For example, Woodward⁽⁴⁵⁾ on Technology/Structure - Lawrence and Lorsch⁽⁴⁶⁾ on Environment/Structure; Hersey and Blanchard⁽⁴⁷⁾ on Leadership/Subordinate Characteristics.

The Contingency School can be seen as one of "tightening-up" on the systems approach. It attempts to accommodate the identification of key contextual variables and of those organisational variables to which they relate. Analysis of this relationship, in terms of the nature of that relationship and "output" of that relationship (i.e. performance levels), allows for the propounding of the "best fit" form of the organisational variable, in a given context.

The Contingency approach may be represented diagrammatically as follows:

Fig. 2 "Contingency" Model



The approach in step terms may require:

- (1) examination of several organisations for identification of key contextual variables.
- (2) determination of the nature of the relationship between the contextual variables and organisational variables within the participant businesses
- (3) Analysis of results across the organisation as a basis for specifying the "best fit" form the organisational variables should take within a given context.

Whilst a body of extremely influential contingency studies is emerging, not least in the area of leadership, it is the underlying contingency research approach which offers the insight for helping to foothold this investigation - in fact it is the contingency research approach and inherent practical weaknesses of this approach, which together contribute to the footholding.

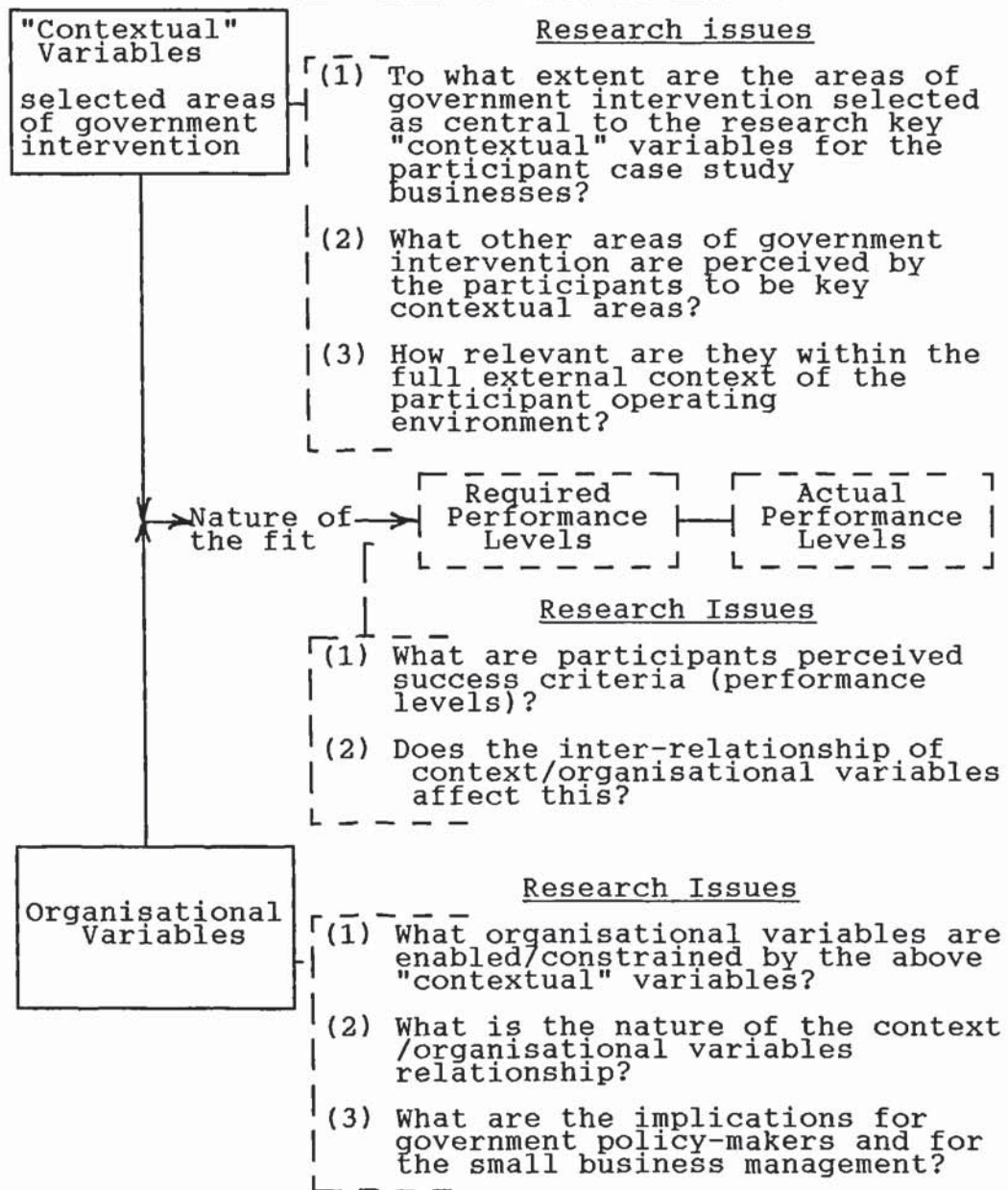
It has been emphasised above how a contingency theorist attempts to study a key organisational variable(s) so

as to inform management as to a "best fit" form - he attempts to identify key contextual influences upon that organisational variable(s) and through analysis of the effects of the context/organisational variable(s), offers the "best fit" organisational variable form.

This investigation centres around the same underlying philosophy, but rather than examining some aspect of the participant case study organisation to determine contextual factors upon which it is contingent (i.e. upon which its design should be based), the study is commencing with given contextual variables (i.e. areas of government intervention) with the objective of determining aspects across the the organisational variables spectrum, upon which those contextual variables may impinge, and the nature of that impingement.

Diagrammatic representation of the Contingency philosophy allows for the highlighting of major research issues as follows:

Fig. 3 "Contingency" Framework in Application



Thus, the adoption of the underlying philosophy that appropriate organisational form and resultant effectiveness (in terms of reaching requisite performance) is contingent upon situational circumstances, assists in the continued "firming-up" of the research approach and major issues of this investigation.

However, acceptance in the above open-systems theory review of Lee and Lawrence's proposition that organisations are, in fact, "pluralist" and not the unitary objective-setting whole assumed by systems thinking, must be similarly incorporated into any analysis of Contingency theory. The Contingency

approach is, after all, a logical extension of open-systems thinking and the potential for political activity within organisations must therefore be similarly accommodated.

For Lee and Lawrence (48) contingency research studies *"are useful because they tell us about the broad relationships between variables which processual studies must explain"*. Such studies are seen as valuable in identifying testable hypotheses for the processual researcher. This conclusion derives from Lee and Lawrence's recognition of practical problems within contingency research, from the point of view of a manager. A contingency study may suggest to a practising manager that he adjust some organisational variable(s) within his operating context, so as to improve performance. But, point out Lee and Lawrence, the sample sizes from which the study derived, may be small, the measurement of variables dubious and the relationships uncertain. How, it is asked, could one expect a practising manager to act on the basis of this evidence alone? *"He would want to know not only what relationships exist, but why. This information cannot be found in contingency analysis; it requires insight into the processes of change which lead to the relationships in the first place. The processes of change inevitably involve political interaction, people trying to get their own way, conflict"*.

Whilst, then, the underlying framework of Contingency study is capable of assisting the guidance of this investigation, the approach is nevertheless deficient in its ability to meet the criticisms of the likes of Lee and Lawrence and of Kimberly(49) and Pettigrew(50) with regard to the aprocessual, ahistorical nature of much management research.

Pettigrew emphasises that the study of organisational change is now at the stage where theory and knowledge is required principally to understand the dynamics of changing in alternative contexts, using a framework of

analysis which can incorporate different levels of analysis with varying degrees of explanatory immediacy and distance from the change process under examination. To do this, he underlines how the field has to move beyond the useful but mechanistic statements of contingency theory which emphasise the interconnections between the state of the environment and certain requirements for structure, behaviour or change, and begin to examine how and why changes occur in different socio-economic and business conditions, through time.

The need is to attempt to link multilevel analysis and processual analysis of organisational phenomena. Multilevel relates to the vertical form of analysis and the processual to the horizontal form of analysis - the vertical level refers to the inter-dependencies between higher or lower levels of analysis upon phenomena to be explained at some further level (such as the impact of changing socio-economic context on features of intra-organisational context and interest group behaviour), while the horizontal level refers to the sequential inter-connectedness between phenomena in historical, present and future time. Such an approach (i.e. one offering both multilevel or vertical analysis and processual or horizontal analysis) is, for Pettigrew, said to be contextualist.

Pettigrew propounds four pre-requisites for any wholly contextualist analysis:

"

(1) a clearly delineated, but theoretically and empirically connectable set of levels and analysis. Within each level of analysis and, of course depending on the focus of explanation, there would be specified a set of categories or variables.

(2) a clear description of the process or processes under examination. Basic to the notion of processual analysis is that an organisation or any other social system may profitably be explored as a continuing system with a past, a present and a future. Sound theory must therefore take into account the history and future of a system and relate them to the present. The process is itself seen as a continuous, interdependent sequence of actions and events which is being used to explain the origins, continuance and outcome of such phenomena. At the level of the actor the language of process is most obviously characterised in terms of the verb forms, interacting, acting, re-acting, responding and adapting; while at the system level, the interest is in emerging, elaborating, mobilising, continuing, changing, dissolving and transforming. The focus is on the language of systems of becoming rather than of being; of actors and systems in motion.

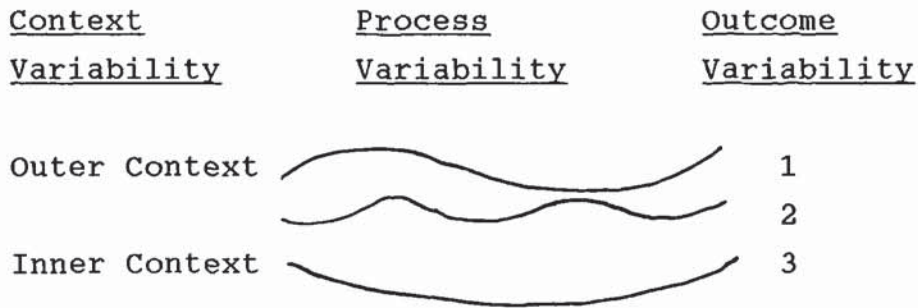
(3) the processual analysis requires a motor, or theory, or theories, to drive the process, part of which will require the specification of the model of man underlying the research. Within this research on change, strong emphasis will be given both to man's capacity and desire to adjust social conditions to meet his ends, and the part played by power relationships in the emergence and on-going development of the processes being examined. As Martins (1974) has pointed out, this view of man contained within the means-end scheme of social action theory, avoids the hard determinism identified in some of the radical structural perspectives on

organisations. Instead of some higher level variable, for example, the world, system, or state determining lower level phenomena; the relationship between higher and lower is now analysed through a variant of causalism in which actors play parts in bounded social processes.

(4) crucial, however, to the whole approach to contextualist analysis is the way the structural or contextual variables and categories in the vertical analysis are linked to the processes under observation in the horizontal analysis. The view taken here, is that it is not sufficient to treat context either just as descriptive background, or as an eclectic list of antecedents which somehow shape the process. Neither, of course, given the dangers of determinism, should structure or context be seen as just a constraining process. Rather, this approach recognises that processes are both constrained by structures and shape structures, either in the direction of preserving them or altering them. In the past, structural analysis emphasising abstract dimensions and contextual constraints, have been regarded as incompatible with processual analyses stressing action and strategic conduct. Here, an attempt is being made to combine these two forms of description and analyses. First of all by conceptualising structure and context, not just as a barrier to action, but as essentially involved in its production (Giddens 1979); Ransom et al 1980, and second, by demonstrating how aspects of structure and context are mobilised or activated by actors and groups as they seek to obtain outcomes important to them."

Pettigrew proceeds to translate these principles into a series of practical components to inform data collection and analysis in a particular study. Diagrammatically, he lays out a possible series of inter-linked components in contextualist analysis:

Fig. 4 Contextualist Analysis Variability



The figure indicates how there are three basic elements to a contextualist analysis: the process component, the context component, and the outcome component of the process under investigation.

In terms of practical research, Pettigrew suggests that questions of gathering data, and sorting that data into broad categories for analysis, can be accommodated by the following basic steps:

- | (1) describe the process or processes under investigation, which, or example, may be processes of conflict, decision-making or changing.
- | (2) expose in the above descriptions any variability or constancy between the processes. The variability is, of course, represented in the above figure by the different curved lines.
- | (3) begin the analysis of the above processes by using existing, or developing novel, theories of process.
- | (4) begin the task of pinpointing the levels of analysis in the context, and some of the categories or variables in those different levels of analysis. Are, for example, the levels of context to be restricted to features of the intra-organisation context through which the processes immediately flow, or is the analysis to include aspects of the outer-context such as the social and economic conditions surrounding the organisation at any point in time?

| (5) having established the levels of analysis and |
| categories in the context, begin the task of |
| describing and analysing any variability across the |
| contexts which the processes are unfolding. Seek |
| also to describe and analyse trends and developments |
| in the various contexts through time. |
| (6) begin to consider the alternative criteria which |
| can be used to judge the outcome of the process |
| understudy. |

Whilst Pettigrew emphasises the importance to contextualist analysis of uncovering the above components, he underlines how the key to analysis, lies in positioning and establishing relationships between context, process and outcome. In short, what are the relationships, if any, between variability in context, variability in process and variability in outcome? It is the craft skills in unravelling and establishing relationships between these three components of the analysis, where the major benefits and principle problems of this kind of contextualist mode of analysis lie.

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CHAPTER FOUR

INSIGHTS INTO SMALL
BUSINESS MANAGEMENT

(1) INTRODUCTION

The author's involvement over the past 15 years with organisations of varying size (in terms of employees, of turnover and of asset base), has gradually focused his attention on underlying characteristics of the smaller firm, which distinguish it substantially from the large company.

That such a distinction exists, is hardly an advanced scientific claim - casual discussion with many academics involved in business and management education would evoke some consensus that differences do exist. However, the level of understanding of the unique and differentiated nature of the small business, appears shallow and is reflected both in the tendency for many small business management trainers, to take accepted "large firm" management techniques and adapt these to the start-up or established small enterprise⁽¹⁾ and in the form of government economic policies which, even when designed specifically to influence smaller businesses, appear to reflect considerable naivete of underlying small firm problems. Indeed, at a recent business studies syllabus design meeting at a leading university, the author was confronted by an amazing reaction from a "seasoned" business education academic who refused to acknowledge any significant differences between large and small firm management and underlying problem-type.

The need for a differentiated approach to large and small firm management, was instilled in the author's own constructs at an early stage in his management career. As Assistant District Manager of a brewery tenanted tied estate, one is essentially involved in the management of large company resources - the management of some 180 tenanted public houses in pursuit of brewery objectives. However, to effectively pursue those brewery objectives, one must recruit and install tenants who will operate as individual "small unit" businessmen in their chosen public houses.

The objectives of the brewery (and in fact in reality the brewery managers themselves who may be, for example, career-oriented) and the objectives of the tenant, are unlikely to naturally coincide, and the brewery management must be sympathetic both to the motivating forces of the tenant and to the unique problem-type he faces, if an effective "partnership" is to develop. Indeed, the tenant is not as autonomous as many small businessmen in other activities, with many constraints in such "franchise-type" situations being large company (brewery) imposed and likely to multiply if the brewery management is not sympathetic to the problems facing the "small unit" tenant.

It would appear that there is a real need for an approach which clearly highlights small firm characteristics and unique problem-types facing those businesses. That such a need is urgent is clearly emphasised in this review to date and has its origins in three distinct sources.

Firstly, in economic theory:

- (a) Monetarism is essentially "proved" on the basis of general equilibrium theory. Monetarists accept that the underlying assumptions upon which equilibrium theory is based, are unrealistic for the real world, but that the need is merely to move toward the removal of market imperfections. Such an interpretation of the economy, requires detailed attention to the role of private enterprise and market forces in economic recovery - such detailed attention is not yet forthcoming.

- (b) Keynesian demand management essentially brackets out the specific problems facing the British economy and with it, the unique problem-type facing the smaller firm.

(c) The majority of the microeconomic theories of the firm, share a teleological characteristic in that they tend to assume that the firm is goal-oriented and, moreover, they tend to place the firm in a generalistic theoretical operating environment.

Secondly, in the tendency toward government over-reliance upon that economic theory for insights into economic policy formulation and implementation. That the above differences are inherent within the respective economic theories, may not alone be problematic if policy-makers and government tempered their approach with a little more pragmatism and empathy for earthy British economic problems. But governments' over-reliance upon economic theory, appears to have seriously hampered post-war economic progress compared with our more pragmatic European counterparts and underlines the need for researchers to derive greater understanding of the workings of markets and of private enterprise and to convey these findings to government and policy-makers, so as to highlight deficiencies in existing theory.

The third source of emphasis regarding the need to clarify the underlying characteristics and functioning of smaller business, derives from academics themselves. As seen above, that body of knowledge termed "management development" which incorporates "organisation behaviour", has provided many sound insights into the functioning of business organisations. Some of these insights are even appropriate to small business. However, in the main, that knowledge is applicable to, and indeed designed for, the large company. Many of the academics and practitioners who originated this knowledge-base, make explicit the fact that it is large company oriented; others do not explicitly make that distinction, but clearly intend it as so; and yet others appear to assume their findings universally applicable to large and small firms alike.

A current corollary is that many small business management trainers are tending merely to "scale down" that large company oriented body of management knowledge for the provision of small business training courses. It is, however, the very existence of a substantial emerging body of small business insights which gives true emphasis to the situation. Curran⁽²⁾ underlines how the ignorance of public policy-makers lies not only in a shortage of basic data on the small firm sector and lack of knowledge about effectiveness of instruments of policy, but also that many officials appear to be unaware of the results of studies of small firms. This, Curran emphasises, is partly because the researchers themselves submerge their results in a mass of writing which provides policy-makers with little chance of deriving useful conclusions.

Given the workload and time constraints of many academics, the ad hoc, fragmented and often over-complex and lengthy studies on small business, is possibly a major contributory factor toward the tendency to merely "scale down" the large company oriented knowledge-base which is, after all, familiar to them.

Thus, an approach to the current level of insight into small business operation is required which clearly draws upon and begins to integrate the many valuable findings in this area in a manner which addresses the above deficiencies. In particular, the need is to address the workings of the small business in its operating environment, so as to address the problem of governments' macroeconomic management tendencies of proceeding from a base of small firm ignorance and of bracketing out small firm problems. And the approach needs to emphasise succinctly the unique and differentiated nature of the small business vis-a-vis the large company.

The author's review develops an insight into the large company potential management process as a comparative basis from which to highlight the differentiations and problem-types inherent within the small business management process.

The emphasis regarding the large company management process, is upon the potential process, as most large companies have the resource potential to adopt a structured, pro-active approach to management. Yet it is a gross over-generalisation to suggest that all large firms work rationally and logically through a step-by-step process - they do not. However, by utilising up-to-date research emphasis on the potential management process to which many large companies can avail themselves, the unique problem-types and characteristics of small businesses can be highlighted and portrayed within a distinct and differentiated management process.

The review draws upon research insights into the management of small business (not least it is gratefully aided by Curran's⁽³⁾ excellent review and analysis of small business research in Britain 1971-1986), upon the small business-specific self-learn texts and upon the developing media input. The selective insights are combined with the author's experience, to produce an analysis for the fulfilling of two objectives. Firstly, its primary objective is, of course, to contribute toward the compilation of the author's epistemological bootstrap, raising issues relevant to the investigation and within a partial framework from which to address the participant case study businesses. But secondly, the review stands on its own as a coordinated foundation research base highlighting the differentiated nature of the small business management process (and inherent characteristics) capable of acting as an "insight vehicle" for policy-makers and academics in policy initiative and training course design.

Effectively, this second objective, therefore, is an attempted response to the current indictment that researchers submerge themselves in a mass of writing which provides interested parties with little opportunity of deriving succinct and practically applicable insights. By its very nature, a Ph.D. thesis is "substantial" and thereby faces the danger of "swallowing up" relevant pragmatic pockets of information and knowledge in its "mass of words". Each component part of the bootstrap of this thesis is designed to stand on its own as a "knowledge-input" - this section on small firm insights in particular, begins to respond, in its structured, processual and selective approach, to Curran's indictment regarding a required clarity and cohesion of small business research.

(2) THE LARGE COMPANY MANAGEMENT PROCESS - A BASIS FOR COMPARISON

As emphasised above, most large companies have the potential to adopt a structured, pro-active approach to management, but it is a gross over-generalisation to suggest that all large businesses are so oriented. The systematic analysis of data and evaluation and selection of potential options through the utilisation of management tools and techniques inferred by the following of a structured planning process, is an over-simplification. As Johnson and Scholes⁽⁴⁾ underline, *"to a very large extent the strategy of organisations is strongly influenced by the strategic decision-makers themselves. Strategy is not formed by a dispassionate organisation of resources with environmental forces, but is ultimately bound up with the experience values and outlook of decision-makers - usually managers"*.

Past management experience and judgement are major base factors in strategic decision-making, which may result in minimum use of systematic analysis, evaluation and selection, in many large firms. However, in that large companies possess substantial financial and managerial resources, they do have the potential to impose some degree of structure to the approach of managing the dynamic and complex environment in which they must operate. Some may choose not to so proceed, some may proceed in a predominantly "political" fashion in the manner inferred by Johnson and Scholes above, and others may lack base managerial skills to so proceed. Essentially, however, the larger firm is better equipped in terms of possession of financial and managerial resources to impose structure and pro-activity on their management process than their small firm counterparts. Neither the characteristics or unique problem-type of the smaller business impose constraints on the potential for a pro-active management process.

It is thus possible to utilise a conceptualisation of the large company management process as an approximation of the potential such companies have for a pro-active management, so as to provide a basis for comparison from which to highlight the unique and differentiated nature of the small firm. Moreover, in the development of that large company management process, it is important to draw upon relevant up-to-date large company research insights, to give emphasis to the specific benefits and problems faced by large business during each step of the process, thus providing a base of comparison of value far beyond the by now overworked and well documented traditional view of the large company management process.

Handy's (5) schematic representation of factors affecting organisational effectiveness, outlines over sixty variables facing the firm. In his emphasis on such complexity, he points to the *"...lure of the familiar. Because we know what to do about competition, for instance, or about unions, we selectively focus on that variable or group of variables in any problem situation. Unfortunately selective focusing, if done by habit, also unfocuses a lot of other variables"*.

In broad terms, the large company management process in that it is underpinned by a more substantial resource-base, is (relative to the smaller firm) a more structured response to the complexity to which Handy refers. Of course, as a company grows, the complexity which it faces intensifies too and a more structured approach is, in many ways, forced on it if it is to survive. However, many variables impinging upon the large firm similarly constrain the smaller firm - the latter, though, has limited potential to pro-actively respond.

What then are the potential steps of the management process available to the larger firm? What is the nature of the process which lends itself to the

minimising of problems such as Handy's "selective focusing" on the familiar within a jungle of often hostile variables?

One may conceptualise the process as follows:

(a) Steps 1 and 2: External and Internal Audits

McDonald⁽⁶⁾ underlines that *"although business problems are far less amenable to the highly structured analytical methods characteristic of the sciences, it is the very complexity of business problems that give rise to the need for some kind of structured procedure to help identify problems. The more complex the problem, the more necessary is a structured approach"*.

"....the audit is a structured approach to the collection and analysis of information and data in the complex business environment as an essential pre-requisite to problem-solving".

For McDonald, an external audit commences with an examination of information on the general economy before proceeding on to the health and growth potential of markets served by the company, which in turn incorporates the competitive environment of these markets.

Thus, a situational analysis is undertaken to screen the dynamic and complex environment and produce valid and relevant information - the main forces and influences controlled by and controlling the business are isolated and opportunities and threats are highlighted.

For Porter⁽⁷⁾, whilst the relevant environment is very broad and encompasses such factors as social and economic forces, it is the industry (or industries) in which the company competes, which is the key aspect of the firm's environment. The underlying structure of an industry reflected in five competitive forces (threat

of entry; threat of substitutes; buying power of suppliers; bargaining power of buyers; extent of rivalry) should, according to Porter, be distinguished from short-run factors such as fluctuations in economic conditions, material shortages or spurts in demand. For Porter, these short-run factors only affect competition and profitability in a transient way and only have tactical significance.

Such structural analysis is an extremely valuable analytical vehicle which can be utilised to help determine strengths and weakness of a company and its competitors. However, the "transient" nature and "tactical significance" of economic variables, is open to question - one need only reflect on strategic action of the likes of I.C.I. in response to the fluctuating pound, to underline that many economic variables have deep strategic significance.

Pettigrew⁽⁸⁾ emphasises how Porter tends to treat the external business context in a limiting manner in the form of the competitive environment. For Pettigrew, the outer context of the firm is the social, economic, political and business environment of the firm and changes in these. Structural analysis (invaluable a vehicle as it is in competitive analysis), with its over-focus on the structure of industry in which a firm competes as the key aspect, can severely underestimate the implications of the economic context of business.

The large company management process has the potential to incorporate a situational analysis which delivers relevant and valid information of the complete outer context of the firm, to highlight opportunities and threats facing the firm. Moreover, that potential can be extended still further - in general the literature on strategic change proceeds in terms of the opportunities and threats as discussed above. Pettigrew points out that required change within a firm and the strategies for introducing that change, are

"constrained by and enabled by features of traditions, culture, structure and business of the company as a whole and each of its divisions, and by gross changes in the business, economic and political environment the company faces through time".

Viewed in terms of enabling and constraining features, rather than opportunities and threats, context can be more effectively managed so as to achieve those objectives to which the firm strives. For example, what appears to be a threat to the industry, if effectively interpreted and managed by the firm undertaking the situational analysis, can be mobilised into an enabler - whilst the competition continues to negatively cope with it as a threat.

The external audit, however, only forms the first potential step of a pro-active management process. For the resultant external information base to fulfill its potential, the remainder of the management process is critical. As Pettigrew makes clear, any required change within the firm and the strategies for introducing that change, are not merely constrained or enabled by outer contextual variables, but also by inner context too. His internal context of the firm includes *"the structures and systems, leadership arrangements and processes, the culture or cultures of the organisation and the systems and dynamics of control and power in organisations, all of which mediate what is seen and acted upon in the way of environmental change"*.

McDonald⁽⁹⁾ emphasises the need for an internal audit commencing with *"the development of a comprehensive list of the organisation's resources, together with an assessment of their relative importance vis-a-vis each other and vis-a-vis the market and the resources of their competitors"*. Breaking the audit down *"into more easily manageable stages by considering the company functions"* allows for the highlighting of relevant strengths and weaknesses. Given the political nature

of the firm, however, inherent within Pettigrew's above stated features of the internal context, a comprehensive internal audit must also incorporate a political analysis to determine political interactions within the firm ("*the dynamics of control and power in the organisation*") if the full potential of the firm is to be realised and the full enabling and constraining nature of the firm's outer and inner context is to be derived.

(b) Step 3 - Strategic Position Analysis (analysis of internal standing against the backcloth of the external enabling and constraining forces of the environment).

In much of the strategic management literature, this step is discussed in terms of a SWOT analysis. It should be apparent from the above discussion that analysis based upon SWOT (strengths, weaknesses, opportunities and threats), restricts the potential of the analysis by its failure to interpret external and internal forces in terms of their enabling and constraining nature. For example, by viewing a threat as an out and out threat, one tends to focus attention away from the potential to mobilise the organisation to deal with that force more effectively than competitors, thereby manipulating the force into an enabler.

Thus, through the external audit, the larger company has been able to identify potential enabling and constraining forces in the outer environment, and against this "backcloth", examination of the internal audit has revealed strengths and weaknesses (internal enabling and constraining forces) of the firm - for Johnson and Scholes⁽¹⁰⁾, those forces at work in the external environment that have an impact on the company's strategy, are identified by considering the degree of "strategic mismatch" and "strategic standing" in the firm. "Strategic mismatch" relates to a situation whereby either the firm's environment has changed but the strategy of the organisation has not changed along with it; or a situation whereby the

structure or systems of the organisation are not suited to new conditions. This approach is one of examining the environment in terms of existing and potential "mismatches".

With regard to "strategic standing", Johnson and Scholes refer to the extent to which a company is well positioned in terms of its standing vis-a-vis the type of changes occurring in its environment (an example of such standing may be technological standing of a firm in terms of its position regarding application of technology to its products and/or processes; or external financial standing in terms of its rating with the financial institutions).

Strategic standing is one of the two main indicators for Johnson and Scholes as to whether an organisation can turn environmental change into an opportunity rather than it being a threat; the other indicator being whether the management, workforce, structure and systems are capable of such change.

The external audit, then, reveals the potential enabling and constraining forces of the outer environment, providing insights into areas of likely strategic "mismatch" and "standing". The internal audit reveals potential strengths and weaknesses (inner enabling and constraining forces) in terms of company resources and value (political/power) relationships. The combined analysis of this data (step 3) allows for the "firming-up" of company status in terms of "strategic standing" and "strategic mismatch". Thus, the true (rather than potential) enabling and constraining forces of the outer and inner contexts, are only fully evident when the complete contextual analysis is undertaken which effectively involves analysing the inner and outer forces together - only then do external potential enabling and constraining forces become clear and the company strengths and weaknesses accurately emerge.

(c) Step 4 - Evaluation and Selection of Strategic Options.

The strategic analysis has established the company's position regarding its environment and will have revealed a variety of strategic options available to the company.

Company objectives can be clarified and evaluation of both the alternative directions open to the company for development and the methods of that development can be undertaken.

As Johnson and Scholes⁽¹¹⁾ rightly point out, "development strategies" is a more useful terminology when considering the potential enabling forces facing a business, since growth is by no means the only potential path, nor is it a uniform objective among businesses. Thus, the strategic analysis should be expected to reveal options in terms of (a) alternative directions, and (b) alternative methods of achieving that direction - not in terms of potential growth strategies to which much of the strategic literature relates.

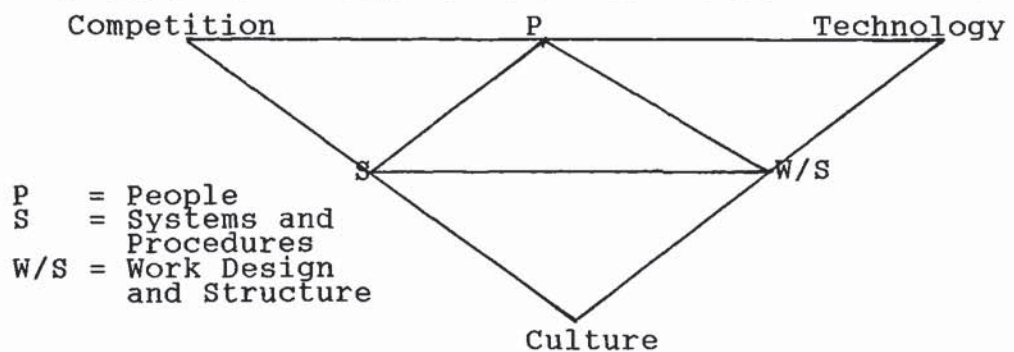
The evaluation process may include the utilisation of advanced management techniques (such as product portfolio analysis, decision trees, gap analysis and profitability analysis) which combine with judgement to arrive at an appropriate strategy(ies) which fits the circumstances revealed in the strategic analysis and is feasible and acceptable in terms of capability of working in practice.

(d) Step 5 - Strategic and Tactical Implementation.

The chosen strategic change must be made to work. This requires positive action at the strategic and tactical levels. Whilst a critical (and possibly most difficult) part of implementation relates to the day-to-day implementation of the strategy through the

company sub-systems (functions), the prior "thinking through" of the strategic change as a whole, to ensure functional strategies and changes form a coherent package is essential - that is to say planning the allocation of resources.⁽¹²⁾ The management process of a large company requires that specific consideration is given to those variables which the organisation is capable of influencing when selecting appropriate strategies. Those variables require constant management throughout the implementation process. The variables interact and changes in one will produce changes in another - the complexity of the large firm requires that due care be given to the effects of changes of one variable on another. Handy diagrammatically represents those variables, three in number, as follows in the inner triangle:

Fig. 1 Variables Available to Managers for Influence



The outer triangle represents both the outer and inner contexts of the firm. The inner triangle represents those variables which a firm can influence when considering a strategy for health, (Handy⁽¹³⁾). It is to these three variables to which much of the management development knowledge reviewed earlier directs its large company oriented attention.

(e) Step 6: Feedback and Control.

The final stage of the large company management process provides "feedback of information to indicate successful or unsuccessful achievement of the goals established".⁽¹⁴⁾

An integral part of implementation - control and information systems design - is developed to facilitate the chosen strategic change. However, in reality, feedback and control is not merely a sixth step in the management process. The whole process is likely to involve iterative movements rather than a natural step process and thus also involves feedback and control mechanisms and information deriving out of the various stages of the process - thus the external audit will produce control and feedback information as well as the exercise of strategic analysis.

The above stage approach to the large company management process, thus emphasises its potentially pro-active nature. Again, it must be underlined that such a conceptualisation of the large company management process, in the opinion of the author, is an over-simplification and that in reality, the process may be very "political" in many organisations. At the extreme, for example given the adequate power base, the selection of strategy may result from a one-off decision by one manager, with no logical analysis and reconciliation of company resources with environmental forces. Or selection and implementation of strategy may be the result of an iterative bargaining process among powerful interested parties.

However, the above conceptualisation of the large company management process, is an approximation of the potential such companies have for pro-active management. It will not be neatly found within all large companies, but at various times, large firms can and will resort to the respective processual steps, even if few work logically, rationally and consecutively through the steps. It is the potential actions open to large firms at the respective steps and the utilisation of management tools and techniques to fulfill these actions, which form the basis for comparison with the smaller firms. For it is the lack of resources to proceed in such a pro-active fashion and the accompanying factors conditioning and/or

reinforcing that situation, with the resultant problem-types, which contribute toward the unique and differentiated nature of smaller firms.

(3) DIFFERENTIATING THE SMALL BUSINESS MANAGEMENT PROCESS.

(a) Contributory Characteristics.

Examination of the large company management process underlined the benefits of a structured approach to the identification of opportunities and problems. Both large and small firms operate within a highly complex and dynamic environment and whilst the larger and more diverse a business becomes, the more complex that environment is, many of the environmental variables and the pace of change of those variables, are common to large and small firms alike. However, the author's experience suggests that several key influences exist which limit small firms' ability to impose structure onto the fast changing environment in which they are operating, and that these influences in turn are a major source of the unique problem-types which small firm managers face.

This interpretation derives considerable support from much of the small business literature. For Gibb⁽¹⁵⁾ *"The major implications of smallness relate particularly to the limitations this may place on availability of specialist management in the company, its weakness in being able to control and relate to the environment and the overall lack of resources"*.

The author's experience parallels this view entirely. A large company with an underpinning of adequate financial resources and functional managerial expertise, is capable of undertaking a situational analysis to screen its operating environment, extract valid and relevant information and isolate the main forces and influences on the business. Enabling and constraining forces (opportunities and threats) are thus highlighted and can be acted upon.

Without exception, the small businesses with whom the author deals, face severe problems with environmental

change, because of a lack of management understanding, expertise and time. This, in turn, derives from two major sources.

Firstly, a lack of finance is a major constraint on the employment of managerial functional expertise, or indeed of additional operational manpower to relieve the o/m of time-consuming day-to-day duties which would allow him to learn more about the firm's environment himself.

Secondly, the underlying psychology of the o/m is an internal force within small firms which may manifest itself in the form of enabling and/or constraining forces. The management of a small business is intricately tied into the personality, values and attitudes of the o/m; he may not wish to draw on external funding (even when available from financial institutions) if he feels it may encroach upon his independence or autonomy; or he may view the employment of managerial expertise as an encroachment upon his requisite level of autonomy.

Thus, in some instances a restricted ability to scan and relate to the business environment, derives from a lack of management expertise which the o/m actively seeks to acquire but cannot (because of lack of finance and/or time); and in other cases that inability is "self-inflicted" in that the underlying psychology of the o/m results in values and attitudes which resist the utilisation of external funding or "foreign" management expertise.

It is worth, at this early stage of the small business insights review, underlining how much of the current text book type material hitting the bookshops in ever increasing numbers, tends to respond to the "environment" constraint by ignoring it completely, or by failing to accept its true significance. One common proposition is that the sheer complexity of larger companies intensifies the nature and number of external

variables facing such businesses and the small firm must thus cope with relatively few outer forces. Of course, this is true - but how many of those texts address the form which these "few" variables take vis-a-vis specific small businesses and the potential manner in which they may affect those businesses?

The author prefers to agree with Cohn and Lindberg.⁽¹⁶⁾ *"Because small firms generally engage in a narrower range of activities, use a narrower range of materials, employ fewer skills and serve single markets or fragments of markets, it is probably even more important for them to anticipate changes in the factors impinging on their welfare than it is for large firms. A great change in one factor is likely to have more effect on a small company".*

The actual form of external environmental forces impinging upon specific small businesses and the underlying characteristics constraining adequate response, thus lie at the heart of understanding of small business. Wilkie and Deeks⁽¹⁷⁾, in their summary relating to the research programme of the Furniture and Timber Industry Training Board, emphasise the highly personalised nature of the small firm management process. They point out that the process often reflects the preferences, prejudices and attitudes of the firm's o/m. *"The job of the small firm owner-manager expands and contracts with the man filling it. The expansion or contraction is partly conditioned by the adaptive needs of the management situation in which the owner-manager operates, and is partly dependent on the personality and needs of the individual owner-manager himself. Consequently the management process in a small firm cannot be viewed in isolation from the skills, experience, attitudes and personality of the firm's owner-manager".*

The question then arises whether, in order to evoke small firm business development, all that is needed is to determine those characteristics and personality

traits common to successful small businesses and encourage "reproduction" of those characteristics through training. Hodgetts⁽¹⁸⁾, for example, offers several characteristics and traits reported from a survey of professional journals "which provides a general view of those characteristics believed to contribute to success":

Fig. 2 Small Business Success "Traits"

Traits that contribute to Small Business Success as mentioned by 25 sources	
TRAIT	TIMES MENTIONED
Technical competence	9
Initiative	8
Personality	7
Good judgement, intelligence, leadership characteristics, understanding	6
Appearance, courage, responsibility, restraint, self-confidence, training ability	5
Energy, friendliness, ability to organise	4
Attitude, communications ability, creativeness education, fairness, honesty, sincerity, tactfulness, emotional maturity	3
Administrative skill, ambition, cheerfulness, character, ability to delegate authority	2
Aggressiveness, courtesy, dependability efficiency, emotional stability, enthusiasm, health, human relations ability, perception, personal drive, planning ability, resourcefulness, scientific mind, self- sacrifice, skill in inter-personal relations, vision, willingness to learn	1

Source: Hal B. Pickle and Royce L, Abrahamson.
Small Business Management (New York:
John Wiley & Sons, Inc; 1976 p. 25)

There are two points critical to such an assertion.

Firstly, a "general view" of this nature can be confronted by a "general view" from alternative sources and result in different traits and/or different ranking of responses.

Secondly, the groupings of many of the above traits are such as to render them almost invalid (for example "appearance", "courage" and "training ability" grouped together). The problem with such an approach is that for every small business success apparently based on one combination of the above traits, another similar success can be found which derives from a different combination.

O'Farrell and Hitchens⁽¹⁹⁾ emphasise how research has failed to produce any sound theoretical base as to the actual type of entrepreneurial personality characteristics which contribute toward the success of a business. *"The research findings linking entrepreneurial personality characteristics and growth are highly tentative and therefore inadequate for the purpose of policy prescription"*. Citing Chell⁽²⁰⁾, O'Farrell and Hitchens stress that no clear evidence exists of any single trait capable of distinguishing successful from unsuccessful entrepreneurs.

Curran⁽²¹⁾ supports these views and underlines that *"the only secure finding to date is that those who enter self-employment, often have strong needs for independence and autonomy, although the possession of that does not guarantee success"*.

It appears, therefore, that the analysis is already reducing the potential for a pro-active small firm management process. Pro-activity infers anticipating and responding to environmental change which in turn requires management and financial expertise - resources readily available to many large firms. Instead it appears that insights into the nature of the small

business management process will derive from emphasis upon the key influences of small size on management and, in particular, the influence of the personality, attitudes, values and skills of individual o/m's upon the management process.

Moreover critical small firm policy implications begin to emerge from the above interpretation, implications which appear to be currently overlooked in practice. For example, government support schemes founded on o/m's entrepreneurial personality traits, may well be relatively ineffective. Attempts at enhancing the effectiveness of small firm management based upon "reproduction" of perceived "successful" traits, or of grouping management trainees who appear to have "common" traits, as the basis for training courses, are not likely to produce sound results. Schemes should rather be directed toward the o/m's role within the context of his specific business; business trainers are unlikely to succeed in improving managerial effectiveness through selection of course participants on the basis of their perceived personality traits.⁽²²⁾

Nor is the evidence suggesting potential utilisation of large company oriented management recipes. The existence of a highly personalised management process, in which the firms o/m's preferences, prejudices and attitudes are often reflected, may well imply that what is considered as acceptable management practice in larger firms may not be so accepted in the smaller firm. Curran exemplifies this in relation to the financing of small firms - *"an emphasis on growth based on high external borrowing would be inconsistent with the typical owner-manager's feelings about controlling his business"*.⁽²³⁾

Implications of this nature are of far reaching and deep-seated significance given the current entrepreneurial climate fostered by government and the methods of policy initiative utilised towards that end. At very best, they suggest policy formulation is in

danger of proceeding from a base of partial misunderstanding of small business which may result in some positive advances in the area of small business development. At worst, a situation of throwing good money after bad may be slowly fermenting. Clearly further insights are required to "firm-up" the foundations of knowledge with regard to the small business management process which have begun to emerge out of the above analysis.

