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DEVELOPMENT OF GROWTH MODEL FOR SMALL BUSINESS

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Despite the shortcomings pointed out by the critics, knowledge about what facilitates and hinders growth of small business is still scattered and limited today. The same is true for insights into the process of firm growth. Apparently, the large number of empirical studies has not had a high yield of generalizable knowledge. To put the things in the right perspective, this study is to review some of the major academic approaches to the subject and endeavered to develop a comprehensive theoretical model to understand the factors influencing the growth of small business.

The overall purpose of this study is to develop a better understanding of the factors influencing the growth of the small business. A major hindrance to the study is the fact that none of the studies in the literature (highlighted in this study) produces a comprehensive theroretical model. This study concentrates upon a review of some of the major academic approaches to this subject and discusses their strengths and weaknesses. It begins with a brief review in the policy context viz. of works on the growth of small-scale companies through policy initiatives.

THE POLICY CONTEXT : PICKING UP THE WINNERS

In the last few years in the international plane, there has been substantial shift in the interest of policy-makers and in small business 'assistance' organizations towards a greater focus on the 'growing' company. 'Picturing and Stimulating Winners' has become a major concern of small firms assistance organizations. One important reason for this is the sheer size in numbers and industry sectoral variety of the small firm sector in relation to the limited resources available to assist them. Identification of enterprises from whom 'best' returns can be obtained given limited inputs of support is a major concern. The shift in policy interest reflects a number of factors including:

- A change in emphasis from employment generation to issues to do with smaller firm contribution to efficiency (Nicholas, 1987).
- Interest in focus of small business in manufacturing and in the general health of the manufacturing sector (Mayes, 1987).
- Interest in tapping the potential benefits of relationships between large and small firms and the recognized dependency of large firms on the efficiency of their sub-contractors and suppliers (Gibb, 1988).

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- A continued but-growing interest in small business as a source of renewal and innovation in economy (Mark, 1987).
- An interest in the capability of small business to substitute for imports in the light of the enormous trade deficits experienced by developing countries in 90s.

Performance of small firms located in the Science Parks and Technology Centres, which have sprung up all over the world during the recent past (Hillary, 1986) has fuelled relevant interest in small firms, as has the claims of some academics that it is possible to pick 'winners' and the 'revelation' that only a small number of firms out of every hundred will grow (Storey, Keasey, Watson and Wynarczyk, 1987). Such work, however, has yet to demonstrate that there are fundamental characteristics of business and/or their owners that clearly point to a growth path. The work to date in this area can be heavily criticized in that it has concentrated upon a few, very simple, parameters, has little base in theory and results provides little other than that which is already known to the practitioner (see below). It is perhaps an unrealistic expectation that it will be possible definitively to pick winners at the early stage of growth or indeed to produce a relevant comprehensive theory, which leads to this. The factors involved are too vast and complex! But arguably it is possible to make further strides towards better understanding of the factors that influence the growth process and therefore to better assist those who are appraising enterprises to make better decisions. Intervention does demand a broad understanding of what factors are likely to foster development and which ones are likely to constrain and why. This study is directed towards a better understanding of relevant processes and factors.

APPROACHES TO UNDERSTANDING SMALL BUSINESS GROWTH

There has been a considerable body of literature embracing different approaches to understanding the growth process. This can be broadly divided into four categories as follows:

1. Approaches exploring the impact of entrepreneurial personality and capability on growth including the owner manager's personal goals and strategic vision.
2. Approaches seeking to characterize the way the small organization develops, influences, and is influenced by the owner manager.
3. Approaches broadly embraced under the term 'business' which focus upon the importance of business skills and the role of functional management, planning, control and formal strategic orientations.
4. Approaches that are more macro in scope and which usually have their academic base in industrial economics. These include sectoral approaches pertaining to regional development, with focus upon specific industry sectors or sub-sectors.

There are obvious overlaps between these approaches largely dependent upon the discipline of the researcher. The fact that such classification can be attempted at all is a reflection of the 'reductionism'; single disciplinary approach of much of academia and which as argued later, can limit the development of real understanding of the phenomena examined.

