



Travelling the Yellow Brick Road Together

*Understanding and
Promoting
Small Business
Growth and
Entrepreneurship*

Part 2

Journal of the
Association for
Management Education
and Development



Guest Editors: Simon Raby and Mark Gilman

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The notion of growth:

A research agenda for SMEs and entrepreneurs

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Keywords:

SME, Growth, Entrepreneurship, Small Business Management, language, metrics



Introduction

Academics within the Small and Medium-Sized Enterprise (SME) sector have been working towards identifying the factors that are impediments to the growth and development of SMEs around the world. This article attempts to understand the 'notion of growth' as experienced by SMEs in Wales and East India (particularly West Bengal), by exploring the narratives of entrepreneurs within those regions (see images 1 and 2 below). Our research is primarily qualitative in nature and is based on a semi-structured interview approach in Wales, and on narrative inquiry in India. We believe that such a methodology is critical in understanding the notion of growth, and our method involved interviewing established entrepreneurs in order to ascertain their multiple perspectives on growth. We assert the importance in Government policy formulation of understanding and using the language of growth as defined by the 'context' of the entrepreneurs.

Our research approach

Briefly, our research involved the collection and interpretation of both qualitative and quantitative data. In Wales, we worked with six gender-balanced focus groups, each consisting of eight business-owners who represent a range of MSMEs across the regions. Group discussions were augmented by in-depth 1:1 interviews. We also conducted a comprehensive, questionnaire-based pan-Wales telephone survey. In West Bengal, we engaged in a narrative inquiry, derived from 1:1 conversations and field notes, with a group of eight male entrepreneurs. Requests for confidentiality were a particular issue here.

We selected the [West Bengal Chamber of Commerce](#) and [CREDAI](#) – (the Bengal branch of the Confederation of Real Estate Developers Association of India), as well as other forums that we mention throughout this article, according to their relevance to thematic analysis of the data we collected. If you would like a more detailed account of our sampling and research methods, please feel free to contact [Nihar Amoncar](#).

Image 1: West Bengal



What is growth?

“All change is not growth, as all movement is not forward”.

(Ellen Glasgow, American Novelist.)

Extant literature discusses Government policies for providing training and support for growing businesses (Nelson and Gibb, 1993; Lean, 1999; Greenbank, 2000; McAuley and Clarke, 2009). Nevertheless, definitions for what constitutes growth vary greatly, from employment growth (Greenbank, 2000), to growth in turnover or sales (Greenbank, 2001) to growth in reputation and trade. These definitions have their critics: McAuley and Clarke (2009, p. 28) suggest that growth: “expressed in terms of sales, employees, net assets or profits, is inappropriate, or at best blinkered”.

Further to growth in employees, turnover or trade, Lean (1998) argues that size and employment numbers are inappropriate as a ‘predictor of growth’ and those other more qualitative factors, such as a ‘businesses responsiveness to change’ and ‘survival and business sustainability’ are better determinants of the potential for growth. Such metrics of growth highlight the problems of ‘understanding the dynamics of the growth process and entrepreneurial developments in small firms (McAuley and Clarke, 2009, p. 23). For those making policies and for those running such firms, McAuley and Clarke (2009, p. 23) posit that “there may be no single theory which can adequately explain small business growth” and any attempt to define growth may vary significantly from small firm to small firm.

Image 2: Wales



Is growth simply business survival?

Although the 'objectives' of different SMEs range from 'survivalist' to 'growth-oriented' approaches, it has been suggested that rather than turnover or employee size, business survival may be a more appropriate indicator of business success (Gray, 2002; Pratten and Lovatt, 2005). Fear of failure is clearly a driver in business survival and such fear, coupled with the instabilities of small firms, may explain why some firms resist growth. Greenbank (2001) found that 'firms specified an upper size limit in order to remain in control of their businesses'. Greenbank cites concerns about larger premises, higher overheads and financial pressures to pay wages, as considerations which may be seen as threats to business functionality and which make owner-managers wary of growth and change. Gray (2002) describes how fear of change creates established routines. Such routines that work well in small businesses 'quickly become embedded', which can be a form of competitive advantage through localised knowledge of what works. However, routinised behaviours also restrict growth, because of the view that that these existing routines do work. Hence the firms' very survival may reinforce a resistance to learning new ways or ideas on the part of many owner-managers' (Gray, 2002; p63).