Whilst the potential for a pro-active management process within many small firms may have been reduced by the findings presented to date, the analysis, in its lack of offerings as to alternative small firm management processes, may be questioned in terms of value of such an approach. Why should the large company managerial process, the pro-active process, be placed on a pedestal? Why should an alternative small firm management process/es be sought out? After all it is not such an outrageous claim that small businesses lack finance and management expertise to scan and analyse their environments and develop appropriate strategies. Surely all that needs to be done is to provide as much expert consultancy and training aid as possible and thereby encourage as many small firms as possible toward "pro-activity".

It is within such a context that the true benefits of utilising a base approximation of the potential large company pro-active management process becomes apparent. The need to distinguish between potential large and small firm management processes becomes not only apparent, but critical.

The current Department of Trade and Industry Consultancy Initiatives serve to clarify the situation. One "initiative" the Business Planning Initiative⁽²⁴⁾ is designed to so encourage a pro-active element into small business management. The "initiative" emphasises how:

"long term planning is not a luxury confined to the larger companies. It is essential for any business which is to survive and compete in today's market place". It continues "many businesses operate without clearly defined long term objectives. The Business Planning Initiative is designed to help you look ahead and plan more thoroughly. It will help you identify trading objectives and the skills and resources you need to achieve them. It will guide you in defining your markets and preparing short - and medium-term financial forecasts. And the initiative will show you how to draw up, implement and monitor an agreed plan for your business".

Essentially, the Business Planning Initiative can be considered in terms of the pro-active management process discussed in the previous section. If though, as the author's analysis to date suggests, the small business has difficulty in relating to its environment, then that small business will not be capable of adhering to the planning process. It has been established above that many small businesses will not alone be capable of the pro-activity necessary for business planning - the retaliation from the apologists of the "planning initiative" of course underlines that that is one of the very reasons why the Planning Initiative has been developed; *"we will show small businessmen how to draw up and monitor an agreed plan".*

This, however, misses the major point and epitomises the underlying lack of understanding of the functioning of smaller business. The majority of small businesses cannot alone draw up a comprehensive plan, because they cannot effectively scan their environment and isolate the major forces affecting them. The Business Planning Initiative can indeed provide a consultant to initially show the small firm o/m how to so analyse the environment, to draw up an appropriate plan and how to implement and monitor the plan. (The strength of this process, even so, depends upon the consultant's understanding of the recipient small firm within its

environment and upon his ability to interpret the relevant environmental forces and their potential effects.)

But the small firm environment is not static, it is dynamic, fast changing. The very purpose of the monitoring element of the planning process is to allow the firm to adjust its strategy and tactics to accommodate environmental (outer and inner) change - however this brings us "full circle". When the D.T.I. "Initiative" consultant has long since left the o/m to implement the plan, the environment will have changed, and whilst the o/m will have been shown how to monitor environmental change and the progress of his implementation, he may not have the managerial capability, and/or time, to actually undertake that monitoring in practice. The planning approach is a process, static consultancy and training inputs can improve the knowledge-base and management capability levels of many small businessmen - some have the motivation, initial capability levels and psychological make-up to orient toward a more pro-active management process; but many are so limited and constrained in those areas, that pro-active management is not a feasible option.

It is not enough to show a small firm o/m how to draw up a plan and implement and monitor its progress. Planning, to be effective, must be an integral part of an overall process (as outlined in the previous section) and this complete pro-active process may well be beyond the capability of most small businesses. Thus, government policy initiative design, must be based on a fuller understanding of the nature of the managerial process. The author is a true supporter of the potential of a structured approach to the collection and analysis of environmental data, the formulation of objectives and appropriate strategies and to the careful monitoring of implementation of strategies - in short, in favour of pro-active management.

In question here, is the ability and psychological make-up of many small businessmen to become pro-active, and the need to understand alternative management processes and their underlying unique problem-types. If many small firms are not pro-active, and are never likely to be capable of such, the implications both for policy initiative design and for interpretation of small firm performance and potential (not least the research approach to participant case study firms to derive policy relevant knowledge), is critical. The "firming-up" of the above findings and propositions is essential.

(b) "Firming-up" on the Base Characteristics.

Gibb⁽²⁵⁾ summarises the key influences of small size on management as follows:

Fig. 3 Key Influences of Small Size on Management

- | |
|--|
| (1) Very small management team. |
| (2) Multi-functional roles for managers. "Total" management. |
| (3) Lack of specialist personnel. Often related to lack of resources. |
| (4) Informal control systems. |
| (5) Considerable scope for domination by leader. |
| (6) Shortage of promotable manpower. |
| (7) Limited control of environment, limited resources to scan it. |
| (8) Closeness of working group - conflicts resolved more easily, or are more open? High loyalty. |
| (9) Limited leverage to obtain capital from institutions. |
| (10) Limited process technology. |
| (11) Limited product range although greater flexibility within range. |
| (12) Limited market and usually limited market share |

The author, from his experience-base, supports Gibb's summary, subject to the caveat that at any point in time, a small business will have a combination of these influences which have derived from enabling and constraining forces of the past external environment and from the personal, psychological, attitude, value and ability influences of the o/m. The interaction of past outer environmental forces and the "personalised" o/m inputs, produce a given "set" of "smallness" influences and those "smallness" influences then interact with the personalised o/m influences, to condition the small firm's ability to respond to and cope with the enabling and constraining forces of the current external operating environment of the small business.

Thus, the given combination of the above "smallness" influences in any business, changes through time - effectively the future "smallness" combination of influences depends upon the interaction of the current "smallness" and "personalised o/m" influences and how they respond to and cope with the current external environment.

For example, the author's experiences in the area of the small business workforce has shown that the quality of Gibb's "high loyalty" influence is not always evident. The recent environmental pressures of unemployment and high interest rates in particular, appear to have aggravated the situation. Workers who are feeling relatively insecure and pressurised by mortgages and credit-based consumer durables purchase, are not always so ready to show loyalty to employers and are often prepared to "move on" at short or no notice (see also Curran⁽²⁶⁾).

On these actual key influences of the o/m's themselves on the management of the company Gibb⁽²⁷⁾ produces the following excellent summary:

Fig. 4 Key Influences of Owner-Managers on Small Business Management

- (1) On tasks - o/m's will concentrate on tasks that they value rather than adopt a rational/scientific approach.
- (2) On leadership - through personal style and orientation to task or people - has greater scope for impact on total management or organisation.
- (3) Through previous education and career. Often likely to be narrowly related to the company. Often limited formal education.
- (4) Through objectives/motivations as reflected in degree of achievement orientation. Can better express work/leisure preferences likely to effect objectives of the company.
- (5) Through psychological characteristics (state of health). The company can be very dependent on this.
- (6) Through length of tenure in top (jobs) and influence of age. In contrast to large companies, small firm executives spend a very long time in the top job (often die in it).
- (7) Through social orientation in the community. Owner may use the business to achieve wider social objectives.
- (8) Through family influence on:
 - shareholder structure - often complex after several generations.
 - succession unwillingness to relinquish control.
 - opportunity for non-family managers.
 - social system - preferences in promotion given to family which limits ability to control.
 - recruitment - family may, e.g., have concerns about recruiting from "outside" to senior management.
- (9) Through ego-strong personal link with the business, therefore criticism of the business may be taken personally.
- (10) Through high value for independence. Possible hostility to bureaucracy.
- (11) Places limits on capital availability.

In effect, many of the inherent "personalised" inputs of influence to the small business management process to which Gibb refers, contribute to make the small business no less a potential "political model" than the larger firm. The potential interest groups may differ somewhat - e.g. the family, elements of the community etc. - but essentially these are potential interest groupings within and around the small firm which are capable of considerable influence on the small business management process.

These groupings, in their influence, are a potential additional source of constraint upon encouraging a small firm toward a more pro-active management process. For example, family pressure to recruit from "within" may minimise the possibilities of improving managerial capability to cope with the changing environment or to see through "consultant induced" business plans. Or the local social community may encourage a change of objectives "mid plan" as the o/m decides to utilise his business to achieve "social status".

The o/m' own values may orient him toward tasks other than those revealed as "optimum" by the rational/scientific approach of pro-active planning-based management.

O/m key influences provide further insights into the limited potential of enticing small businesses toward a pro-active process of management.

Moreover, Gibb combines the propositions concerning the influences of owner-management and small size (of Figs. 3 and 4 above) to broadly characterise key differences between the small and large company, and in so doing makes explicit that which much of the management literature ignores completely - that "*these characteristics are not rigid propositions*". As emphasised in this research investigation, the majority of the management literature is in fact large company oriented and yet at the same time speaks of the

"organisation" in generalist terms, bracketing out the problems of the small firm as if it does not exist. On the other hand, much of the small business literature fails to emphasise in the way Gibb does that *"it is recognised that the larger the size of the firm, and the further the firm moves away from the influence of the owner-manager, the more likely these distinctions are to blur. Thus, there may well be a progression towards more professional management as the firm grows and/or moves from first to second and third generation with possible fragmentation of ownership and possible divorce of ownership and control"*.

Of course Gibbs point is a critical one and has extreme relevance in relation, for example, to concepts such as the changing nature of the "political" modelling of organisations discussed above, as well as the need for close analysis of individual businesses to ensure determination of underlying key political forces and their potential effects on capability levels.

In terms of managerial strategy, several research studies have begun to highlight the influence of personal characteristics. Such characteristics, not least the need for independence and autonomy have been shown to influence *"managerial strategy and styles which show a marked reluctance to delegate authority, to set up well defined role structures within the enterprise, or to plan explicitly for the future"*. (Curran²⁸) Studies by Stanworth and Curran⁽²⁹⁾⁽³⁰⁾, Scase and Goffee⁽³¹⁾⁽³²⁾, and Goffee and Scase⁽³³⁾ are cited by Curran in this respect.

Curran emphasises how he and Stanworth, using a longitudinal research strategy, produced early attempts to shift the "emphasis of small business research toward managerial strategies. They concentrated on how the interaction of the o/m personality and the enterprise environment resulted in differing and distinctive managerial strategies. An interesting conclusion emphasised how, whilst considerable

variations in strategies was observed, large management type strategies might be relatively uncommon. A corollary of most "strategic" studies is that the overall thrust of the strategies is determined by personal characteristics of the o/m which is a crucial input.

Wilkie and Deeks⁽³⁴⁾ reinforce much of the above findings and have proceeded toward a conceptualisation of the small firm management process and a profile of requisite abilities and skills for the effective management of that process.

Of the key influences emphasised by Gibb, several find pride of place within the Wilkie and Deeks review of organisational characteristics influencing the character of the management process:

"Relationships are often informal, there being no precise definition of rights and obligations, duties and responsibilities. Appointment and promotion are often made on the basis of birth or personal friendship rather than on the basis of educational and technical qualifications. Organisational structures, insofar as they exist, are likely to develop around the interests and abilities of owner-managers and managers within the firm. The organisation of the small firm is loosely structured rather than mechanistic and highly formalised".

With regard to the limited potential for pro-active management within the small firm, Wilkie and Deeks agree that *"the large firm management process is seen primarily as a predictive process"*. For them *"management in the small firm is primarily an adaptive process concerned with adjusting a limited amount of resources in order to gain maximum immediate and short-term advantage. The small firm concentrates its efforts, not in predicting and controlling its environment, but on adapting as rapidly as possible to the changing demands of that environment, and devising*

suitable tactics for mitigating the consequences of such change.

Concentration on short-term tactical goals is a necessary part of the small firm management process, concentration on immediate survival being an important means of ensuring survival in the long term".

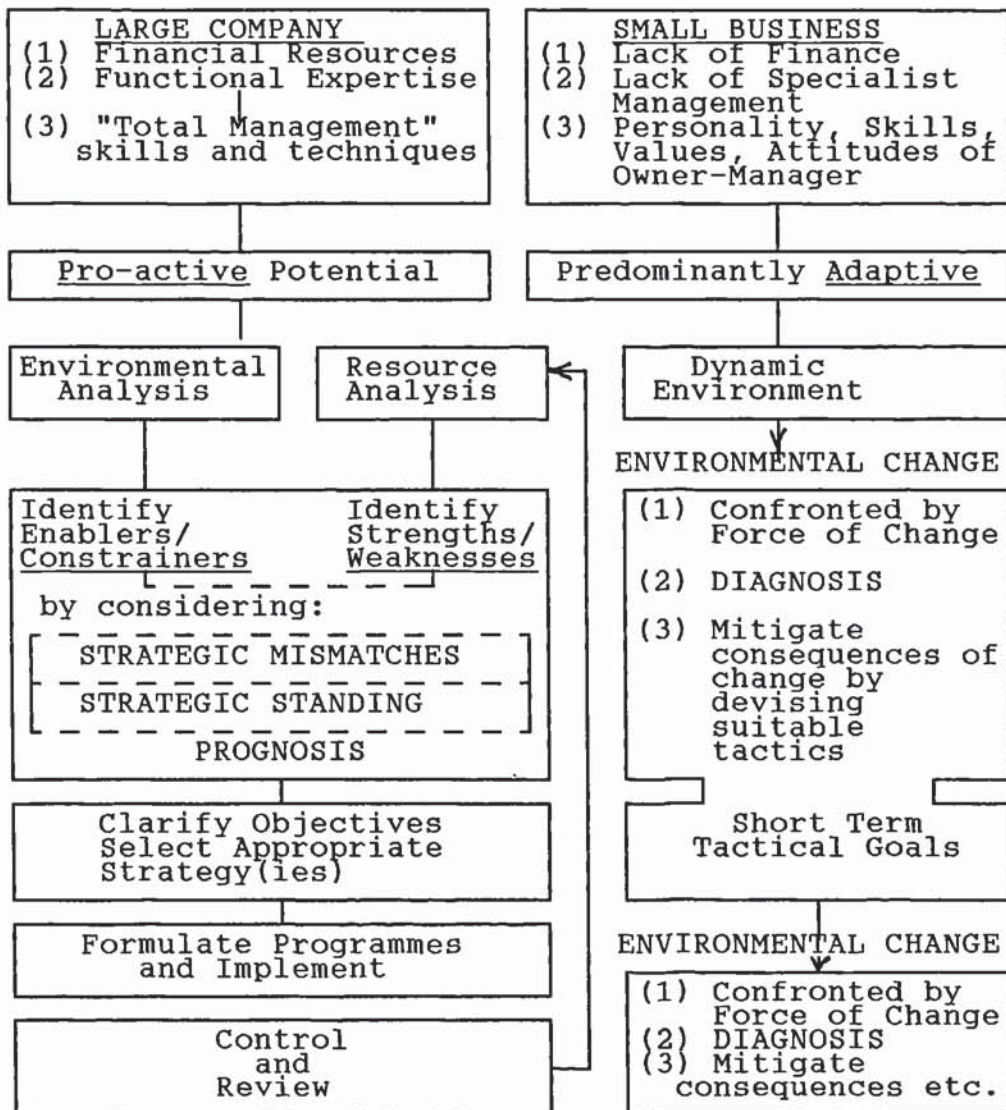
Thus, on entering a small business one should expect to find:

- (a) a given combination of key influences on that business management which are size related (key influences of small size on management).
- (b) these key influences, in their current given combination, will have derived from an interaction of forces from:
 - (i) The past external operating environment of that small business (i.e. shaped by past external enabling and constraining forces)
 - (ii) The "personalised" inputs surrounding the o/m (i.e. previous education, ability, values, attitudes, family influence etc.)
- (c) the small firms ability to respond to, and cope with, the enabling and constraining forces of the current external operating environment will be conditioned by the inter-action of the current "set" of "smallness" influences with the personalised o/m influences.
- (d) the given combination of "smallness" influences thus changes through time (as do the "personalised" factors). And the future "smallness" combination of influences accordingly depends upon the inter-action of the current "smallness" and "personalised o/m" influences and how they respond and cope with the current external environment.

(e) an additional caveat sees the possibility of "political" forces of a nature possibly quite distinct from those found in larger companies aggravating the management of the small business. Thus the full external and internal context of the small business may evolve in a "political" manner constraining to that business.

The result of the above inter-acting influences is a management process/es of a nature quite foreign to the world of large business operators and can be diagrammatically represented in comparative terms as follows:

Fig. 5 Potential Large and Small Business Management Processes



(c) The Unique Small Business Problem-Type.

In effect the key influences surrounding size of the small business and the personalised inputs of the o/m himself have been seen to limit the small firm's ability to impose structure onto its fast changing operating environment. In turn these influences become a major source of unique problem-types facing small business managers. The operating environment throws up enabling and constraining forces and an inter-action of such external forces and small firm oriented influences discussed in the previous section, manifest themselves into unique small firm problem-types.

Some of these problem-types have been touched upon at various points of the discussion to date. In the area of human resource management the external environment produces a labour market quite distinct from that facing the larger company. Higher wages, a range of fringe benefits, security and career potential were shown to be major contributory factors constraining the quality levels of available labour for the small firm.⁽³⁵⁾ Some of these constraints derive from the size of the business and its operating environment and others are "self inflicted" by the characteristics and personalised inputs of the o/m. A recent survey in Lincolnshire conducted by the Training Agency⁽³⁶⁾ underlined the problem of skill shortages facing many smaller businesses.

The state of industrial relations was shown to be more problematic than often claimed by the small business sector with constraints deriving from employees leaving at short or no notice; or by failing to meet anticipated standards.⁽³⁷⁾

Such unique problems require unique management approaches and solutions. How many small business consultants or trainers are attempting to develop a contextual insight of the unique problem-type facing small firms as a basis for appropriate solution design?

With regard to the problem of small firm finance, two areas of potential constraint have so far been highlighted. Firstly, traditional sources of external finance may be shunned by many o/m's because of a reluctance to relinquish independence or autonomy.⁽³⁸⁾ Secondly, the request by many financial institutions for extremely high levels of security against which to lend to the small firm, or the imposition of penal rates of interest, are reasonably well documented small firm problems.

Less well emphasised is the tendency for small business consultants and trainers to fail to pick up on the full thread of the propositions developed in this research investigation to date, as the basis from which to tackle the small firm financial management problem, namely:

- (1) Key influences unique to the small firm interact and effect its response to its operating environment.
|
- (2) Conditions arise resulting in problem types distinct from those facing the larger company.
|
- (3) Unique problem types require unique approaches and management solutions.

The need is to understand the key influences; to recognise the unique problem type; and to respond with appropriate management approaches. This full thread of action has yet to materialise - the result, large company oriented solutions for small firm problems.

The area of financial management epitomises the issue. Welsh and White⁽³⁹⁾ are relatively unique in their "full thread" analysis and serve well to make the point.

Firstly, they accept that *"the very size of small businesses creates a special condition - which can be referred to as resource poverty - that distinguishes them from their larger counterparts and requires some very different management approaches"*. That is, they accept in outline the "full thread".

Secondly, they develop the sources of the resource poverty. They begin to fill out component one of the thread (the key influences unique to small business). Not least they underline how *"..external forces tend to have more impact on small businesses than on large businesses. Changes in government regulations, tax laws, and labour and interest rates, usually affect a greater percentage of expenses for small businesses than they do for large operations"*.

Thirdly, Welsh and White tease out the unique nature of the problem within the context of financial management concepts and develop management tools for the smaller business.

The author draws upon two areas to exemplify. (a) the behaviour of sales and costs in the small firm; (b) cash flow in the small business.

Welsh and White consider the behaviour of sales and costs in the small firm in relation to the tendency to utilise break-even analysis in small firm counselling. They observed break-even analysis in action - Fig. 6 refers. Break-even analysis assumes sales rise in proportion to the number of units produced or services performed, that fixed expenses remain fixed in the short-run (say 12 months), and that variable expenses are very nearly in direct proportion to the units produced.

Fig. 6 Break-Even Analysis in Action in the Small Business

Welsh and Whites observation of break-even analysis in action.

The first sales in a new business came in March, nine months after the business was founded. The sales grew from \$3,000 in April to \$20,000 in September. Management calculated that by maintaining spartan facilities and a pittance in salaries it could establish \$3,000 per month as the break-even level of sales. But the financial statement for April received in mid-May, indicated a substantial loss.

The manager and a member of the founding team decided to determine the real break-even point. With quick strokes and a little calculation, they found that the fixed and variable expenses required \$9,000 worth of sales, with much work and even more luck.

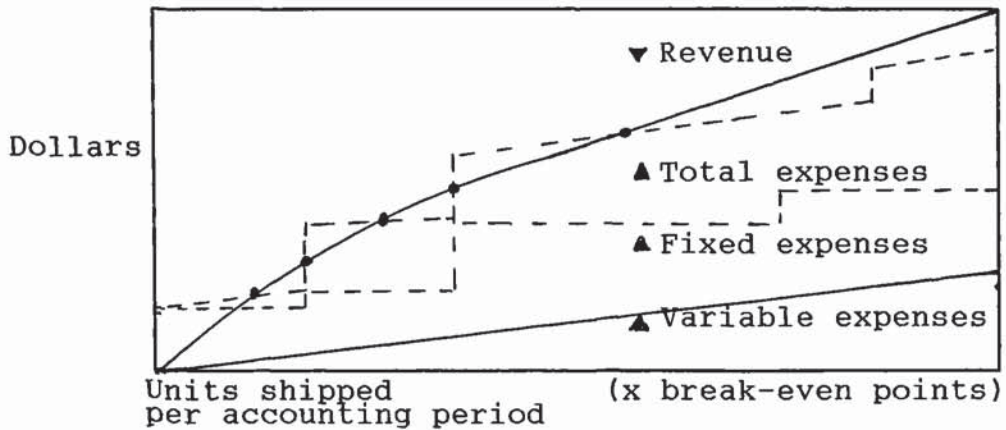
During the first half of July, management waited confidently for the financial report describing June. When it arrived, the manager was astonished to discover that it showed a substantial loss. Apparently the break-even point had moved. By quickly changing the graph to include the previously non-existent new expenses on the income statement, the manager determined that the break-even point was now \$15,000.

Because the company had the good fortune to be selling a superior product against a weak competitor in a growing market, its sales for August exceeded \$15,000. This time, management anxiously awaited the mid-September financial report. Once again the manager was disappointed: the company was still operating at a loss. The break-even point had grown to \$18,000. Not until mid-October did the company learn that it had achieved break-even in September with sales of \$20,000.

The underlying difficulty was that the so-called fixed expenses were far from fixed. Rather they grew in a stair-step manner. Moreover whilst the variable expenses grew with the sales, they did not grow in the smooth proportionality of the break-even graph. Nor did sales grow in a straight line.

Welsh and White found *"the company achieved rapid sales growth mainly by offering discounts, making contract deals, providing bonuses and supplying potential customers with impressive quantities of free samples"*. The actual situation is depicted graphically as follows:

Fig. 7 Break-even Graph for a New Small Business



Throughout the companies initial growth, the production facility functioned at capacity, and the direct expense per unit held fairly steady. Apart from a few additional people for order processing and invoice issue, office expenses held constant. It was in the area of warehousing and materials handling that the biggest growth in expenses occurred (storage space per pre-printed corrugated boxes was an instance of high cost).

Welsh and White underline how break-even analysis differs in big business. *"In a big business, the additional break-even operation is usually small compared with the size of the whole business. When a big business starts a new project, it can draw on the services of planners, designers and analysts with access to historical data on indirect expenses. When*

launched, the new project may be sized for on-going operations well beyond the break-even.

Because owner-managers of small businesses have few, if any, staff people to prepare plans and analyses, decisions to launch new projects are typically based more on hunch, necessity, or desire than on cold and expensive analysis. The company probably has little experience on which to draw for predictions of indirect expenses. Even if it does have experience, data is likely to be scarce".

Welsh and White's approach and conclusions dovetail in and support the author's propositions. They emphasise how a *"break-even graph plotted on broad assumptions about fixed and variable expenses can be misleading"*. In so doing, they underline how the accuracy of break-even analysis depends on detailed and conservative planning - and equally importantly, the difficulties faced by small business in this respect. *"Planning for growth by small business is often superficial. That the small business can afford little more is cold comfort when a new endeavour begins to go awry"*.

Sound emphasis indeed, of the critical need to determine the management process utilised by a small business, the inherent capability of the o/m in terms of moving toward a more pro-active (planning based) management process, and to derive understanding of the unique problem-types and develop solutions and initiatives to counter those problems, within the context of that approach. The assumed utility of large company management tools such as break-even analysis, ignores the uniqueness of the problem-type and the significance of the problem-type within the context of the o/m's capability.

A further example of the unique problem-type confronted by small business in the area of financial management is, of course, cash flow. In this area, Welsh and

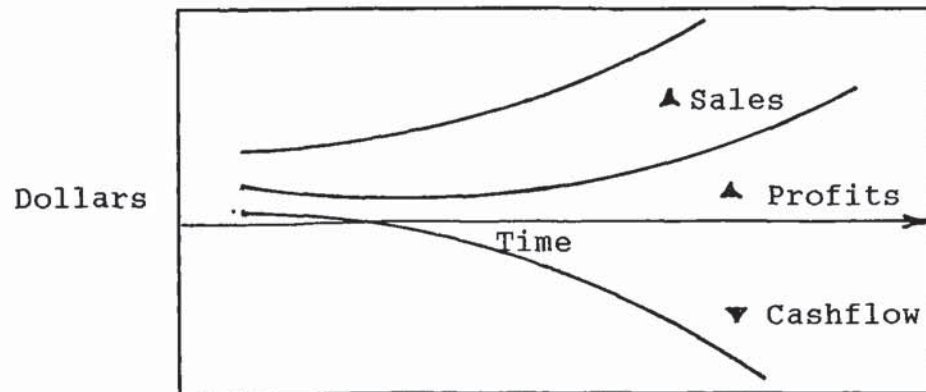
White emphasise how the rate of change in big businesses and annual growth, are normally small and that their financial statements thus describe a system in approximate equilibrium. Small differences from equilibrium, they add, do not significantly distort the principle that cash flow equals net profit plus depreciation and amortisation (correct for a system in perfect equilibrium). *"Big business analysts usually apply the principle to long time periods. Short-term variances during the year are small compared to the overall result. A big company's short-term borrowing capacity can readily accommodate those variances"*.

On the other hand, Welsh and White point out, small businesses are very rarely in equilibrium or anywhere near it. Such businesses are subject to extremely significant short-term fluctuations compared with overall cash flow - even with uniform growth and earnings. Moreover, small firms are often subject to seasonal variations in sales, leading to successive periods of rapid growth and contraction. In seasonal periods of high sales, small firms consume cash; in the off-season, cash often flows into the bank because it is not absorbed by growth. An underlying problem relates to o/m's seeing the cash as spendable, when in reality it is required for the next period of high sales.

To these and other unique small business problem-types, Welsh and White begin to offer potential solutions - solutions which transcend the approach of much of the literature, by either dismissing the large company oriented management tools, or by qualifying their usage. The author returns to potential "solutions" later in the investigation. For now, Welsh and White have helped to highlight the nature of the unique small firm financial management problem-type and in so doing, have made a significant contribution in the framing of the approach to small firm investigation and analysis for case-study based research.

Fig. 8

Welsh and Whites Diagrammatic Emphasis of the Relationships Among Sales Profits and Cash Flow for a Growing Business Under Normal Conditions.



In the area of marketing, the unique small business problem-type is firmly embedded at the forefront of the "pro-activity" difficulties developed to date. Whilst the human resource and financial problem-types discussed above will be significant at various stages of a small business management process (e.g. lack of finance or specialist skills for pro-active analysis of environment, or say, restricting effective development of re-active tactics or implementation of strategy if there is one), marketing, by its very conceptual nature (starting with the customer and ending with customer in provision and after-sales service of goods), is to all intents and purposes the functional thread of company "pro-activity". *"The degree to which a company is able to develop an integrated, coordinated and internally-consistent plan, depends at least partly on the understanding that it has of the marketing planning process itself, as a means of sharpening the focus of management at all levels within the organisation".*

"The marketing planning cycle is usually itself an integral part of a corporate planning cycle, which follows exactly the same format, the only difference being that other major company functions are included, such as distribution, production, finance, personnel etc."(40)

In other words, marketing is the front end, integrating and coordinating the functions around which a "pro-active" management process develops. Thus the heart of the unique small business marketing problem-type are those very difficulties which restrict the development of a small firm pro-active management process - in functional terms, marketing can be viewed as that marketing activity responsible for analysing much of the external environment and isolating relevant enabling and constraining forces. The major small business marketing problem-type therefore relates to the difficulties associated with initial determination of those forces for Business Plan formulation, and the assessment of the changing nature of these forces during plan implementation stage.

Since the marketing problem-type is central and integral to the whole management process issue, this is developed more fully in the next section.

(d) Significance of Differentiated Management Processes.

A very high "significance factor" attaches to the acceptance that a combination of key influences deriving from the actual size of the business and from o/m's themselves may interact to determine a unique small firm management process - unique in its inability to develop the potential pro-activity available to many large companies.

Firstly, the significance relates to interpretation. There is a real danger that small business researchers, in undertaking studies of the smaller firm, consciously or unconsciously derive information and perform their analysis from the backcloth of their well established constructs of management which have stood them in good stead in the context of large company operations. Johnson and Scholes⁽⁴¹⁾ in their discussion on coping with change underline that *"to cope with the vast variety and range of environmental inputs in the strategic decision process, managers have to operate within some simplified model of that environment. Essentially managers reduce the "infinite" to a personally managed model of reality. More precisely, there is evidence to show that to some extent this "model of reality" is inherited by the manager in the sense that there exist industry-based "recipes". These recipes are the perceived wisdom for an industry of the key factors for business success in a particular business environment"*. The point Johnson and Scholes go on to make is that the influence of "recipes" can be a significant constraint on change - managers having gained experience in one industry may continue to see business problems in the future, and in different industries, in similar ways. The danger is one of expecting the business to operate on the basis of past experience and interpreting environmental change in the context of what has gone before. Such an approach can be a severe constraint on change.

If researchers into small business continue to interpret the operation of such firms from the backcloth of their "models of reality" (their "recipes bag") and these constructs of wisdom are essentially large company operation derived, then there is a real danger that their analysis will be weak, or even false.

The immediate retort to this suggestion is probably one of complete dismissal. And yet this suggestion is not outrageous; it is not even merely unlikely - the evidence shows it is happening. The author refers the reader back to earlier analysis within this investigation. The attempts by Department of Trade and Industry "Enterprise Initiatives" to uniformly entice small to medium sized business into "pro-activity" by the offering of the "Business Planning Initiative" is one example of "uniform recipe" usage; thus for the D.T.I., *"long term planning is not a luxury confined to the larger companies, it is essential for any business which is to survive and compete in today's market place".*(42)

The D.T.I. is using small business advisors to develop the "Initiatives" and to implement the "Initiatives" - at both of these stages a uniform usage of recipes is occurring in an interpretation which sees long term planning as a *"non-luxury confined to large firms"* and *"essential for all firms to survive and compete"*. Again the author emphasises that he is a true supporter of pro-active management and the inherent management process - what is at question is the potential for many smaller firms to achieve any degree of effective pro-activity.

Moreover, referring back once more to earlier discussion will remind the reader of the tendency for many small business management trainers to scale down large company management knowledge-bases and courses for small business course design. Again, an example of "uniform recipe usage".

An inherent criticism which can still be levelled at the author in response to the above suggestion, relates to his apparent reaction to the dangers of over reliance on "uniform recipes" by merely suggesting the existence of one other "recipe" (i.e. the "small firm management process model of reality"). Such response is, however, based on a superficial understanding of the evidence presented by the author. It is not here propounded that one "model of reality" in the form of the "large company management process" neatly reproduces business operation in the large company sector and another "model", the "small firm management process" is utilised in the small firm sector.

What is suggested is the fact that larger companies have the potential to move toward the utilisation of a pro-active management process (not least because of their financial and managerial resource-base), and that many small firms may be constrained of that potential through a lack of management ability and inherent "personalised" influences of the o/m, and thus follow a predominantly adaptive management process. The two "models of reality" thus presented, are base constructs from which to begin analysis of businesses - the trainer, advisor, consultant, researcher in effect has two base interpretive vehicles from which to commence his analysis and is therefore less likely to misinterpret the performance, problems and solutions of a small firm by wrongly decrying that business solely because it is not attempting pro-active management.

For the author this is an absolutely critical point with regard to small firm management, the training of that management, policy initiative design and underlying research in these areas. Pro-active management whereby a business can more effectively scan and analyse its environment and determine the major enabling and constraining forces as a foundation from which to formulate and implement appropriate strategies, has got to be beneficial. (In fact the process ensures the firm is "geared up" for "reactive"

management too, as a good deal of management relates to coping with events after their occurrence). However, for many smaller businesses this will never be a realistic option, nor is it desirable to attempt in all cases to entice the firm toward "pro-activity". If financial resources, management capability and "personalised" inputs of the o/m are of such a "mix" to defy the achievement of pro-activity, then any such attempts may well lead to reduced performance levels. Rather than the attempted imposition of predictive, prognostic and strategic skills upon the o/m, the evidence points to the need to ensure, in many instances, that small businesses can perform their adaptive and diagnostic role more effectively. From the government's standpoint this entails understanding how general economic management policies constrain and enable that process and how specific initiatives can be tailored toward that end.

Wilkie and Deeks⁽⁴³⁾ add support to the notion that the absence of long-term planning is not necessarily to be negatively interpreted (and that a response of imposition of "pro-active" based skills is not always the ready answer).

Wilkie and Deeks underline how *"the work of the owner-manager is dominated by relatively short-term issues and a concern with day-to-day details. Although there may be little observable evidence of policy-making and planning activities being carried out by the owner-manager, such activities may well evolve from the day-to-day detail. Owner-managers of small firms often operate quite successfully without any formal written plans, but the lack of such plans does not necessarily mean that the owner-manager has no clear idea of what he is trying to achieve and the progress that he is making. The management process in the small firm is, then not always a readily visible process; it often has an abstract rather than a concrete form"*.

Because the o/m operates in a context which allows for less control over the environment and a time scale of operations whereby often fewer courses of action are available, Wilkie and Deeks emphasise the diagnostic rather than prognostic requisite skills-base and the unique problem-type relating to mitigating the consequences of change.

Thus, as a researcher, trainer or policy designer, to narrowly utilise the large company management process as the base construct from which to analyse small business operations, is to almost certainly foster misinterpretations - both in relation to events and to effective solutions.

There can be no doubting that there is strong evidence pointing to the lack of pro-activity within many small firms. The author's point is the need to make clear the small firm's potential for pro-activity when analysing its performance, its problems and the development of solutions. If the resource, psychological/personalised and "political" constraints are such that pro-active management is not, and never will be, a viable option, then this is a critical influencing factor on both the small firm analysis and on the design of solutions.

A selective reference to the literature reinforces the "pro-activity" problem.

That small firm o/m's are reluctant to plan ahead, find support in Curran's citing of Hankinson's⁽⁴⁴⁾ study of small engineering firms' investment strategies. He concluded that, typically, o/m's did not optimise investment in the business. Rather, they tended only to invest out of necessity in terms of their survival depending upon acquisition of new equipment (further evidence, incidentally, to weaken micro-economic theory which is based upon a profit maximisation objective).

Hankinson's other strategic studies⁽⁴⁵⁾ highlighted by Curran, point to a reluctance by the manufacturing firms studied, to utilise even elementary marketing strategies which could have effectively improved performance. Moreover, use of quality and stock control and production scheduling techniques were rarely found. Spare capacity existed but (probably in part because of this limited approach) was not quickly utilised.

Similarly, Hankinson's studies found pricing strategies to be predominantly based on cost with objectives of survival and a "fair return". Competitive prices were not considered to a great extent, and even costs were assumed to be at a minimum. The application of simple costing techniques was not contemplated as a vehicle for increasing the level of cost awareness.

Pricing strategies, in the main, were considered rigid. A tough economic climate was not sufficient to encourage o/m's to reflect more thoroughly on underlying concepts and variables affecting pricing strategy. Hankinson's 1988 study⁽⁴⁶⁾ on marketing attitudes amongst 50 small engineering firms, revealed how a significant number of participants believed no action could be taken, since their activities were severely constrained by external market forces beyond their control.

Difficulties relating to pricing were also emphasised in Cromie and Ayling's⁽⁴⁷⁾ Award Report for the E.S.R.C. examining post launch problems and experience of small business proprietors. Around one quarter of respondent firms experienced difficulties with pricing, particularly within the early years of operation. This difficulty in fact was part of the more deep-seated problem of marketing which the firms experienced. Around one third found it difficult to break into new markets, a smaller number found competition, promotion strategies and distribution channels problematic.

The firms had limited knowledge of their markets and competitors and the approach to customers was no more elaborate, with little evidence of active marketing to them.

"Most are primarily taking enquiries and service anybody willing to place an order", "...our firms are ignorant and disinterested in the significant happenings in their markets".

"On competitive advantage most firms described essentially what they consider to be "benefits" accruing to customers without elaborating on the nature of their advantage".

"Some have yet to progress towards any "pro-active" marketing in that they are still developing through word of mouth and general recommendation".

A study of the furniture industry in Sandwell commissioned by Sandwell Metropolitan Borough Economic Development Committee⁽⁴⁸⁾ discovered that marketing within the 53 participant small firms (average number of employees 27) was not based on any strategy. Moreover, the marketing was undertaken by agents which left many of the furniture manufacturers with little insight into market trends. Those firms wishing to initiate improvements in production, design or marketing were often constrained by a lack of resources.

Curran⁽⁴⁹⁾ cites Gill's⁽⁵⁰⁾ intensive two year qualitative study of 22 small enterprises, to underline the haphazard character of much of the management decision-making in the typical small business. Most of the o/m's were found to be often under considerable strain - not only unable to plan for the future, but also unable to rationally approach day-to-day problems. Gill's findings showed how most firms were trying to solve a constant stream of crises which were a major threat to survival (i.e. "fire-brigading"). Curran

underlines that an interesting point relating to Gill's studies was that all of the participant o/m's had in fact had some training prior to start-up and would have been expected to be somewhat more prepared for tackling start-up.

All of these studies have a common thread: the general lack of pro-activity by the firm's management, and underlying problem-types which derive from that management approach. It appears that without exception, all the firms would improve performance through the initiation of a more pro-active management process.

However, the question arises when considering such firms, as to what form of management process the key influencing factors discussed above will permit as effective. Clearly all the firms will benefit from "pro-activity" - if that is achievable as a maintainable process. What are the key influences, though, which may restrict the firms from becoming more pro-active and more customer oriented?

The immediate reaction of many consultants and academic trainers is to work through a situational analysis with the firms to determine enabling and constraining forces as a basis for clarification of objectives and formulation of appropriate strategies. But, given the key "small firm influences" discussed earlier, how many of these firms are capable of monitoring the pro-active management process inferred in the consultant's action?

The Gill findings point to firms who could neither plan for the future or rationally approach day-to-day problems. What is the answer, then, with firms such as those? To help them toward pro-activity and thus an ability to plan for the future; or to help them improve their diagnostic and adaptive skills, and thus their capability for managing short-term issues as a road to longer-term survival?

Wilkie's and Deek's⁽⁵¹⁾ paper, as seen above, emphasises the latter; though they also underline the need to ensure that "... whilst trying to identify common managerial skills that may suit" it is important "to recognise the uniqueness of each individual situation within which those skills are to be used".

Clearly, integral to the success of any business is the ability to remain close to customers, to derive full understanding of their needs and to coordinate resources in response to those needs - in other words, a marketing approach. Equally clear, however, is that for marketing to be effective, it must be one processual part of the wider corporate management process. Customers' needs change, competitors' strategies change, other external environmental forces change, and thus a firm's strategies in the process of implementation must change accordingly in response to these "outer context" changes.

The constraints imposed upon many small firms, have already been seen to severely limit their progress toward the pro-active management process - thus the manner in which a marketing approach (essentially an integral processual component of the overall pro-active management process) can be effectively utilised by small firms, is similarly brought into question. The implementation of a marketing approach within small firms, requires an approach commensurate with the management process that a particular firm is capable of undertaking.

Cannon⁽⁵²⁾ underlines a paucity of emphasis in the marketing literature on enterprise and small business - the extensive and relevant literature on marketing and the small firm which one might expect, is not evident. He emphasises how "the effective implementation of marketing in smaller firms requires both a creative synthesis of ideas about the way management in smaller firms operates and thinking about marketing".

Willis⁽⁵³⁾ emphasises how too many trainers, consultants and management educators "proceed to push pat large firm planning models, requiring massive data collection, which result in a hefty , misunderstood business plan which is rarely referred to and collects dust on the shelf".

"It is the planning process which is important, a process which goes on once the trainer/educator/consultant moves out of the firm ...".

Willis suggests that "to introduce planning into the small firm successfully need not involve specialist mathematical techniques requiring massive injections of time, planning skills, data and increased staffing, but simply getting the senior management/owners to question, to think about and to understand the fundamental nature of their business and its purpose within the changing marketplace.

Without this understanding of one's present nature, planning for the future will be haphazard and lack clarity. In short, formulating what the firm is, what it intends to become and how it intends to get there".

Willis rightly points to the underlying problem with regard to this apparently simple proposition resting on the need for a shift from day-to-day operational thinking to conceptual thinking within the small firm sector. "It is conceptual thinking which generates the ideas on nature and purpose upon which the future success and development of the firm can be built, and it is these ideas, when consciously articulated into a plan of campaign, which provide direction, motivation, cohesiveness and more importantly, competitive edge".

It is the planning process which Willis rightly concentrates upon. "a systematic review of the fundamental issues of nature and purpose which can then be written up in a simple plan of campaign under the following headings:-

*What is the nature and purpose of the firm?
What specific goals do we want to achieve?
How will the firm achieve its stated objectives?
What is to be done and by whom?
How much will it cost me?
By what date will we complete action plans and meet objectives?
Are we hitting planned objectives? If not, what can be done about it? Do we need to re-appraise our mission?"*

Willis recommends the plan be condensed into about two pages and should be referred to as a working document on a daily basis - *"is what I am occupied with today in line with the stated mission of my firm?"*

For Willis, a major advantage of such an approach, derives from the underlying motivational benefits. *"For the small firm, beleaguered by competition, there is nothing more motivating than to create some form of identity and mission which differentiates their product/service offering or their customers' needs served, providing them with a foundation upon which they can plan more effectively for the future".*

Of course, this approach does not remove the small firm problems uniquely imposed by the potential influences discussed above. What it does do, is to offer the foundations of an alternative to the large firm planning models and the potential for moving toward a more effective accommodation of the small firm problem-types. It does not rely on the need for the small firm to undertake detailed analyses of all influencing forces within its operating environment (a pre-requisite in comprehensive large firm planning processes, both at business plan formulation and at monitoring stages). It does, however, accept the essential fact that for business planning to be useful and effective, it must be in the form of a process, but that for most small firm owner/managers, the key influences impinging thereon ensure that that process

is not pro-active but rather adaptive in nature.