Personality Dominated Approaches

In the personality dominated approaches, the individual entrepreneur is seen as the key to the growth process. Growth models in this category include psychological trait models (e.g., Begley and Boyd, 1987; Brocklands, 1980; Sexton and Bowman, 1984, 1986), motivational models (e.g., Davidson, 1991; Gatewood, 1993) and attitude models (e.g., Robinson et al. 1991). Herron and Robinson (1993) recently developed a model where the effect of personality traits on growth and performance are mediated by motivations and moderated by ability. In their model, strategy and industry structure are "context" variables that interact with entrepreneurial behaviour to influence growth and performance.

These arguably begin with the economist's traditional focus upon the entrepreneur as an individual and are often linked with his traits or behaviour. For example, the entrepreneur.

- As a risk taker and bearer of uncertainty (Cantillon, 1755).
- As an initiator of new risky activities (Sombert, 1950).
- As a planner and organizer (Say, 1964).

Economists have carried the tradition of 'speculation' in this respect forward in more recent times, for example.

- The entrepreneur as someone with the ability to deal with disequilibria which is also inevitably linked with ability to deal with uncertainty and risk (Schultz, 1975).
- The entrepreneur as an arbitrator who may require imagination and creativity as well as an ability to learn from mistakes (Kirzner, 1979).
- The entrepreneur as somesone who incorporates risk and uncertainty, innovation, perception and ability to cope with change (Herbert and Link).

In all these definitions, the individual entrepreneur is seen as the key to the growth process. In most of these definitions it is implicit that the entrepreneur is risking his/her own capital although this is not always strictly specified; and this therefore creates some problems is relating these visions of the entrepreneur to the small business person. There have been numerous attempts to differentiate the entrepreneur from the small business owner. It has, for example, been proposed that the term 'entrepreneur' be used to identify the innovative owners of small firms who utilizer strategic management practices: conversely small business owners are those who do not use such practices (Carland, Carland and Carroll, 1989).

These visions of the economist underpin attempts by management and behavioral scientists to link the growth of firms with the characteristics and competencies of the entrepreneur. Kets de Vries and Gupta (1977), for example, claim links between the personality characteristics of the owner manager and strategic decision making. Mintzberg and Walters see strategy as a function of the personal goals of the entrepreneur (Mintzberg and Walters, 1982); and (Miller and Toulouse, 1986) identify strong links between strategy and innovative risky behaviour in this respect when the owner's degree of autonomy is measured by internal locus of control. Other writers have pointed to the links between organizationals goals, personal values and performance (England, 1967).

There is a growing body of literature that

seeks to link the personal characteristics of the entrepreneur with planning and in turn with performance of the company. Much of this builds upon the behavioral trait and achievement models of McClelland and Atkinson. There are many writers who still argue that the need for achievement, as defined by McClelland, is an essential key factor in entrepreneurship. However, there are very mixed results from attempts to link high scores on behavioral 'traits' associated with achievement, motivation and performance (Brockhaus, 1982). There are cogent arguments that a variety of other multi-dimensional models and measures of achievement motivation which are more sophisticated should replace McClelland's work (Carsrud and Johnson, 1989).

McBer and Company, an organization, has recently undertaken a major study for the Agency for International Development (AID) with long experience in entrepreneurial definition and development. This study attempted to test the links between entrepreneurial competencies and traits and business performance in a number of Third World Countries. The McBer report claimed some links in this respect. But a major review of the data of the AID study came to the conclusion that "personality variable are not useful predictors of business performance because the personality oriented competency measures which are represented in the data do not relate consistently to the various measures of business performance for the respondents". This reciprocates that "personality type" is not likely to be very important in success" (Denton, 1988). The McBer study in fact tested a number of personal entrepreneurial competencies divided into three groups: those deemed to relate to personality such as, aggressive behavior, initiative and so forth; those relating to business management style (judged to be in between personality and consciously learned behavior), such as orientation towards efficiency; and those classified as business skill indicators such as systematic planning, problem solving, etc. Such findings of the AID study and of others (Brockhaus and Horwitz, 1986) are not, of course, the final truth and further studies identifying links between measures of personality, traits and performance are necessary (see most recently Carland and Aby, 1989).

Carsrud in particular points out the conflicting evidence on relationships between performance and need for achievement, locus of control and risk taking propensity.