Factors outside of the organisation's control may also affect survival strategies and decisions for growth. Examples include 'the recessionary state of the economy' (McAuley and Clarke, 2009 p. 25); new industry standards, regulations, and increased competition from other suppliers (Kelliher and Reinl, 2009, p. 524).

The competitive advantage of micro and small firms is often built on localised and tacit knowledge that can respond quickly to market signals' (Kelliher and Reinl, 2009, p. 523), enabling them to make changes quickly and efficiently. This localised knowledge forms the 'context' of the micro and small firms within which the diverse meanings of growth is often embedded, as Table 1 below illustrates.

Table 1:

Findings about the language of 'growth' from comparative research in Wales, UK and West Bengal, India

| WALES | WEST BENGAL |
|---|---|
| Multiple definitions of growth. | Multiple perspectives on growth. |
| Language played a role in definition of growth. | Level of awareness (contemporary technology, innovative management practices, education based knowledge and network driven knowledge, Government policy awareness) determined the depth of understanding of growth. |
| Definition ranged from more employees, to contracts, number of shops, increased turnover, increased reputation and expertise. | Definition mainly revolved around increase in market share, diversity in business portfolio. |

(Source: Deacon and Amoncar, 2016)

Our findings from Wales

Multiple definitions of 'growth'

The range of definitions of growth in the Welsh context suggests that, for authors of business economic development strategy that specifies growth as an objective (in particular employment growth), some clarification may be required as to what the legislators presume is the notion of growth. Legislators in this regard may include a range of stakeholders, from bureaucrats to politicians, central bankers, and financial, economic and business advisors to government. This is because, in the context or language of the micro-business, 'growth' has a multitude of socially constructed meta-meanings. Micro-businesses thus have varied motivations for success, as well as different levels of ambition – whereby growth in incremental terms equates to longer term business survival. Yet, as explored in our research, guidance based on presumed shared language and intentions might not generate the correct support.

The words used to describe growth are also likely to be different in different contexts. Clearly, context will thus have an impact upon those agencies such as Business Link that are tasked with supporting growth.

When asked: 'What does growth mean to you?', micro-businesses in our Wales study offered the following contextual definitions of growth:

'Less to do with employee numbers. I have increased my number of employees over the years, but I wouldn't do that if the business itself wasn't growing. So for me growth is doing things right. Doing things right to get that margin' (Retailer)

'If I could take on more work I suppose I would be growing. I don't want to grow with employees. I would like to take on more work – however would need more subcontractors to do it. I don't want to employ' (Construction)

'Umm. More Contracts. More staff' (Business Services)

'it depends what you mean by growing really. I mean in terms of turnover and staff... ah... no we are not.... But I suppose the other bit of it is whether we are growing in terms of our ...expertise, and ideas and reputation. And I would hope that we are. And we put quite a lot of effort into trying to maintain a kind of presence so people are aware of what we have done. (Consultant)

'I would see business growth as more work, more income, more employees, a wider reach/impact, a growing reputation, a growing number of regular clients, size and location of work base' (Professional services)

Multiple metrics of 'growth'

Differing metrics for growth highlight the problems of 'understanding the dynamics of the growth process and entrepreneurial developments in small firms' (McAuley 2009 p23). For those making policies and for those running such firms 'there may be no 'single theory which can adequately explain small business growth' (p23) and any attempt to define growth may vary significantly from small firm to small firm. Yet the language used by micro-business support agencies uses the word 'growth'. So some definition would appear to need to be required, or further clarification given.

Conditions for 'growth'

In Wales, apart from the variances in definitions of growth, there appear to be similar levels of variance in how micro businesses define a basis for growth. These range from product demand, and client knowledge, to external pressure and lifestyle plans. Interviewees in the study hypothesised about possible bases for growth, but did not have current ambitions to act on these assumptions. They maintained that, in addition to a basis for growth, such as demand, or client knowledge, the timing must be right. It would appear that micro businesses are reluctant to grow for growth's sake.

A basis for growth may come from an external pressure to grow:

'I think there is a lot of pressure; I think there is a lot of pressure all the way through, from government down through every level, that the expectation is that every business will grow year on year. And it isn't really questioned as to whether or not that is a good thing, or a desirable thing. (Professional services))'

Clearly such external pressure can encourage growth, but paradoxically can also prevent growth. One respondent felt somewhat under pressure to employ, even when he did not wish to become an employer:

'I don't want to employ, I would use more local labour, and take on more jobs to oversee but I don't want the employment responsibility. The H&S, the contracts, the worrying about them on a scaffolding. (Construction)'

Research by Pratten (2005) underpins this point that there: 'exists the danger of a negative attitude to employment legislation' and hostility 'to the introduction of more red tape' (p 298) and this in itself could hinder growth.