The approach offers the possibility for small firms to react effectively to environmental change which they were not capable of pro-actively determining or anticipating. The simple conceptualisation into a processual working document allows the o/m to constantly ask "is what I'm occupied with today in line with the stated mission of the firm?" The resultant chosen tactics or strategic adjustment are still essentially "adaptive" and aim to mitigate the consequences of the change, but will more likely be such as to minimise the danger of damaging mission achievement and less likely to be merely management for today.

Cannon⁽⁵⁴⁾ calls for "*a creative synthesis of ideas about the way management in smaller firms operates and thinking about marketing*". Willis's foundations offer a potential input for synthesis with the author's ideas in relation to differentiated management processes. For the author, the unique key influences upon smaller firms and the underlying problem-types, point to a need to accept that some small firms will have the potential for the effective undertaking of a pro-active management process (and some will already successfully adhere to such a process) - but that many small firms have not such a potential and never will have. The contextual influences (external and internal) will restrict those firms to "adaptive" management (reactive management). Of those small firms, some will have a potential for achieving real improvements in their undertaking of their adaptive management process by utilising simple conceptualisations of the form discussed above and enhancing their management skills inherently required within that process (i.e. adaptive and diagnostic, not prognostic and predictive which predominate in the large firm planning process). For the remainder, their abilities, attitudes, values, aspirations and the force of contextual influences will see them continue to "muddle through" in a

"fire-brigading", "crisis management", "day-to-day" style - haphazard decision-making and apparent non-market orientation to be the order of the day.

What is important is for researchers, consultants, educators and policy designers, when analysing small business performance and needs, to determine a small business o/m's current level of "pro-activity" or "adaptivity" and his potential in this respect. He may, for example, have the necessary abilities and attitudes to strive toward a "pro-active" management process. His attitudes might rather offer the potential for a more effective adaptive management process of the "conceptualised working document" type, or he may forever be content with "muddling through" or incapable of any alternative.

The importance of such analysis should be clear. There is no place for large company oriented techniques such as pat large firm planning models, if an o/m's potential pro-activity is restricted - in this instance Cannon's calls for "creative synthesis" would point to innovations of a type which incorporated the "conceptualised working document" approach with requisite adaptive and diagnostic skills (for those o/m's so suited). The form of the "creative synthesis" regarding the adaptive and diagnostic skills, would derive from the nature of the problem-types in the particular small business - this in turn having derived from the interaction of the key influences of "smallness" and "personalised" inputs surrounding the o/m, and the enabling and constraining forces of the external environment with regard to that small business.

And it is not only in the area of management education where such an analysis is critical - small firm o/m's' current level of "pro-activity" or "adaptivity", and indeed his potential in these respects, are major determinants of how the other areas of intervention will affect the business.

One must conclude that the current level of insights into small business operation, point toward the need for a careful full contextual auditing of individual firms within their operating environments, if necessary advances in knowledge in this area are to result.

The selective insights analysed above suggest the potential for the formulation of a taxonomy of key influencing factors capable of constituting a framework within which to audit a small business.

A valuable starting point is clearly the determination of the current level of "pro-activity" or "adaptivity" of the firm's management process. And, as Wilkie and Deeks point out⁽⁵⁵⁾, some small firms successfully concentrate their efforts on adapting as rapidly as possible to changing environmental demands, by deriving suitable tactics to mitigate the consequences of that change, and the work is dominated by relatively short-term issues and concern with day-to-day details. But to again reiterate Wilkie and Deek's emphasis *"there is little observable evidence of policy-making and planning activities being carried out" "owner-managers often operate quite successfully without any formal written plan, but the lack of such plans does not necessarily mean that the owner-manager has no clear idea of what he is trying to achieve and the progress that he is making"*. Any small firm analyst must accept that the management process may *"not be a readily visible process"* but be "abstract" rather than "concrete" in form. It is the researchers'/analysts' task to determine this, and the first stage insights as to the true form of the management process being utilised by a particular owner/manager, in many instances, can be nothing more than an approximation.

In a case study approach to small firm analysis, the initial stages must involve a "getting to know each other" period. It is necessary to gain the confidence of the o/m, which in itself requires the establishment

of an acceptable form of jargon-free terminology, and, an outline understanding of what the o/m is about and how he is attempting to achieve it. For example, a naive, academic, jargonised approach toward a highly pragmatic and time-constrained small businessman, is unlikely to achieve the insight levels sought. Thus, the determination of an approximation of the management process of a particular firm, is a solid starting point and lends itself as a foundation from which to proceed through the taxonomy of key influencing factors to "firm-up" those foundations. Indeed, it is the key influencing forces (i.e. management ability levels, access to finance, "personalised inputs" etc.) which combine to constitute the form of the existing management process.

The nature of the key influencing forces, when considered vis-a-vis the existing management process, in turn helps to reveal the potential of an o/m for improving the management process, either toward "pro-activity or toward improved "adaptivity".

(4) INTRODUCING THE SPATIAL CONTEXT.

What's more, if a taxonomy is to accommodate the auditing of a small firm within its environment, that taxonomy must incorporate classification systems which address the possibility of location-specific factors which are likely to influence small firm activity and competitiveness. Throughout the above review, the importance of the individual firm in its unique operating environment, has been made clear. The literature reviewed, however, has not revealed specific influencing factors to guide an investigator's delving into the jungle environment of a particular business. Several studies have in fact responded to a lack of coherent theory, explaining the existence of uneven geographical small firm growth (for example (56), (57)) and Faulkner⁽⁵⁸⁾ has reviewed existing knowledge of new firm formation and growth in an attempt to develop a taxonomy of factors likely to influence business development locally.

Faulkner is in fact suggesting "*a template for the audit of the business environment and infrastructure in any locality*" and thus a potential "*framework for the assessment of opportunities and constraints facing organisations (in the starting area)*". Her "template" is thus designed for the analysis of the local environment, rather than a particular firm within its operating environment with which the investigation is concerned. Nevertheless, in its highlighting of particularly important forces of a local environment, her taxonomy does offer valuable insights and the potential for adjustment to aid in this investigation.

Much of Faulkner's emphasis is in fact upon whether a particular locality is conducive to new firm formation, not merely growth; moreover, her framework derives, in the main, from Fotherhill and Gudgin's⁽⁵⁹⁾ focus on employment and changes in manufacturing industry. With regard to the first point, the author's interpretation of the potential of Faulkner's framework, focuses upon

its application in relation to enabling and constraining forces on small firm development (in terms of growth or maintaining of current level of activity). With regard to the framework deriving from focus on manufacturing, Faulkner emphasises how *"the bulk of empirical work on the subject, focuses on employment changes in manufacturing industry"* and that *"this is justified on grounds that although service industries now account for an increasing percentage of employment (and new business starts), these are generally dependent on local markets. By contrast, industries in the primary and manufacturing sectors may be regarded as basic, in that they generally sell to geographically wider markets, thereby bringing wealth and employment in the local area. Since, with the decline of agriculture and coal mining as major employers the primary sector is now very small, the location of manufacturing employment is seen as the most crucial to the changing fortunes of any one locality. Indeed, the "multiplier effect" of growth in manufacturing on dependent industries is increasing, although at the local level the link with growth in the service sector does not appear to be strong"*. (Faulkner from Fothergill and Gudgin, 1982)

For the author, whilst accepting in essence the justification with regard to emphasis upon manufacturing, there are still major pockets within the economy which are predominantly reliant upon the input of the agricultural industry and this must be accommodated within any spatial component of a taxonomy which is capable of utilisation in such agriculturally oriented areas. Since agriculture does indeed play a major input into one of the localities central to this investigation, an "agricultural orientation" is so accommodated.

The "pertinent features" of Faulkner's taxonomy, are presented under six headings; markets; industrial base; labour market; environment; business support structure; and "culture".

With regard to markets, Faulkner underlines how business starts will more likely occur in buoyant or growing markets than those of a static or declining nature. She emphasises the importance of market change at the national and international levels, but that *"market characteristics at the local level will inevitably determine business opportunities and constraints also"*.

On industrial base, Faulkner highlights three important features of an area of importance to local business development. Firstly, industrial structure - declining industries have a potentially inhibiting effect; new firm founders tend to start up in industries in which they were previously employed; and basic industries have a crucial role of importing wealth to an area. Business development is likely to be promoted by industrial structure where there is a strong representation of growing industries, where no one industry dominates (but where some specialisation does exist) and where there is considerable buoyancy in manufacturing and in service industries.

Secondly, the size structure of an area's industrial base is important. In areas where large firms predominate, business development is likely to be impeded, but promoted in areas with a "reasonable mix" of small and large plants - this deriving from the hypothesis that small firms are a "training ground" for entrepreneurs.

Thirdly, business development in an area is influenced by the degree of control within the industrial base via its influence on the managerial base. If subsidiary production plant predominates, business development may well be impeded.

With regard to the labour market, potential entrepreneur supply (a pre-requisite of small firm formation and of growth of the small firm), will depend on two major factors. Firstly, the evidence suggests

that new firm founders will emerge in areas with a well developed occupational structure. The existence of higher skill categories and a high proportion of managerial vis-a-vis operative groups, are of particular significance. Secondly, favourable employment trends. A beneficial climate would see both an increasing overall level of employment and some degree of stability within the labour market. Medium to high job security and relatively low jobs turnover, appears to be convivial to new firm formation. The relevant spatial level regarding employment trends, is dependent upon the degree of labour mobility (the degree to which people are prepared to move to secure a job).

On the importance of business support structure, Faulkner suggests three criteria upon which to assess infrastructure contribution. It should firstly provide the full range of resources which an individual business requires in terms of premises, finance, advice, counselling and training. Secondly, it should actively encourage entrepreneurial development - by way of example Faulkner cites the establishment of mechanisms for networking between businesses so as to enhance local linkages and provide a support system. Thirdly, the infrastructure should stimulate the supply of new firm founders by promoting enterprise.

Faulkner's final component in her taxonomy, culture, is based on the view that new firm formation and growth will be influenced by the strength of enterprise culture in an area and by the local and external connections discussed above.

As already suggested, Faulkner's taxonomy provides valuable insights in the form of base parameters, from which to consider the potential enabling and constraining forces within a particular locality, with regard to new firm formation and likelihood of survival and sustained growth. Her examination of the contribution to knowledge of what is predominantly

disciplines of regional economics and urban geography, provides a foundation from which to incorporate location-specific factors into the construction of a taxonomy capable of ultimately addressing the analysis of a particular business within its operating environment.

From Faulkner's base parameters, the following location-specific taxonomy can be elaborated to allow for consideration of a particular small business within the context of local enabling and constraining forces. (The complete taxonomy for that analysis deriving from the integration of the following spatial taxonomy with the previously discussed taxonomy of small firm "key influencing factors").

Spatial Taxonomy

- | | <u>Features</u> | <u>Spatial Level</u> |
|-----|--|-------------------------|
| (a) | <u>Markets</u> | national/regional/local |
| (1) | Is the small business operating within a static or buoyant growing market? | |
| (2) | What is the relative importance of international, national and local level markets in terms of enabling and constraining forces? | |
| (3) | Is the small business identifying the enabling and constraining nature of these markets and acting accordingly? | |
| (4) | How is it managing these enabling and constraining forces? | |
| (b) | <u>Industrial Base</u> | regional/local |
| (1) | What is the industrial "balance" in terms of agricultural, manufacturing and service industries in the area? | |
| (2) | What is the relative growth/decline rate of these industries and which are particularly buoyant? | |
| (3) | What is the "mix" of small and large firms within the area and within the industries? | |

(c) Labour Market regional, local, individual

(1) How does the industrial "balance" and size "mix" together with industrial rates of growth and/or decline and the inherent employment trends, affect the small firm's ability to acquire its requisite level of management and operative skills?

(2) Is the occupational structure sufficiently developed to provide supporting management skills necessary for the small business o/m to grow at his chosen pace?

(3) What is the general level of labour mobility in the region? (in occupational and geographic terms)

(d) Physical Environment national, regional, local

(1) What is the condition of the physical infrastructure in terms of communications, housing, etc.?

(2) What is the level of home ownership and inherent ability to free capital and offer security?

(e) Business Support Structure national, regional,
local

(1) What is the current level of support provision in terms of premises, finance, advice, counselling and training?

(2) Who are these major providers? How active are the local chamber of commerce, enterprise agency, banks, etc? And how well informed is the small business as to such support? How receptive is he?

(3) How advanced is the concept of networking between local businesses?

(f) Enterprise Culture national, regional, local,
individual

(1) How positive is the enterprise culture within the area and to what extent is this "drawing in" the individual business?

(g) Local Community - "Social" Input local,
individual

(1) How close is the local community and to what extent does the community offer itself in terms of the small business o/m fulfilling wider social objectives?

Note:

Many of the specific questions can only be comprehensively answered within the parameters of the full taxonomy. That is to say the full taxonomy consisting of (a) the above spatial element and (b) the "key influencing factors" component combine to offer the potential for auditing the particular small business in its local contextual environment.

(5) COORDINATING ALL DERIVED SMALL BUSINESS INSIGHTS INTO AN INTEGRATED TAXONOMY

Fig. 9 Fully Integrated Taxonomy-an Auditing Template

Component (1): The Spatial Taxonomy

<u>Features</u>	<u>Spatial Level</u>
(a) <u>Markets</u>	national. regional, local
(b) <u>Industrial Base</u>	regional/local
(c) <u>Labour Market</u>	regional, local, individual
(d) <u>Physical Environment</u>	
(e) <u>Business Support Structure</u>	
(f) <u>Enterprise Culture</u>	
(g) <u>Local Community - "Social" Input</u>	

Component (2): Key Influencing Factors Taxonomy
(i.e. components (a) to (e))

<u>Features</u>
(a) <u>Approximate Form of Management Process as Starting Point</u>
Determine through informal discussions with o/m and through a resource audit an approximation of his management process

- (b) Owner-Manager "Personalised Inputs"
 - (1) Educational background/career experience
 - (2) Preferences re autonomy/independency levels
 - (3) Prejudices/values
 - (4) Existing and potential skills levels
 - (5) Attitudes to management methods and practices

- (c) "Political" Inputs via relationship with:
 - (1) Family influence on
 - (i) o/m objectives/motives
 - (ii) level of control/ownership (e.g. tolerance to outside influence re finance provision and management input)
 - (iii) succession, promotion, recruitment
 - (2) Society
 - (i) local community (e.g. social role of business)
 - (ii) employee relations (including existence of powerful personalities)
 - (iii) receptiveness of labour market to the industry and the particular business
 - (3) Customers
 - (i) relationship with owner/manager (including loyalty level)
 - (ii) ability and willingness to switch to substitutes
 - (4) Suppliers
 - (i) number and relative power of suppliers

(d) Effects of "personalised" and "political" inputs upon the existing form of the management process

Essentially a "firming-up" process - establishing in more depth the form of the small business management process and the effects of the "personalised" and "political" inputs on its ultimate form.

- (1) Ability to screen the operating environment, extract valid and relevant information and isolate the main forces and influences on the business.
- (2) Ability and/or willingness to raise finance
- (3) Ability and/or willingness to secure requisite managerial skills
- (4) Ability to relate to the perceived main environmental forces and influences, in particular the appropriateness of:
 - (i) Organisational structure (including definition of roles, rights, obligations, duties and responsibilities and delegation of authority)
 - (ii) Control systems
 - (iii) Process technology (including flexibility); procedures
 - (iv) Strategy and tactics formulation
 - (v) Human resource base

(e) Potential for Improving on Current Form of Management Process

(1) Appropriateness of current management process (i.e. given the existing balance of "personalised" and "political" influences, is the current management process appropriate, whether it be approximating Adaptivity or Pro-activity)

(2) Potential for improvement (i.e. do the existing "personalised" and "political" influences suggest an ability and willingness to improve on the current management process - either a move toward greater "Pro-activity" or to improve "Adaptive" capability.

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CHAPTER FIVE

THE "LOOSE"

EPISTEMOLOGICAL

BOOTSTRAP AND ITS

"TIGHTENING"

(1) INTRODUCTION

Re-emphasising the Role of Epistemological Bootstrapping.

When undertaking empirical research, the investigator should develop a set of taxonomic categories which provide the foundations for classifying data. Inherent within the approach will be concepts the researcher considers relevant. Together, the taxonomic categories and relevant concepts form a framework which enables the researcher to decide what to ignore in the area of chosen research. *"The taxonomic categories and the concepts of relevance are linked to the context of existing theory. Thus there is a link between an interpretive theory, which "provides the facts" and the current state of development of an exploratory theory, which does not merely seek to explain them, but also influences how they are currently understood. This link is what Lakatos (1970 a, b) called the positive heuristic of the research programme: the researcher is thereby given a fairly coherent idea of what to look for in order to test and develop further the explanatory theory". (Archer⁽¹⁾).*

Archer proceeds to emphasise, however, that in a nascent discipline such as management, **"this link barely exists"** Because of the under-developed nature of any explanatory theory, one will not find *"anything at all clear and unambiguous in terms of taxonomic categories and concepts of relevance. For these, the researcher is still largely dependent upon conceptions which are pre-theoretical, in the sense that they derive from the taken-for-granted background understandings whose very limitations provide the stimulus for seeking to develop the nascent discipline"*.

Thus, the nascent discipline faces a problem of "epistemological bootstrapping". Archer uses the analogy of computing to clarify the approach. A

bootstrap is a programme in computing used to prepare the computer to receive other programmes. "A programme has to be read in as data, under the control of another programme, before it can be executed. The particular function of the bootstrap programme requires that it must read itself in. But, unlike the case of the computer which merely uses the bootstrap to read in other programmes (which then handle the data), the "epistemological "bootstrap" constitutes a proto-interpretive theory" (an initial conceptual programme) "which is used to read in data and loads those data with its own assumptions".

As made clear in the introduction to this investigation, the author is greatly influenced by the insights offered by Archer with regard to the research approach to which the role of the "epistemological bootstrap" is central. However, Archer's proposition that the role of bootstrapping may not form part of the research but as "a process of personal discovery" was questioned by the author in that it appears to derive from an over-generalist view of the would-be researcher. Archer feels that "it may be preferable not to characterise the essential self-education process as "research" but rather treat it as a "pre-requisite to research", as "the phase during which the proto-theory which is the springboard for the research programme is developed. It is also an informal individualistic process". For the author, Archer's proposition fails to seize on the fact that the would-be researchers will have their origins in many different backgrounds and experience - academic - and research bases. This in turn misses the opportunity to utilise an initial "bootstrapping" process to consolidate existing wide management knowledge bases and research insights of those researchers commencing from such a vantage point with other existing authoritative insights in the area being researched. The true opportunity within such an approach lies in the potential to ensure continuity of research and to avoid the dangers of fragmentation and

adhocracy of management research which is now becoming well documented.(2)

Thus, the development of an initial conceptual framework capable of throwing up the major issues of a research investigation, if that investigation is to avoid the major shortcomings of management research, is more likely to effectively derive from more formal initial research. Archer's calls for a minimal familiarity with the field to be researched only goes part way to addressing the need for strength of foundation of the initial bootstrap. A minimal familiarity for Archer, can be achieved through a combination of studying any extant literature and personal exposure to the field, possibly via some formal data collection. This may indeed be appropriate for a young graduate fresh out of university with little practical experience, but it fails to distinguish two major points.

Firstly, an experienced manager with partial research experience such as the author, has the opportunity to integrate that knowledge-base with other existing associated insights, so as to produce solid foundations for ultimate empirical research.

Secondly, that existing research base and authoritative insight is, in many areas of management, very fragmented. In the small business area, this fragmentation is considerable - not only is the small business research base itself difficult to derive, but also much of the general economics and organisation behaviour literature fails to distinguish between the large and small firm (thus the small firm is either bracketed out and ignored completely or is assumed to "fit in" to the propounded concepts which are considered uniformly applicable). Effectively then, the actual role of the "epistemological bootstrap" is contingent upon the characteristics and experience base of the researcher and upon the "state-of-the-art" of the research field to be investigated. For a graduate

PhD researcher that "bootstrap" may well be effectively developed through the achievement of a minimal level of familiarity with the field to be researched, and may not form part of the research. For a would-be researcher such as the author, whose management, academic and research experience offers the opportunity not only to consolidate that experience base with existing small business authoritative insight but also to extract small business relevant insights from the essentially "large firm oriented" literature, the development of the "bootstrap" forms a central part of the research. The foregoing analysis has thus provided that consolidation and can be presented in the form of an "epistemological bootstrap".

The potential areas of emphasis both regarding forms of government intervention and the size and type of company affected are extremely wide. Moreover, the context within which business is affected by government activities requires consideration. The first part of this research therefore, through an iterative process, produced a formal consolidation of the researcher's knowledge and research experience with selective existing research advances and current management practice into an "initial bootstrap". A constant to-ing and fro-ing between the literature and the practical environment of small business, began to "firm up" insights. This initial 'strap was utilised to focus attention on the issues relevant to the study and formed a potential (broader) framework for footholding the research. It assisted in the formulation of initial research questions which, in turn, made the assumptions of the bootstrap framework (the proto-theory) become more explicit. What must be known first and what is most important began to be highlighted. Integration and continuity in research begins to be accommodated.

Effectively this first-stage bootstrapping aims to produce a "loose" bootstrap and forms the initial foundations for the second stage of the investigation,

exploratory discussions with prospective participant firms, which when combined with stage three of the study (a progressive review of the extant literature) builds upon and consolidates the findings to date, and provides a "firmed up" second-stage "tight" bootstrap.

Bootstrapping, then, is for the author, a vehicle central to the research approach. It forms a major part of a narrowing down process.

- (1) Integration of researcher's knowledge-base with current research advances and management practice.
- (2) Initial "loose" epistemological bootstrap
 - major issues for investigation
 - formulation of initial research questions
 - assumptions of bootstrap framework explicit.
- (3) Exploratory discussions with prospective participant firms and progressive review of current literature.
 - "tight" bootstrap.
 - more rigorous conceptual framework.
 - formulation of more precise research questions as ultimate basis for more detailed micro-level case study.

The arrows demonstrate the iterative, to-ing and fro-ing nature of the adopted bootstrapping process:

Commencing with a base integration of the author's knowledge-base with research advances and management practice an initial "loose" bootstrap begins to emerge. These insights are taken out into the small business community and "tightening" of insight takes place. Once more back to the literature, the author's modified "constructs" are utilised for further analysis of the literature

Once again, further exploratory discussions with prospective participant firms are conducted and a progressive review of the literature, leads to the "tight bootstrap"

It must be re-emphasised that the foregoing analysis in Chapters one to four, presented the development of the respective component parts of the "bootstrap" predominantly in the form of the interpretation of the respective streams of literature - with intermittent feed-in of practical findings being emphasised. The role of practical contact with the small business world in the iterative, to-ing and fro-ing process is predominantly that of modifying and adjusting the author's own personal constructs, which in turn have been used to extract and interpret relevant areas of the literature from which to derive component parts of the "bootstrap".

The "tightened" bootstrap can now be represented in its component parts, to which the following sections relate.

COMPONENT 1: A
"CONTEXTUAL" FRAMEWORK OF
POTENTIAL GOVERNMENT
INTERVENTION BY ROLE OF
GOVERNMENT

Fig. 1

Component (1)

<u>"Contextual" Conceptual Framework of Potential Government Intervention - by Role of Government</u>	
<u>Government may affect the small business in one or more of the following actor roles:</u>	
<u>Acting Role</u>	<u>Role Activity</u>
(a) Customer of private sector	e.g. buying drugs for NHS
(b) Employer	e.g. absorbing scarce skills
(c) Tax and subsidies lawmaker	e.g. setting framework for private decisions (e.g. relative tax burden)
(d) Prohibitive authority and/or enforcement officer	e.g. prohibiting pollution; health and safety at work
(e) Agent for ultimate control of the economy	e.g. managing level of demand and employment
(f) Collector and disseminator of statistical indicators and forecasts	e.g. influencing industrial expectations and decisions via White Papers or monthly figures
(g) Commitment maker	e.g. commitments to generate confidence to invest
(h) Channeller of savings	e.g. direct savings to particular industries or classes of firm
(i) Adjustor of industrial structure	e.g. encouraging or preventing mergers

Component (1): A "Contextual" Conceptual Framework of Potential Government Intervention - by Role of Government

Major Issues:

- (a) No constructive analysis of government intervention can accommodate all areas of government activity affecting the small business.

A detailed de-jargonised "contextual" framework of potential areas of government intervention, provides the "full context" within which to determine policy initiatives of current specific significance to the small business.

- (b) Small businessmen have often had little opportunity for formal education and for management training. A "full contextual" framework formulated by role of government offers a de-jargonised structure of government economic activity within which to communicate with the small businessman.

Those areas of activity central to the investigation, should be discussed within the full context of activity, thereby allowing the o/m to recognise and highlight wider aspects of government influence on his business. Such an approach accommodates the facts that government policy often has secondary consequences which are not always recognised; the possibility of indirect effects and the need for a rounded view of inter-linked issues in central government.

- (c) Whilst the "contextual" framework portrays the full context of government economic activity, that framework is only one part of the outer context of a business.

The strategic change literature tends to treat context in a limiting manner in the form of the competitive environment. The external context of a business in fact comprises legal, economic, political, technological, cultural and social sub-contexts. The development of the "contextual" conceptual framework of government intervention, derives from the acceptance that government intervention is in fact one sub-context of the small firm environment (effectively placing government as an actor on the external environmental stage and fulfilling various acting roles). The research approach must accommodate an analysis of government intervention as one sub-context within the full outer context of a business, and of how that intervention impacts upon the features of intra-organisational context (i.e. multi-level (or vertical) analysis referring to the effect of the inter-dependencies between higher or lower levels of analysis upon phenomena to be explained at some further level). Moreover, the approach must incorporate processual analysis regarding the sequential inter-connectedness between phenomena in historical, present and future time.

COMPONENT 2: THE FOCUS OF
THE INVESTIGATION
(DETERMINATION OF
AREAS OF GOVERNMENT
INTERVENTION FOR
INVESTIGATION)

Component 2: The Focus of the Investigation.

The development of a "contextual" conceptual framework of potential areas of government intervention, provided the structure within which to combine the author's experience of small business operations and selective insights, to derive the requisite focus for the investigation. It is the small firm psychology, unique problem-type and resultant small firm management process which, when considering the full context of potential government intervention activity, provides a natural focusing on intervention areas, where practical insights are critical for the small business sector and public policy-makers alike.

Fig. 2 Focus of the Investigation

(a) At the "general economic climate" level.

Current government philosophy with its unabating utilisation of interest rates and exchange rates in economic management points to urgent need for greater understanding of the workings of the small business and implications of volatility of these two variables (especially within the context of small business difficulty in relating to their environment).

(b) At the "local" level of support schemes directed toward the individual firm.

The critical problem of lack of finance (or at least difficulty in raising finance) underlines the need for investigation of the small business within the context and implications for support scheme design and implementation.

(c) The problems in (a) and (b) (i.e. difficulty in relating to the environment and in raising of finance) emphasises the need for improving of small business management skills - thus an examination of government training initiatives on the basis of results and insights derived in (a) and (b).

(d) Requirement systems permeating all areas of government role activity which may well be an over-negative force on small business competitiveness.

Component 2:

Major Issues

- (a) Given the differentiated nature and characteristics of small business, a critical focus should be such as to derive insight into the ways in which high interest rates and/or volatile exchange rates affect the ability of the participant small business to compete (and thereby fulfill the ambitions or objectives of the o/m).

How do these economic variables affect the various stages of the management process of the participant business?

What effects do these external forces have in sequential terms (historical, present, future)?

What are the policy implications of the findings?

- (b) In terms of capital requirements (fixed and working capital), what are the problem-types facing the participant business?

In what ways are existing sources of finance inadequate?

How far do government financial support schemes go toward offering required finance (including benefits and deficiencies of support finance)?

What are the sequential implications of the enabling and constraining forces of problems relating to lack of finance and/or finance support schemes?

What are the policy implications of the findings?

- (c) What is the nature of the requisite management skills needed by the participant small business managers to reduce the problems revealed in (a) and (b)?

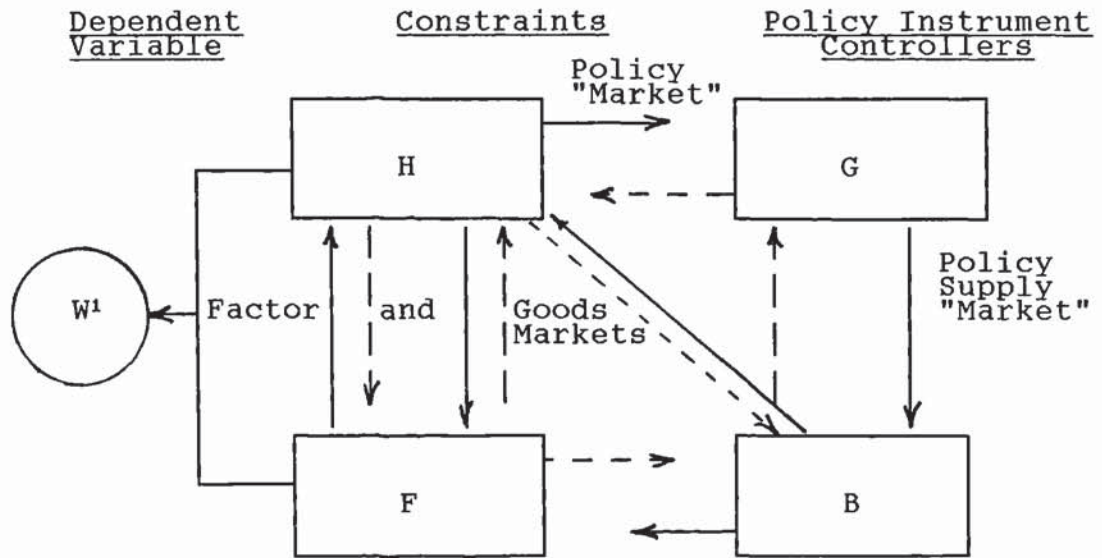
What is the "gap" between requisite management skill levels and the input provided by current government small business management training programmes?

What are the sequential implications of deficiencies in management skills - in terms of current position and performance vis-a-vis historical standing; and in terms of progress and development for the future?

COMPONENT 3: ECONOMIC
ANALYSIS OF GOVERNMENT

Component 3: Economic Analysis of Government.

Fig. 3 Revised Economic Policy Paradigm.



Key

- W^1 = Policy Outcome (as reflected in objectives; e.g. inflation rate)
- G = Government (vote maximiser)
- B = Bureaucracy (output maximiser? budget maximiser?)
- H = Households/voters (utility maximisers)
- F = Firms (profit maximisers? growth maximisers? power maximisers? etc.)

Component 3: Economic Analysis of Government.

Major Issues

- (a) Peacocks revised economic policy paradigm emphasises the non-passive nature of firms with regard to changes in their opportunity sets which government may attempt to force on them. The paradigm also presents government as a collection of individuals with Cabinet status who, in turn, have different trade-off functions and differing perceptions as to how to maximise them - not as the monolithic being conveyed by traditional theory of economic policy.

Effectively, Peacock underlines the need to approach the economic analysis of government in a manner which accommodates study of the interaction between policy formulators and executors and those whose actions are to be modified by policy instruments.

Current evidence suggests that small firm policy formulation is not based on the conclusions of such analysis, in that many initiatives are speedily designed and implemented and unsympathetic to the needs of smaller businesses whom they are intended to assist or influence.

That firms are not passive adjustors to changes in their opportunity sets imposed on them by government, suggests the interaction between policy formulators/executors and small business will only result in the required level of influence upon those businesses, if the initiatives are based on a sound understanding of the recipient small business characteristics, problem-types, management process and contextual operating environment.

Focus is needed on these small business factors as the context within which to consider small firm policy needs, appropriate policy responses and likely modifying or nullifying reactions of the small firm to government initiatives.

- (b) If government is proceeding with small business policy formulation and implementation, without adequate insights into the workings of small business, the question arises as to the actual form of guiding insights and theory upon which government does base its policy. What are the inherent strengths and weaknesses of the underlying foundations of government policy?

Moreover, what other theory or knowledge-bases are available which provide guiding insights into the workings of small business and, though not fully utilised by government, are capable of contributing to the footholding of this research and ultimately to the development of a working small business knowledge-base?

The "bootstrap" must thus extend to incorporate insights in these areas, which will aid in the formulation of frameworks and interpretive devices, for a contextual empirical study of the small business participant in this investigation. It is to this which Component (4) is directed.

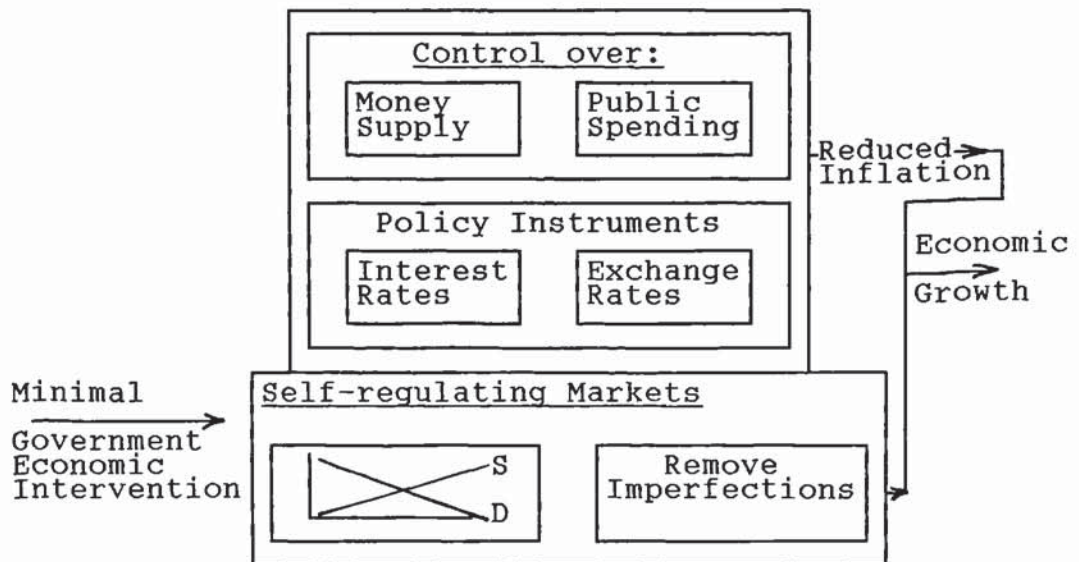
COMPONENT 4: INPUTS FROM
EXISTING THEORY AND
KNOWLEDGE-BASES

Component 4: Inputs From Existing Theory and Knowledge-bases.

(a) Macroeconomic Theory

(i) Monetarism

Fig. 4 Monetarist Model



Major Issues:

- (a) Economic theory can form a vital input to policy design. There is a tendency in Britain, however, toward an over-reliance by government on theory as the basis for policy design. Recently, theory and policy have become more intertwined.

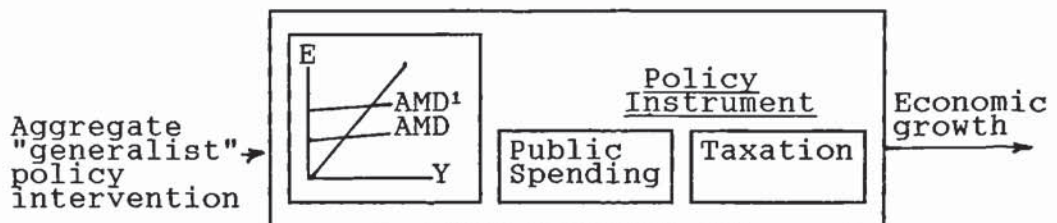
The broad theoretical foundations of monetarism derive from the theory of markets. Monetarist response to the acceptance of the over-simplified form of the underlying general equilibrium model, is to suggest that the U.K. economy does not operate as "per model" because of the toleration of imperfections. In other words, we need only remove those imperfections in order for the economy to operate as "per model".

Free market-based economic policies may be the way toward economic advancement, but the unreliable nature of the base general equilibrium model, underlines that many market rigidities cannot, or should not, in reality be removed, and that others should only be modified with care.

At issue is the nature of the market imperfections and rigidities, especially within the context of the workings of the smaller business. Current government activity does not suggest a level of insight of adequate depth.

(ii) Keynesian Demand Management.

Fig. 5 Demand Management Model



Major Issues:

- (a) Keynesian Demand Management has been utilised as a valid alternative to free market economics. Again, an over-reliance upon the underlying theoretical foundations by British governments, has resulted in an inability to come to terms with the practical, earthy problems faced by the "recipient" economic actors. Indeed, the British attempts at applying demand management techniques, have reached levels of sophistication and refinement, far beyond the more pragmatic economic management of our more successful continental competitors.

The underlying theoretical foundations of Keynesian Demand Management produce

over-generalist, aggregate initiatives which fail to address the specific problems of particular industries and particular companies. The unique problem-type of the small business is completely bracketed out.

Whether striving to open up part of the economy to market forces or to offer support through intervention policy, initiatives need to be based on greater understanding of the markets and the economic actors therein.

(iii) Economic Symbolism.

Major Issues

The application of economic policy in the U.K., whether it be Keynesian Demand Management or monetarism, has suffered from an over-reliance upon underlying economic theory. This in turn has seen a tendency to concentrate predominantly on symbolic figures and quantities to the neglect of real quantities of goods and services.

The resultant "to-ing" and "fro-ing" of policy emphasis as governments react to "symbolic" targets and/or constraints, whether it be the price level, exchange rate or balance of payments, provides constraining forces of a velocity such as to severely handicap the progress of the smaller business. Huge swings and fluctuations in policy instrument variables such as interest rates, exchange rates and/or government expenditure, can be anticipated and managed to some degree, by larger companies - small businesses find this particularly problematic.

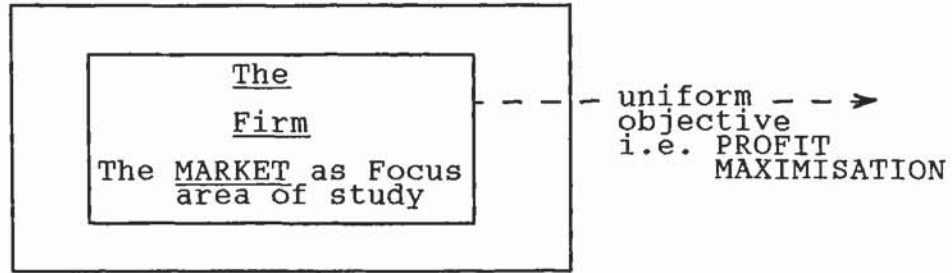
Since British governments are unlikely to modify such actions, at issue is the need to determine the nature of the effects of "symbolism" upon small business, partly in the hope that governments will sit up and take note, but, in the main, anticipating that not to

be the case, to offer insight into the problem-type as a basis from which to consider ways in which small business management capability can be improved to cope with the phenomena.

(b) Microeconomic Theory.

(i) Traditional Theory

Fig. 6 "Traditional" Model



Major Issues:

- (a) Neo-classical economic theory never had as one of its objectives the provision of insights into the functioning of the firm. The firm itself was a fully specified, hypothetical construct, designed as part of the explanation of how markets functioned, and how resources were optimally allocated.

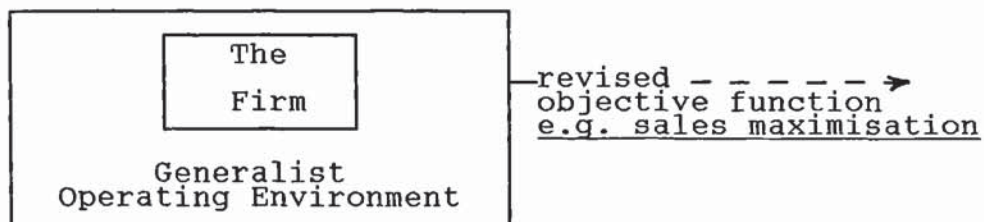
It would appear that in order to derive greater insight into the functioning of the firm in the modern economy, a re-focus of emphasis should posit the firm, as an active entity within its operating environment, as the focal point of the study. This shift in emphasis, then, goes hand in hand with a shift in objective away from that traditionally associated with neo-classical theory - it is not a case of attempting to incorporate minor revisions to the base neo-classical model, but to derive insight from models or theories where objectives are company rather than market-centred.

- (b) Attempted revisions to neo-classical theory or the offering of alternatives, must address the particular firm within its specific environment. That profit may be accepted by

some academics as a valid motive within neo-classical theory as relevant for the entrepreneur o/m but not for the managerialism-based larger firms is to underestimate the nature of small businesses and potential motivations of their owner-managers. It is critical to remember that neo-classical theory anyway had as its aim, something quite different to offering insights to the functions of the firm - thus any potential interpretation of the model and/or marginal revisions, leads to misuse and is certainly no starting point for deriving understanding of the small business.

(ii) Revisionist Theory of the Firm.

Fig. 7 "Revisionist" Model



Major Issues:

- (a) Managerial theories of the firm have attempted to tackle the constraining assumption of profit maximisation. However, the majority of the theories of the firm share a teleological characteristic in that they tend to assume the firm is goal-oriented (even though replacing the traditional profit maximisation objective).

The "political" organisation literature views the firm in a "pluralist" fashion, consisting of self interest groups and coalitions. The varied apparent goals of small firms expressed through their o/m's are generally formulated in a far lesser "political" climate - but, as emphasised in later "bootstrap" inputs, the

nature of political interactions must still form a valid part of the contextual analysis of the smaller firm.