Carsrud's criticism of earlier studies focuses upon the use of single or a few variables in a limited type of nodal as a means of predicting success or failure; and these approaches ignore the capacity of people to learn and change over time. A futher criticism that can be made is that these works projects the image of the entrepreneur as an innate risk taker, which the evidence does not always support: it in fact supports the proposition of the entrepreneur being incrementalist in his/her behavior (e.g. Gibb and Scott, 1985).

Notwithstanding this criticism there is still much academic work which focuses upon attempts to distinguish the entrepreneur from the small owner by means of typologies. Some of these approaches have their roots in the distinction between artisan and opportunist entrepreneurs (Smith, 1985). But others have been derived from different approaches (Gibb and Ritchie, 1982). More recently following a major STRATOS group research project covering several European countries a typology of entrepreneurs was developed, based on an analysis of values, leading to hypothesis of four types of entrepreneur :

- The all-rounder (the versatile, responsive entrepreneur)
- The pioneer (the innovative and dynamic creative entrepreneur of Schumpeter (1934) and Miles and Snow, (1978)
- The organizer (the analytical and planning entrepreneur)
- The routiner (classical and non-spectacular risk bearer).

This four type of entrepreneur hypothesis argued by Frohlic and Pichler (1988) is based upon values rather than traits. Values are defined as 'a broad tendency to prefer certain states of affairs over others (Haahti, 1989). A value, it is argued, is a single belief that guides actions and judgements across specific objects and situations and, once internationalized, becomes a standard. Thus the entrepreneur's value system represents learned set of rules of making choices and resolving conflicts between several modes of behavior or different objectives. This is discussed extensively in Haahti.

Finally, a number of authors have attempted to relate business growth, directly or implicitly, to entrepreneurial ability as measured by education and training or certain general and specific competencies or knowledge bases. For example, Davidson and Brynell (1982) found that Hi-Tech managers were better educated and more growth oriented, but not outstanding so, than owner managers of low-technology firms. And in Smed Christensen's study (1989) of 'Strategy, Opportunity, Identification and Entrepreneurship' an attempt is made to make opportunity identification contingent upon ability to learn through opportunity pursuit and to link with competencies to use external sources and to turn problems into opportunities. The ability to learn by failure and to manage has also been designated as a particularly important competency (MacMillan, 1987). Related to this is the role of education and training, which is deemed to have an influence on the nature of the development of the business (Wilkie and Young, 1971).

Thus the examination of entrepreneur's individual role as a key factor in promoting the growth of the independent owner managed company has been pursued in a number of ways. Attempts to use personality traits, managerial values and competencies to predict the 'potential high flyer' are a little controversial. These approaches continue implicitly to underpin the economist's simplistic explanations of growth in terms of the entrepreneurial role as risk-taking innovator and critical decision-maker. And the belief obviously as still held by some is that it will be possible to produce a typology of the entrepreneur which will allow the prediction of growth potential or indeed to identify competencies that might be enhanced to encourage the growth of the firm. It seems that the pursuit of most of these channels of exploration are of managerial use, unless a contingency approach is taken, and, that the approach should concentrate not only upon the characteristics of the entrepreneur, social, psychological, or economic, but his/her behaviors (Greenfield and Strickon, 1981). It has been argued elsewhere that different types of entrepreneurial behaviors are required in different marketplaces to achieve growth and different traits, skills and competencies will be needed depending upon levels of uncertainly and complexity in the market.

Organization Development Approaches

The organization development approaches

include models, which seek to relate personal objectives to business goals (e.g. Stanworth and Curran, 1976), stage of development models (e.g. Hank's et al. 1993) and network models (e.g. Aldrich et al., 1988).

There is a considerable literature in this area led both by organizational development theorists and management specialists. Much of this is speculatively theoretical or normative and seeks to 'explain' the growth of the business in terms of various models of stages (Steinmetz, 1969; Lievegud, 1973; Greiner, 1972). These approaches in turn can be categorized into hypotheses concerning: the relationship between personal objectives and business goals including also the influence of family; literature relating to the stages of growth model of the firm from small to large with associated characterization of management and organization development including propositions about the changing role of the entrepreneur; and the influence of networks and the impact of these upon entrepreneurial behavior.