'I've been going up a ladder for 30 years, and now I'm being told I can't go up a ladder. My business has worked fine all this time; it doesn't need changing with these laws (Construction)'

Another basis for growth may come from lifestyle decisions. IS describes her basis for growth as a family decision. Whilst she may be classed as a lifestyle business now, she has future plans for growth:

'As my children move out of primary education and into secondary school...I envisage building up more work. I haven't got that far yet... but I will certainly want and need more work in a year or two. (Professional services)'

Komppula and Reijonen (2006) agree that: 'success is often equated with the achievement of clearly defined and measurable goals' (p13). In micro-businesses these goals may change over time as a contextual basis for growth evolves.

Our findings from India

Multiple understandings of 'growth'

The findings from India are similar in some respect to those observed in Wales in relation to the understanding of growth. Firstly, some entrepreneurs equated growth or development with increase in market share. They did not necessarily relate the increase in market share with increase in consumer or market demand (external factors). Nor did they consider whether it was due to a concerted effort the firm had made to improve its processes and services (internal factors) in order to understand the source of growth. The identities of the organisations and the entrepreneurs are kept anonymous as per their request.

"I believe that increased turnover is a sign of growth, does it matter where it comes from?"

(Excerpt from field notes – Participant 1.)

This suggests the general absence of a macro-perspective on the firm's position within the market. Our sample seemed to be content to wait for the 'market to react' and drive growth, rather than conduct any internal audit of the firm to identify possible improvements that could drive growth, such as in adaptation of new technology to improve manufacturing or logistical processes, or even customer service.

Attitudes in the West Bengal manufacturing sector towards new technologies

Cost barriers

SME entrepreneurs within the manufacturing sector were extremely cautious of adapting to or investing in new technologies. They cited the high cost of technological adaptation as the primary barrier, and felt that the high interest rates of borrowing within the country were an impediment to any investment in technological upgrade.

"If the guy in America is going to borrow at 2 or 3 per cent and invest in a high consumer demand country like India, he is bound to make money and grow!! We have to borrow at 8 per

cent minimum and the procedures involved are lengthy. Besides, America is where the technology is...innovation is...right now my profits are invested into keeping the factory running, how can I invest in new technology?"

(Excerpt from field notes – Participant number 7.)

Many entrepreneurs believed that the lower costs of borrowing in Western countries meant that the Western companies borrowed at a lower cost in the West and invested in India (through Foreign Direct Investment – FDI) by partnering with leading Indian firms. However, numerous other micro and small companies, which did not manage to collaborate in this way, were left without serious resources to compete with the FDI inflow and the technology transfer that followed with a joint venture or a strategic alliance with a local SME. Many suggested the ever-increasing FDI allowance in 'locally critical' unorganised sectors for example retail were putting micro and small firms out of competition.

General attitudes towards new technologies in India

While routinised behaviour, fear of change and failure were major impediments to SME growth in Wales, the findings from India suggest a different picture. Since many technologies required for competitive advantage were not available locally, they had to be imported. Moreover, managers lacked both the will and the knowledge to look for the necessary technology in the right places, and were ill-equipped to assess the benefits that would come after incorporating the technology. Support from legislators, was termed as 'minimal'. It also emerged that – unlike Wales, universities were more intensely involved within the 'advisory set-up' that informs the Government on policy matters in relation to small businesses – this was not the case in India, where bureaucrats and specialist think tanks were primarily responsible.

The Indian entrepreneurs did suggest involving academics within the advisory set-up, so as to maintain an updated research database of innovative technologies, their costs, benefits etc. However, some entrepreneurs in India seemed over-engaged to such a degree in the day-to-day operations of the firm, with the result that they did not take time out to analyse the external environment to learn about the technological advancement in their fields. They were reluctant to seek any professional help from academics or specialist SME consultants. Lastly, entrepreneurs also cited the issue of lack of 'skilled' labour that could grapple with new technologies. Despite over 60 per cent of Indian population being under the age of 35, the majority of this population lack the right skills as required by the MSME (Micro, Small and Medium Enterprises) sector. The lack of skill-based audit meant that the legislators were slow to take into account the deficit of certain 'skills' that creates a human resource gap.