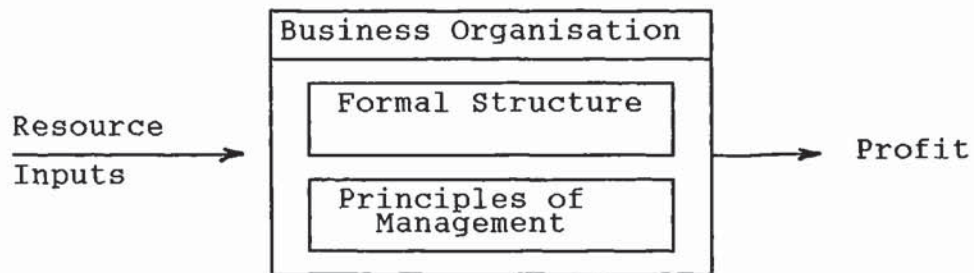
- (b) The managerial theories, as with traditional economic theory, tend to place the firm in a generalistic operating environment (i.e. the capitalist economy in general), thus abstracting from the specific institutional features of particular national economies.

A "contextual" analysis approach to empirical investigation does not accept such assumptions, but must accommodate not only institutional features of the economy, but also location-specific factors which may affect the firm (see the "spatial" input of components).

(c) Organisational Behaviour.

(1) The Classical School.

Fig. 8 The Classical Model



Major Issues:

- (a) The classical model is a vast oversimplification of the functioning of an organisation. But it provides the "learning manager" and economic policy makers seeking to influence a firm a skeletal framework from which to enhance understanding of organisations. For the researcher the model has the potential of a guiding "focal vehicle". - the model, in its crudity, draws attention to

the need to consider appropriate structure, and the pyramid and attendant management principles, whilst far too rigid and over-generalist (inappropriate for all businesses and even all parts of any one business), can contribute toward the makings of a first guiding framework.

- the school grew up in the main in response to the increasing complexity and size of organisations and is thus essentially large company oriented. However, the model does have a role to play in the context of small businesses in its focusing of attention on formal structure and concepts such as effective span of control. Small firms are essentially informally structured, but as they grow will need to gradually formalise their structure in accordance with the demands of their external and internal environments.

The classical model can act as a first approximation "focus vehicle" having due regard for its inherent strengths and weaknesses.

Strengths: focuses on the need for formal structure - as the firm grows, attention is needed with regard to authority relationships, allocation of responsibilities, roles, etc.

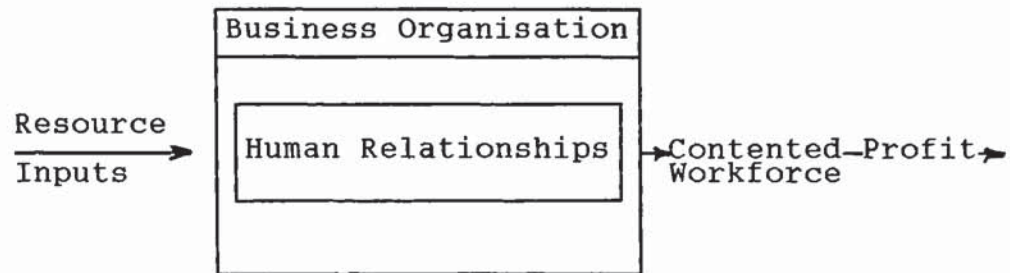
Weaknesses: the model is over-uniform. Not all businesses are suited to hierarchical structures and "prescribed" principles. This remembered, the skeletal base is capable of utilisation within innovative insights relating to the need to differentiate structure within business in accordance with dominant activities therein (see for example (9)).

- (b) From the perspective of researcher and policy formulator, analysis and policy design must accommodate the problem-type faced by small

business with regard to the relationship between the business inner structure and its ability to deal with external environmental influences.

(2) The Human Relations School.

Fig. 9 Human Relations Model



Major Issues:

- (1) The human relations views of organisations helps to put flesh on the classical skeleton. It emphasises the overwhelming importance of People.

The findings of the school do, in many instances, offer themselves as practical guiding frameworks with real world applications, but again are essentially large company oriented knowledge-bases.

Moreover, human resource management is not a primary problem for many small businesses (almost two thirds working as self employed employ nobody else).

Nevertheless, for those having employees, and as the small firm begins to grow, concepts of leadership, motivating workers and job design, do become significant to the success of the business. Even for the one man self employed, human relationships with customers, creditors and suppliers, are vital (and research evidence in areas such as market orientation of small

businesses suggests these relationships in many small firms are lacking).

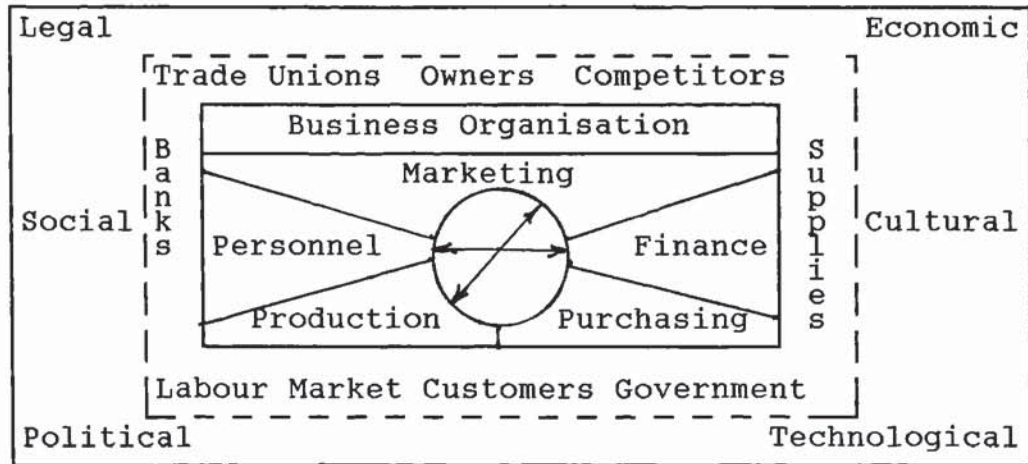
This raises the issue of the varied needs of small business managers in these areas in terms of guiding frameworks, acceptable language and problem-types. The utilisation of the Human Relations School insights must be carefully adapted to accommodate these factors and be adjusted accordingly.

- (2) Evidence such as that relating to the kind of labour market faced by small employers (derived in part by restrictive career opportunities and wage levels the firm is able to offer) begins to underline the unique constrainers imposing on small business.

People are the lifeblood of any organisation and given the unique problem-types of small business, further insights into the nature of "people problems" within small firms is vital, if external forces such as government intervention are to assist and/or influence small business positively as intended by their design. The alternative (policy design based on a non-empathy for small firm "people problems") may well result in a manifestation of the current constraints faced by such businesses.

(3) The Systems View.

Fig. 10 Systems Model



(from: Lawrence and Lee;
Insight into Management (1986))

Major Issues:

- (1) The Systems view provides yet another perspective on business organisations. It offers a descriptive model which shifts the emphasis from description and analysis of the component parts of the business to that of the inter-relationship and inter-dependence of the business sub-systems.

It dismisses the classical and Human Relations Schools portrayal of the business as a closed system with easily controlled inputs and outputs. Instead the model emphasises that business is faced with complexities of a dynamic environment - an open system whose interdependent sub-systems must interface with different aspects of that dynamic environment.

This view reinforces the need to analyse government activity as one part of the firm's outer context within a full "contextual" analysis.

(2) Again essentially large company oriented but in practice the model does have a very real role to play in the research relationship with participant small businessmen.

- in its simple diagrammatic form it is an aid to help businessmen understand the integrative nature of the business and its environmental forces.

- "managerialism" is a major underlying ideology of the systems model. (organisations having management-formulated goals). Thus apologists of the "political" model of organisations who do not accept that organisations have goals have grounds to severely weaken the validity of the Systems view.

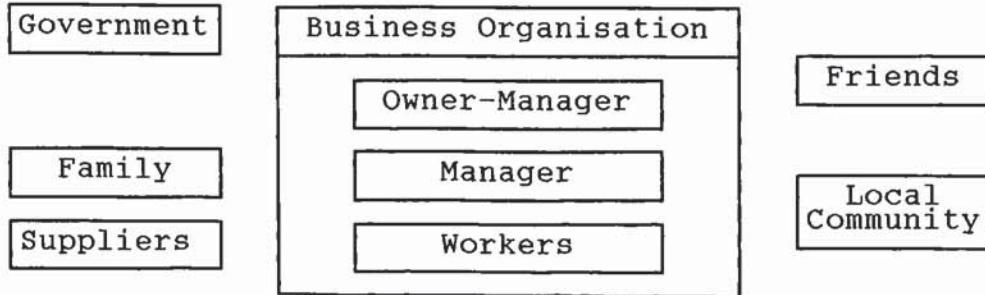
But small firms are also "Systems" (even the one-man band) and "managerialism" is not a valid concept within many small businesses and thus not a valid source of weakness of systems model application in many such firms.

- the systems model may have greater potential application in many small businesses where organisation (and its sub-systems) goals may be one and the same thing as those of the o/m.

There is, however, a need to accept the potential for "political" interactions within and surrounding small owner-manager businesses which are of a nature substantially different to those found in many large firms. Yet none the less, a constraining force upon the owner-manager in terms of fulfilling his objectives or strongly influencing their formulation.

- the contextual analysis must therefore accommodate the determination of "political" or potentially "political" forces within and around the participant small firm.

Fig. 11 The Political Model (- encompassing examples of forces which a small firm may face)



(4) The Contingency Approach.

The contingency theorist, whilst adopting the underlying philosophy of open-systems theory, offers a logical extension to that approach in order to address an underlying weakness. The systems approach effectively propounds that managers should consider all relationships within the "total system" and yet offers no insight into specific relationships in particular areas of management.

The extended philosophy of the contingency school propounds that decisions on appropriate structure, systems and procedures and leadership and motivational management styles derive out of an understanding of the organisation and its operating environment (rather than "classical" propounded "fundamental truths" and "universal principles"). The design of an organisation is contingent upon those specific conditions and circumstances within which decisions are made and implemented.

Whilst a contingency theorist may commence study from the standpoint of choosing a given aspect of organisation which managers need informing on (say structure), then determine those contextual variables which relate to the given organisational variable as the basis for analysis, the base "contingency" methodology nevertheless offers itself as a guiding insight to inform this investigation.

This investigation commences with given contextual variables (areas of government intervention) with the objective of determining aspects across the organisational variables spectrum upon which those contextual variables may impinge, and the nature of that impingement. The investigation is, however, essentially a contingent study and contingency school philosophy reinforces the need to ensure the degree to which those selected areas of government intervention are "contingent variables" in nature - i.e. how, if at

all, do they affect the small business participant cases; and which other areas of government intervention within the "contextual intervention" framework developed earlier are contingent influences.

Diagrammatically the major issues raised by an underlying "contingent" approach to this investigation are shown overleaf. However, acceptance of the organisation as "pluralist" rather than the unitary whole propounded by systems thinking raises the issue as to potential pragmatic difficulties within contingency type studies (since they are essentially based upon systems philosophy) and the need to accommodate this within this investigation research approach.

Contingency studies tell the manager what context/organisational variables relationships exist - not why they exist. Analysis needs to progress "*beyond the useful but mechanistic statements of contingency theory, which emphasise the inter-connections between the state of the environment and certain requirements for structure, behaviour or change, and begin to examine how and why changes occur in different socio-economic and business conditions through time*".(?) Insights into the processes of change which lead up to the contingency relationships in the first place are needed.

The required analytical approach necessitates an attempt at linking multi-level analysis and processual analysis of organisational phenomena.

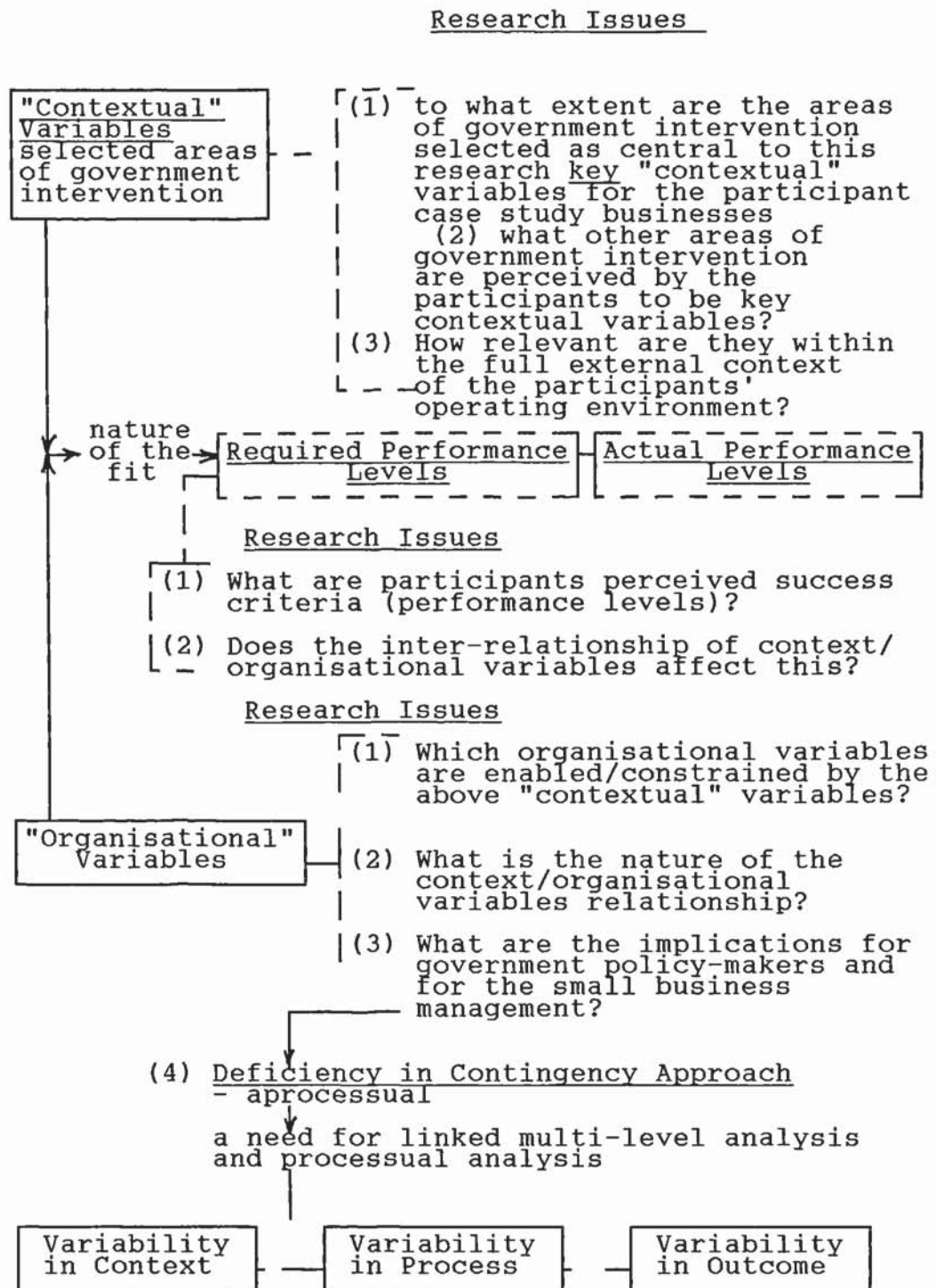
Fig. 12 Contextualist Analysis

<u>Multi-level</u>	- relates to the vertical form of analysis, referring to the interdependencies between higher and lower levels of analysis upon phenomena to be explained at some further level, e.g. the impact of changing socio-economic context on features of inter-organisational context and interest group behaviour.
<u>Processual</u>	- relates to the horizontal form of analysis referring to the sequential inter-connectiveness between phenomena in historical, present and future time.
<u>Key to the analysis</u>	- lies in positioning and establishing relationships between <u>context</u> , <u>process</u> and <u>outcome</u> . i.e. What are the relationships, if any, between variability in context, variability in process and variability in outcome.
<u>Major benefits from and principle problems with this kind of analysis</u>	- the craft skills in unravelling and establishing relationships between the components of context, process and outcome

(Adapted from Pettigrew: *The Awakening Plant; Continuity and Change in I.C.I.*).

Thus, whilst the underlying philosophy of the contingency approach offers itself for the raising of major issues to guide this investigation, one of those issues derives from an actual deficiency in the inherent contingency methodology in that it is aprocessual. It fails to explain why the propounded relationships uncovered by its study exist.

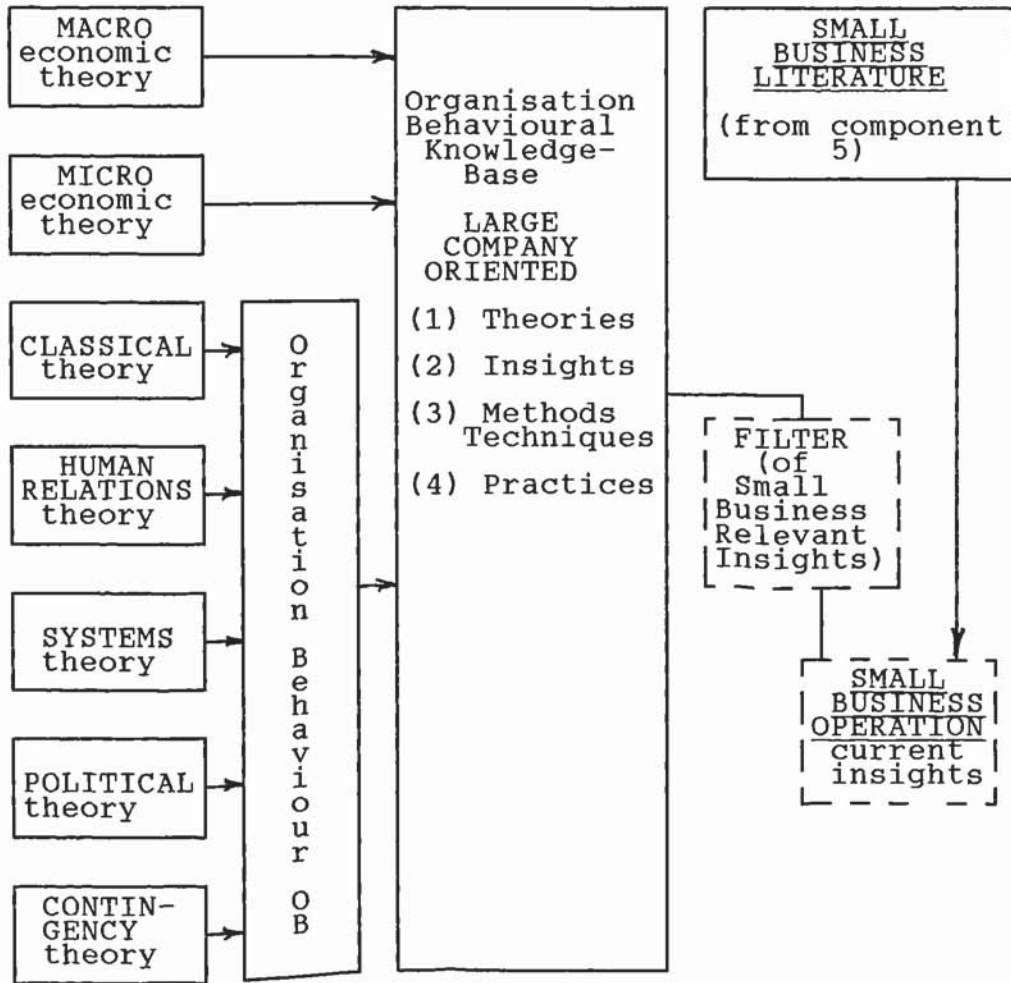
Fig. 13 "Contingency" Framework with "processual adaptation"



What are the relationships, if any, between variability in context, variability in process and variability in outcome?

Fig. 14 Integrated Management Knowledge Insights

Diagrammatic Summary of Component 4.



COMPONENT 5: A TAXONOMY
FOR AUDITING THE SMALL FIRM
WITHIN ITS ENVIRONMENT

Component (5): A Taxonomy for Auditing the Small Firm
Within its Environment.

Major Issues:

- (1) Many large companies have the potential to move toward an essentially pro-active management process whereby emphasis is placed upon predicting and controlling its environment.

That all firms undertake such a process, is a gross over-generalisation, but that many do, or at least have the potential to do so, provides the opportunity to utilise the pro-active process as a base approximation of large company activity against which to consider the management process of smaller firms.

- (2) Both the author's experience of small firms and current research insights, underline how small businesses are severely constrained by a lack of finance, time and management ability, which in turn restricts the form of the small firm management process. The underlying unique small firm problem-type is not adequately served by the predominance of management knowledge-bases which are essentially large company oriented and a creative and innovative approach to small firm analysis is required.

A creative synthesis of the author's small firm experience-base and current small business ideas, suggest a potential for the development of a small firm auditing template, which revolves around the small firm management process of the participating business.

- Many small firms, because of their lack of resources and managerial ability, struggle to relate to their external environment and are effectively proceeding via an "adaptive" management process.

- Many more small firms are so immersed in their day-to-day productive activities, that they at best "muddle through"; a few small firms do have the ultimate potential to become relatively pro-active.

- When assessing the performance, the potential and the likely influences of external forces within a small business, the ultimate conclusion must derive from consideration of the present form of the management process produced by the business (and its adequacy), and the potential and willingness of that small business, to improve upon its present approach. A static analysis would consider the effects of external influences at a given point in time. Empirical case study approaches, especially those designed to form the foundations of a longitudinal study, must focus upon the nature of internal enabling and constraining forces of the business and any changes, or likely changes in these over time, the key influencing factors unique to small business can be categorised into personalised inputs, (which effectively centre on the ability, prejudices, attitudes and potential (management ability) of the o/m) and "political" inputs, whose origins derive from the owner-manager's relationships with his family, friends, customers, suppliers and the local community.

- (3) The approach to small firm analysis thus requires the following steps:
- (a) Determine the external environment enabling and constraining forces facing the business - analyse the location-specific forces relevant to the business within the wider context of national and international derived forces (including the relevance of forces imposed by "economic symbolism").
 - (b) Determine the approximate form of the current management process within the business.
 - (c) Determine the o/m's "personality inputs".
 - (d) Determine the "political inputs" to the business.
 - (e) Analyse the effects of the "personalised" and "political" inputs upon the existing form of management process over time.
 - (f) Assess the adequacy of the current form of management process and the potential for improving on that process. How appropriate is the process for coping with the environmental forces highlighted in (a)? What is the likelihood of improving the business's ability to isolate and cope with these forces?

It is the adequacy of the current management approach and the potential for improving that management process which are major determinants of the likely effects of external environmental forces upon the small business.

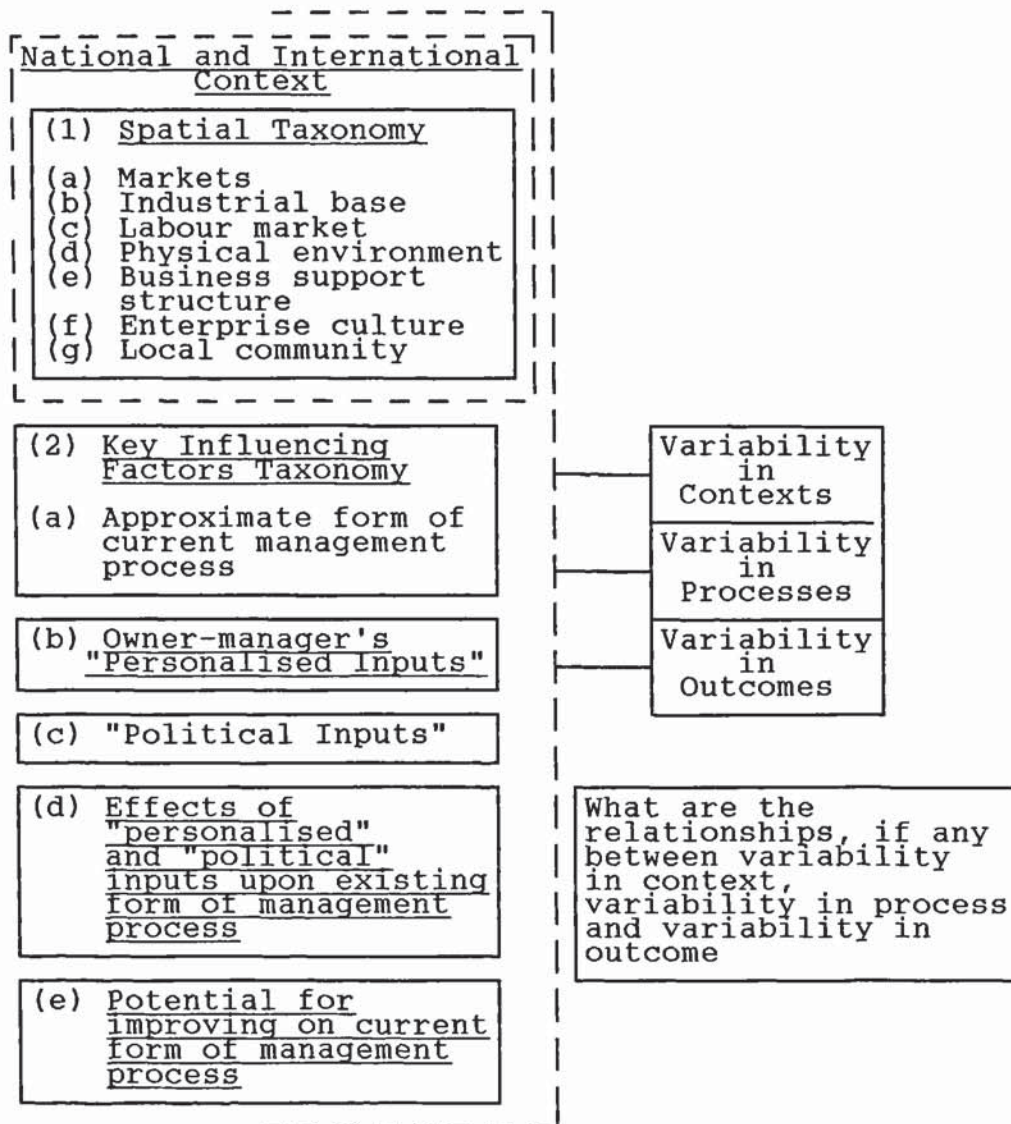
Critical, however, is the acceptance that the current form of management process will have evolved out of response to changes through time in the organisation's outer and inner context. Thus, to derive understanding of the potential for improving the management process,

requires insights into the relationships between variability in contexts and variability in processes.

The analysis must attempt to determine not only how changes occur in the business through time, but also why they occur and have occurred in different socio-economic and business conditions.

Diagrammatically, the approach toward participant case study businesses, can be represented as follows:

Fig. 15 Audit Taxonomy (with processual adaptation).



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(1) Archer, op.cit.	252
(2) Cohn, T. and Lindberg, R.A. (1974), <i>Survival and Growth: Management Strategies for the Small Firm".</i> Amacom, New York, p14.	254

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PART TWO

SELECTION OF PARTICIPANT

CASE STUDIES

The actual choice of participant case studies and the balance of research input afforded to each, was determined by two major conditioning factors.

Firstly, a primary objective of the research is to attempt to begin to overcome major shortcomings inherent in much management research, not least the static orientation of much of that research. The "bootstrap" has thrown up the need for contextual, processual research approaches and thus opportunities have been sought for the laying of foundations for continued longitudinal research.

Given the second conditioning factor, the fact that the author is constrained by the pressing need to undertake full time employment to maintain his career to derive financial support, then any research approach must be conducted within the bounds of "part-time" research status.

Any in-depth processual analysis, if it is to avoid the restrictions associated with some retrospective attempt to piece together what has gone on in the past, with limited access to all actors within and surrounding the research scene, must involve the research "actor" on and around the research scene over a period of time.

Given the part-time research constraints of the author, the opportunity to undertake several in-depth, processual studies was lacking.

However, with careful design, it has been possible, through detailed consideration of the potential role of participant case studies, to derive a balanced research output from three such studies. It is recognition of the role of each study, though, which underlines the true benefits of the approach within time constraints.

The first study strategy has been designed to provide for an in-depth processual insight not usually available to a researcher. The approach involves the

establishment of what might be considered a type of "research laboratory" - a situation which allows for prolonged observation and interplay with all actors involved in and around the scene.

This opportunity derives from the agreement by the o/m to allow full observation and discussive involvement by the author.

However, given the underlying philosophical standpoint of this research investigation (internal realism) which accommodates an inter-subjective view of reality and a non-positivist view of knowledge, it is particularly important to underline the unique form of this "research laboratory" opportunity.

Several years ago, the author separated from his wife and eventually, following a long period of divorce proceedings, the relationship stabilised toward "amicable".

A "common interest" remained in the form of the marital home, which the wife continued to occupy - financed by the author. Through the years, the wife strove toward independence, edging into a part-time business.

Providing no financial or advisory input into the business, the author gradually gained the co-operation of his wife in the offering of insight into problems faced by her as a woman attempting to establish a business.

Within the context of escalating house prices, the wife, in turn, offered to co-operate over a prolonged period of time as a "guinea pig" in the author's research, in return for the author agreeing to free up capital tied up in the marital home. The wife utilised the capital to develop her part-time pets boarding service (with a parallel horse livery service in which she had prior expertise) in a new business premises.

Out of this agreement derived the opportunity to delve in-depth into the underlying processes of change through which the business has passed and was passing and into the inherent problem-solving and decision-making processes.

Moreover, personality inputs and inherent characteristics of the o/m have been interpreted in context in a manner not available to the relatively "fleeting" visit of most would-be researchers. The role of past family background, education and experience in shaping current o/m constructs and actions have been derived with considerable depth of analysis.

Involvement in management processes has been afforded in a manner not available to a relative "stranger".

In total, a period of some six years, encompassing the birth in almost "hobby" fashion of the business to its current established status, has laid the foundations for continued future longitudinal research.

On the "downside", the author must respond to the potential critics who may suggest underlying weaknesses in the research approach in that it will naturally tend toward subjectivity - not least because of the fact that the author still today, following a separation which commenced in 1977, contributes toward the wife's mortgage.

The reply to such a suggestion rests upon two premises.

Firstly, the author, although himself a small business management consultant, has at no time offered any input or advice to the o/m with regard to the operating of the business (though it has been extremely tempting). The o/m has been left to struggle through alone.

Secondly, the underlying philosophical base of this research, commences from the standpoint that no one is capable of always distinguishing between fact and value and of deriving value-free knowledge; nor is it likely that any consultant/researcher can maintain his/her independence of the reality under study.

In fact, against the backcloth of a broken relationship, the kind of subjective interpretation possible through the developing friendliness or familiarity within a "normal" researcher-case study participant relationship, is less likely in this situation. On the other hand, previous animosities within the earlier relationship of the author and the o/m, may subjectively intervene.

On balance, however, the nature of the relationship has probably produced a greater degree of objectivity than might be found in a "normal" case study in which the researcher visits on a far more intermittent basis. What is critical here is the clear spelling out of the author's periphery non-research involvement.

Thus, the establishment of a "research laboratory" type in-depth processual study, has allowed for the forming of the central thread of this research investigation.

And given the time constraint of part-time research, the remainder of the research design has been supportive to this situation.

Constant contextual processual observation-based research could not be physically accommodated within the other two in-depth case studies.

Therefore, case study number two commenced from the standpoint of deriving processual insights of less depth. Past experience, family background and other "personalised" inputs of the o/m, together with peripheral "political" inputs of associated actors, have been determined through a more intermittent

contact with the o/m (incorporating observation in the early stages of the business and interviews/informal discussions) and attempts were made to analyse the processual effects of such inputs.

In the event, the o/m (a furniture upholsterer/restoration business) failed during the early period of the research. It was decided, given the o/m's willingness to continue to participate, to continue in a "retrospective" fashion, to attempt to gain insight into the underlying causes of his demise - with a view to isolating common and differentiated forces vis-a-vis the other case studies.

The third study derives out of (a) the need to accommodate the major constraining force of time; (b) the potential to incorporate insights of an established small business operating not only around an o/m, but utilising a human resource-base of some 20 employees, and multi-sited; and (c) the opportunity to gain insight of a business struggling badly from the viewpoint of a newly resigned family member.

Thus, again the role of this case study, differs both from the relatively full-time processual first case study and the more intermittent research input of the second.

Again, however, it is a support role. "Personalised" and "political" inputs and the unique enabling/constraining forces and problem-types of the business, are investigated and utilised in the overall conclusions of the total research.

The limitations upon contextual, processual research output are thus recognised, with the ultimate potential of the case study contributing to the balance of the overall case study research:

<u>Case number one</u>	(1) prolonged in- depth contextual processual research, utilising the full research bootstrap to guide investigation.
<u>Case number two-</u>	(2) intermittent processual-based research shifting (through the demise of the o/m) to retrospective analysis. Support role status to the central study (case one)
<u>Case number three</u>	(3) retrospective analysis. Retired o/m participating in in-depth discussions to produce support (or refuting) insights.

The whole derives from the base philosophical standpoint of Archer's internal realism - it presenting the basis for "methodological rapprochement" (the potential for co-existence of qualitative and quantitative research strategies); and giving emphasis to the crucial role research methods play in maximising the potential for assertions of research findings to become facts.

The above method, in its provision of an "experiment" based on in-depth, contextual, processual analysis and of underpinning support (refutive) studies, presents a level of research innovation which can, over time, produce assertions capable of such factual status.

It is the "bootstrap" as a whole with its guiding insights raising major issues and provision of frameworks for analysis, which helps to accommodate and minimise the inevitable theory-and-value laden nature of the observations.

CHAPTER SIX

CASE STUDY:

LIVERY STABLES/PETS

BOARDING SERVICE

(1) INTRODUCTION

Toni is an intelligent woman in her early 40's and, following the breakdown of her marriage, is attempting to establish a small business based upon her life-long passion for animals.

A fully qualified riding instructress and reputed "expert" in the dog breeding and exhibiting world, the owner-manager is attempting to establish a market niche through the provision of a pets boarding service and in parallel, a horse livery service.

It is the approach to this case study which enables the deriving of in-depth insights in terms of establishing key actors within and surrounding the business, their relationship with the o/m and the underlying problem-solving, decision-making and change processes which occur.

From very small beginnings which saw the o/m utilising her domestic premises to "test the water" for a potential pets boarding service, she has gradually developed the business over approximately six years, the last two years in purpose-adapted premises.

During this time, customers, potential customers, suppliers, sub-contractors, local planners, providers of small business management training, the o/m's bank and the o/m herself, have been interviewed and/or participated in discussion with the author.

Moreover, prolonged periods of observation incorporating the full working day and extending to the equivalent of sixteen months during the latter four year operating period of the business, provides a major contribution toward understanding the operation of the business, its problems and the response processes of the o/m.

In addition to observing how the interventional variables of interest rates and requirement systems have imposed upon the business during the research period, the insights provide the foundations from which to hypothesise how such variables are likely to affect the business in the future and the implications for policy intervention in the area of small business management training and financial support scheme provision.

The approach begins with analysis of the firm's operating environment before undertaking a comprehensive resource audit within the business, to establish the physical resource base and associated operating procedures. As a business resource is constantly changing (i.e. any one static audit will produce an information-base different to another) the approach is one of observation and discussion over the first six months period of the o/m's formal establishment of the business in new premises.

This "prolonged" research audit allowed for the completion of o/m's consolidation policy of adapting the new premises to meet her needs and her developing of appropriate operating systems and procedures.

In parallel, this audit period serves to allow for the determination of the approximate form of the overall management process utilised by the o/m.

Over time, interviews and discussions support observation to determine the nature of "political" inputs into the business and the nature of the "personalised" inputs of the o/m.

As both the "political" and "personalised" inputs are changing over time, it is their role in the underlying management process which is critical to understanding. Thus, whilst these inputs have been bracketed-out to emphasise their nature, they are then placed back into context as they affect underlying problem-solving,

decision- making and change processes unfolding in the business.

It is this prolonged contextual processual analysis which helps to "firm up" on the initial insights as to the form of the management process utilised by the o/m. En route, it reveals changes in contextual variables and how the o/m deals with them. It also, in revealing her capability in this respect, aids in the hypothesising of how future external contextuels are likely to affect the o/m. Whether she is capable of relatively pro-active management responses or is essentially more likely to proceed in an adaptive (or at the extreme fire-brigading) manner. This in turn offers guidance into government intervention initiative design.

(2) THE MACROECONOMIC ENVIRONMENT

The majority of the population benefitted from a slow but continued expansion of the economy throughout the 1980's to 1987. Those people in work received an average wage of £140 in June 1983 and by June 1987 this had risen to £190.

In real terms this represented a 14% increase in disposable income (1).

However, since 1987, that expansion has been far from steady. A tax cutting exercise sourced by privatisation revenues and growth from company profits unleashed a consumer spending boom which received further fuelling from the underlying confidence derived from the comfort of those benefitting from rising house prices.

After a two year spending spree, consumers, by October 1989, were beginning to curb their expenditure as the government responded to the high inflation corollary of the post-1987 spree by forcing up interest rates.

Despite all the government rhetoric the economy grew faster (2-4% per year) in the 1970's than in the 1980's (2.2% per year).

Inflation has averaged 7.5% in the 1980's. And whilst productivity in manufacturing has shown a strong increase in the 1980's with output per head rising by nearly 55% over the 10 year period the overall rise in manufacturing output has only just exceeded 15%. This seen in true perspective when one considers that retail sales volume increased by more than 40% in that period (2).

The underlying cracks in the economy appear to have been exposed by the 1987-88 consumer boom which forced the economy along at a pace faster than the rest of the world. Thatcherism did manage a turn-round from the

early years of recession but unemployment has been endemic throughout the 1980's and the underlying under-capacity (as discussed in the bootstrap, a London Business School estimate showed our capital stock to be 13% too small in 1987 ('3')) was a recipe for disaster if one feeds in a consumer spending boom. The result was an initial heightening of business confidence followed by "economic symbolism" by the government with its 12 point hike in interest rates in an 18 month period from June 1988.

Thus, any business starting up against the backcloth of entrepreneurial jubilation exhorted by the government in June 1988, felt confident in a low inflation, relatively low interest rate, high spend climate. By the end of 1989, "economic symbolism" was to dash that confidence completely.

What exactly does this mean in demand side terms? The following provides an overview of changing consumer spending patterns as at June 1989 (year on year):

- restaurant and holiday trades were taking the biggest hiding.
- family spending on new electrical goods (videos, washing machines); new clothes and furnishings were also badly hit.
- spending on groceries was up by a massive 54%, while eating out dropped by 32%.
- holidays and short-breaks showed a sharp decline, down by 24%.

Shoppers optimism had dropped to its lowest point since 1982.

(Gallop Poll Index Advertising Survey of 2,000 adults).

The first quarter of 1988 showed an 8.3% growth rate for retailing figures - the same period a year later showed a reversal to 3.8%.

In summary, year on year figures at June 1989 can be tabulated as follows:

Fig. 1 Consumer Expenditure Trends

Food	up 54%
Car/motoring	no change
Major home improvements	down 15%
Furniture/furnishings	down 19%
Clothing	down 22%
Toiletries	no change
D.I.Y	down 3%
TV/audio	down 12%
Large domestic appliances	down 17%
Drinks/sweets/tobacco	down 21%
Short breaks	down 24%

Spiralling inflation and exorbitant mortgage rates are the underlying reasons given for the above huge drops in spending. (All the above consumer spending figures extracted from Today Newspaper, 29th June, 1989) The following insights as to areas where most economies are likely to be made in response to dearer money provide an indicator (Financial Times⁽⁴⁾)

Fig. 2 Forecast Consumer Expenditure Responses

Buy fewer clothes	39%
Eat out less often	36%
Put off buying car	35%
Spend less on drink, sweets and cigarettes	31%
Put off buying TV, VCR, audio equipment	29%
Have a cheaper main holiday	28%
Put off buying equipment for kitchen	23%
Have fewer holidays	21%
<u>Source:</u> Ferguson Research/Spring 1989)	

Whilst the accuracy of all of the above spending figures can be brought into question and arguments can rage as to the exact interpretation of the performance of the British economy during the last decade, the one thing that cannot be doubted is the way the economy has once again been unleashed only to be quickly followed by a panicky hard pulling on the reins - i.e. stop-go in another guise "economic symbolism".

For the small business, the stop-go on consumer spending and accompanying supply side pressures on costs via the dual force of high interest rates and inflation is a bitter pill to swallow.

With a £20 billion trade deficit underpinning the economy the overall indicators are not optimistic.

(3) SPATIAL AUDIT

(a) Markets

The livery/pets boarding service is located in a rural setting, 3 miles from the town centre of Spalding, Lincolnshire.

The City of Peterborough is located just 18 miles from Spalding. Bourne is 8 miles away and Boston, Stamford, Holbeach and Market Deeping are all within 17 miles of the business site.

Nottingham, Leicester and Norwich can be reached in a driving time under 90 minutes.

Indeed there is a population of over 325,000 within a 20 mile radius of Spalding. One in two families have, according to the R.S.P.C.A., at least one pet, and, whilst the o/m does not cater for dogs or cats, the potential market within that 20 mile radius is far beyond what the o/m and her resources will ever be able to serve. Thus, the market potential is very high.

With regard to the livery stables activities, the whole area is now renowned commuter belt. High Southern salary earners are relocating in the area, and even locals are commuting from within the region to take advantage of the abundant job opportunities in Peterborough, Britain's fastest growing city (population increased from 86,000 in 1970 towards 150,000 in the late 1980's; and 23,000 extra jobs had been created, with the arrival of 420 new firms).

Despite several competitive livery units in the region, potential demand for livery and for riding instruction is high.

(b) Industrial Base

The Spalding region is heavily reliant upon horticulture and agriculture. It has *"provided Geest with a flourishing centre for distribution. Our Spalding site now covers 72 acres and is the largest of its kind in the U.K. Between 50 and 60 vehicles a day handle 12% of all fresh produce reaching Britain's supermarkets and multiple stores. The Company employs 1,700 South Holland people who provide a stable, hard-working and loyal workforce. South Holland nurtured the beginning of Geest plc and no doubt will prove as fertile a soil for many other industries in the future"*.

(L W Van Geest, Chairman, Geest plc; (5)).

The area also enjoys a multitude of light to medium (mainly agricultural and horticultural support) engineering companies as well as the usual financial and leisure support industries.

Nearby Bourne has a massive expansion planned which, if brought to fruition, would double its population, with hundreds of new homes and factories in the pipeline.(6)

Peterborough itself has a prosperous industrial base founded on a cross-section of engineering (in terms of

weight and of company size). This strong industrial base is supported by a new growing infrastructure of shops, offices and entertainment.

New industrial firms so far include:

Molins - tobacco machinery makers
Soda-Stream - drink machine makers
Crosfield Electronics
Acco - office equipment makers
Christian Salvesen - cold store specialists
Pedigree Petfoods
Peter Pan Playthings
Batchelors Foods
Therm-A-Stor
Schmidt Manufacturing
UTD Technologies

(Source: City of Peterborough Official Guide 1988 - 1989)

Peterborough's new Queensgate Shopping Complex is drawing custom from all towns served by the o/m, which in turn, however, exerts downward pressure on consumer shopping demand in those towns.

Despite the growth impetus of the entire Spalding (to Peterborough) and surrounding area (that impetus not least resulting from relatively low cost housing attracting a London overspill and the advent of commuter railway links), the area has throughout the past 10 years been subject to the national forces of inflation and accompanying fluctuating interest rates.

Moreover, in the predominantly agricultural core many local farmers are struggling to make ends meet. A drop in farm prices has forced some to borrow heavily. In August 1989, borrowing for farmers across the nation was set to hit an all-time high of £7 billion - a 6.8% increase on the previous year, with farmers on average borrowing £180 per acre for business.

However, according to Barclay's agricultural finance expert, Paul Ingram, about one third of all farmers still do not have borrowings at all. And farmers still own 85% of their total assets. But whilst livestock farmers have increased their borrowings by only 3%, arable areas such as those at the core of this study area, have increased borrowings by approximately 9%.

These arable farmers are suffering because of low yields produced during 1987/88 and a considerable reduction in the real prices for their products (7).

(c) Labour Market

As at October 1989, unemployment in the Spalding and Holbeach area was down to 3.7%

Throughout the region under investigation, the trend is down following intermittent static periods throughout the late 1980's.

A major problem, however, is one of skill shortages; whilst they fall in line with national trends in most towns, the underlying combinations of reasons for shortages do vary somewhat. But in the rural areas (Boston, for example), the shortages are mainly due to poor local pay structures and insufficient training by employers over a period of years.(8)

Low wage structures, the Black Economy and the Gangmaster "system" is an example of the unique combination in Boston which contributes to a lack of full-time career structures for employees in some areas of work. A drop in numbers leaving school, in conjunction with rising employment opportunities, will increase competition for workers throughout each part of the area under investigation. The low pay structures in those rural areas of the region may combine with upward pressure on interest rates to produce localised effects on spending power.

For example, an average bungalow valued at £8,500 in 1980 would be fetching approximately £60,000 by 1989. The tendency of this Conservative government to encourage home ownership, has resulted in locals trading up in the house market and immigrants taking on larger mortgages relative to local pay - in both instances larger average mortgages relative to pay, results. Given the relatively low interest rates of mid-1988, confidence to do this was high. But in the face of 15% mortgage rates 18 months later, the potential for reductions in "non-mortgage payment" spending power is a very real issue.

Informal discussions with the local populace throughout the region, point to a need to be aware of potential pockets of differentiation in consumer spending behaviour - deriving out of differentiated wage rates, mortgage size, and underlying psychology.

For example:

- (i) locals - no mortgage
 - (ii) locals - trading up onto higher mortgage and hit by higher interest rates
 - (iii) immigrant populations - taking on extremely high mortgage relative to new lower level salary
 - (iv) immigrant populations - taking on new relative (to South) low mortgage and continuing to commute to London for high salary
- then feed in psychology. For example, attitudes regarding spending and/or quality of new immigrants. And varying attitudes within the region's existing populace.

(d) Physical Environment

Apart from Peterborough (based on the A1), the tendency for local authorities to sing the praises of commuter links for the core of the region (and especially Boston on the periphery) must be tempered by the fact that

most road links are single carriage-way, with much travelling undertaken on windy "back roads". This involves considerable time devoted to travel.

(e) Business Support Structure and Enterprise Culture

Both the banks and local colleges, together with small business clubs and Enterprise Agencies, are responding to the "enterprise culture". However, discussions with a cross-section of 20 small business start-ups (having commenced business in the past 2 years - 1988/89) revealed that 19 had heard of various government initiatives to help small business; 15 had seen local college advertisements; and all were aware of some small business oriented service offered by their banks. The only o/m's to take advantage were those seeking financial assistance from their banks. None had attempted to find out if the offerings elsewhere could help them.

Informal telephone conversations with private and public sector small business training providers, revealed the availability of most current government sponsored initiatives. Several felt they responded to individual business needs, but none monitored specific localised environmental forces and changes in these.

The Training Agency, when asked if they would cooperate in this latter exercise, willingly provided limited available labour market information; but though promising to initiate research into specific areas from various information bases held by them, the material was never forthcoming (despite follow-up requests).

(f) Problems Facing South Holland (i.e. part of Lincolnshire Businesses

Insight into major problem areas facing South Holland small businesses, is provided by the National Federation of Self-Employed and Small Businesses, June 1989 survey:

- (i) Lack of skilled and trained employees.
- (ii) Finance and interest rates.
- (iii) Total tax burden faced by small businesses, especially sole traders (even large companies with profit below £150,000 pay tax at only 25%. But the sole trader with earnings above £20,700 is expected to pay tax at 40%).
- (iv) Competition from big business.
- (v) The Black Economy
- (vi) The increasing number of Government Regulations and Red Tape.
- (viii) High rates of pay and inflation

Source: National Federation of Self Employed and Small Businesses, Quarterly Survey published in Lincolnshire Free Press, 18/7/1983.

(4) RESOURCE ANALYSIS

The approach to deriving understanding of the internal resource position of the business, draws upon the strategic analysis insights of Johnson and Scholes⁽⁹⁾. Whilst essentially large company intended, the outline approach does allow for guidance toward a comprehensive build-up of insight into the physical, human and intangible resource base of the business and the procedures utilised by the o/m.

Given that the o/m initially commenced activity within the boundaries of her own domestic home and then progressed through to a more formal and comprehensive provision of service, it is obvious that no one resource audit will give a true picture of the business resource-base. In practice, a resource audit is utilised to give a picture of the strategic capability of a business at a point in time.

The intention here, however, is to present how the o/m has built up her resource-base to the approximate form she requires during the first six months of occupying her new premises. The reasons for this are threefold: firstly, with minor adjustments, this is the state of resources and inherent procedures still currently utilised (i.e. after two years) by the o/m; secondly, observation taken over a six month period allows for the deriving of insight into her approach to the adapting of existing resources and suitable systems and procedures; and thirdly, insight into her own strengths and weaknesses is manifested into an overview of the approximate form of management process adopted by her - both externally and internally generated problems and change have to be managed in parallel to her efforts at developing her requisite resource-base.

Resource Analysis : Data Base.

(1) Physical Resources.

(a) Operations

(i)	<u>Buildings/Land</u>	<u>Condition</u>
	Stable Block (six loose boxes)	very good
	Barn	average
	Freestanding kennel block (with six integral runs)	good
	Four freestanding kennels	good
	Preparation room/storereroom	good
	Boardroom	good
	Office (within house)	good
	Land - 2 acres paddocks (3 single paddocks)	good
	<u>Value at June 1988:</u> approximately £28,000. (The whole being situated adjacent to Detached Bungalow, value £57,000).	
(ii)	<u>Machines/Plant/Equipment</u>	
	Vehicle (Ford Escort van, 1600cc)	average
	- purchased November 1988: £2,250.	
	Commercial mower - purchased June 1988: £150.	average
	Freezer	poor
	Preparation tables/wash facilities	good
	Purpose-built cages	good
	Tack	good
	Whelping boxes	good
	<u>Value at December 1988:</u> approximately £3,000.	
(iii)	<u>Materials/Stock</u>	
	Hay; straw	
	Horse foodstuffs	
	Pet foodstuffs	
	<u>Average value of stock held:</u> £500.	
(iv)	<u>Location</u>	
	Semi-rural; catchment area:	
	Spalding 3 miles; Bourne 8 miles; Holbeach 6 miles; Long Sutton/Sutton Bridge 9 miles; Boston 17 miles; Peterborough 18 miles; Sleaford 25 miles.	

(b) Marketing

(1) Products/Services.

Livery Service - up to six horses by stable (but limited to three maximum by physical capability of one worker (i.e. owner/manager and of grazing availability).

Pets boarding service - for any small pets (excepting dogs/cats).

"Networking" - off premises service assisting neighbouring stables.

(c) Finance

(i) Cash

- utilises family loan support scheme to cover initial negative cashflow periods.

- continues parallel part-time job.

(ii) Debtors

- cash on collection re pets.

- livery - one month in arrears payment; usually no problem.

(iii) Equity

- financed by personal equity of owner manager (i.e. initial capital injection in the form of original purchase of premises and gradual capital investment of requisite vehicle/equipment to December 1988 was financed by o/m's own equity released from sale of previous home).

(d) Personnel

- run almost by sole input of o/m.

- utilises "local pets/horse network" when necessary, either on a "return basis" or for small payment.

(e) Logistics

- the layout of the premises is very effective. (working areas adjoin living premises; paddocks adjoin stables and barn).

(2) Human Resources

(a) Operations

(i) Operatives

- work all done by extremely hardworking and highly motivated o/m; qualified as follows:
- British Horse Society Assistant Instructors Certificate (equitation; stable management; equestrian instruction; horse mastership; minor ailments).
- Pony Club "A" with honours (only two honours awarded in British Isles per annum).
- experienced dog breeder (15 years)/dog trainer.
- experienced dog exhibitor and show judge.
- excellent "operations" experience and skills, but no management experience

(ii) Support staff

- see operatives above.
- cannot afford employment of Y.T.S. trainee.

(iii) Supplies

- local farm community for hay/straw - good relationships.
- pet suppliers - utilises three alternative local suppliers -good relationships.

(iv) Blacksmith

- utilises blacksmiths as specified by customers (Smithies often very slow to respond to calls).

(v) Veterinary Surgeon

- local vet; excellent relationship.

(vi) Location

- o/m resides on-site.
- all above "operatives" reside within local catchment area.

(b) Marketing.

(i) Salesmen

- o/m; very good pet/horse "networking"

(ii) Marketing Staff

- o/m actively markets the pets hotel around the network" and around the dog-showing circuit
- local press utilised for advertising.

(iii) Customers

- originate from advertisements in local press and from posters in pet shops and vets within the catchment area
- networking (friends/colleagues in dog training and showing circles and mutual support re pets hotel/pet shops; and horse world networking).
- very good customer relations; problem - they do want to stop and chat/coffee etc., putting pressure on very limited time of o/m.

(c) Finance.

(i) Bank Manager

- indirect (but extremely positive) input in that bank manager provides excellent support to "estranged" husband.

(ii) Husband

- o/m and husband have lived their own lives (independent in occupational and geographic terms) since 1977 and yet have maintained an extremely amicable relationship.
- sale of previous marital home; husband agreed to o/m (wife) investing 80 per cent of capital gain from sale of house into the purchase and development of the business (i.e. approximately £34,000; comprised of £31,000 capital investment June to December 1988 plus approximately £3,000 working capital).
- detached bungalow adjacent to business is mortgage-based and financed by husband.

(iii) Government

- o/m did not qualify for Enterprise Allowance Scheme as she was not registered unemployed, but rather has chosen to support the business through part-time work.

(iv) O/M

- inputs approximately £2,000 - £3,000 p.a. through part-time work (mornings: Mon - Fri) until business is established.

- (d) Personnel
 - (i) Adaptability
 - operational: little flexibility (must rely on "network"/ friends/family input).
 - managerial: very little flexibility beyond the excellent "production management" skills of the o/m. No financial management skills. No marketing skills beyond the excellent customer relations capability of the o/m. No concrete planning - a definite mission but no consideration or awareness of many enabling/constraining forces.
 - (ii) Age profile
 - o/m and support staff utilised are all in 35-45 years age range.
- (3) Systems
- (a) Operations
 - (i) Quality control derives from:
 - daily routine of o/m
 - capabilities and standards of o/m (developed out of past training and experience; and out of underlying psychological characteristics of the o/m - interest in and concern for animal welfare).
 - checking controls over incoming supplies.
 - checking controls of incoming horses/pets to ensure no illness/defects.
 - (ii) "Production" control derives from:
 - o/m's meticulous routine/procedures.
 - (iii) "Production" planning
 - no formal written plan; o/m plans ahead in terms of intended future utilisation of space and in terms of potential acquisition of additional facilities.
 - current facilities are utilised to maximum in "peak season" periods. Planning in the short term includes rotation of horses in paddocks to allow recovery of grazing land and for hay-growing.

- (iv) Purchasing
 - utilises two/three suppliers (checks trade press and "network"/colleagues for alternatives).
 - order times derive from physical check of stock.
- (b) Marketing
 - (i) Service systems (including "distribution channels")
 - livery: stabling/grooming/exercising/foaling as required.
 - pets hotel: delivery/collection service as required; boarding/grooming (system for integrating delivery/ collection into routine "production" procedures).
 - customers also deliver/collect.
 - horse owners utilise stables and yard.
 - (ii) Advertising
 - permanent poster displays in pet shops and vets.
 - intermittent placing of advertisements in press prior to, and within, peak periods.
 - no system to determine origins of enquiries.
 - (iii) Marketing planning
 - no marketing planning process
 - no systems to determine enabling/constraining forces within external operating environment, (including no system of monitoring competitors' activities; but good informal "network"/colleagues/friends feedback on horse and pet-related local activities).
 - no attempts to formally enhance knowledge of the key influencing forces within the operating environment; no time to do so.
 - "marketing mix" is customer oriented (e.g. "product" in terms of convenience, price, "distribution" and quality is certainly customer oriented; but, if anything, price appears to be over-customer oriented in terms of being too low and not based upon any conception of price elasticity of demand).

(c) Finance

(i) Costing

- horses competitor-based (seems too low for amount of work input).
- pets hotel; involves o/m's time (no real costing system to reflect time input and associated raw material costs)

(ii) Cash

- suppliers paid cash-on-delivery.
- pets, cash-on-collection.
- horses, cash one month in arrears.
- cash paid direct into bank once a week.
- no system (e.g. cashflow forecasts) to provide insight into periods of potential negative cashflow. Tendency to utilise cashflow as it is received.

(iii) Management accounting

- simple tins for receipts/bills system; works well.
- records drawn from this base system, but o/m gives little attention to this area. Tends, to expect all will "turn out well".
- time fully absorbed by "production" and part-time support job.

(d) Personnel

(i) Working agreements and rewards

- majority of time, o/m only worker. Support staff utilised via informal agreements.

(ii) - all moneys "ploughed back" into repairs/maintenance and working capital requirements and into development of dog breeding stock and showing.

- o/m views "reward" in terms of the life-style provided (including the inherent ability to develop reputation in the dog exhibiting/judging world).
- monetary reward to aid in maintaining this life-style also derives from the part-time job.

(e) Others

(i) Planning and control

- No concrete planning; but considerable "abstract" planning.
- An "abstract mission" relates to the long term desire to become a reputed and respected expert in the dog-breeding/ exhibiting/judging world and to provide a local community animal "welfare" service.
- This involves the "mental" (as opposed to written planned) formulation of potential strategies:
 - (1) Capital investment in additional stable block.
 - (2) Consolidation strategy - investment in dog room improvements.
 - (3) Capital investment in new pets (boarding) room and whelping room .
 - (4) Capital investment in equipment.
 - (5) Capital investment in additional exercise area.
 - (6) Purchase of new animal food freezers (to enable bulk purchase of animal foods).
 - (7) Acquisition of additional adjoining pasture land.
- no systems for formal analysis of relevant external forces as a foundation information base for a formal planning process, but some external forces are considered if o/m notices (e.g. change in livery laws).
- overall a lack of formal, systematic analysis results in an inadequate information base (even though a sound information flow originates out of friends/ colleagues/ "networking").

(4) Intangibles

(a) Operations

(i) Team Spirit

- essentially o/m only; however, the o/m is in effect constantly drawing on the moral support of friends and "dog world" colleagues.

In the event of operational support input being required, the o/m has created an atmosphere of "everyone mucking in".

(b) Marketing

(i) Brand name

- the business operates under the name "Pet Hotel and Livery" whilst in parallel, the dog-breeding/exhibiting activity functions under the registered kennel affix.

- within both contexts, the o/m is fast developing a reputation of quality and reliability (locally, regionally and nationally).

(ii) Goodwill

- an ever-open door and open telephone line, offering free advice as to animal health and welfare and procedural advice on breeding and showing sees the constant development of goodwill with customers, potential customers, friends and colleagues.

- but this is at a substantial cost in terms of time.

(iii) Market information

- see above.

(iv) Contacts

- very strong from friends/ colleagues/ "networking".

(v) - developing very strongly out of successful showing/ breeding, judging and from the quality levels of service.

(5) THE FRAMEWORK FOR "POLITICAL" ANALYSIS

During the infancy of the business, that is to say when the o/m operated on a very small scale from within her previous bungalow, the existence of associated interest groups who may for one reason or another try to get their own way and thus influence the o/m's behaviour, were minimal.

The o/m recalls the reactions of her estranged husband and underlines that, given the strained marital circumstances, attitudinal reactions may well have arisen no matter what form her activities took. Moreover, the reactions of customers in their late delivery of pets, or non-arrival, was an inconvenience. But overall, the scale of activities enabled the o/m to conduct the business as a separate income to her job and provide some degree of independence from what was little more than a hobby activity.

From June 1988, However, a considerable degree of "political" input is observable. Large organisations, as discussed earlier in the "bootstrapping" process, are made up of many individuals with wide individual values. These values are shaped by external factors such as organised groups and societal values, and internal factors such as the company culture and the nature of the actual business. Some of these individuals at some time or another, may share interests and form internal coalitions. Moreover, the existence of outside stakeholders such as customers, trade unions and the general public, can give rise to external coalitions. Indeed, the influence of external stakeholders upon some internal interests, can lead to the formation of externally driven internal coalitions. However, coalitions, whether internal or external are relatively insignificant unless they can actually influence company strategy and it is power via which influence is achieved. In turn, individuals or groups of individuals may be able to draw upon one or more of several different power bases.

For the small business the possibility exists, even for the self-employed owner-managed business, that individuals or groups of individuals (within or external to that business) may attempt to get their own way and influence the o/m toward actions he/she had not intended.

It is to the guiding analytical framework of organisation theory that one can turn to underline such "political" inputs in the livery/pets hotel business - not least to the guiding insights of Handy⁽¹⁰⁾ and Johnson and Scholes.⁽¹¹⁾

Whilst Johnson and Scholes guidelines are intended for application for large company analyses within the context of strategic change, the approach is capable of adaptation for research of this nature to ensure a structured approach for determination of "political" inputs into the small business management process:

Fig. 3 Framework for "Political" Analysis

- | | |
|-----|---|
| (1) | recognition of individual values |
| (2) | identification of coalitions (including individual interest in and around the business) |
| (3) | assessment of attitude of coalitions (or "individual" interest) toward possible future change or toward current form of the businesses activity |
| (4) | recognition of sources of power within and around the business and assessment of relative power of coalitions |

(Adapted from ideas of Johnson and Scholes "Exploring Corporate Strategy", Chapter 5).

For derivation of appropriate sources of power, one can turn to Handy's⁽¹²⁾ classification:

Fig. 4 Insights into Underlying Power Sources

<u>Source of</u>				
<u>power:</u>				
physical	resource	position	expert	personal
<u>Method of</u>				
<u>influence:</u>				
force	exchange	rules	persuasion	
	ecology		magnetism	

(Adapted from Handy "Understanding Organisations" p142)

(6) THE "POLITICAL" INPUTS TO THE PETS HOTEL/LIVERY BUSINESS

(a) Family - parents; husband; sister.

The underlying psychology of the o/m sees an incredible single-mindedness in terms of pursuit of her underlying objectives.

Her extremely strong personality and inherent characteristics could possibly be described by an outsider as outright selfish, an individual in pursuit of her own ends come hell or high water.

As such, the ability of her mother, father or sister to interrupt (by telephone or visit) the normal run of business or to provide sufficient persuasive input to influence the longer term strategic direction of the business, is minimal.

A more accurate analysis of the o/m presents her as an "animal person" rather than a "people person". Such a characteristic in turn drives her on to work extremely hard (often 15 hours a day) with an incredible degree of commitment and self-motivation in pursuit of hers and the business goals.

Indeed, such a personality profile tends to understate the underlying thoughtfulness and helpfulness she demonstrates toward people in her close community of friends and animal world associates.

Whilst the latter characteristics are not reflected in her relationship with her parents, who apparently impose or exert little influence on her personal life or her business activities, they are, however, inherent on occasions with her sister.

On many occasions if she receives telephone calls from her sister, the o/m is sufficiently "hard" to tell her that she is busy and cannot talk. However, on other

occasions the sisters shared interests in the animal world and her ability to maintain telephone conversation contact for up to an hour at a time, results in the o/m's valuable operative activities being delayed and occasionally postponed to the next day.

That the sister is capable of "breaking through" the single-mindedness of the o/m to satisfy her own ends, deserves analysis. The sister is the wife of a zoo manager; she works within the zoo and is also involved in dog breeding and training.

On many occasions, the sister's objective is to derive advice from the o/m (her sister) on breeding or training. Her ability to interrupt o/m business activity appears to originate, not out of the fact that she has "sister status", but rather firstly from the fact that she is talking on common ground of deep mutual interest and, secondly, because of the inter-connected power-base of the sister. That is to say the sister is so positioned to be able to draw upon any one of three power-bases from which to exert influence. Whilst not directly involved in the o/m's business, she nevertheless at various times throughout the life of the business, has been able to draw upon a resource power-base or on a position power-base or on an expert power-base.

The resource base enabled her to promise animal related "rewards" for o/m co-operation. The position and expert power-bases gave her control over invisible assets in the form of potential future information flows and right of access to a variety of animal networks which in turn leads to even more information.

An example of the o/m drawing upon the future potential information flows, is that of responding to local authority planner's imposed restrictions regarding accommodation of pets falling within the Dangerous Animals Act. A local planner had apparently hooked

onto the Act without following through its provisions or likely implications within the context of the o/m's business activities. The o/m's sister was able to provide immediate written outline provisions of the Act and the o/m could then confront the planners in terms of the non-applicability of the Act with regard to the business.

The question then arises, however, within this analysis, as to just how far the o/m gives telephone time to her sister, simply because she is her sister, rather than because the sister is exerting "power-based" influence of the nature discussed above. The fact that the o/m gives little telephone time to her parents, may derive out of the generation gap, the lack of common interest base, or out of previous domestic differences. That this is fully the case is contradicted, however, by the number of times that the o/m also "fends off" telephone calls from her sister with the "haven't got time" excuse.

Over time, the o/m's sister does appear to have been a significant "political" input to the business in terms of restricting and/or delaying operational activity. The contribution to long term direction of the business is less likely.

With regard to the o/m's estranged husband, the "political" input has proved far more significant - both in operational and strategic terms.

The acquisition of the current business premises was completed with the consent of the husband - that is to say the husband allowed the o/m to invest 80% of the capital gain from the sale of the marital home into the purchase of the business. The business is the property of the o/m. Approximately £3,000 of the capital gain then remained in the form of the o/m's working capital base. The adjoining bungalow in which the o/m lives, is the joint property of the o/m and her estranged husband.

Given the nature of the relationship, which never reached the divorce court, the establishment of the business has been substantially dependent upon the amicability of the relationship. As such, the husband is at all times a strong "political" input to the activities.

Over time, however, that "political" input has intensified rather than weakened. It has strengthened in line with contextual changes which have occurred over the life of the business.

In June 1988, the husband agreed to pay the o/m's mortgage contribution on the jointly owned bungalow which the o/m occupies. This payment was to continue until the o/m was sufficiently established in business terms to take on the mortgage herself.

Whilst it was never anticipated that the business would be sufficiently established by the end of the second year of operation, the unpredicted and unprecedented interest rate hikes (twelve rises in the first eighteen months), is exerting incredible pressures on the o/m and intensifying the "political" input from the husband.

The husband himself is faced with increases in monthly payments from £424 per month in June 1988 to £606 per month in December 1989.

The o/m herself has been spared the direct pressures of this increase, but is receiving indirect pressure from the husband to improve business performance over a shorter time span so as to relieve his own mortgage pressures. The husband is, in effect, drawing upon resource power from which to exert influence. Moreover, other "political" inputs from both demand and supply side are intensifying and pressurising the o/m.

What is clear is just what no static or qualitative analysis of small business can pick upon - the true

effects of "political" inputs vary over time with changing context and the changing forces of that context.

A more detailed analysis of the inter-connectiveness between context and process follows. For now, the highlighting of the underlying form and the outline implications of "political" inputs are of concern.

(b) Customers

The "political" nature of the o/m's customers comes in several forms, some of which have strategic implications.

The o/m offers a pets collection/delivery service, or customers can deliver and collect their own pets at a pre-arranged time. The pre-arranged time is an important aspect of the business activity as the o/m has to integrate her own time periods when she has to be away from the premises collecting or delivering to customers' houses. Since this is a one "man" show, any customer who has arranged a self-delivery/collection time and fails to stick to it, disrupts the o/m's scheduling. Similarly, those customers who are being visited by the o/m, disrupt activities if they are not in. Thirty minutes leeway is afforded to visiting customers but they often seem to fail to realise the time limitations on a business of this nature. Indeed, the lack of customer forethought has at times reached extremes - such as the woman who decided to take an extra weeks holiday without informing the o/m. Whilst in that instance the o/m received an extra weeks boarding income, the customer gave no thought to the possibility that the accommodation occupied by her pet was already booked by another customer. From a power base standpoint, the actions taken by the customers derive from a resource/position base. The o/m needs their custom and is in a weak position to offer reaction to the customers' actions.

With regard to the livery activity, the same "timing" constraint applies, but only from time to time. In the main, livery is boarding activity extending over weeks, if not months.

A major problem which did arise, however, again derived out of the changing context variable of interest rates.

A customer, long term and extremely satisfied with the quality of service, was confronted by extreme financial difficulties as the government continued to exert upward pressure on interest rates. For three months the customer had liveried his hunter. The hunter was groomed and exercised ready for his use hunting at weekends. He left his horse-box on the premises and thus only had to drive to the stables, collect the horse, hunt and return the horse for grooming and preparation for the next week. The agreement (verbal) was one of a long term nature.

One afternoon, the customer arrived at the stables and announced his intention to remove the horse - at no notice. Investigations uncovered the fact that he had second-mortgaged his house to allow for the purchase of the horse, horse-box and 4x4 towing vehicle. The continuous hiking of interest rates eventually eroded his purchasing power to the point where his leisure activities had to be contracted. Hunting, to the average person, is a "luxury good" - if financed through borrowing, it is among the first activities to be cut back.

For the o/m this customer action has longer term implications. A "base customer" contributing some 40% of total income at that stage, withdrew his trade without notice. Short term cashflow was severely hit - but so too was the long term customer base which (especially given the current cost of borrowing) would part finance future strategic activity.

(c) Suppliers

The o/m relies upon suppliers of animal foods, hay/straw, fuel and motor vehicle parts and servicing. As the business is as yet relatively small, deliveries appear to be slotted in when convenient to the suppliers.

Again, this exercises pressures regarding timing. The o/m must still fulfill her part-time morning support job and in the afternoons, customer off-premises visits (collecting/delivering) must be undertaken.

In addition to this, however, is the negative force deriving out of "animal networking" - that is to say the o/m's utilisation of local networking, whilst enormously advantageous, also imposes potential restrictions on "going for the best deal". Involvement in the local community network ultimately results in friendships deriving out of that network - this in turn can lead to friction when an individual within their network shifts suppliers or shifts the source of advice he/she uses.

However, during one period of observation in the investigation, the o/m was offered a delivery of straw bales from her regular supplier, but was sufficiently "hard" to turn down the offer in the face of cheaper supplies from a peripheral source. The danger, though, transcends that of jeopardising friendship into the longer term problem of guaranteed supplies. The o/m was forced to accept the cheaper peripheral source in the short term, not least because of interest rate pressures on cashflow (via the downward effect on customers). The question remaining to be answered will be whether the regular supplier will respond at an economical price and promptly in times of shortage.

(d) Sub-Contractors

With several different clients utilising the livery stables at any one time the question of blacksmithing arises. The one service which the o/m is not capable of offering is shoeing. The clients are at liberty to call upon the services of any blacksmith they choose. At any one time, three or four different blacksmiths can be used.

Again, the problem is one of timing - the o/m must ensure that she is available to assist the smithy if need be.

In relation to hay-cutting the pastures, the o/m must rely upon the goodwill of the local farm community. The business is an extremely small part of the total client base of the serving farmer and it is necessary to dovetail into the farmer's schedule whilst ensuring that the hay-making is completed to produce maximum hay return and minimise future costs. Failure to ensure this, also reduces the usage that can be made of the target paddock.

The relative resource power base of the farmer (vis-a-vis that of the o/m) results in the o/m leaving this activity totally in his hands. At worst, this can have considerable constraining effects on the business.

(e) Support Staff

As already underlined in the resource database, the o/m cannot afford regular part-time help, or a Y.T.S. employee. This means that for the o/m to effectively conduct the business, undertake a support income part-time job and become involved in dog training/exhibiting/judging, she must rely on an intermittent casual support workforce.

The local networking, not least in its provision of friends, has to date ensured no restrictions in terms

of reliable individuals with expertise in dogs and in horses. The availability factor is more questionable since the objectives of the support workers will always have predominance over those of the o/m's business and thus always remains a potential constraint.

(f) Dog Training/Exhibiting Network

A major constraint here relates to time spent responding to "friendship" telephone calls and visits. A cross-section of research visits averaged incoming calls at eight per day from this source with another three or four coming from non-acquaintances regarding enquiries/advice.

In addition to the "time" factor, however, is a marketing variable. Whilst dogs/cats are not among the "regular" defined customer base, the o/m does, though, accept dog bookings from close friends within the network. A major factor relates to that of pricing. The o/m finds it extremely difficult to price the service to friends - she prices well below average competitor pricing and misses out on a considerable amount of income.

Close friends, both from the standpoint of time imposed from telephone calls/visits and from the viewpoint on pricing, fail to remember that the o/m has a business to run. This appears to be a considerable constraining force.

(g) Local "Dog" Network

The o/m's inner desire to succeed in dog exhibiting and judging, is an integral part of her business objectives. The business, not least its non-profit oriented breeding arm, is an "integrating whole" into which outside related interests exert substantial inputs and pressures.

The o/m is Honorary Secretary of a local dog training club and Secretary of a local Canine Society. As such this activity is one outlet through which the o/m can fulfill social objectives in the local community. This in turn is a major formulator of the o/m's business activities. The business is intricately bound up in local canine activities and also provides income for the o/m to participate in these activities and in canine activities occurring nationwide.

The administration and expectations of local canine associations and activities thus provides a substantial "political" input into the functioning of the business.

(h) Local "Horse" Network

Whilst not actively involved in local horse showing societies, the o/m is being pressured by the network to become involved - which ultimately could exert similar pressures to that of the dog network.

Moreover, the horse network whilst acting as an enormous enabler with the o/m receiving recommendations as a quality supplier of livery, this network can also produce negative forces. For example, the incidence of cruelty and neglect toward horses is sadly far higher than one would hope - the o/m's reputation for quality service and for concern regarding animal welfare, results in many calls for assistance (both in the form of advice and in requests for temporary boarding). Whilst the o/m tries always to help, this is undoubtedly an incredible strain on her limited time and resources.

A further example relates to the "friendship" factor which is growing within the local horse network. Any purchases of horses or development of outside contacts are closely scrutinised and often evoke a response of "why didn't you come and see me first?" A potential constraint on freedom of action derives from

"friendship links" and the fear of upsetting these friends.

(i) Part-Time Employer of the O/M

An excellent employer, almost to the point of friendship, the o/m is nevertheless constrained by the time factor associated with the need to undertake part-time work for support income. Consequently, her business activities are dovetailed accordingly with a resultant strain and pressure. That the employer moved house some fifteen miles away, intensified the problem during the first year of trading in the new business premises.

(j) Neighbours

Whilst no complaints have been received regarding the running of the pets boarding service, this situation derives out of the efforts made by the o/m to contain activity within acceptable noise levels.

(k) Competitors

As yet, the o/m faces no competition regarding her small pets boarding service. However, the catchment area contains several livery and riding establishments, all of which exert considerable pressure. A major pressure originates from the resource-base of the major competitors and in particular with regard to potential riding instruction their ability to offer all-weather facilities.

(l) Kennel Club

The o/m must operate her dog breeding/exhibiting activity within the parameters of the Kennel Club construed rules and guidelines.

(m) Planners

The need for planning permission regarding all activities and licensing approval from the Environmental Health Department, is a potential constraint on o/m activities. In particular the planners have a non-business like view of the approach to regulating growth of the o/m's activity, which is the theme of part of the later analysis.

(7) "PERSONALISED" INPUTS OF THE OWNER-MANAGER

(a) Education and Experiential Background

An intelligent woman in her early forties, the o/m was educated to "O" level standard at Lutterworth Grammar School before progressing to complete a six months technical college business course (office management, bookkeeping, typing, shorthand, English and time and motion study).

Always a profound animal lover, the o/m proceeded to study and train in Horsemanship and Stable Management over a four year period at Heather Hall.

She qualified at the age of twenty-one years, gaining the British Horse Society Assistant Instructors certificate and gaining Honours in her Pony Club "A" examinations (being one of only two per year to gain Honours).

(b) Work Experience

On completion of her training and examinations, the o/m took up a post of groom at a reputed hunter stables in Lincolnshire.

Within this post she became an accomplished rider and developed a reputation for quality work.

It was at this time that she reinforced her interest in dogs

She married at the age of twenty-two years and her husband's work took them to the South of Lincolnshire where the job market dictated her career move out of horses and into dog care - horse riding activity at that time was less apparent in the crop growing south of the County. For several years, the o/m worked within the local kennels learning all aspects of dog care (including grooming).

In 1977, the break-down of her marriage forced the o/m to undertake an additional part-time job in the form of a nannyng appointment with a local family, the wife of which suffered with intermittent illness and needed assistance.

Through the years, however, the o/m maintained her dog care activities and gradually edged into breeding and exhibiting. Indeed, it was in 1985/86 that she began to utilise her reputed animal care experience base on a wider scale - in parallel to her continuing nannyng, kennels and breeding/exhibiting activities, the birth of an extremely novel and original niche operation evolved, i.e. a Pets Hotel.

(c) Qualities and Personality

Prolonged observation of the o/m's working day and interviews with her friends, colleagues and acquaintances powerfully underlines major qualities of the o/m in the form of invaluable energy, tenacity, self-motivation and out and out commitment.

A combination of her chosen animal-oriented life-style and the nature of the business, dictates that sheer hard work, energy and commitment are essential pre-requisites for the success of the business.

Two years of close observation of and discussion with the o/m in action, suggest the need for adjustments to initial conclusions in respect of requisite human inputs to the business. First impressions in the context of day-to-day operations underlined how the task required a high level of energy and commitment - prolonged observation, however, results in conclusions that few average individuals could maintain over time the level of hard work and energy input necessary to effectively operate the business activities, especially given the o/m's continuing need to undertake a parallel part-time support job.

In addition to the base pre-requisite of commencing the working day at 6.45 a.m. every morning, and fully winding up activities at between 11-11.30 p.m. in the evening, the o/m displays an unmoving single-mindedness in order to fulfill varied tasks in relatively uninterrupted fashion throughout the day. The demands of her part-time employer, external canine clubs and animal-related societies, have to be integrated into normal day-to-day routine.

At times (not surprisingly), the o/m's patience is stretched and occasionally her temper breaks - her single-mindedness often results in peripheral contacts (friends, family, colleagues, enquirers) taking the full brunt of her time constraints and tiredness. Inefficient suppliers, subcontractors, service/maintenance workers are not suffered gladly - they are told bluntly and to the point of any o/m perceived deficiencies. That the o/m is of part-Irish blood, may at least be a contributory factor toward her short-temperedness. That she is, by self-admission an "animal person" rather than a "people person", would appear to be a major contributory input.

The latter, however, is too uniform an assessment, an over-generalisation which belittles the o/m's "social input" into her circle of friends and acquaintances - often finding time to help those in need.

(d) Attitudes and Motivations

The o/m is not money motivated. For her, the business is a vehicle for the fulfilling of life-style oriented objectives and integrated social objectives. That is not to say that profit is not seen as important - a minimum profit sub-objective is seen as a pre-requisite for the maintenance of a level of business activity capable of providing the o/m with an animal-oriented life-style including the achievement of wider social objectives (reputed animal welfare expert; reputation for dog breeding/exhibiting/showing).

The o/m's attitude toward work/leisure is not one of a clear work period-leisure period distinction. Given that the rewards derived from the business are those of life-style and related "social" recognition there is an intricate intertwining of work/leisure for the o/m. For example, her own personal breed/show dog stock (some eighteen dogs) must be regularly cared for and groomed and as such is part of the day-to-day routine business activity. The results of this "care" has business and social manifestations. Within the social context the "care" results are manifested in the o/m's success in the exhibiting arena. In the business sense, the "care" produces tangible results in the customer demand for quality dogs and intangible benefits in the form of building up image and quality reputation. Though the o/m is quick to point out that the primary objective of breeding is one of producing sound temperament, quality show stock and not one of breeding for income - some of the puppies are sold to friends, or to friends of friends, where good homes are guaranteed, but the o/m is completely against "puppy farmers" who have little regard for the dogs' welfare. Thus in business terms, the major benefit derives out of reputation and image which feeds back into both the pets hotel and the livery activities.

This intertwining of work/leisure in the eyes of the o/m is probably best underlined by her propounded "dislike of holidays" and "I'd rather spend my time with my dogs and other animals".

In short, the o/m's underlying motivating forces are probably best portrayed in terms of her desire for life-style, with its intertwined "social" permutations and inherent "achievement motivation". Profit is merely a "constrainer", a minimum level of which is necessary to maintain a level of business activity commensurate with the o/m's objectives.

The imperative nature of the o/m's underlying motivation in fact only receives true emphasis from

prolonged study of her activities. A static analysis would indeed show her to be animal oriented but not animal rather than people oriented. It would show her to be socially oriented to the exhibiting world. What it would not show would be the intensity of that motivation. It is prolonged observation (and discussions) which demonstrate this but prolonged observation within the frame of the changing context which the o/m operates. It is the way in which the o/m adapts to changing environmental forces to maintain fulfilling of life-style/social objectives which clearly underlines the intensity of her underlying motivation forces. Within the face of twelve increases in interest rates, the o/m has maintained her social (exhibiting/breeding) activities, whilst simultaneously ensuring that the short-term level of business activities (and inherent quality standards) is not sacrificed. Indeed, it is the methods via which this balance has been maintained which underlines her true motivation - in the face of squeezed customer demand and upward pressure on costs the o/m diversified her activities into "external horse networking" (sub-contract stable management for neighbouring stables) involving an even longer working day; and by reducing the amount of her "leisure oriented" expenditure such as clothing and food.

(e) Orientation to Task

The above personality, qualities and attitudinal characteristics and the inherent motivational forces contribute toward an out and out o/m task orientation within the business.

Firstly, her time is almost 100% allocated toward task completion within the business - very little time is allocated to domestic activities. Secondly, on the occasions that the o/m needs to draw upon support employee input, the emphasis is almost completely oriented toward the task in hand, rather than toward the "people" involved in the task.

And thirdly, the o/m concentrates on those tasks which she perceives as important, and in the main, the tasks which she does best. Thus, the operative (production) tasks in which the o/m is highly qualified and highly proficient (and indeed on a day-to-day basis are the critical tasks), are performed by the o/m and performed extremely efficiently. The lead (marketing and planning) and support (finance) functions are, however, largely ignored. Not surprisingly, though, given the background and experience base of the o/m and lack of time.

(8) THE PROCESS UNDER EXAMINATION

(a) The Underlying Problem-Solving Process

As emphasised in part one of this investigation, the large firm has, not least because of its resources and management capability, a greater potential for pro-active management. *"The notion of problem-solving involves a number of distinct stages including problem recognition, the consideration of alternative courses of action, judgement and decision-making activity, and feedback and evaluation. In the large company various control mechanisms are built into the system to try to predict the course of events or to provide early warning of deviations from the desired pattern. The problem-solving activities of the large company administrator are, therefore, primarily aimed at shaping events and his characteristic skills are skills of prognosis"* (Wilkie and Deeks.⁽¹³⁾)

For Wilkie and Deeks, *"the context within which the o/m operates, however, is one where less control can be exercised over the business environment and where the time-scale of operations is often such that fewer alternative courses of action are open. The problem-solving activities of the entrepreneur in the small firm are, consequently, primarily aimed at mitigating the consequences of events and his characteristic skills are skills of diagnosis rather than skills of prognosis"*.

Inherent in the problem-solving process, is the need for decision-making activity and this requires that the examination also incorporates investigation into the inherent decision-making process. With regard to the latter, Wilkie and Deeks distinguish between the small firm o/m and large company administrator with the o/m likely to be more concerned with particular decisions for particular situations than with making general decisions that will cover a variety of non-specific situations. Thus, o/m policies for Wilkie

and Deeks are more likely to evolve from the custom and practice of tried and tested decisions than attempts to identify and standardise particular principles, guidelines and procedures. This in turn raises the issue of an o/m's necessary pre-requisite of access to detailed information about specific situations if successful and ad-hoc non-seriable decision-making of this kind is to result.