The growth of 'no growth' strategies in both regions

Within the growth debate, we maintain that there is a need to examine those firms that are quite deliberately *not* planning for growth at all. For example, in the Welsh context, many MSMEs with a survivalist mentality (i.e. resistant to change, fearful of failure etc.), appeared to adopt an implicit or explicit strategy of 'no growth' as the basis of their plans. Many owner managers talked more about their decisions about when *not* to grow, rather than about when to grow. This was either through fear of things becoming unmanageable, or of the need to take on new employees.

In case of West Bengal, the lack of sufficient expertise/knowledge of technology and Government policy, incurring high borrowing costs and over-involvement of entrepreneurs in day-to-day operations seemed to be the factors leading to growth-aversion. Moreover, in both regions, family commitments or poor performance during the recession had in some cases reduced their turnover and delayed plans for growth.

The case for a more nuanced language of growth...

In the Welsh context, any 'business growth' encouragement by government agencies will inevitably be based upon a series of policies that have at their core a need for public accountability and to some extent, a political expediency. The outcome of such policy interventions has traditionally been a suite of economic development 'growth products' that are generic in nature and risk-averse in operation, even if the rhetoric may suggest otherwise. This has often meant that the efficiency and effectiveness of such economic development 'products' fall far below the requirements and aspirations of the business community. Many such policy developments bear resemblance to 'Institutional theory', i.e. either mere adaptations of the growth approaches used by large firms, or the 'dilution' and simplification of economic textbook theories, or a combination of the two.

Also, in India, the volatility of Government policies in terms of increased FDI and high interest rates create asymmetry in the MSME sector. Those entrepreneurs with an active eye on the external horizon spot opportunities to collaborate with foreign firms and access sources of new funds and technology. In developing economies like India, which boasts a positive demographic dividend (the median age of the population is 27), there remains a question: Is the concept of 'economic growth' defined and understood more in terms of capital and/or labour? Or is it more about innovation? Narratives from the West suggest that it is innovation that drives economic growth. More labour (without the right skill development initiatives by the Government) is a building liability, and over-dependency on FDI (countered with high local interest rates) can starve local MSME of critical funds to upgrade their operations and compete on a level ground. This seems to have a de-motivating effect on the micro and small businesses that lean more towards survival than towards growth, mainly due to the needs of SMEs being in conflict with incoherent or incompatible government policy.

The upshot is that development policies are written in a language that fails to connect with the context of the intended audience (the MSMEs). There are linguistic disconnects, and widespread misinterpretations between and by stakeholders. The vernacular of policy making is not the vernacular of the small firm's 'day-to-day' operation. Our study suggests that lexical disparity, in the context of the language and meaning of growth in micro-business, could be overcome by developing alternative methods of policy delivery based upon an audit of the contextual ambiguity and interpretation of the meta-narrative. In other words, an understanding of the concepts of narrative, meta-narrative and meta-meaning is key to the development of meaningful policy for micro-business growth. In essence, we encourage policy makers wishing to communicate effectively with the micro-business audience, in terms of 'growth support' to adopt a lexis that is informal and socially constructed, and that is communicated mindful of the context of the respective SMEs.

Conclusion: How entrepreneurs and governments can communicate more effectively with each other

The SME owner/managers in Wales are usually known to communicate with the Government through industry/sector-sensitive 'collective' forums. Examples in Wales include the Welsh Automotive Forum and the South Wales Chamber of Commerce. In India, this could be achieved through FICCI (Federation of Indian Chambers of Commerce and Industry), the CII (Confederate of Indian Industry), and other regional/industry-specific chambers of commerce. However, in India, the upcoming and small business entrepreneurs tend to believe that such forums support 'well established or educated' businessmen who are known to mostly to progress the interests of their 'inner circle', rather than those of the entire SME community - particularly those at the bottom of the SME population pyramid.

The wider members of the SME community hence need to be involved deliberately in the mainstream dialogue, where they are enabled to speak in a 'language' of their own business understanding and context. The academic community, business mentors (in the case of India) can play a role as interpreters (as observed in Wales). Moreover, individual organisations like ISBE (in the case of Wales) can play a progressive role in broadening the understanding of understandings of 'growth' within the wider SME community and not only the 'chosen ones'. There is need for a more qualitative research approach in this domain. We suggest a sector-wide regular audit of MSMEs, and of their particular definitions, understandings and requirements of growth. These findings then need to be analysed in order to create a language of growth that is holistically understood, and that addresses more effectively the concerns of the wider SME community.

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