The implications of change in external contextual variables for problem-solving and inherent decision-making activities thus becomes a major issue for examination, with change, problem-solving and decision-making processes to be considered within the context of the history and future of the business as they relate to the present.

(b) The Change Process

The enabling and constraining forces of the small firm external environment will, through time, be important in strategic terms for the o/m. The environment of an organisation may change but the firm's strategy may not change with it. Or the internal organisation (structure, systems, people) may not be suited to newly changed external conditions.

This raises the issue of internal relationships between changing external operating context and the inner strategic stance and responses of the firm. Is the o/m recognising (indeed capable of recognising) relevant external change and responding to it; or does strategic "mismatch" between the firm's strategy and environment arise? If response is forthcoming, what is the nature of the change and why does such response result? Is the change sufficiently significant to affect the strategic position of the company? For Johnson and Scholes⁽¹⁴⁾ features giving rise to strategic mismatch, if an organisation fails to accept these, include:

- (i) the degree of permanence of change, (e.g. a market may be cyclical in nature resulting in no strategic mismatch)
- (ii) the speed of change (organisations face more threats of mismatch if there is little time to adapt to them; e.g. a gradual decline in market value is not as problematical as a sudden shift in usership patterns away from a product/service).
- (iii) the extent of change (is the change taking place likely to affect a substantial part of the organisation or its strategy?).

Johnson and Scholes emphasise that "strategic mismatch" is not necessarily to be viewed in terms of threat. The firm is only under threat if it is unable to, or fails to, respond and adapt - this depends on how well the firm is positioned in terms of "strategic standing" in relation to the types of change taking place.

For the small firm, change may appear to be sufficiently significant to affect its strategic position and yet rely on tactical response to mitigate the consequences of that change and exploit that change - even in a situation where apparent mismatch exists between the firm's strategy and its environment. Examination of any variability or constancy between external context change process and the small firm's problem-solving response process, will be undertaken.

(9) DEVELOPING A NOVEL GUIDING THEORY BASE FROM WHICH
TO DIRECT PROCESS ANALYSIS

(a) Strategic Change Within the Small Firm

Strategic change in large firms *"tends to occur as a continual process of relatively small adjustments to existing strategy through activity within sub-systems of organisations. However, there is likely to exist an overall "global" strategic direction, the change of which is often associated with an organisation getting out of step with a changing environment and the arrival of a new leader"*. (Johnson and Scholes (15)) (*i.e.* incrementalism juxtapositioned with "global" one-off change).

Moreover, Johnson and Scholes emphasise how the definition of strategic problems relies to a great degree upon the manager's reconciliation of the circumstances of the situation within his past experience and the received wisdom - or recipe - within the industry.

For the small firm, however, the characteristics and ability levels of o/m's determined in part one of this review, may well result in small business responding in a predominantly tactical manner to environmental change, in order to mitigate the consequences of that change. The constraints of "personalised" and "political" inputs, including o/m wider social objectives; and the relevance of o/m-held "management recipes" used by the o/m, will dictate the extent to which selected tactical changes are appropriate for the exploiting of that environmental change - those same o/m inputs will be major determinates as to the degree to which the o/m incorporates requisite strategic change in line with environmental change.

The strategic change process within the small firm may thus be a continual "incremental" process with intermittent "global" change, or the firm may proceed

with continual tactical adjustment in its attempts to mitigate change - success/failure then becoming greatly dependent upon the potential eventual "strategic mis-match" which can derive as a result of tactics of a nature insufficient to mitigate the environmental change. At the extreme, too high a level of "strategic mis-match" results in the total demise of the business. The "success" factor with regard to the latter, is to a great extent dependent upon the diagnostic skill capability of the o/m central to the problem-solving process and pre-requisite access to detailed information in specific situations for underlying ad hoc non-seriable decision-making - both skills of which (problem-solving and underlying decision-making activity) are central to the change process.

(10) SPECIFICATION OF THE MODEL OF MAN UNDERLYING THE RESEARCH

In line with insights derived throughout the introduction and part one of this investigation, the following assumptions relate to the nature of man, underline the research and are also prevalent within the analysis stage:

- (i) the individual is characterised as active and essentially rational in pursuit of his goals; *"the organisation is characterised as a complex network of competing and co-operating individuals and coalitions in which conflict is a natural occurrence"* (see Lawrence and Lee⁽¹⁶⁾)
- (ii) reality is an inter-subjective construction of the shared human cognitive apparatus (internal realism); facts and values are viewed as being intertwined and hard to disentangle (not indistinguishable as is normalivism) with both facts and values involved in scientific knowledge. (see Archer⁽¹⁷⁾)
It is not always possible to maintain independence of the reality under study and there is a need to attempt to accommodate all "actors" involved in the "reality" under investigation.
- (iii) given the "political" nature of man (inferred in (1) above) strong emphasis is on *"man's capacity and desire to adjust to social conditions to meet his ends and the part played by power relationships in the emergence and on-going development of the processes examined"* (see Pettigrew ⁽¹⁸⁾).

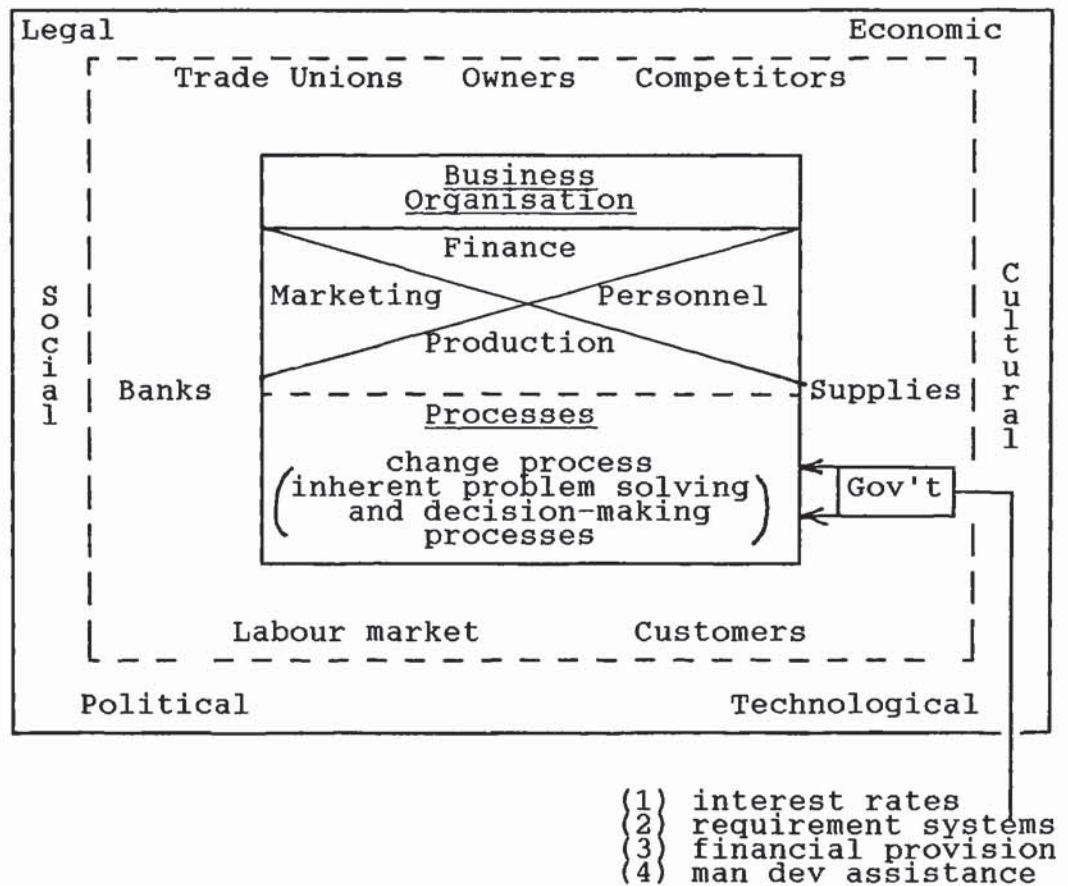
The interaction of context and o/m accommodates the fact that the o/m's actions may be constrained by context, but that the o/m may also mobilise or activate that context to achieve his desired outcomes.

(11) PINPOINTING THE LEVELS OF ANALYSIS IN THE CONTEXT

Obviously the case study research extends beyond a level of context restricted to inter-organisational context through which processes immediately flow. The focus of emphasis is upon the effects of varying forms and degrees of government intervention upon the small business and thus includes aspects of outer context.

The different levels of analysis and variables in those different levels of analysis can be pinpointed and presented as follows

Fig. 5 Outline of Levels of Analysis



(12) DESCRIPTION AND ANALYSIS OF ANY VARIABILITY ACROSS THE CONTEXTS WHICH THE PROCESSES ARE UNFOLDING (including description and analysis of trends and developments in the various contexts through time)

(a) The Start-Up Period in Context

Following the breakdown of her marriage in 1977 the o/m was forced into part-time work - nannying for a local family for support income.

Full financial pressures were not problematic due to the attitude adopted by the husband who took responsibility for mortgage repayments and basic recurring household expenditure (rates etc).

However, given the inherent insecurity of the situation (i.e. her half share of the marital bungalow was secure, but her retaining of the actual bungalow for living purposes was dependent upon the husband's continued goodwill), the o/m's major motivation was for independence. The potential for financial problems was at least a psychological constraint and existing on a low level of income was a real constraint on lifestyle.

The part-time job was to be the beginning of a long-term relationship with the employing family and to this day remains a major enabling/constraining force upon the o/m's activities.

Inherent "animal lover" characteristics, coupled with past training and experience were major inputs which led the o/m into dog breeding/exhibiting, and in 1985 to the anchoring of the experience into the provision of a pets boarding service on a very limited scale to supplement income.

The o/m, immediately prior to the breakdown of her marriage, had worked for the local kennels. Derived experience enabled her to recognise a niche market - the kennels' customers were constantly enquiring as to

where they could leave their other pets (i.e. domestic pets other than dogs or cats). Such a service was not available in the town and surrounding area.

Thus, in an extremely small, almost ad-hoc, fashion the business was born. The o/m had effectively taken a customer-oriented approach to the provision of the service, but did not follow through in a sufficiently comprehensive or aggressive manner - at that stage no advertising other than a card in the local pet shop and relying greatly upon word-of-mouth recommendations.

The o/m relied upon the continued good will of the husband regarding basic bills and upon support income from her part-time job.

The pets boarding service provided no more than very low level supplementary income to contribute toward her dog breeding/exhibiting interests; and given that the major resource limitation of space (the service actually utilised the garage and conservatory space of the o/m's bungalow) there was never any possibility of the business growing to fulfill the underlying independence and requisite life style objectives.

Indeed, in addition to the internal resource limitation was the external constraint in the form of the local Environmental Health and Planning Departments. Already the o/m required a Health Department licence to formalise her dog breeding activities and any significant growth in the business would require Planning Permission.

At that time a period of fluctuating interest rates had not been problematic - before the marriage breakdown a very low mortgage of £8,500 was never interest rate sensitive; and after the breakdown the husband maintained the repayments.

Indeed by early 1988, the spiralling house price "ripple effect" had reached South Lincolnshire with

Spalding and Peterborough recognised London commuter country. Upward pressure on house prices had seen the o/m's bungalow benefit in capital gain over a four year period from £8,500 to £51,000.

The potential existed for the freeing of tied up capital. The underlying constraint was the estranged husband, who legally owned 50% of the capital gain.

(b) Developing the Business

New premises purchase in context

In April 1988 the o/m persuaded her husband to sell the marital bungalow (for £51,000) and purchase a second better equipped bungalow with a run-down livery business attached.

The agreement saw the o/m derive £31,000 of the capital gain to purchase the attached business valued at £28,000 (with the remaining £3,000 for working capital). The husband purchased the peripheral bungalow and took responsibility for the mortgage repayments - the o/m having full live-in use of the bungalow.

The o/m took possession of the business (six loose boxes, barn, three paddocks of 2½ acres, kennel blocks and outbuildings) in June 1988.

At that time, the overall economic climate provided a convivial environment for small business development. Nationally, the government was fostering entrepreneurship, not least through the newly formed Enterprise Initiative. Inflation was down to around 5% and interest rates held at a modest 9.5%. Feed in the government encouragement toward private house buying and the attached upward pressure on house prices, then a general feeling of increased "security" and willingness to spend was evident amongst many consumers.

At least an end to "economic symbolism" (the death of demand management "stop-go" type policies) seemed realistic.

At the local level, growing potential customer-bases were emerging as the area (especially toward neighbouring Peterborough) took on the role of "overspill" for hungry Southerners in search of cheaper houses. A catchment area (i.e. within 20 miles radius of Spalding) provided a populace of 325,000 people. Given R.S.P.C.A. estimates that one in two families have pets, and also given that no other "Pets Hotel" (no competition) existed within the area, the contextual forces were, on balance, looking favourable for the o/m.

With regard to livery, some 10 competitor units exist in the area, but the existing local "horse network" is growing, not least by a supplementary input originating out of the immigrant overspill.

The major contextual constraints at June 1988 derived in part out of the pressures upon the high profile farming community - with a potential downward multiplier effect upon the locality. However, even this was offset to a greater or lesser degree by the success and growth of local horticulture and a spillover effect of the astronomical growth of the city of Peterborough - many people travelling from all areas of the catchment area to work there, and thus feeding Peterborough-earned incomes back into their respective communities throughout the area.

However, underlying local constraints upon potential growth derive out of setting the locality into perspective in terms of potential spending power:

Fig. 6 Examples of Wage Rates - Spalding Town

	£
Farm Labourer	2.80 per hour (permanent)
	2.47 per hour (casual)
Shop Assistant	2.50 per hour
Food Processing Worker (processing/packaging/ distribution)	2.80 per hour

Source: Spalding Job Centre - July 1985

Whilst unemployment in Spalding at only 4.8% (Winter 1988) is well below the national average, the potential spending power, especially given that livery is an almost "luxury" related purchase (i.e. purchase and upkeep of a horse is very expensive), and that pets boarding is to a great extent holiday purchase derived, the relative wage levels of the majority of the o/m's catchment area, is a constraining influence upon business development. The susceptibility of both these areas of consumer expenditure to economic volatility (e.g. interest rates) is high.

Thus, up to and as at June 1988, a combination of contextual influences through time gave rise to change in the state of the business (from ad hoc part-time low level activity toward a position of potential market penetration and "product" development). The situation can be summarised as follows:

<u>Past</u>	<u>Present</u>	<u>Future</u>
(1) O/m experience and inner motivation for independence and independence oriented life-style; intertwined with marriage breakdown	(1) Acquisition of potential livery and Pets Hotel business	Potential o/m independence and requisite life style
(2) Economic pressures on housing prices - giving potential to release capital	(2) Change in terms of formulation of new strategic areas of activity by o/m	
(3) Convivial overall national and local economic environment - including positive government attitude toward small business		
(4) Amiable "political" input from estranged husband (substantial cooperation)		
(1) to (4) combined to trigger o/m problem-solving process		
search for appropriate premises to fulfill objectives		
	L - - - - - CHANGE- - -	
	Decision to purchase	

(c) Business (or "Corporate") Strategy Formulation as at June 1988

The o/m's determining of areas of activity within the newly acquired premises was influenced by her underlying inner motivation for independence and for a life-style which incorporated the fulfilling of her wider social objectives within the "dog network" - i.e. reputed dog breeder/exhibitor/show judge. In large company terms, what was required in June 1988 was a full external audit to determine the enabling and constraining forces of the outer operating context of the business, together with an internal conducted resource audit to form the information-base from which analysis to reveal strategic options for choice could be made. Combined "personalised" inputs of the o/m and associated "political" inputs from those involved around the business, together with the pressures of having to "put the business into play" on the day after she moved in, resulted in "strategy formulation" from foundations quite different to those potentially open to the larger firm:

(i) the o/m's underlying motivations which included a desire to be successfully active in the dog world, directed her immediately toward activity emphasis allowing for integration of those "dog world" activities into the running of the business. Her motivations (objectives) and the "political" input of the local "dog network", combined to dismiss in her mind any entertaining of the potential for riding school provision (the o/m is a qualified and very good riding instructress but timings of the service provision do not dovetail into her wider social goals pursuit).

(ii) the o/m justifies her decision not to enter the riding school market on the grounds that local competitors have more extensive facilities for this service provision (including all-weather indoor facilities). This may be a very valid "political"

force; but, given a lack of in-depth competitive analysis and thus the absence of insight into potential for under-cutting competitor prices and differentiating the service, this decision was subjectively rather than objectively based.

(iii) inherent within point (ii) is the o/m's lack of time to conduct anything like a comprehensive strategic analysis; but also a lack of management capability to determine key external enabling/constraining forces and thus to derive and interpret the detailed information required.

(iv) the "political" input of her part-time employer (his demands) dictated to a large extent the level of overall activity - this being part of a vicious circle. The job is needed to supplement income until the business is self-supporting - the business activity is constrained by input the o/m can physically provide (especially given the other "political" input in the form of availability of reliable low cost support labour).

(v) the time constraint of moving in and into immediate operation was particularly imposing, and whilst it could be argued that analysis should be done before purchase of the new premises, the o/m's intention to simply intensify current boarding activity as the core activity does reduce this criticism somewhat.

Thus, the o/m's chosen areas of "strategic emphasis" contrived to build on existing core boarding activity. Again, in large company terminology, the above influences combined to produce the following strategic decisions:

(i) undertake a market penetration strategy in the pets boarding market to gain market share adequate to provide independence and fulfilling of wider social "dog world" recognition objectives.

- (ii) utilise stabling and paddock resources by diversifying into the livery business, emphasising quality service (but the actual level of this activity initially to be held commensurate with achieving of the social objectives, and with permitting the fulfilling of income-support job - at least until the overall business has grown to the point whereby funds are internally generated to give the o/m a feeling of security to terminate her part-time job and concentrate independently on boarding and horse-related activities).
- (iii) the riding instruction market will not be entered.

(d) Operational Strategies

"Without consistency between corporate or business strategies and operating strategies both levels of strategic decision are likely to be ineffective"....." it is the operational level of organisation that the management of strategy implementation takes place"(19)

A major characteristic of strategic decisions is that they often give rise to important changes in an organisation's resources. A large company must concern itself with the planning of how resources will have to be re-allocated given strategic change. Strategic changes involve and affect many of the business resource areas and are implemented on a day-to-day basis through the sub-systems (functions) but they also need to be thought through as a whole to see if they form a coherent package i.e. the resource planning process.

However, the "thinking through as a whole" is greatly dependent upon the capability of management to view the business in terms of interdependent sub-systems, to understand the potential input of respective sub-systems, to derive information (external and internal) relevant to their functioning and to analyse

and interpret that information so as to make decisions appropriate to those respective sub-systems in terms of the "integrative whole".

For the small business, the problem-types and associate decisions are, of course, a completely different ball-game to that facing the large firm - not least because the o/m under study here is the respective sub-systems and the potentially "integrative whole".

Small firm success is greatly dependent upon recognising the role of the marketing, finance, manpower and purchasing functions as well as the often more familiar production function, around which emphasis in many small firms rotates (since for many o/ms, it is their underlying ability to "produce" a product/service which encourages them to start the business in the first place and to what they often give most attention because they know how to fulfill the role and it is centrally critical to the base operation). Written formal operations strategies may not be evident but decisions relating to the overall "thinking through" of resources in this respect are essential. For the livery/pet hotel o/m, the operations strategy thinking through prior to take over of the new premises and during the first few weeks of the business moving into operation is as follows:

(i) Production Strategy

Decision number one: What level of production capacity is desirable?

The major inputs into this decision were:

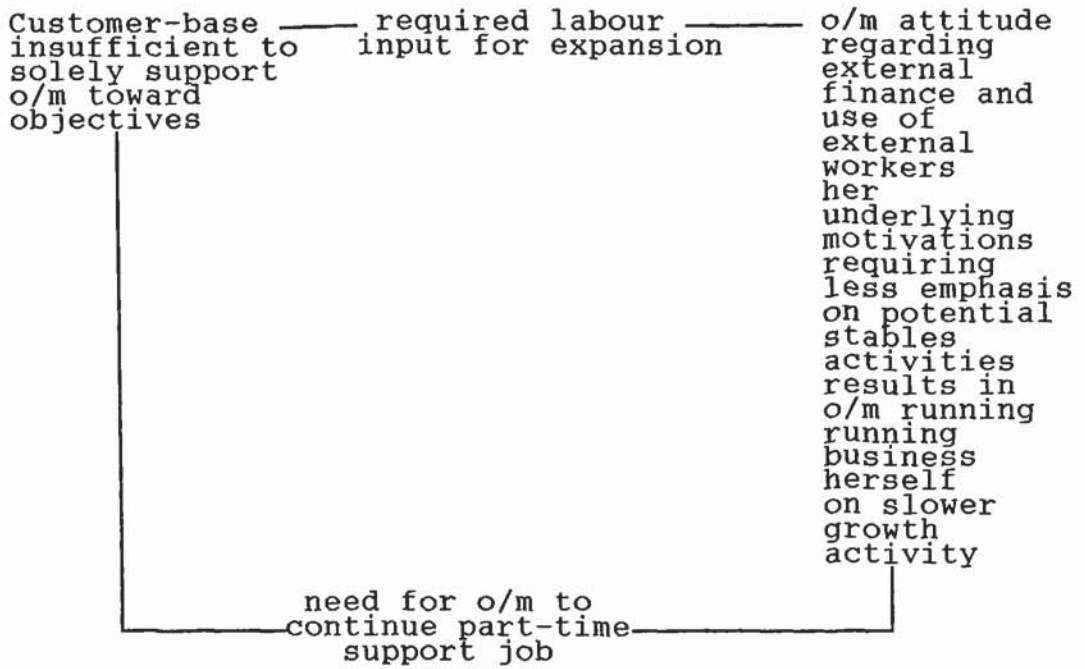
- (a) The o/m's capability (deriving out of past experience) to physically cope (in terms of time and energy).
- (b) The o/m's objectives (especially her wider social objectives and thus the "political" input from the local "dog network").

- (c) The o/m's part-time employer (which contributes to the time constraint in (a) above).
- (d) The cost of employing a part-time worker.
- (e) The availability and cost of finance for potential expansion.
- (f) The o/m's attitude toward external finance.
- (g) Concern over the husband's continued attitude toward support.

The o/m was (and still is) faced with the dilemma of needing to establish a customer-base sufficient to support her toward her objectives independent of her part-time job. She needs the income of the part-time job to support gradual growth toward achievement of "optimum" size, and yet also needs the requisite level of labour input for that achievement - her own time is severely constrained by her part-time job and the business is not, and would not in the early stages, support her full time input or that of a part-time Y.T.S.. The o/m's attitude toward utilisation of an overdraft (which would be available given the potential collateral of the business and her share in the bungalow) removed the option to utilise temporary external funding to allow for the establishing of the customer-base.

Thus the level of provision of service decided upon by the o/m, was an expansion of boarding to "match demand", whilst curtailing activities in the livery to two horses - this the o/m thought she could cope with herself, and allowed her the flexibility to continue activities within the local "dog network" (fulfilling of social objectives).

This decision has proved to be the start of an ongoing vicious circle:



Decision number two What investment is possible and what should be the timing?

Despite the above constraints the o/m was not without a long term abstract "mission" - she has a mental image of a long term "mission statement" which will eventually see not only further utilisation of existing livery activity, but expansion in this area, with potential purchase of adjoining pasture land and additional stables provision. But this being a long term capital investment option, originating out of growth pursued via initial internal funding as implied above. This will allow for gradual use of employees and permit continued pursuit of the o/m's intertwined social objectives.

The capital investment at this stage was restricted to conversion of existing premises for boarding activity - financed by the o/m's capital released from the sale of the marital bungalow and completed between June 1988 (entry) and December 1988, not least by a good deal of hard work by the o/m.

Decision number three: What manning levels are required?

Given the o/m's decision regarding the level of initial activity, the o/m planned to utilise the local "dog" and "horse networks" to input any intermittent assistance required.

(ii) Supplies Strategy

Decision number one: What sources of supply are available and to what extent should a spread of suppliers be utilised?

The o/m had (at the previous location) gradually built up through trial and error and "networking" a solid supplies-base for pet foods and, whilst a friendship factor within the network was developing, she contrived to play-off one supplier against another in terms of price/quality factors. Entry into the livery market saw the o/m deciding to utilise the "horse network" in a similar fashion, to establish a cross-section of local suppliers of raw materials.

Decision number two: How are costs to be reduced?

The above "play-off" approach was the o/m's major cost reducing strategy, but a related capital investment decision saw her planning the future purchase of additional freezers for animal foods to allow bulk purchase at discounts.

Constraints within the decision-making process relate to the o/m's inability to forecast potential demand (deriving mainly out of restrictions in terms of marketing capability; see below).

Decision number three: Should the business make or buy raw materials?

Whilst the o/m had the foresight to consider this possibility (friends in the "network" are actually involved in this process) the finalising of the decision is not at issue in the early stages of growth, since sales levels would be insufficient to provide real cost benefits

(iii) Marketing Strategy

There is an extremely close intertwining between business ("corporate") strategy and marketing strategy in organisations thus the major base-inputs to decisions relating to marketing are those discussed above under "strategy formulation as at June 1988". However, since it is this marketing core which effectively "drives" the shaping and achieving of overall business objectives/strategies, further examination of the general issues of market flows, acceptable share and competitive edge, is necessary; and also of more detailed level planning in the area of marketing strategy.

Decision number one: Which markets and segments should the business concentrate on? (i.e. market focus)

As seen above, the o/m's decision as to the balance of activity for the business, derives out of a construction of her own "personalised" inputs and associate "political" inputs of those involved around the business. Time was a major constraint but so too is the management capability of the o/m. Critical to the success of the business is the establishment of an adequate customer-base in each area of business activity undertaken. From the nature of that customer-base, its current potential size and its future potential growth all other resource requirements derive (e.g. current and future requisite "productive", finance and manpower levels).

Thus, decisions in production, finance, manpower, supplies and operational strategies without that customer-base information, tends to take place in a vacuum.

There appears little doubt about the potential of the pets boarding market - a population of some 325,000 within the 20 mile radius catchment area of the business; one in two of the families having pets. Nor does there appear to be a shortage of potential market demand in the stables business - overspill area of the wealthier Southern employed.

But, the o/m's decision-making processes are conducted within a framework of her perceived potential market shares and approximated market segments. Time and ability constraints are restricting the o/m from determining an information-base providing clear insights into the true enabling and constraining forces imposing on the business.

Externally, the o/m has not been able to determine a profile of potential customers (in terms of exactly who they are and their preferred marketing "mix" variables regarding the services offered) or the potential of that customer-base. Nor has the o/m been able to make herself aware of other key influencing constraining forces which impose on the business (and the workings and implications of these forces for the business over time).

Given this lack of information and thus lack of ability to determine from the potential customer-base associated revenues and costs (including underlying resource requirements), decisions as to what is an acceptable market share and the sensitivity of the business to over-dependence upon one customer (e.g. a high-paying hunter livery customer), cannot be made.

This lack of general information, in turn, has severe implications at the more detailed level of planning in

marketing strategy and sees decisions at this level being taken in a vacuum.

Decision number two: What will be the range of products and their quality levels?

As the strategic level decision to provide a predominant emphasis of activity upon pets boarding relative to livery, derives out of a combination of "personalised" and "political" inputs and because of the lack of o/m management ability to fully analyse the external environment, operational decisions are in fact made to support that inadequately analysed business strategy emphasis.

Thus, while the o/m's first-class knowledge and "productive" capability in relation to both of her chosen markets, results in very high quality levels of service (in fact quality in terms of "fitness for function" as perceived by those customers), the actual range of products (i.e. services) offered, must also be in line with the o/m's restricted analysis of potential opportunities - for example, full detailed strategic analysis of the business environment, may well reveal areas of activity within the livery/riding stables/horse breeding spectrum, which would be capable of financially supporting the employment of a part-time worker and help to break the vicious circle which keeps the o/m reliant upon her own part-time support job and in the business in a low growth mode.

Decision number three: Which channels should be utilised to "distribute" the services?

Given the chosen areas of emphasis of activity, the o/m has decided to offer a collection/delivery service if so requested by pet boarding customers. The lack of base market information (customer profile) restricts the o/m's overview as to customer-perceived benefits of the service and of how much they are prepared to pay for it. This, in turn, results in a lack of insight of

how to present this service in advertisements - it is after all a potential area of "distinctive competence" and should be exploited as such.

Decision number four: What price levels are appropriate, given both required profit levels and marketing strategy being adopted?

The lack of strategic analysis and thus of derived forecasts of requisite profit levels, works through into a decision process of "pricing within a vacuum". If, on the one hand, the o/m does not have any idea as to the likely pet boarding demand in quantitative terms and the required demand quantity and associate price levels needed to produce given profit levels, and on the other hand, does not know what the customer-base is prepared to pay for the service (including collection/delivery service), then she is left with only one option - "guesstimates" based on the one hand her perception of what customers are likely to pay and on the other hand, her perception of what will be needed to cover costs and produce a level of income commensurate with the fulfilling of her objectives.

Her perceptions on price are, in fact, much more market-oriented than could be the case given her approach, because of her expertise and insight into dog and cat boarding (though she does not herself wish to offer the dog/cat boarding service).

However, the prices charged are extremely "reasonable" and discussions with existing customers tends to suggest that they are prepared to pay considerably more. It will now be difficult to increase price in the face of established lower price bases.

Decision number five: What method(s) of sales promotion should be utilised?

The o/m decided to attempt to keep advertising expenditure to a minimum. This was not a free choice (she certainly believes in the benefits of advertising and the need to inform the potential customer-base of the service), but rather is constrained by finance. The o/m utilised posters and leaflets in pet shops, veterinary surgeons and throughout the local "dog network", together with personal contact in the latter network.

It was decided to use the local newspapers intermittently throughout the boarding season and within special pet features.

Again, stemming from the strategic analysis information-base, the ability to portray the desired customer marketing "mix" variables is severely constrained - for example, the above price, distribution benefits etc. If wrongly defined, the "mix" will be wrongly portrayed by the advertising which itself may or may not be utilising the correct media to adequately communicate with the customer-base.

(iv) Financial Strategy

Decision number one: What are the financial requirements of the proposed business strategy(ies) in terms of current and capital expenditure?

The o/m determined the required level of capital expenditure from analysis of the requisite conversion expenditure necessary to undertake the pets boarding and her dog breeding/exhibiting activities. Underpinning this decision, there is again the "personalised", "political" and management ability inputs which influenced the choice of balance of activities. In other words, again the base strategic analysis, with the core market analysis, provides the information-base from which operational strategies can be determined - in this case production, marketing, human resource and supplies requirements and strategies have derived from the o/m's analysis of appropriate emphasis of activity, and financial requirements and strategies derive out of what is needed to adequately financially underpin that activity.

Inherent within the o/m's analysis has been her "personalised" input in the form of her psychology toward utilisation of external finance. Initial capital expenditure and working capital requirements were funded out of the o/m's equity input (derived from the sale of her house). Subsequent capital requirements are to be financed out of the funds generated by the business.

Again the inadequacy of the strategic information-base sees a working through to operational strategy which is likely to "feed-in" to the "vicious circle" and indeed perpetuate it. Whilst it is the o/m's own psychological input which results in her ignoring any possibility of utilising external finance, that is in fact working alongside a lack of management ability input which produced a restrictive analysis of the strategic environment.

What then is the corollary of all this? The tendency for many analysts may well be to offer the retort that central to the o/m's deficiencies is the lack of a sufficiently comprehensive marketing philosophy approach in determining the initial areas of strategic emphasis (i.e. due to lack of effective strategic analysis). And that all that is needed is to address the o/m's lack of management ability in this respect (toward an ability to undertake a pro-active management process).

But this is to miss three critical underlying points.

Firstly, the role that the other "personalised" inputs of the o/m and the "political" inputs of the peripheral "actors" play in the o/m's problem-solving and decision-making processes.

Secondly, that a marketing philosophy approach is a central part of the management process. Even if the consultant/adviser can work alongside the o/m to produce a reasonably effective analysis of the business's external operating environment, isolate its key influences and can match the inner resource capability to the inherent external opportunities and consolidate this into a business plan, the difficulties do not end there. The dynamic nature of the environment and the changing forces of "political" inputs mean that the o/m must develop skill levels to constantly log those forces and to pro-act or react accordingly.

The time and resource constraints placed upon the o/m and her "personalised" inputs, however, tend to point to the unlikelihood of her ever approaching anywhere near a pro-active style management process (even though many of those time, resource and "personalised" input forces may well be modified by the production of detached, convincing strategic analysis as a base starting point for formulation of strategy).

Clearer insight into this phenomena derives out of analysis of the o/m's approach to day-to-day implementation of her chosen strategies and her responses to change occurring through time.

(e) Day-to-Day Implementation of Strategies and Response Through Time to Identified Change Forces

Given that the o/m entered the new premises mid-peak season and that conversions, alterations, repairs and improvements had to be undertaken in tandem with day-to-day provision and development of the pets boarding service, her first six months to December 1988 was very well managed.

The first boarding season produced revenue of approximately £50 per week (including income from parallel liveries).

Her adopted "production" systems including stock ordering, raw materials preparation and collection/delivery systems saw her developing a routine and keeping variable costs to an absolute minimum.

However, in line with the o/m's inadequacy in producing an adequate initial analysis of the strategic external operating environment, was a continued deficiency in this respect throughout the first eighteen months of the business. Due in part to immense time constraints, but also from a tendency to prefer to become involved in task areas which she enjoyed and fully understood, the o/m found key external change factors either creeping up on her or hitting her so hard as to require immediate response.

One exception to this lack of foresight concerned the influence of the local planners. The premises were purchased with planning permission for livery and riding stables. Complying with local government requirement systems, the o/m informed the planners of her intention to utilise the premises for small pets boarding and enquired if additional planning permission was necessary. The Environmental Health Department and planners pondered over the activity (given that the Environmental Health Department issues the o/m with a

dog breeder's licence annually and have done for several years). Eventually the planners responded and visited the premises. One result was to question the pets boarding activity within the context of the Dangerous Animals Act (for budgies, parrots, hamsters, rabbits, etc.!!!). As mentioned earlier in this investigation, the o/m was able to call on "network" and family expertise to squash any potential problems. A second response of the planners is strategically more worrying for the o/m. Rather than granting planning permission for the boarding activity, the planners responded by informing the o/m that "at existing levels of activity no planning permission is necessary" but with no guarantees as to their potential response if the business grows. The implications of such a response are far-reaching. On the one hand the D.T.I. are attempting to encourage and foster enterprise. Successful business requires considerable capital investment - both in fixed and human assets. In other words, the commitment of large amounts of capital into the long term.

The o/m has chosen to attempt growth from internally generated funding. Future growth will come from internally generated funds - but if she develops faith in the business's potential to finance external borrowings and to avoid the insecurity derived from existing reliance on her estranged husband, her underlying psychology regarding non-use of external funding may change. No matter though, how the business is funded, the o/m has a long term mental image "mission" of growth and potential diversification.

Government decisions of the above nature fail to reflect any sign of "integrative overview" by government which is an essential pre-requisite for government provision of an environment conducive to entrepreneurship - the planners in this instance appear to fail to recognise the necessity for an o/m to commit business at an early stage to long term goals; an incrementalist approach to the passing of planning

permission is not feasible. No business will fully commit funds if the feeling is that the planners may put a stop on growth when the business reaches an unknown future level of activity.

The o/m's response has been to accept the planners' decision and to contrive to progress to develop the customer-base - this is questionable, the planners should have been challenged as to potential areas of constraint which they will impose, and for the passing of a planning permission framework within which activity can confidently grow. At least the o/m had the foresight to anticipate the planners and pro-actively address the issue. On other occasions such foresight was not so evident.

Whilst a general lack of foresight with regard to external contextual change in the main derives from the o/m's apparent preference to concentrate on those day-to-day tasks which are essential, she likes to do and she understands well, the day-to-day inputs from the "political" forces analysed earlier in this section, also exert incredible pressures. Such pressures, not least in terms of time constraints, minimise the o/m's ability to assess and analyse key external change forces - in turn this enforces the o/m into immediate tactical reactionary response to attempt to offset that change.

Throughout the first eighteen months, interest rates increased over a twelve point hike from 9.75% to 15%. Partly because of inadequate analysis in the first instance, the o/m was relying heavily for revenue from an 18-hands hunter in livery, the details of which are presented in the "political" inputs section above. The o/m failed to consider the potential effects of interest rate changes upon "luxury" related livery service and when this particular customer was hit very hard by the interest rate hike, he was forced to modify his expenditure patterns and (possibly amorally), withdraw his horse from livery at no notice.

Full and comprehensive initial external analysis, would have helped reveal the sensitivity of the current balance of activity to variables such as interest rates - and indeed, have revealed alternative options in the activities spectrum, as discussed above. Subsequent continuous analysis of key external influences would also provide the business with warnings of potential problems.

In the event, the o/m was hit immediately by the situation and the need was to develop an adequate response to cope with the loss of a major customer - and with him, a loss in approximately 40% of current revenue.

The o/m's response was tactical. Effectively, she switched the distribution channel over a short time period until she could find another livery customer. The unforeseen effects of escalating interest rates were accommodated by the o/m going out to the customer rather than the horses coming to her - she provided a temporary horse care service to someone in the neighbouring "horse network", visiting their premises to perform the service (the lady customer herself was having to go out to work to finance her horse activities and required assistance).

A further tactical response by the o/m relates to a period of slack trade in her second peak holiday season (June/July 1989). This time the o/m accepted dogs belonging to friends within the local "dog network" (the o/m had, up to this point, declined dogs and cats in boarding). There appears to be a possible correlation between the amount of holidays taken (especially short breaks) and interest rate rises. This is not confirmed - but given the escalating prices of houses in the locality, the increased size of mortgages undertaken to purchase and the unprecedented rise in interest rates, such a correlation is likely, with decreased spending power a possible future external constraint on the o/m.

At particularly slack periods, including off-peak seasons, the o/m has responded by reducing personal expenditure on clothing and leisure to an absolute minimum - not least to allow her to maintain her exhibiting/breeding activities within the local "dog network".

Thus, a combination of "political" inputs causing unpredictable pressure and forces on the day-to-day running of the business, together with intermittent and unforeseen external change forces, have imposed upon the business. Both sets of forces have evoked tactical responses from the o/m, the only strategic response in fact relating to the o/m's interpretation of the progress of the business from a standpoint drawing upon the benefit of hindsight. After almost two years of operation, it has become apparent to the o/m that there is an urgent need to counter the problem of seasonality - off-peak lulls in activity. Her response has been to diversify her activities into horse breeding. "Political" inputs from the local "horse network" have triggered her interest in Shetland ponies and she has undertaken capital investment in brood stock.

(13) SUMMARY CONCLUSIONS

- (1) The role of "personalised" inputs into the o/m's conducting of the business plays a highly significant part.

In turn these cannot be fully understood without insights into the o/m's past in terms of educational and experiential background and the build-up to her current motivations and prejudices.

A one-off static snapshot peep into the activities undertaken by the o/m and her underlying decisions would provide a superficial and inaccurate insight.

- (2) Moreover, the changing nature of "political" inputs into the management process are no less critical to understanding. Indeed, it is examination of the intertwining of the "political" input of the "dog network" with the o/m's "personal" build-up which provides for the understanding of her wider social objectives and the input this has to activities.
- (3) This is a business based on a level of "productive" expertise considered second to none by both the o/m's friends and competitors.

However, her overwhelming interest in and desire to concentrate on the "productive" task, coupled with her intertwined social objectives and a lack of underpinning business skills sees the business perpetuating into a vicious circle of low level activity.

Before the drawing of concrete conclusions, the remaining case study participants of this investigation will be examined.

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CHAPTER SEVEN

CASE STUDY:

FURNITURE
UPHOLSTERER/RESTORER

(1) INTRODUCTION

Patrick (Pat) is a highly intelligent 58 year old who, in the face of redundancy, attempted to utilise his expert "productive" skills-base through the provision of a furniture restoration and upholstery service and through the filling of a market niche in the dog/cat showing accessories field.

The business was formulated in 1982 but, despite the quality of the o/m's productive skills base, and indeed the recognition afforded to one of his products by expert-users, the operation floundered during the period of the research.

Despite the trauma experienced by the o/m when the business failed the o/m kindly agreed to continue to help to build upon the insights derived when the business was functioning.

Thus, the research approach commenced with the forming of insights into the underlying motivators for start-up, the problem-types arising and the o/m responses.

Based upon observation and interviews, again the aim was to highlight prevalent "personalised" and "political" inputs to the business and determine the processual nature of change within that business.

The folding up of the business, whilst arresting the possibility of deriving continued operational insights, because of the willingness of the o/m to co-operate further, allowed for the unearthing of insights into the intensity of the problem-types facing the o/m and why he failed to cement the foundations of a potentially successful business - including why intervention initiatives in the form of the Enterprise Allowance Scheme and management training and advice inputs fell short of helping the o/m through.

Thus, the research approach continued, utilising a series of in-depth interview sessions with the o/m, his wife and a cross-section of his customer-base.

The analysis is again essentially based upon an attempt to determine the contribution of the past to current problem-solving, decision-making and change activity within the business i.e. contextualist analysis. And to determine the approximate form of the management process adopted by the o/m and, as it failed, the potential for improving upon this. Particularly relevant are the implications relating to provision for improving management capability levels.

(2) AN OUTLINE RESOURCE ANALYSIS

Pat lives in a small village six miles from the city of Leicester, with a population of approximately 1,700 (having grown some 15% during the period of the business).

His work area adjoined his terraced cottage, having utilised his own workshop at the rear of the premises.

Given the size of business activity, the local authority made no adjustment to the domestic rates payable. Overheads were in the form of additional electricity for power and lighting.

In addition to his workshop and own basic D.I.Y tools, Pat invested in the following equipment:

- Bandsaw
- Power plane
- Power sander
- Router
- Drill stand
- Saw bench
- Saw stand
- Miscellaneous hand tools
- Workmate bench

Overall capital investment: £630

He operated as a one-man band (no additional human resources) and adopted informal systems/procedures to fit around his life-style.

There is no doubt that the "productive-base" of the business - Pat's high productive skills and the workshop and equipment - were extremely adequate for the intended areas of activity.

What was lacking was an underlying business skills base, in particular a marketing core allowing for the clear identification of potential markets.

Financially, income from the Enterprise Allowance Scheme, redundancy payment and a pension income, provided a finance base for the cementing of the business foundations.

(3) THE "POLITICAL" INPUTS TO THE BUSINESS

(a) Family - wife and adopted son

The o/m emphasises that whilst his "wife's understanding of the business is low, she is nevertheless part of it". His day-to-day activities are no longer structured for him by the demands of a larger employer and he has found it very hard "to work a disciplined day".

Working at home required a great deal of discipline, not least in accommodating the demands/needs of his wife.

One instance of this derives out of the ill-health of the o/m's wife. It was necessary for her to visit the hospital twice a week for treatment on her legs. Situated in a village, meant relying on the bus - but she couldn't walk very well and therefore couldn't get the bus. Taxis are prohibitively expensive and it appeared to be the obvious solution for the o/m to drive his wife into Leicester. This obviously disrupts the working day and puts pressure onto the business - indeed it is one example of the difficulty of integrating domestic and work activities when working from home.

A further difficulty related to the problems of bringing up an adopted son struggling through his teenage years - this was particularly problematical and working from home tended to intensify both sides of the relationship equation (teenager —> home <— work)

(b) Neighbours

The major potential constraint derived from the "noise" factor. The o/m had to schedule noisy tasks for the day time and preparation, varnishing, etc. (i.e. quiet tasks) for evenings.

(c) Supplies

Whilst reliability of supplies is a major enabling/constraining force for all businesses, the potential problems proved particularly intense for the o/m. To save time, the o/m had wood lengths cut to size - if the supplier made a mistake, the o/m was left with two choices: cut the wood again himself later to rectify the situation (time) or return to the supplier to rectify (cost of petrol over prohibitive).

(d) Friends/Relations

In addition to the "time" factor with regard to friends and relations calling in for a chat during business hours (i.e. the visitors' inability to recognise that the o/m, whilst he may be at home, is actually working), the problem arose of dealing with friends/relations as customers.

A sound example of the interaction of the above-mentioned "low understanding" of the business held by the wife and the "customer/friendship" factor, is that of a widow friend of the wife wanting a pair of chairs restored.

During the restoration process, the wife asked the o/m how much the chairs were costing - the o/m informed his wife "£22.50 so far". This information was then conveyed by the wife to her friend as the finished price. Given the friendship factor, the o/m felt he could not then retract upon this price - and the job was finished at a loss.

On yet another occasion, another friend wanted a rocker restoring - quoted price £25. The friend was so delighted with the finished job that she paid £30. Some time later, the friend asked the o/m to restore a second chair - this time she only paid £25. The problem was that she failed to recognise that with the passing of time, both materials and labour costs had increased substantially.

The bottom line is that the "input" of friendship can be a very difficult problem to cope with; when it becomes intertwined with other "political" inputs into the small business scene and associated unique problem-types, its affects can be far-reaching.

(e) "Mini Partner"

On attempting to enter the cat exhibiting market, the o/m was invited to share a stand at the cat shows. The o/m's products were non-competitive, indeed they complemented those goods offered by the "partner". The "partner" was well versed in the exhibiting arena procedures and much more pushy and out-going than the o/m. Indeed, he was well known in the cat field.

As a relative newcomer with limited experience, the o/m found his much pushier partner taking advantage - not least in taking up rather more than his share of the stand. Manipulation by the "partner" was a potential source of conflict.

(4) "PERSONALISED" INPUTS

(a) Education and experiential background

Pat is a very well qualified and pragmatic individual with a solid engineering background. Entering the profession from secondary school, he attended technical college intermittently on a part-time basis between the ages of 16 and 27 years, gaining Ordinary and Higher Certificates in Production Engineering.

For 28 years, up to the age of 58, Pat was employed by Jones and Shipman Limited, the Leicester-based tool engineers where developing skills and tenacity saw him secure the post of Chief Methods Engineer. He acquired a very high skill level in production systems, methods and procedures with his main task of keeping abreast of latest developments.

Pat's skill-base, however, was completely "in-house" related in that his large company role saw him relatively isolated from the external environment, with strategic environmental issues dealt with at a higher level and marketing and sales interfacing directly with competition. Pat's responsibility centred around internal methods, systems and procedures and the structure of the company was such as to compartmentalise this role, resulting in a somewhat isolated orientation.

Pat originates out of a family of "employees", with successive generations working for someone else - there is no record of entrepreneurship or self-employment and Pat feels deeply that this contributes strongly to his way of thinking and approach to his own efforts as an o/m. Employee status provides a kind of protective umbrella with the problems deriving from the external operating environment of business, at best being completely out of the sphere of most employees and at worst, filtering down through the hierarchy and affecting the employee in a very indirect fashion.

As such, Pat had no business skills with even those external environmental problems common to large and small firms alike being foreign to him.

The pragmatic experience-base and skill levels must not, however, be understated - Pat's input to Jones and Shipman was well documented and highly reputed. These practical skills, in turn, were fully utilised around his home with his interest and flair for D.I.Y self-evident in the improvements and modifications in all rooms.

But the protective cocoon of the large company, whilst ultimately a main contributor toward the invaluable practical skills-base, may well be a poor "apprenticeship" for the entirely different demands of self-employment - not least for the identification and analysis of the multitude of inputs crossing the external boundaries of business.

(b) Health

During the latter years at Jones and Shipman, Pat was unfortunately dogged by ill-health. In 1973, he suffered eye trouble. He was off work for approximately three months and his sight was impaired in one eye. This was followed in 1976, when a kidney complaint saw him requiring hospital treatment over another three months spell. Finally, in 1980, a serious knee injury produced a third spell of illness.

For many years Pat has, in fact, been health and fitness oriented, attending local keep-fit classes and, given such orientation, enforced inactivity through illness must be particularly difficult to cope with psychologically. Thus, despite a legacy of eye and leg problems, he appears to have done extremely well.

(c) Trauma of Redundancy

This capacity to cope in the face of adversity, was put to the test once again when, at the age of 58 years, Pat was made redundant by Jones and Shipman. The company had been post-war world leaders in the supply of quality machine tools. The immediate post-war climate was highly conducive to their operations. However, in the face of "economic symbolism" and the subsequent recessionary climate within the U.K., Jones and Shipman fared badly. Within this context and with an eye toward the development and introduction of robotics, a Chief Methods Engineer and his team was seen as an expensive luxury - Pat and a group of his engineers were thus made redundant.

With a £12,500 lump-sum pay-off (which in 1982 Pat felt "was an enormous amount of money") plus £130 per month pension, he was left with the trauma of dealing with redundancy - both the acceptance that the gradual build-up of a career over a 28 year period to Chief Methods Engineer status, had been severed at one single stroke and the thought that at 58 years he must attempt to maintain an acceptable standard of living for his wife and adopted teenage son.

Given the adjacent pressures of the above health problems, the situation drew out underlying characteristics of non-selfish personality, energy, tenacity and endurance which were to help him cope with the situation.

(d) Attitudes and Motivations

Pat reacted to the situation by undertaking a "self-reflection period". The potential to secure an employed post, given the recessionary climate of 1982, was extremely limited.

Pat recalled "I sat down and approached the problem by considering what I could do. My skills are essentially engineering oriented. I Haven't the capital to set up a manufacturing business. So in what area can I best use my skills? I considered alternatives. I asked friends and relatives and came up with upholstery/restoring of furniture."

His attitude toward consideration of the use of external finance was negative insomuch as it was a factor that never came into play. Pat has gone through his life never relying on "credit" and any consideration of potential small business activity was thus based on his ability to establish the business and grow from self-generated funds.

An intertwining of psychological and practical inputs from the o/m's past, therefore combined to produce underlying motivational forces which were to condition his future actions in terms of the chosen areas of business activity and the manner in which that activity was to be conducted.

The o/m's pragmatic engineering past provided the skill-base upon which the activity was to be founded, and the life-style which that past engineering post had helped to provide for the o/m and his wife, produced an underlying motivational goal toward which the new business activity was to strive. "My aim was not to make lots of money, but rather to make sufficient money for a normal life-style to which my wife and I had become accustomed", recalled Pat.

In turn, the o/m's family background produced an input which reinforced the lack of desire for profit maximisation. First of all, the fact that nobody had ever been an employer on both sides of his family saw Pat emphasise how he had "no desire to become an employer and make more money by bringing in six or seven workers - no I wouldn't want that. I never earlier wanted to stop what I was doing in full-time

employment and become an employer. This is partly because of my family background and I think my age also came into that. You have to think about things like premises, safety, even toilets when you employ other people. I don't want any part of that".

Add to this the o/m's views on utilising external funding and the underlying motivational forces see an attempt to utilise, as far as possible, existing resource-bases (including adaptation of an in-depth practical skills-base) in order to maintain past living standards.

(e) Attempts at Addressing the Business Skills Gap

Whilst the o/m's large company derived "productive" skills-base had been already utilised on the domestic D.I.Y scene, he had not undertaken upholstery and furniture restoration on a professional basis.

Pat thus went through a period of self-learning, reading around both subjects, and attended schools in Endersby to complete day classes on courses lasting three months.

With regard to requisite underlying business skills, the o/m attended the Bosworth House small business course one evening per week for six to eight weeks. This originating out of registering as an executive unemployed on the Executive Register - the Job Centre had suggested the Executive Register which, in turn, recommended the small business course.

Also available was the Bridging Scheme which looks to what else one can do. The three week, one day per week course, offered advice on small business procedures and gave access to all trade journals for available jobs.

On finally deciding to "give it a go" in business, the o/m had decided to take advantage of the Enterprise Allowance Scheme. Essentially externally injected

funding, the scheme nevertheless is not founded on a "borrowing" principle, there being no commitment in terms of repayment of funds - and this was not contradictory to the o/m's underlying "psychology" in this respect. The o/m, as part of the scheme, attended a one half-day introduction seminar explaining what the scheme involved, plus a skimpy outline of what it is like to be self-employed.

In addition, a one full-day seminar provided in the o/m's words "in-depth insight into the potential pitfalls as a self-employed and as an employer: race discrimination; health and safety at work; etc."

During the above inputs, the Small Firms Service was also brought to the o/m's attention and was utilised by him - "the advisor, when presented with your problem, will either deal with it or pass it on to other sources of advice".

In retrospect, the o/m, with regard to his attempts to address his "business skills gap", feels that the then Manpower Services Commission (now the Training Agency) and others, made him aware of advice and training sources. However, whether it be tutor, counsellor or adviser, the o/m recognised one common denominator. The "tutors" were good and enthusiastic "but, whilst not exactly out of touch, they were faced with a group of people presenting a large cross-section of participants and the tutor is not aware of individual business problems. All participants have got their different problems which are difficult to appreciate until you've specialised in the respective area. I got the impression that they thought we'd come up against different problems but that really the bottom line is that they are basically all the same".

There can be little doubting that the o/m possessed a considerable degree of self-motivation and commitment, not least reflected in his efforts to overcome deficiencies in business related skills. But this

level of self-motivation and commitment has to be anchored - to be mobilised into action capable of producing results. Pat emphasises how "all of the guys on the Enterprise Allowance Scheme seemed to be in my own position. They had it thrust upon them, they didn't decide (i.e. choose) to become self-employed, they just couldn't get a job and thought "I'll have a go on my own." They drew on the expertise they've got."

The degree of self-motivation and commitment within any individual is tempered by circumstances. If those Enterprise Allowance "Schemers" do not get answers to questions which are particularly problematic to them, then they are likely over time to become de-motivated and less committed.

Add to the above circumstances the built-in follow-up within the Enterprise Allowance Scheme which in Pat's words saw "a Manpower Services Commission representative visit once or twice during the twelve months of the Scheme just to look at the books (the ingoings and outgoings) and offering no constructive, practical advice", then isolation of the individual struggling start-up becomes apparent.

The potential to build on the o/m's "productive" skills-base, to provide him with the increasing ability to deal with problems unique to his enterprise, does not appear to have been exploited. As the business proceeds through time and those unique problem-types "confront" the o/m, his frustrations intensify and his level of self-commitment and self-motivation take on a downward spiral.

A bottom-line probably saw Pat utilising his own initiative and exerting vast amounts of energy in attempting to improve his management ability levels, which on each occasion that that ability level proved inadequate to cope with given problem types spiralled his motivation and commitment levels further downwards.

One must ask how an MSC representative can call upon an Enterprise Allowance Scheme, check his ingoings and outgoing and find them at the level of those such as Pats, (approximately £300 per annum) yet fail to recognise the need for immediate advisory input if the business is to survive.

(5) DEVELOPMENT AND ANALYSIS OF ANY VARIABILITY ACROSS THE CONTEXTS WHICH THE PROCESSES ARE UNFOLDING (including description and analysis of trends and developments in the various contexts through time).

(a) The Start-Up Period in Context

Pat's business was born predominantly out of the legacies of Britain's abysmal post-war economic performance. The demise of the British manufacturing industry took with it an earlier market leader in the form of Jones and Shipman, Leicester. Jones and Shipman were a casualty of the industrial demise. Pat was a casualty of the Jones and Shipman demise. In turn, Pat's motivation derived out of the will to ensure that his family did not become a casualty of his own demise.

This partial context within which Pat's attempts at self-employed business status grew, proved in fact not only to be a major mobiliser of his actions, but also a deep constraint.

The protective blanket of large company employee status both coloured and restricted his views of opportunities relating to the successful operating of a small business.

Firstly, his level of self-motivation and commitment was undoubtedly very high - the stakes were very high, not least the maintaining of family living standards. But given that the need for self-employed status was "thrust upon" him the maintenance of that self-motivation was, it appeared, extremely sensitive

to the ability of others to foster and encourage as needed. In short, the enforced nature of the situation tempered motivational and commitment levels.

Secondly, large company employee status saw the o/m highly competent in large firm business problem terms - but even then only in those of a nature relevant to his immediate task. The need as a small business manager to consider all subsystem requirements and those relating to the external operating environment (from which he had been almost completely isolated in his large firm tasks) not only tempered his views of what was required in his new small business context, but also conditioned his ability to deal with such requirements.

Thus, the previous large company backcloth of the o/m made a substantial contribution to the approach to new business start-up. From a positive standpoint the years of experience and skills derived led the o/m toward the utilisation of his hard earned "productive" skills-base as the foundation of the business. The recessionary climate again fed in here and, given the non-availability of employment opportunities, coupled with the Thatcherite fostering of the "enterprise culture", a utilisation of "productive" expertise in a self employed status appeared an almost natural response by the o/m. But the approach to the establishment of a small business unit was nevertheless hampered by the o/m's above mentioned large company orientations.

A lifelong employee growing up within a family of lifelong employees, living within their means provided for by a regular wage or salary, also conditioned the o/m's thinking with regard to financial input into the venture. Discussions and interviews did not at any point reveal even a passing thought given by the o/m to the possibility of borrowing. And future growth or expansion over and beyond his own productive capability was not viewed as an option.

The combination of the £12,500 redundancy payment received on termination of his employment, and with it the £130 per month pension, was always to combine with utilisation of outbuildings attached to the domestic home to form the resource-base of the business. This in turn dictated the potential level of activity.

When pushed to clarify if his views on the utilisation of external funding were solely conditioned by his own past background, and using as a prompt the apparent opportunity for him to utilise his house as collateral (no mortgage attached at that stage), the retort was as follows: "I couldn't possibly use the house as collateral; it is a jointly-owned house and it would be a source of constant worry to Laura (his wife). We couldn't use external finance." Therefore to the input of past family background and lifestyle, one must feed in the associated underlying psychological input of the wife.

Thus a combination of large company derived inputs and underlying psychological inputs, not least regarding the availability of finance, saw the focus of initial business activity for the o/m centred upon his own "productive" expertise within the setting of his own home. Indeed, the whole combination of intertwined inputs appeared to manifest themselves into an underlying product - rather than market-orientation. The process of mulling over in the mind to identify potential areas of activity upon which to base the business did not take the o/m out into the market place - neither to communicate with a potential customer-base or to formally identify and analyse competitive activity in the area.

The mulling over process in its resultant linking of input ("productive" expertise, available productive space within the home etc) provided a recipe for product-orientation.

Indeed the mulling over process, which involved "asking friends and relatives", identified not only furniture restoration and upholstery as a possibility, but also potential "gaps" in the pets exhibiting market. Informal talks with his daughter saw Pat being pointed in the direction of dogs' wooden grooming tables and carrying boxes.

Whilst this latter "strategic analysis" was at least in essence market-oriented, since his daughter was considered "expert" in this sphere, this activity too was to deteriorate into what effectively was again product-orientation - with Pat taking on an "I can produce them; there they are if you want one" approach.

When quizzed as to the major problem with which he had been confronted, Pat emphasised that of communicating with customers and potential customers. This base-problem which followed him all the way through the life of his business in fact stayed with him in such a problematic fashion solely because of his lack of initial market research and ultimate market orientation.

His underlying business strategy was one of upholstery/restoration running in parallel with grooming table/carrying box production - one supplementing the other. It is the flimsy foundations upon which this strategy was based, and in particular the inherent process which was to produce those foundations which set the business of at half cock.

The resultant grooming table/carrying box product is extremely well thought out and very well made. Aesthetically and functionally the product appears satisfactory. Experts in the field are to this day still utilising their grooming box purchases from Pat. However, the adopted approach to developing a "management process" by which the product specification as perceived by the customer could be identified, resources utilised to produce the product and that

product ultimately communicated and delivered to the customer-base, requires examination:

Question

"Did you undertake any basic market research to try to determine likely demand for both areas of your proposed business?"

O/m

"I have not really been out into the marketplace. my daughter is an expert in the dog showing area and I obtained a "product profile" from her for the grooming boxes."

Question

"What information did you derive exactly?"

O/m

"The design derives from her specification. Size, weight, shape, utility. The boxes were priced upon her £25 assessment."

Question

"Did you extend your research to consider the views of other potential customers?"

O/m

"My daughter's expertise in this area and the fact that she herself uses the prototype provided what I felt was a good insight into the required product specifications"

Question

"Did you not attempt to determine likely levels of customer demand - i.e. feasible quantity levels of demand?"

O/m

"I started making the boxes to my daughter's order. I felt it may not be convenient to drop everything (i.e. work in the parallel upholstery/restoration activity),

so I asked her how many she thought was reasonable and agreed on it."

Question

"How did the business proceed on this basis?"

O/m

"My daughter sold approximately 15 of the boxes. But from a subsequent batch of 10, I still have 9 left."

Question

"Given that your daughter must be viewed as a limited source of outlet, how did you attempt to communicate with a wider market?"

O/m

"My idea was self-advertising; a potential customer sees the boxes at a show and says "I like that, I'll have one." I eventually did ask various people at shows if the specification was alright and they replied positively, and I also advertised in "Our Dogs" but with little success."

Question

"If your insights into potential demand did not originate out of a solid market information-base, how did you determine your equipment needs?"

O/m

"Well the major constraint on my production capability would be my own physical output capabilities, but in general going from my past experience in engineering, I could assess approximately what equipment was needed."

Question

"What did you view as your market i.e. geographically?"

O/m

"The national dog market."

Question

"With the benefit of hindsight, would you approach that market differently in terms of communicating with your customers?"

O/m

"There was a limit as to what I could do - using journals, using my daughter. There was no more I could do other than going to shows, and the expense of petrol and the show stand would see not much left out of the £25 price - if a sale was made at all. I had some success with parcel post, but one had to add packaging to the price. And another point - the boxes don't wear out and you only buy one."

Question

"Given your limited market information, how did you cost-up your product and ultimately price so as to produce an acceptable profit level? For example, the larger your output presumably the cheaper your input materials from potential bulk purchase?"

O/m

"I never got into profit calculations. My concern was building up the business."

Question

"Did you ever undertake an investigation into competitor- activities?"

O/m

"My daughter's estimate of price was based upon competitive products and I looked at their products at shows I visited."

To an external analyst the apparent weaknesses inherent within the o/m's approach appear glaring and obvious. However, and this is the alarming point - not sufficiently obvious for those tutors/advisers/counsellors/MSc representatives on the periphery to pick up on.

This is a case of a highly intelligent, highly capable individual whose insights and circumstances are tainted by large company orientations and if put onto the right track would be capable of making a resounding success. One advisor had the forethought to tell the o/m "at that price you are wasting your time" - but that overlooked the fact that the product (the grooming box) was essentially a good product being utilised by experts; it also ignored the parallel continued financial support input of the Enterprise Allowance Scheme and the liability (or non-interest) of the MSC representative to pick up on the underlying weaknesses of the o/m's approach.

(b) Business (or "Corporate") Strategy Formulation

Given the very high "productive" skills-base of the o/m, the availability of small unit workshops in the area, the manner in which the o/m actually applied those skills in the production of what in fact is a quality grooming box, and the availability of collateral backed finance, there were underlying forces favourable to a more formalised attempt at serving the chosen markets.

However, it is the full picture of influencing forces which emphasises just why the o/m approached self-employment as he did, and indeed just why his attempts floundered. These forces can be summarised as follows:

<u>Past</u>	<u>Present</u>	<u>Future</u>
(1) UK economic decline decline of manufacturing poor performance of Jones and Shipman (2) Redundancy and lack of job opportunities	(1) abstract mental image of business strategy: (a) utilise own "productive" skills and domestic house space to gradually develop customer base in pets leisure market and in furniture restoring/ upholstery (one market to supplement the other as required) (b) constant observation for potential markets - serve these markets as and when they arise	
(3) Family background (a) record as employee status throughout family (b) non-credit takers (c) marital status - concern for family; attitude of wife	(2) inability to underpin "productive" expert skills base with requisite business skills	
(4) "Productive" skills base of o/m (5) Large company orientation of o/m (including relative isolation from external business environment)		
(6) Health/age of o/m (7) Resource base (<u>i.e.</u> utilisation of house space)		
(8) (a) Birth of "enterprise climate" (b) lack of business skills and inability of management advisers to offer requisite input		
(9) Availability of Enterprise Allowance Scheme		
(10) Cost of available finance (sealed views on external funding)		
Unsuccessful attempt at establishing the business ———— business failure		

Whilst in essence the adopted strategies may in fact be feasible for a small firm of this nature, insomuch as it allows for a gradual building up of customer-base and incorporates a flexibility to allow for compensating within slack periods, and the picking up of opportunities as they arise, the above combination of forces see those strategies being extremely weakly founded.

The o/m had just lost his highly respected position within a company which he had served for some 28 years. Coupled with prolonged periods of ill-health, one's confidence must be severely jolted, and the whole is a recipe for depression.

The non-availability within the local economy at that time of alternative job opportunities for someone in such circumstances was virtually nil.

Thus against a backcloth of non-business family status and skills base which was completely large-company oriented, the self-employed situation was "thrust upon" the o/m.

Because of family commitments (wife and adopted son) time was against the o/m.

Given the freedom from these constraints, an individual setting up on his own in business (e.g. currently in employment and considering starting up a business) would, in theory, carefully analyse the external operating environment as discussed earlier in this investigation. Both time and Pat's large company oriented skills and attitudes, in the event, saw his "strategic thinking" based on very flimsy foundations:

(a) Economic Environment

e.g. growth of local economy

interest rate movements

inflation

technology

unemployment

no comprehensive
structured
consideration of
such variables
and consideration
of their
potential effects
(though see
comment below)

(b) Market Environment

e.g. Total potential market size

segments

channels

products

end use

geography

needs

tastes

habits

attitudes

purchasing ability

stocks

turnover

profits

informal
examination of
these variables
(though produced
a very accurate
specification of
physical profile
of grooming box)

(c) The Competitive Environment

Who are the main competitors?

products

technology

marketing skills and utilisation

of sales and market share

price (within whole "mix")

key success and failure factors

no formal insight
into
these variables

Whilst one could criticise the o/m by emphasising that without a sound insight into the majority of the above variables, any resultant "strategy statements" (abstract or written) are only likely to lead to success through a high degree of good luck, or through considerable skill shown in tactical level management, it is the positives within the o/m's approach which require attention.

Time, large company orientation, lack of business related skills and, in total, the pressure of the whole enforced situation, still saw the o/m derive a "product profile" regarding the grooming box which matched the needs of reputed experts in the field - the boxes are still used today.

With regard to the furniture upholstery/restoration market, the o/m had conceptualised the local economic climate (in terms of inflationary pressure - high interest rate government medicine - resultant recession) and based his strategy upon his perception of a potential market niche - within the contractionary economic climate with consumer spending constrained the o/m adopted an approach based upon "I'll get it re-upholstered, its cheaper than buying a new one."

The sad fact is that the positives within the o/m's approach, if anchored onto an effective tutorial/counselling/advisory input, may well have seen the development of a successful enterprise:

Positive number one

The "productive" skill levels of the o/m are very impressive - production of a quality product (including design factors which "looked for maximum strength and minimum weight") which was commended by experts in the field.

Positive number two

The production of the grooming box derived from the o/m's ability to communicate with a minute part of the potential customer-base and develop the product to tight specifications.

The underlying weakness was the o/m's inability to extend his market investigation to the wider potential customer-base and thus determine future market potential in terms of likely quantities, appropriate distribution channels (and location of the customers), suitable advertising communication and any potential seasonality.

Moreover, the approach of competitors and their likely response to his actions were similarly ignored.

Potential revenues and associate costs could thus not be estimated and no insight into likely profitability could be derived.

The greatest indictment however, does not lie with the o/m himself but with the fact that the o/m took the initiative and exerted energy to search out tutorial, counselling advise and guidance, all of which, including the visiting MSC representative, failed to help him through to overcome the above weakness - result: a marketable product has gone begging.

This becomes an even greater indictment when one considers the underlying potential of the o/m in positive number three:

Positive number three

The o/m's underlying potential ability is epitomised in his superficial analysis of the local spending patterns in the area. A potential market niche in furniture restoration and upholstery may well derive out of the economic pressures of that time. The o/m had the "productive" skills to meet such demand - what he did not have were the business skills to "firm up" on that

potential. He sought out the skills - but the training advisory provision was inadequate.

The underlying potential of the o/m is further emphasised in his "strategic initiatives" in relation to the closely related cat showing market. As stated above, his abstract (unwritten) strategy was to be always on the look out for potential markets. Against the backcloth of a slow moving "dog box" market, the o/m investigated the market for cat-carrying grooming boxes. He visited a few shows and talked with exhibitors. Again, his "productive" design skills came into play. "Cats don't like going into tunnels, so I developed a top-opening design".

The box was designed for carrying the cat to the show and incorporated a bottom section containing space for grooming kits. The whole box acted as a seat. A cat magazine editor liked the boxes and even advertised them.

Unfortunately, the corollary of this was that a competitor saw the o/m's top-opener design, was impressed with it and went into production in plastic - thereby overcoming the one weakness of the design i.e. that of weight.

The point here, however, is the nature of the underlying "productive" and design skills of the o/m, which have gone begging due to lack of associated requisite business skills.

(c) Operational Strategies

Whilst not expecting to find formal written operational strategies, it is nevertheless apparent that the o/m had considered to some degree the operational implications of his overall "strategy". Again, however, the lack of anything like a comprehensive "strategic information base" both tempered and constrained his decision-making in this respect.

(i) Production strategy

Decisions as to what level of production capacity was deemed desirable derived out of the o/m's perception of his own physical capability levels, resource space available and his perception of a requisite level of demand to allow for the fulfilling of his life-style objectives.

Unfortunately, because of a lack of potential demand and associated revenue and cost information, neither that maximum level of output nor the time period necessary to build up toward that "hypothetical" maximum, was ever known.

As to investment decisions - the requisite capital equipment was purchased to allow for the above. However, the decision was far more objective than it may at face value appear - the equipment did in fact allow the o/m to produce any chosen output level (within the bounds of his own physical capabilities) and the type and nature of the capital equipment was decided upon from the expert knowledge base of the o/m.

Decisions as to the use of manpower were solely influenced by the o/m's attitude toward growth being based only upon his own capabilities, with the employment of staff (full or part-time) considered over-problematic and constraining upon o/m life-style goals.

(ii) Suppliers strategy

Materials were to be sourced by a cross-section of local suppliers. "Multi-sourcing" (shopping around) was a major input to cost reduction.

The nearest the o/m came to the employing of staff was the sub-contracting of the "to-size" cutting of wood.

"Multi-sourcing" eventually proved a sound exercise with a very cheap source of wood resulting.

Moreover, the o/m utilised past links with the trade and unearthed a free source of scrap wood capable of utilisation within unseen areas of his products/services.

(iii) Marketing strategy

As discussed in the livery/pets boarding service case study, there is an extremely close intertwining between business (corporate) strategy and marketing strategy within organisations. The marketing core effectively "drives" the shaping and achieving of overall business objectives/strategies. Thus again, it is a lack of an external environmental information-base which is dictating the level of success within the business under study here.

In this case, however, the information-base is far more superficial - fragmented insights, but no in-depth base.

From this, one observes the o/m taking marketing decisions within a complete vacuum. For that o/m, his major reported area of concern is his inability to communicate with customers. This comes as no surprise:

(a) superficial information-base re. total potential market size, possible segmenting and customer tastes/attitudes/ habits/purchasing ability - inadequate

(b) an inability to determine:

- appropriate distribution channels
- requisite differentiated product characteristics (across segments)
- price levels and sensitivity to external forces



(c) inability to determine:

nature of key external influencing forces and how these changing forces may affect the business

(d) thus progress dependent upon ability to formulate tactics to mitigate the consequences of that change

In short, an inability to develop a marketing core - a base of market-oriented information - from which to consider feasible business strategy and appropriate support operational functions (sub-system) strategies, resulted in the o/m failing to "communicate" essentially sound products to a potential customer-base. The effective use of tactics and/or fire-brigading, ultimately becomes a critical component of the business management process.

(iv) Financial strategy

A combination of past family "non-credit" taking behaviour, the "political" input of the wife and family, and the exorbitant cost of borrowing finance crushing any crumbs of possible borrowing considerations in the o/m's mind, underpinned the decision to progress via owner's equity and internally generated funds. Resultant inadequate levels of activity ultimately saw the utilisation of savings to finance day-to-day family living.

(d) Day to-Day Implementation of "Strategies" and Response Through Time to Identified Change Forces

Given the lack of a clear customer profile, including a quantitative insight as to likely demand, time was not a real constraint with regard to the day-to-day production process. The orders that were actually received were never pressure orders, with customers happy to wait.

Where time did become a constraint was in relation to the o/m's continued inability to build-up an adequate customer-base. During the first year the Enterprise Allowance Scheme input provided a financial cushion of £40 per week; but as time progressed, the lack of adequate customer-base in either the furniture market or the dog exhibiting market saw the o/m responding by considering any other areas that may bring in revenue. Pat emphasised, "I wasn't confining myself to those two spheres; if somebody wanted something, I would make it". One such area was the making of wooden toys. But he finally conceded that "there comes a time when you're clutching at straws. Anything that will bring in income - you grab it. But if it comes down to bringing in £1 an hour, do you take it, because whilst you're doing it, something better may then come in. At what point do you pack it in?"

Thus, a lack of clear understanding of the chosen market areas of activity certainly saw Pat freed from the potential constraints facing the livery/pets boarding service o/m. When one is serving a very limited identified customer-base, the intensity of some "political" constraining inputs is eased. But in that it is a recipe for ultimate shut-down, the gradual build-up of financial pressures begins to perpetuate the base problems.

Pat made a superficial attempt at getting out into the market place, but because he was unsure of what he was actually chasing, his chosen methods of customer

identification were doomed to limited success. And, as the situation worsened, he felt more and more reluctant to spend funds on travel and on advertising to find custom.

Whilst the livery/pets boarding service o/m was successful in adjusting day-to-day activities via a tactical response to external change pressures (e.g. responding to major customer withdrawing trade), this was in fact possible because of some base-understanding of the market areas being served.

In Pats case, a lack of understanding at the strategic level (i.e. of his chosen areas of activity - the customer, his channel preferences, how many customers are there? where are they located?) meant any day-to-day response was likely to produce limited success. In the final analysis, he ended up living from day-to-day, hoping that something would crop up - until he ultimately decided to call it a day.

(6) SUMMARY CONCLUSIONS

- (1) Again, the "personalised" inputs of the o/m are critical to understanding; with the historical, family, education and experiential bases a major key to the analysis.

In particular, the o/m's family history of employee status and the large company conditioning deriving not least out of 28 years with the same company, have severely conditioned his perceptions.

An enforced thrust into self-employment sees the sharpness of commitment and enthusiasm evident within the livery business o/m slightly dulled in this case

- (2) Whilst imposing "political" inputs were still prevalent and significant for this o/m, his age and the nature of his personality saw the intertwining into the close social community far less intense than in the previous study. His standing and input into the community were important to him, but far less imposing upon his decision-making and business activities.
- (3) Once more, the business centred upon a very high level of "productive" expertise, but in this instance, was not sufficient to generate adequate income without requisite underlying business skills.
- (4) Neither the Enterprise Allowance Scheme nor formal Small Business Training inputs proved adequate in the cementing of the business.

The inability to derive anything but an extremely vague notion as to potential markets, saw an incredibly capable and valuable "productive" resource-base go begging.

Again, concrete conclusions will be left until the insights from all case studies are complete.

CHAPTER EIGHT

CASE STUDY: FAMILY JEWELLERS

(1) INTRODUCTION

The following is the case study of a small family chain of jewellery retail outlets.

The case has been chosen from the standpoint of a rare opportunity to gain insight into the unique forces and problem-types confronting a struggling family business in the face of unprecedented change. The uniqueness of the opportunity derives out of the willingness of a newly "retired" family member to build up in-depth insight with regard to the continuing tribulations of the faltering business.

Given the propounded research methodology inherent in this research which emphasises the benefits of contextual, processual analysis and the incorporation of all actors within the research scene, the role of this case study is necessarily different to that of the two previous studies.

The insights provided for this study, originate from the co-operation of one of two brothers who have, until recently, been together running the business. He has sold out his share in the business to the remaining brother and agreed to provide in-depth and confidential insights, conditional on no other member of the business being contacted and also on the names of business and employees and location remaining confidential.

Thus, in undertaking this case study, underlying methodological weaknesses must be acknowledged and the resultant role of the investigation clarified.

The approach to the previous studies in their processual nature and their incorporation of other actors in the research scene, has allowed for the consideration of underlying interlinked inputs into the change, problem-solving and decision-making processes of the business. By restricting this particular study

to one previous "actor", detailed insight into such processes is not possible.

However, against this deficiency has been weighed the potential to highlight the unique problem-types confronting the jewellery business, including the forces of external change, and derive insight into the potential "political" inputs facing such a business. In turn, given the struggling nature of the business, the opportunity arises to consider any managerial deficiencies confronting the business.

The role of this study, given the underlying methodological limitations, is thus to offer insight into areas of the managing of the business which may tend to support or refute the findings in the previous two studies. The case therefore offers itself as a partial comparative base in the final conclusions of the overall research investigation (final chapter).

The research approach is thus based upon a series of in-depth interviews and discussions with the brother and analysis of the surrounding operating environment.

In accordance with the confidential stipulations of the co-operating brother, neither the business nor its town and city locations are referred to by name. The brother is referred to as Alan throughout the study. In-depth financial data have similarly been held back as leading financial indicators utilised are sufficient to underline the dilemma of the business.

(2) HISTORICAL OVERVIEW

The business was established in 1927 by the grandfather in a rural market town. The grandfather was a practical man - a watchmaker, not a businessman and without formal education. The emphasis of activity was on repairs, and selling then derived out of this.

Successively, the business has passed on from grandfather to father (also a practical man, not a businessman) and then on to the two sons who, until recently, have both run the small chain of outlets which have grown over the years. The two sons are very intelligent - though having terminated their boarding school education at "O" level, this does not reflect their levels of integrity, initiative, intelligence or ability.

Alan emphasises that he has no formal business training and feels he "could have performed his managerial role more confidently and competently with formal management concept insights" ... "I can understand a balance sheet and profit and loss account, but can't formally interpret them".

Whilst the grandfather had developed the initial business into a neighbouring market town "and got into trouble", it was the father who was the expansionary one. In 1947, the first positive move toward expansion saw the father develop a second outlet in a small market town some 30 miles away. Followed in 1950 with a third outlet six miles from the original base.

The underlying motivation driving the expansion was based upon the desire to involve the children (the two brothers) who were reaching school-leaving age. In turn, the motive derives out of the initial family desire for "independence, autonomy and to control your own destiny" ... "we did aim to maximise profit but only within the above bounds".

In 1960, there was some change in emphasis when the family bought an existing jewellers in a large city some 20 miles away.

In 1966, a fifth outlet, still within a 30 mile radius of the home base, was acquired - this was an out-of-town site and was not an existing jewellers.

Up to this point, within an expansionary post-war economic climate, the outlets were running successfully. However, in 1967, the family purchased an established village outlet. The business had been successful under the previous o/m, but proved to be based upon his personality and the family faced considerable resistance.

A sound exemplification of the intertwining nature of the small business with the surrounding community.

In 1975, a second outlet, an existing business, was purchased to operate in parallel to their only "out-of-town" outlet.

The strategy here was "to get into the market place and go up-market and increase the trade which we in fact did. But we eventually found that we had to drop back to the same level of quality as the other shop because the demand was simply not there".

"... also our "corporate image" of quality did exist".

By 1980, the business was, in fact, in a loss-making situation. Fifteen years of growth to 1960 and an expanding economy saw the business faring well. But as the general economic climate began to turn, the business faced problems of a wholly new nature. Whilst turnover held reasonably constant, in real terms it was declining.

Against this backcloth, moves to rationalise were instigated. The family sold their out-of-town outlet

and retained its parallel town centre "sister shop" maintaining the original quality segment (both shops having come into parallel quality terms anyway). This strategic response was an attempt to rationalise overall demand (rather than to raise finance in response to loss-making).

In 1982, the large village outlet was closed down - in response to the area's "dying town" status; a large village that never quite grew into a solid customer-base town.

1985 saw incredible developments in and around their only city base. It was to become one of Britain's fastest growing cities, increasing its population from 86,000 in 1970 towards 150,000 in the late 1980's. It was a natural choice for rapid growth - a prosperous industrial base (particularly engineering) and well placed geographically on main road and rail links.

By the spring of 1987, the population had increased by 46,000 and 230,000 extra jobs had been created. 24,000 new private and rented houses had been built and around 2,000 were under construction. 420 new firms had come to the city and more than 200 new stores, shops, banks and public houses were open.

In the midst of this development was a massive new shopping centre attracting shoppers from some 50 miles radius.

The family's outlet was, in 1985, situated outside of this new shopping complex. The shopping centre was later to suck in trade from every town in which the family had an outlet.

A unit within the shopping complex was offered to the family. But the choice of whether to take up the opportunity was not clear-cut. Still a small family chain, and struggling to boot, the new complex rents were enormous. Estimated costs of fitting out a new

unit was £50,000 for furniture alone. The move would also entail more staff and increased stockholding.

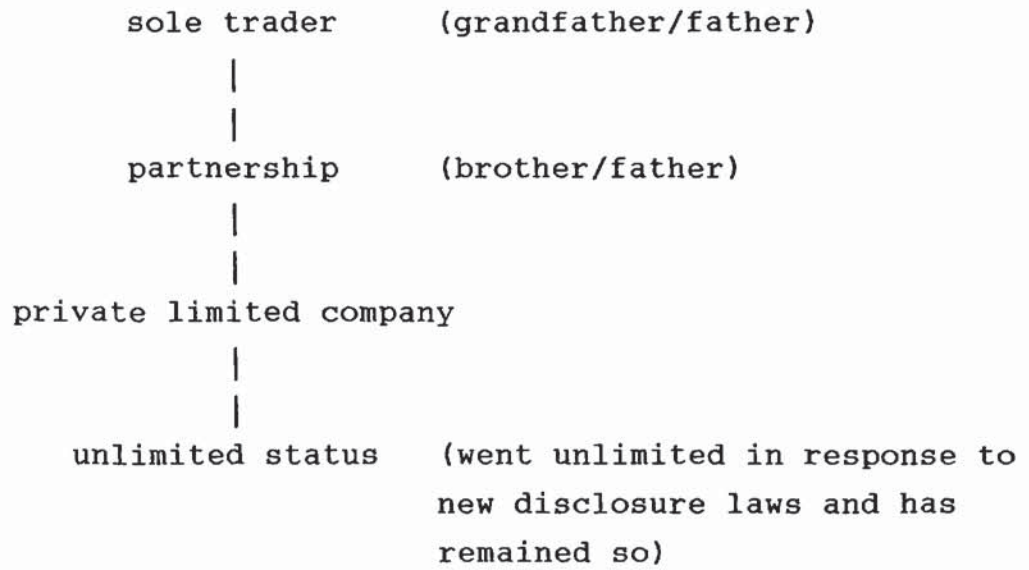
The only way to accommodate such a move would be to sell the entire remaining family outlets. What, on the face of it, appeared to be an enabling situation was, under the circumstances, a constraint. The family chose to sell off their existing city outlet.

In 1987, their most distant outlet (acquired in 1950) faced fierce competition, mainly in the form of Ratners; and suddenly the town couldn't even support a Woolworths. The family chose to close the shop. In the event, other jewellers have also left the town (if they had hung on, the shop may have benefitted in the longer term - only time would have underlined that).

The same year, a shop in a town some 18 miles away was rented and operated on a three year rent review basis, trading under a different name.

(3) LEGAL FORMAT

The legal format of the business has changed over the years. The following is an approximation:



(4) UNDERLYING MOTIVATIONAL FORCES AND ATTITUDES

- independence
- autonomy
- control over your own destiny

aim: to maximise profit within the above bounds. But "bear in mind the needs of our staff. We are not ruthless, we are a family in a local community. And we like to think of our staff as an extension of our own family - this in turn has led to long service".

When questioned as to how he would present his overall goals to allow for the fulfilling of the above personalised objectives, Alan offered the following "mission type statement" (although this is abstract, not from some concrete plan and is a response to large company terminology):

"We try to serve all strata of the local community, from labourers to millionaires; to provide value in the eyes of customers"

(For attitude re. external finance, see below).

(5) "POLITICAL" INPUTS

(a) Customers

Examples of customer-derived forces are customers bringing in watch repairs and not collecting for months. Effectively, once the labour input has been paid for (i.e. wages of repairers), this has the same corollary as holding slow-moving stock - it ties up vast amounts of working capital. "We have buckets of repairs back to 1947".

(b) Family

The two brothers do get on well. But examples of "political" pressures include Alan's brother's wife feeding in ideas which at face value appeared fine, but in reality were not thought out and were non-starters. Moreover, whilst the father had left the operation, the brothers still felt answerable to both father and mother. When the business started to decline, the father didn't have any answers to the new problems and the brothers felt powerless to respond to new problems.

(c) Competitors

Ratners were buying up many of the larger groups to become the world's largest jeweller - some 1,000 outlets in the U.K. Some of them were up-market, but many achieved success by selling lightweight goods which forced Alan into light-weight.

Many large company products were poorer quality; for example, resulting in a broken chain. The larger stores got away with it; but the small family concern can't escape. As part of a local community, Alan feels it "is psychological, in the customer's mind". He won't let the small man get away with sub-standard quality. In terms of price, however, Ratners (and others) were more or less the same.

(d) Mail Order

The advent of mail order saw jewellery a natural target - including the ability to pay by instalments.

(e) Local Authority

The local authority, both as a customer (e.g. purchases of clocks for schools) and as an employer (offering better wages) tends to periodically provide a destabilising force.

(6) ATTITUDES TOWARD EXTERNAL FINANCE

The father's philosophy had always been "We do nothing unless we can pay for it". Thus, all acquisitions and development were within the bounds of internally generated funds, up to his retirement.

Conversely, the brothers' attitude derives out of a desire not to want to rely on their parents. They wanted to expand and felt that the bank was the source to tap.

In the latter years, however, against a backcloth of decline, Alan emphasised that "banks don't offer against ideas" and in 1985, Barclays wanted to pull the plug. Barclay's new bank manager didn't like what he found and turned on the squeeze. In Alan's words "the manager was nothing but a hatchet man, put into the town to hit us and similar businesses".

The family therefore left Barclays and found good "personality links" with the Midland.

(7) HIGHLIGHTING OF O/M PERCEIVED EXTERNAL ENVIRONMENTAL FORCES

(a) Technology

Advances in technology have made it much more difficult for repairers to fulfill their task. This in turn has made it difficult to price the labour input.

(b) Customers

The need for a "localised" audit of the business operating environment is emphasised by Alan's perceptions regarding buying habits varying from town to town - even though the itinerary distances are often less than 20 miles.

For example in Town A, the people show the following characteristics:

- (i) they want good quality - but they don't want to pay for it.
- (ii) the secondhand demand is high.
- (iii) they want credit.
- (iv) that part of the County is close to the "psychology" of neighbouring County dwellers (rather than to other parts of its own County).
- (v) the area is less dependent upon agriculture than Town B (below) and more on industry - the farmers are worse quality farmers.
- (vi) the clientele are a commuter core; and more affluent.
- (vii) they produce more hand-downs for repair.

Conversely, Town B customer characteristics are as follows:

- (i) they will take all qualities.
- (ii) they are more realistic as to what things cost, but they would drive in harder for discounts.

- (iii) people only buy what they see in the window - the labourer customer-base in Town B feel intimidated, thus this outlet has a large window but toned down.
- (iv) farm labourers are the main customers and any change in their income shows through - agricultural wages were rising at less than the rate of inflation, thus real disposable income was falling.

(c) Interest Rates

In the last two years, suppliers have begun to surcharge for unpaid bills in response to high interest rates - some charging as much as 2% per month. This in turn leads to tightening of cash flow.

High interest rates also hit the business strategy of buying at one time. " The cost of having to carry stock is approximately 1% per month which you never add on in price. If anything, the opposite is true because if it hangs on you discount it".

The post 1960's economic climate has produced a resultant decline in activity - turnover holding steady at approximately £500,000, but in real terms representing absolute decline.

In turn, this is producing cumulative losses over the past eight years of £250,000.

This loss is currently being financed by an overdraft of approximately £250,000 (charged at approximately 15% base plus 2%).

Given this situation, high interest rates obviously perpetrate the problem into a vicious circle - a downward spiral.

(d) Exchange rates; silver/gold bullion prices

The major effects of fluctuating exchange rates relates to the importing of watches and clocks. West Germany has, for example, always (relative to the U.K.) had a strong clock manufacturing base.

Those products available in this country are likely to have West German, Swiss or French clock movements in English cases.

Japan is strongest overall in the industry.

The effects of a falling pound ultimately work through onto wholesale prices which have to be passed on to the retailers' customers.

Items related to bullion prices suffer from fluctuations in bullion rates. In 1980, for example, items retailing at £100, overnight retailed at £300.

In turn, the public reacted - their disposable income was the same and they simply responded by buying at one third of the weight.

The choice of Alan's business with regard to old stock held was to sell the stock at £100 and take the original margin; or push stock up to the new market price. Alan did the latter and the public reacted by buying one third of the weight.

Given high interest rates and fluctuating exchange and bullion rates "the security of stock is no longer a strength" (as emphasised above, the cost to finance is 1% per month).

In the face of the above and with stocks left on his hands, Alan responded tactically by melting down the stock and selling it for scrap - "I didn't lose out that way".

A pressure deriving from interest rates - exchange rates - bullion prices ——— effects, via stock levels, relates to the current purchasing patterns of the business. All paying is in the last quarter of the year (31st December) - it is oriented toward Christmas. The actual buying (deal-making) being in September for Christmas.

Alan's intention was to buy little and often and sacrifice some of the discounts to level out cash flow.

To break into this procedure, however, required finance - and, given the current financial position, the business was always fully committed at the bank.

(An example of the current pressure relates to Seiko watches which are ordered in May, delivery June and pay 100% of order 31st December - on the face of it advantageous terms, but not given current circumstances).

(e) Taxation

On the introduction of V.A.T. (1973-74) the business "felt a sudden strain".

This pressure required the engagement of a part-time (60%) employee to keep the books; and the development of a formal bookkeeping system to record every invoice.

Alan itemised the cost to the business as follows:

- (a) provision of office space (and desk)
- (b) part-time employee wages
- (c) national insurance contributions
- (d) costs of the bookkeeping systems themselves

In 1987, the underlying capability of Alan was reflected in his computerisation of the accounting system - it taking only one quarter (3 months) of running the manual and computer systems in parallel,

before the operation was soundly functioning.

(This capability was indeed extended when Alan computerised the stock control system within the business to allow for more efficient use of stock working capital).

Nevertheless, whilst the system makes for ease and speed of operation the V.A.T. still requires analysis of sales to determine which rate of V.A.T. to charge (especially when luxury goods is running at four different rates); and the business is still forced to buy their accountant's time with regard to incorporating the V.A.T. into the accounts.

(f) Local Government

As outlined in the above "political" inputs, the local authority has in the past been a stable customer placing steady orders for school clocks (several dozen per year).

In the face of government spending constraints this market has been squeezed.

Similarly the local authority, especially in the face of a high inflationary environment, has enticed away workers with higher wage offers.

(g) Competitors

Again covered in outline under the above "political" inputs, an example of the interacting forces of the external environment, however, is the projections of major competitors Ratners, who, in the face of escalating interest rates, expected a bumper Christmas trade because they felt that people will ditch white goods purchases and buy jewellery to cheer themselves up (average unit sales of Ratner products is £17, and of white goods £80.) Alan feels that Ratners ability to offer pre-Xmas sales can cripple much of the small competition en route.

(8) CONCLUSIONS

The bottom line sees a previously successful small retail chain struggling desperately:

- Turnover maintained at £500,000 in money terms; but in the face of raging inflation (and even now 9% inflation) the position in real terms is desperate
- Cumulative losses of £250,000 over eight years
- Overdraft of £250,000 at a cost of approximately 15% plus 2%
- An ultimate vicious circle. Indeed in Alan's words "a vicious, vicious circle. A downward spiral fuelled by exorbitant finance charges."
- The situation is even worse if one incorporates the fact that the home-based retail unit is owned by the brothers, is worth approximately £200,000 and is rented to the company for only £5,000 (thus the brothers are effectively subsidising the business). Indeed all but one of the retail units are owned by the brothers rather than the company.
- Rationalisation has taken place but as Alan underlines, "each closure was never strong enough medicine to cure the company's ills. There is only one way to cure the disease - by selling the biggest property (i.e. the original home-based property) to clear off all borrowings, or possibly another way - keep the home-based unit and sell off everything else. That unit has the best turnover, and this may be the best option - there we are most well known, there's always a family member on the premises if a customer needs one. We have another unit which is a very close second in terms of performance, but Samuels have opened up there and caned us. What with the existing overdraft and my brother buying me out for £200,000, something has to happen."

- In retrospect, the developments in the region of their only City centre unit, with the arrival of a vast immigrating population (London overspill) and the advent of the shopping complex which draws customers from all of their town unit locations, appears to be a critical factor.

- Central to the brothers' plight has been the need to attempt to deal with an ever intensifying dynamic external environment; with a "tool-kit" of management skills geared to hold the family business in good stead in years gone by, but in the face of ever evolving complexities as outlined in this study, those skills unfortunately fall short.

Both brothers are highly capable and hardworking individuals, but lack both time and a convincing body of advisers, conversant with the jewellery business and the localised environmental forces, an understanding of which (in terms of how they impose upon the business and their strategic complications) is a major key to survival.

Currently relevant information is derived from suppliers as to customer needs. The suppliers have a national feel of the market then the brothers use their experience to tailor the information input to local needs (fashion is felt to run approximately one year behind London.) This is certainly a positive and major input into the management process.

With regard to competitors, the brothers use customer-feedback and physical observation in competitor windows.

But as for the economy, Alan points out "it creeps up on you, then you try to react to a situation as it occurs. We're just not prepared for it."

"And as for 1992, we know sweet F.A. and don't know where to find it."

With regard to a product profile, "it was seat of the pants; its now based on past sales unless a totally new section of stock emerges. As I say, the suppliers provide a positive input. On fashion change, we occasionally get caught out. Ratners can fashion lead, offer sales and actually move stock to where it is still fashionable."

Among the skills listed by Alan in discussions as those found lacking, then, is the ability to derive relevant information on the operating environment and interpret it as it affects the business.

In specific marketing terms he underlines the need for advertising and psychological skills in understanding and communicating with the customer - and of course effective functioning in these areas again derives from an understanding of the localised operating environment, and charges therein.

In the area of finance, as mentioned in the study, the ability to effectively interpret financial statements is considered vital by Alan.

Thus, whilst many current small business management training courses may cater for the specific advertising and financial skills listed by Alan, it does appear that small business advisers/trainers need to consider the localised environmental forces imposing upon a particular business, as a foundation from which to discuss problem-types and relevant training needs of an o/m.

In this case it appears that two highly intelligent, hardworking individuals have struggled to come to terms with the increasing complexities of national and international change and their affects upon the local environments within which they have previously successfully functioned.

The depth of both generalised and localised knowledge currently held by Alan, and shown above to be central to the effective running of the business, underlines how vital such knowledge is, but also how damaging any undetected change in those inputs will be to the business.

When confronted with the above conclusions, Alan retorted, "I agree entirely. We were never in a position to prepare for change; we always reacted to it. Necessary information was just not available, in or out of the trade. Not from banks, accountants, the trade itself, nowhere. If anything, I don't feel you labour the point about needing to know the localised environment and wider effects of the whole economy, enough".

PART THREE

CHAPTER NINE

CONCLUSIONS

(1)

The acceptance that there is a glove-tight relationship between content of understanding and method for understanding, saw the development of a bootstrap framework which has allowed for the highlighting and addressing of major issues relevant to this investigation.

A multi-, cross-discipline approach to footholding the research underlined those issues critical to the investigation and guided the empirical approach both in terms of data collection and analysis.

(a) Through the development of a de-jargonised contextual conceptual framework of government intervention, it has been possible to communicate with all of the participant o/m's in a manner which enables the treatment of government as one sub-context within the full outer context of their businesses. And in turn this outer context has been located as part of the wider total context of the business by incorporating the features of intra-organisational context. This approach has been reinforced by accommodating each case study business as an open system made up of inter-dependent sub-systems (albeit those sub-systems are non-concrete but rather inherent, to a greater or lesser degree, within the owner-managers).

Thus, rather than accepting that change in a variable such as interest rates will have a direct damaging effect on a small business, the approach allows for the addressing of the possibility that there may be an inter-connectedness between interest rates and other external contextual variables and that this in turn may then impact upon features of intra-organisational context.

Moreover, the bootstrap threw up the issue of the aprocessual nature of much management research and the approach of this investigation has accommodated the

possibility that historical inputs relating to the o/m's and to the context within which businesses operate, may condition the manner by which an o/m may react (or pro-act) to any change in government intervention activity, and thus the ultimate impact of that change upon the business.

In fact, in all cases, the actual response of the o/m's to government actions under investigation and the nature of the resultant impact of that activity, was conditioned by an intertwining of historical and present inputs, both of an external contextual nature and of a nature unique to the particular o/m in the form of his/her personalised inputs. That this is the case may not be surprising - but that this is the case nevertheless has severe implications for government intervention activity based upon the insights of static quantitative research. For it is the unravelling of those intertwined historical and present features which help to explain why an o/m reacts in a particular way to any given environmental change. Current static quantitative surveys, for example, are emphasising how small business confidence is low against a backcloth of soaring interest rates; current government fostering of the entrepreneurial climate is in turn providing small business support management training. The ability to provide adequate management training for o/m's to address problems such as soaring interest rates, however, is severely restricted if understanding of the manner in which interest rates affect particular small businesses and the nature of likely o/m responses is unknown. A static quantitative survey provides a snapshot view of the small business and indeed relies upon the o/m's own (often limited) perception of the situation - it ignores processual inputs, an understanding of which will aid the adviser/tutor/counsellor to help the o/m accommodate such change.

In all cases studied the initial readings of the effects of change in the business were modified by

in-depth processual analysis (albeit a limited processual insight in the last case).

(b) The focus of the investigation (in terms of relevant areas of government intervention) was derived out of utilisation of the "contextual" conceptual framework of potential areas of government intervention. The author's experience was anchored into this structure to derive what appeared to be a natural focusing of currently relevant areas of intervention activity.

In the event, this selected area of focus proved to be approximately correct. For the livery/pets boarding service, interest rates were particularly prevalent, squeezing on the demand side, not least via effects on the "luxury" hunter livery market, and upon the supply side predominantly via the effects upon the o/m's inter-related domestic life. Exchange rates, however, imposed only in an extremely tentative, indirect fashion. The possibility arises for a distant effect upon costs of raw material inputs, though this is impossible to follow through. More likely is the effects upon British tourists abroad - high sterling exchange rates can lead to cheaper foreign holidays, resulting in long stays abroad and ultimately changes in the structure of timings regarding pets boarding. During the second year of business there was definitely a tendency toward British based short breaks rather than longer haul foreign trips. The falling pound may contribute toward this trend, but so too has the reputation of foreign package holidays. At this stage the link is tentative.

The problem of lack of finance, whilst not imposing during the early months of the business, became more urgent as the business strived to develop. The perpetuation of low-level activity, the domestic pressures upon the o/m, and her attitude toward utilisation of external funding, were major inputs to intensify the finance problem.

Requirement systems during initial stages of the investigation did not appear to be problematic. However, as the research progressed constraints emerged in two main areas. Firstly, the maintaining of records for Inland Revenue purposes, whilst not over-imposing, did nevertheless add pressure to the o/m's intense time constraint difficulties. A longer term difficulty relates to the local authority planning department's attitude toward potential growth of the business. Their requirement that planning permission will be necessary for the Pets' boarding service at some future level of activity, which they were unable/unwilling to specify, imposes psychological constraints, not least in relation to future decisions regarding capital investment inputs. Not unrelated, is the potential of time constraints deriving from VAT regulation if future growth is permitted and reaches the VAT turnover threshold.

Central, within the selected areas of intervention focus, however, is the provision of small business management training. The contextually processual investigation of the business underlines the inputs to the o/m's current management responses, her ability levels, and the potential for improving upon the current response processes. Indeed, it is the current level of management response and ability, the o/m potential to improve upon this current level, and the ability of trainers/advisers to take up on that potential which predominantly conditions the likely effects of other areas of government intervention upon the business.

With regard to the furniture restoration/upholstery business, requirement systems never became problematic to the o/m. The business never reached a stage of development whereby income tax or VAT became an issue. And the level of activity was always intended to be within the bounds of acceptability as far as the planners were concerned. Though the prospects of requirements such as Health and Safety did nevertheless

help condition the o/m's thinking as to size of operation - a conditioning factor regarding attitudes toward employing other people.

On the problem of finance, underlying psychological inputs regarding the use of external funding was a major attitude conditioner in terms of funding the operation. This was intensified further by the very high levels of interest rates. However, it was the underlying lack of management ability - the inability to anchor business skills to an extremely high level of "productive" expertise - which moulded the actual form of the finance problem. Rather than being faced with a problem of raising fixed capital and underlying working capital necessary to finance development of the business, the nature of the finance problem was one of maintaining living standards in the face of an insufficient level of activity. With the o/m living out of savings, until disillusionment reached the point where the business was terminated.

Linked into this situation was the first year utilisation of the government Enterprise Allowance Scheme - which effectively provided a financial cushioning for the o/m and possibly reduced his perceptions of the importance of quickly establishing an adequate customer-base.

The underpinning factor, however, (the critical link-pin) was the inadequacy of the o/m - trainer/adviser "partnership" in the development of requisite management skills to cement the business and exploit valuable "productive" skills. Both the inadequacy of management advice and training courses and the non-input of the MSC Enterprise Allowance Scheme representative on his "auditing" visits, are a central focus of the study.

With regard to the third case study, the jewellery business, the objective of this study was quite different. Selected on the basis of the opportunity to

derive critical insights into a struggling small business from the standpoint of an ex o/m, the underlying methodological limitations inherent in the approach, are accommodated in terms of the shift in objectives of the study.

Not least because of the nature of the opportunity, one is excluded from involving all of the actors within the business and the study cannot therefore have the same contextual and processual vigour as the other two studies. However, the role of the study is to offer insights into specific areas of the business in order to begin to determine if the nature and type of inputs discovered, offer support to the conclusions derived in the other cases.

As such it has been possible to point to the relevance of the selected area of intervention focus, and of the conceptual framework within which to discuss intervention with the o/m. Interest rates are critical to this business on the supply side regarding the downward spiral of activity and the need to finance a snowballing £250,000 overdraft. And from the demand side, not least from post-war "economic symbolism" and its effects on consumer spending and the intensifying competitive climate.

With regard to requirement systems, both income tax and VAT have imposed from a time constraint standpoint - particularly with regard to the latter, when at one stage, four different rates of VAT imposed in the area of luxury goods.

However, the underlying common denominator within all the businesses studied, is the inadequacy of management skills and in particular the immense difficulty in relating to the external environment. Up to the post-war 1960's, the jewellery business thrived; but in the face of UK economic decline and intense competitiveness, the business did not have the answers to cope with the dynamism of the changing environment.

And all the government razzmatazz of entrepreneurial culture and small business management training provision did not entice the o/m's to take advantage. This was partly an attitudinal problem, but also partly an informational problem.

(c) The revised economic policy paradigm, economic theory, the organisational behaviour knowledge-base and current insights into small business, combined to further highlight and guide toward major issues in the investigation.

(i) Examination of macroeconomic theory underlined the need for further insights into the nature of market imperfections and rigidities, and of the need to avoid an over-generalist approach to business initiative provisions - the need to avoid the bracketing-out of the unique small business problem-type.

Both the political school view of business and the small business insight knowledge-base reinforced this.

The political school emphasised how one should not expect to find rational objective-seeking organisations, but rather individuals and groups pursuing their own objectives and thus the existence of power wielding dominant coalitions - the functioning of the market will thus not see firms passively adjusting to changes in their opportunity sets which government may impose on them.

From the small business knowledge-base, it was seen how "personalised" inputs of the o/m could be expected to predominate in decision-making; and the author's analysis underlined how potentially the small business is no less a "political" system than the large firm - albeit the nature of the "political" inputs may differ substantially.

In the event, all three businesses investigated supported this proposition.

The management process within the livery/pets boarding service and the underlying change, problem-solving and decision-making processes were influenced by the prejudices, attitudes, motivational forces and ability levels of the o/m - and in particular the intertwining of her business and wider social objectives. This in turn was conditioned by an extremely strong "political" input from the various actors on the periphery of the business. As would be expected, the nature of the "political" input depended on, and changed with the circumstances. However, very rarely were forces, whether external or internal to the business, sufficiently strong to modify the influence of the major external "political" input - the social grouping in the form of the local "dog network". The strength of this influence is epitomised in the o/m's willingness to tactically respond to external change pressures, by modifying her leisure activities and personal clothing expenditure, rather than compromise her progression toward her wider social objective.

Understanding of underlying motives, attitudes, preferences of the o/m and of the nature of the peripheral potential "political" inputs, is thus essential if an understanding of how external change forces are likely to effect a particular business is to result - and if adequate support schemes and requirement systems are to be designed. For example, an external large company oriented analyst would likely interpret the livery/boarding business environment as presenting opportunities based on an entirely different balance of activity to that currently pursued by the o/m. This would be to underestimate the imposing nature of the associated "personalised" and "political" inputs. For this o/m, increasing profits is no substitute for the attainment of her desired life-style.

Within the furniture business the problems are quite different. And yet the opportunities and problem-types still centre around the intertwining of the o/m's

"personalised" inputs and the peripheral "political" inputs. Major enabling and constraining forces derive, for example, from the o/m's previous large company oriented experience. An extremely high level "productive" skills base provides the main enabling input to the business. His large company orientation also, however, colours his perceptions of his operating environment and his approach to fulfilling a consumer need within that environment.

In terms of wider social objectives, the o/m is not as positively oriented toward social fulfilment, although he has lived in the village much of his life and feels a great affinity toward the local community. This in turn sees a "political" input from friends and relatives in that their calling in to pass the time of day whilst not recognising he is working at home, enforced time constraints on his operations. Similarly, friends from the village were difficult to deal with as paying customers (both of these problems have also confronted the livery business).

Whilst the jewellery case study does not benefit from comprehensive processual research, it is nevertheless possible to detect the influence of "personalised" and "political" inputs.

The brothers, at one stage, when faced with a climate of economic recession, felt that whilst their father had relinquished the business to them, he was always there on the sidelines. And always felt answerable to both father and mother. In the face of decline their father didn't have the experience to help regarding new problems. And the brothers felt powerless to respond to new problems.

A further "political" input related to the brother's wife feeding in ideas which, at face value appeared fine, but in reality were non-starters.

The bottom line thus sees the need for any analysis of small business to incorporate the personal inputs of the o/m and peripheral "political" inputs if adequate insights are to derive. Moreover, a static analysis of the business tends to overlook these inputs in an historical context and thus an accurate interpretation of the nature and potential of these inputs.

(ii) From the classical school of organisational thought the bootstrap raised the issue of appropriate structure. Whilst two of the case businesses are one-man bands and the other is restricted to some 20 employees and thus authority and responsibility relationships do not prove a significant issue, there is nevertheless a related common denominator in this respect. All businesses need some method by which *enabling/constraining forces within the external environment* can be detected, isolated and analysed. For the one-man band this merely means an ability to undertake the assimilation of relevant information and determine its relevance to the business.

For the jewellery chain with its mini-hierarchical structure, this may merely require exactly the same approach - but it also requires an allocation of the responsibility to fulfill this function to some member of the business. Either to a shop-manager, or more likely to one of the two brother directors.

However, given the nature and dynamism of the environments of all of these businesses, insufficient attention to this appears to have been afforded.

At the livery/pets boarding business, the o/m's personal make up not least an orientation to the "productive" task she so enjoys, severe time constraints (not least as a result from the need for part-time employment) and underlying management ability levels, are major restrictions in this respect. Unfortunately, this inability to adequately relate to and understand the operating environment, is an

indirect cause of the perpetuating low level of activity of the business. For the furniture (wood) business, an inability to read the environment has seen an excellent "productive" skill go begging and the ultimate demise of that business.

The jewellery business has plummeted into decline, not because of the underlying ability of the brothers, but probably because of an inability to accurately assess the direction and pace of change and apply management skills appropriate to that change, rather than attempting to rely on management recipes which served them well in the past. The difference between this business and the two o/m operations is the apparent ability levels within the business to develop some degree of pro-activity - given the right assistance. And a greater ability to free themselves of the productive task to reflect upon the operating environment.

Thus, whilst structure as propounded by the classical large company oriented school is not at issue here, it does raise the issue of the relationship between the intra-organisational functions of the business and the the external operating environment (a weakness actually inherent within classical thinking).

(iii) Examination of the human relations view of organisations, helped to raise issues relating to the overwhelming importance of people.

As expected, issues of leadership and motivation are not prevalent in the smaller business, though the jewellery business maintained extremely good worker relations by treating them as part of the family and paying over the going-rate. The "family orientation" appears an important small firm human relations concept, given the "political" pressures exerted on the jewellers from the local authority's offering of higher wages.

For the livery/pets boarding service and the furniture business, an attitude of non-employment of full time workers predominated. The latter business didn't want the responsibility associated with employer-status. The livery business did not wish to relinquish control of "productive" tasks, at least until the o/m could herself remain on a full time basis to oversee activities. This attitude, however, was partly conditioned by the cost of employing a worker, given the current level of activity. This in turn partly perpetuated the low level of activity.

Thus for the livery business, human relations problems relate to the "trust" factor in employing an individual, and to the underlying "cost" factor with regard to local labour. She will rely on a part-time input, but only via using local "dog network" individuals, and then only to cover whilst she is involved in "network" activities.

Underlying o/m "personalised" inputs again have to be understood to appreciate unique human relations problems encountered by small business.

(iv) A selective examination of the insights into small business allowed for the highlighting of key influences of small size on management and of key influences of the o/m's themselves on management of the small firm - the above "personalised" and "political" inputs being major insights derived.

The utilisation of the potential pro-active large company management process as a base from which to analyse respective insights into small business management (including unique small business problem-types), allowed for the highlighting of the fact that a management process quite distinct from that of the large company, may exist within small business - a predominately adaptive rather than pro-active process.

Analysis of the livery/pets boarding business environment alongside an internal audit which incorporated the approach to physical resource, human resource systems and intangibles management (and their physical form), revealed an interpretation of potential external opportunities quite distinct from those derived and acted upon by the o/m.

Prolonged observation, interviews and discussions with the o/m over the first six months of activity in her new premises, revealed the gradual build-up of resource base, systems and procedures (as represented within the case study).

Her "environmental strategic analysis" (i.e. her decisions as to the balance and level of activities) derived out of combined "personalised" inputs of the o/m and associated "political" inputs from those involved around the business. This included her own expert knowledge of the respective markets she intended serving but did not involve anything like a full consideration of all external contextual variables and the relevant key influences.

This approach was later confirmed to partly result from lack of time and of management ability.

Two factors pointed to the o/m's management process approximating an adaptive form. Firstly, the balance of chosen strategic activities and the lack of comprehensive information-base upon which to found that choice. And secondly, the operational emphasis of activity which essentially centred around the productive task in hand and proceeded in relative ignorance of and isolation from, the external forces which were impinging around it.

The small business insights had revealed in the bootstrap the importance of the spatial element and the value of a location-specific taxonomy for the highlighting of local enabling and constraining forces.

And contingency theory raised issues regarding the nature of the "fit" between key contextual variables and organisational variables. In turn, a major deficiency of contingency methodology, in that it is aprocessual, underlined the need for analysis to explain why propounded relationships uncovered in the study, exist. (The value of the contextual, processual approach being emphasised above throughout these conclusions).

Following this line of reasoning through, one can determine why the o/m proceeded with her chosen balance of activity and did not attempt to derive a more comprehensive information base regarding the external local environment.

The "personalised" inputs of the o/m and periphery "political" inputs, helped condition her major underlying motivation for running the business - an animal-oriented life-style. Within these "personalised" inputs is past experience, which she intended to utilise to achieve her life-style objectives including her wider social dog world (exhibiting and breeding) activities.

Given her lack of management ability (and thus relative ignorance of the consequences of external variables not considered by her), her expert "productive" skills-base and her underlying life-style objectives, she felt no need to reflect upon any other factors than those variables which were to help her achieve her strategic objectives (i.e her chosen balance of activity).

Her actions are only explained via a contextual, processual analysis which takes into account the role of her past in contributing to the present. The interaction of the past and present is producing a combination of "personalised" and "political" inputs which result in an adaptive management process.

Moreover, given her enthusiasm, interest and commitment to the "productive" task, it is doubtful because of the time constraint factor if nothing else, if she will ever be capable of moving toward a pro-active approach to the management process. From the standpoint of intelligence level, the o/m may well be capable of learning about her business and developing techniques to lead her toward greater pro-active potential, but given her enthusiasm for the "production" process and lack of interest in the other "functional" areas of management she is unlikely to invest the energy necessary for the achievement of pro-activity.

This accepted the effects of interventional variables such as interest rates, given that no chance of pro-activity now exists, must depend upon the capability of the o/m to devise tactics to mitigate the consequences of change. As long as tactics can be devised to prevent chosen areas of strategy (i.e. in the case of the o/m the vague, abstract view of the markets she is serving) moving too much "out of synch" with the external environment, then the extent of "strategic mis-match" will not be sufficient to force the business to terminate. That this is feasible can be seen by the way in which the o/m reacted in temporary fashion to escalating interest rates when she lost a major customer (and 40% of total revenue).

One corollary of all this will therefore point to a differentiated approach to small business management training. The development within training programmes of skills and techniques to help the o/m log and anticipate her operating environment would be relatively useless given her underlying motivation and predominant interest in the "productive" task, coupled with her incredible lack of time. However, given the tendency within the current management process to rely on tactical response to being suddenly hit by external change (and at worst the need to "fire-brigade"), the effectiveness of this type of managing would undoubtedly be improved by a "local educational input"

which helped her to isolate those key forces in her operating environment upon which she relies, or which may in the future prove problematic. Once isolated, the training input would need to help her understand the potential nature of their effects, given her base motivations, attitudes and other "personalised" and "political" inputs to the business. Such knowledge of the key influences and their potential effects then provides foundations upon which to more effectively respond and adapt to change in those variables.

This, however, requires two things of small business advisers/ trainers which are currently either overlooked or taken for granted. Firstly, a processual understanding of the particular small business (including the way unique o/m personalised inputs affect her management approach). And secondly, a contextual understanding of the business in terms of the nature of the key localised influences impinging upon the business. This takes far more of a comprehensive preparation than some current approaches to training programme provision, based on a simple watering-down of tried and tested large company oriented training inputs.

One apparent benefit of this approach with regard to the livery/pet boarding business relates to the o/m's current chosen balance of activity and her present perpetuating, vicious circle of low level activity.

A major reason why this low level activity perpetuates, is her desire to continue alone and not utilise part-time work until the business can fully support her life-style. This is a slow process. If an initial training input worked alongside her to adequately determine the nature of the key influencing forces and underlying activity opportunities, this wider knowledge-base may well modify her attitude regarding current limited level activity in the horse related area of business.

An initial sound and accurate external information-base would allow her and an advisor to determine potential profitability from an adjustment in balance of activity. This may then provide evidence sufficient to entice her confidently away from her part-time job, and, since she would be in the business full time, to employ her own part-time help which the new activity may be capable of supporting - this also freeing her up to continue toward her parallel social objectives.

However, it must be remembered that the initial information-base, if formulated as the foundations of a resultant "traditional type" business plan would not alone solve the problem. The planning task is (as has been the theme of this investigation) a process task. That is to say the information-base upon which strategies and programmes are founded changes quickly through time. If merely left with this plan the o/m, with her lack of pro-active capability, will simply be hit once more by change as it creeps up on her. However, if the plan is in a simple "working document" type form (of a nature propounded by Willis, see Ch. 4) which can be referred to if necessary on a daily basis; and the o/m is now aware of the key influences likely to affect her business and the likely nature of these affects, she is now far better positioned to react and to devise tactics appropriate to mitigate the consequences of any change in the initial information-base variables upon which the simple plan was based!

Any potential for o/m pro-activity has been dismissed and an innovative approach to her problems has offered the opportunity to modify her attitudes, improve her management capability and help her to break the current viscous circle of low-level activity.

In parallel her ability to pursue her chosen wider social objectives is more likely to be maintained into the long-run (a factor indeed likely to play a significant part in helping to modify her current

attitudes regarding existing balance of activity, and utilisation of part-time employees, and of external finance).

But how does this proposal stand up within the context of the other two case studies.

With regard to the furniture/pet accessories business, the underlying reasons for its demise was the o/m's inability to gain adequate information on his local operating environment; and to understand the nature and significance of the key forces as they impinge upon the business. Given family commitments, the enforced nature of entering self-employment and time constraints (among other factors), this o/m was no more likely to move toward a pro-active management process than was the livery business. But as it stood this o/m did not have sufficient insight into his operating environment to even utilise adequate tactical response to keep the business afloat - he effectively fire-brigaded until the business eventually folded.

But what of the family jewellery chain. Here is a business whose brother directors over the years formulated a sound understanding of many environmental variables imposing on their business. Cite the ability to, in detail, distinguish between the characteristics of customers located within the same county only 18 miles apart and to develop distinct strategies appropriate to those customers. Cite their ability to draw upon supplier-fed information as a base from which to cater for changing fashions. Cite also the underlying ability of one of the brothers to develop stock control systems and provide the basis for some degree of pro-active response if the environment so dictates.

This ability derives out of years of experience, much of it passed down through the family. And yet the previously successful business is floundering with a constant £500,000 turnover in the face of years of

inflation (real decline) and is "surviving" via the utilisation of a £250,000 overdraft which, given exorbitant interest rates, is accumulating at a pace guaranteed to bring disaster.

This commendable understanding of the external operating environment has, through time and within the context of unprecedented change, become sadly inadequate.

Again this business needs assistance with the establishment of an external information-base adequate for the determination of appropriate strategic emphasis. And an understanding of the current key influences in that environment as they impinge upon the business. Once again a "working document" type business plan can derive from this base which in total (the information-base, understanding of key imposing influences and "working document" plan) forms the foundations and framework for responding to future environmental change. Moreover, the underlying ability of the brothers, and in particular the desire by Alan to know more and to progress, may see a capability for these foundations and framework to evoke elements of pro-activity as well as the capability to respond and react to imposing changes more effectively.

It is a lack of knowledge of international and national key environmental forces and how these modify localised forces (and of locally-originating forces) which is the underlying Achilles heel of the family jewellers. From this understanding and inherent skills and abilities will derive all other requisite areas of small management training needs.

(d) "Because small firms generally engage in a narrower range of activities, use a narrower range of materials, employ fewer skills, and serve single markets or fragments of markets, it is probably even more important for them to anticipate changes in the factors impinging on their welfare, than it is for large firms.

A great change in one factor is likely to have far more effect on a small company". (Cohn and Lindberg⁽¹⁾)

For Cohn and Lindberg the concept of "externalisation" is critical to the survival and growth of small firms. Many small firms may not be capable of pro-actively anticipating much of the change imposed on them, but it does appear that a major role of small firm advisers and trainers should be to devote more time to helping the o/m's improve their knowledge of the outside world.

This assists in the minimising of surprises they experience, and in understanding the nature of the impingement of key forces - for some o/m's (such as the jeweller above) this can result in greater degrees of pro-activity and in more effective adaptivity. For others (such as the other two studies) it can hopefully result in more confident adaptive responses, with pro-activity the exception rather than the rule. But for this to happen at all requires a commitment from the advisers and trainers themselves to acquire greater understanding of the motivational "personalised" and "political" inputs within and surrounding a particular business, and an understanding of the key international, national, and localised forces likely to impose on that business.

This is not a simple task, but ultimately the manner in which governmental variables, central to this investigation (interest rates, exchange rates, support systems, requirement systems) impinge on a small business will be governed by the interplay of "personalised", "political", and "localised environmental" inputs. It thus seems feasible to assume that a base interventional variable such as management training/consultancy provision, should begin from an understanding of these small business variables - understanding of the attitudes and motivation of the o/m and his/her potential regarding future adaptive and pro-active management processes, then becomes a foundation from which to try to build-on, develop or

modify the management behaviour of the o/m. In turn a greater predictability in relation to the likely affects of, and requirements with regard to, other intervention variables may then follow.

The level of effective competitiveness of a small business in terms of survival and fulfilling of o/m objectives and the way government intervention in its varying forms may affect that competitiveness, appears to depend upon the intertwining of "personalised" inputs of the o/m and the associated periphery "political" inputs - the ability to improve upon that level of competitiveness requires greater insight into these inputs as they continue to produce the processual responses within a given small business.

(2)

Whilst the primary objective of this research was to attempt to advance knowledge with regard to the implications for UK small firm competitiveness of government intervention in its various forms, the investigation has also aimed to offer insights into future potential research methods. Advancing from the premise that there is a tight coupling between content of understanding and method for understanding, this research has dismissed the view that some minimal familiarity with the field to be researched may in all cases be enough to foothold an investigation.

The philosophical standpoint of internal realism propounded by Archer, certainly provides the foundations from which to tackle major pitfalls and shortcomings in management research, e.g.

- the over-static and acontextual orientation of much current research
- the tendency for individuals to research and model areas with which they have little personal familiarity
- the fragmented and ad hoc development of theory
- the testing of inadequately operationalised theories
- the tendency to implicitly assume the small firm to be a microcosm of the large firm in organisational behavioural strategy terms
- the limitations of objectivism on the one hand, and brute inductivism on the other

Archer presents the basis for "methodological rapprochement" (for the co-existence of two different types of research strategies) and his philosophical standpoint gives additional emphasis to the crucial role research methods play if one is to maximise the potential for factual status to ultimately derive out of the assertions of research findings.

However, Archer's excellent proposition that, given the inevitable theory - and value laden nature of our observations (highlighted by internal realism), "epistemological bootstrapping" can form a solid starting point as a "partial framework" to foothold the research and help clearly spell out any underlying values/theories at research design stage, does fall short of its real potential.

For him, the role of bootstrapping is not seen as part of the research, but rather "a process of personal discovery" - a pre-requisite to research.

But this is to overlook the need for practitioners with a wide management knowledge-base and, say, "partial" research experience to undertake initial research on a new research programme to consolidate that knowledge-base with current occurrences and advances in the field into an initial "bootstrap" - this contributes toward continuity of research and minimises the dangers of fragmentation and adhococracy.

Such "formal consolidation" in its anchoring into the existing knowledge and/or research base has, in this investigation, extended the potential of epistemological "bootstrapping" into an integral part of the research.

The benefits of this have seen the author build upon base frameworks via an iterative process between literature reviews and discourse with potential case study participants and back to the reviews to establish insights into problem-types, interventional areas of influence, "personalised" and "political" nature of inputs to the management process and the approximate form of that management process within a given business.

From partial research frameworks, a continued iterative process (literature → small business o/m → small business experts → literature → etc.) allowed for

the firming up of an initial "tight" bootstrap framework of insights to foothold the research.

These insights act as guiding frameworks and interpretive devices all of which, to a greater or lesser degree, aid in the understanding of the small business in its environment.

They offer the potential to "lead-in" from previous works to aid in the asking of pertinent questions and to assist in the application of appropriate analytical techniques.

In total, they contribute toward the deriving of levels of understanding over time which can ultimately assist small businessmen, their advisers and policy formulators alike.

However, central to the whole methodological approach, has been firstly the intention to tackle weaknesses in management research, not least the over-static orientation of much research. The bootstrap itself, in its resultant critique of the shortcomings of bodies of thought, such as the systems and contingency schools, has produced additional emphasis of the need for contextual, processual research accommodating the potential political nature of the organisation and underlining the essential need for longitudinal insights.

Thus, the major intention of the empirical case studies work of this investigation, has been to offer insights to form the foundations for future longitudinal research - utilising the "laboratory experiment" livery/pets boarding service example.

As such, the constraints of time imposed by the nature of doctoral study (especially given the predominantly part-time nature of this research) result in severe limitations upon the propounding of "hard" conclusions.

The whole approach ("bootstrap" and case studies) has effectively footholded the author's future longitudinal research. Many of the issues raised by the "bootstrap" remain to be answered - to be tackled over time. In fact, the "bootstrap" and case studies form one step in the continued iterative process between the practical research scene and the evolving small business literature, with the "tight" bootstrap research framework a candidate for continuous adjustment and modification. There appears, for other researchers, great potential for the utilisation of "epistemological bootstrapping", as an integral part of the actual research - as a valuable part of the total case study methodology. Moreover, the role of the past of a particular o/m, the nature of his/her "personalised" inputs and of periphery "political" inputs, and the interaction and intertwining of these as witnessed in this research, all point to the need for future contextual, processual studies, if the unearthing of in-depth insights into small business operations is to effectively result.

In the final analysis, however, one is reminded of one of Archer's major observations emphasised in the introduction to this research *"Even in an established scientific discipline, research method involves a tacit element of craft skills that have to be learned on the job"*.

For the author, those craft skills will continue "to be learned on the job" as the longitudinal study of the livery/pets boarding business continues - both craft skills to continue the "firming up" of the research framework, and the craft skills to work toward the perfecting of contextualist analysis. As Pettigrew underlined *"it is the craft skills in unravelling and establishing relationships between the components of analysis relating to variability in context, variability in process and variability in outcome where the major benefits and principle problems of this kind of contextualist mode of analysis lie"*.

As such, both the concept of bootstrapping as applied in this research and the concept of contextualist analysis (which the bootstrapping revealed), are new, novel and innovative. For the author, this research investigation, in its totality, is no more than an "apprenticeship" -- it is from this that the continued development of adequate craft skills must evolve.

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(1) Cohn, T. & Lindbergh, R.A., op. sit. p.14	465