The relationship between the entrepreneurs' personal goals and of the objectives of the organization has been extensively discussed. It is clearly evident that when the firm is small the entrepreneur and the firm's goals are substantially synonymous (Simon, 1964) and therefore the inference is strong that the goals of the entrepreneur will also be those that dictate the future of the firm. As the firm develops so will the manager i.e., organization development equals management development (Gibb, 1983).

Hence, the simple profit maximizing profit-optimizing views of the economist seems to be simplistic. If, however, this synonymity between personal and firm goals is accepted then the single profit objective hypothesis of the economist as a basis for the theory of the firm is exposed as wholly unreal. Entrepreneurs have been found to have a wide range of different personal objectives, which indeed may change over time and as the firm grows (Stanworth and Curren, 1976). As to how these objectives change over time there is, as yet, little evidence. There is, however, evidence to suggest that the vast majority of small business owner managers do not have personal objectives to grow their business (Bevan, Clark, Banerji and Hakim, 1989). There is much casual observation and speculation that this is not only to do with limited ambi-tion and/or endeavor to seek status in society through the growth of their firm also with a perceived need to avoid loss of control as the firm grows. Indeed, it is this perceived reluctance to lose control and the associated unwillingness of the small and medium business to use external equity as a resource for growth that is seen by many venture capitalists to limit their market in the small firms area.

Impinging upon the importance of personal goals is the influence of the family and the conflicts that family may bring to bear in respect of growth and ownership. Firms may turn down the opportunity to grow because the family are reluctant to dilute their ownership or to take commercial risks (White, 1948). This is obviously of signficant importance. For example, it has been argued that 98 per cent of all US corporations are owned and managed by family (Hayward, 1989). Family influence on organizational development has also been found to be strong in the UK (Saddler and Barry, 1970).

The way in which the entrepreneur and the organization is likely to develop over time and the constraints and opportunities that this produces has also been the subject of

much academic speculation. There is substantial literature on the so-called 'stages of growth' of the firm (Starbuck, 1972). This usually seeks to characterize both the necessities for changing the style of management of the entrepreneur as well as changing the organization. The former is frequently characterized as moving from an entrepreneurial mode to a professional management mode (Flamhotz, 1986). The latter suggests a move from rather holistic forms of management through to stages of team building, functionalism and leading on to ultimate 'professionalism' of the organization (see, for example, the models of Buchele, Steinmetz, Greiner, Lievegud, and Flamhotz, 1988). These stage models usually posit changes in market in finance, in control, in management organization and leadership style. Most of these are 'normative' in nature rather than built upon substantial empirical evidence largely because of the absence of longitudinal studies. As a result there are many loose resultant generalizations that are used by others including the assumption that the entrepreneur should become more 'professional' (Storey, Keasey and Watson, 1987). There is, however, recognition that there are various ways of coping with growth, some of which can allow scope for preservation of entrepreneurship. Indeed, Stevenson and Jarillo-Mossi (1986) point to the need to consider how the entrepreneurial com-pany can avoid the seeds of destruction as it grows to become a 'well managed' business. In particular it is argued that "the strict functional format of organizations has become an anachronism in the modern corporation", and presumably therefore should not be held out as a model for the growing firm. Among the conflicts that may arise in terms of the changing role of the entrepreneur as the business grows are seen to be the entrepreneur becoming a resource manager with increasing emphasis on delegation and maintenance of the business (pointed out by Carsrud and other).

Starbuck and other organizational theorists have posited different models which link in with Stevenson an Jarillo-Mossi's consideration of how to preserve entrepreneurship by positing forms of 'cellular' growth - growing through a number of little businesses which may for example be customer led rather than accepting that growth must mean aggregation, concentration, formalization and functionalism. Johannisson has also in his study of Swedish firms suggested the splitting up of bussinesses into semi-independent units and questions the concept of the necessity of largeness (Johannisson and Nicksson, 1989).

Finally, there is in this field an increasing tendency to seek to explain the growth potential of the firm in terms of the personal networks that the entrepreneur creates. Here there are ambiguous results. Jarillo-Mossi (1986) found that firms relying more heavily on external resources grew faster. Several writers studying the important factors in the growth of high-technology firms have emphasized the importance of external networks (Hoorst and Stokman, 1989). There is considerable evidence to demonstrate that the nature of the networks of the entrepreneur change as the business develops: but there is little hard evidence as to how these change as the business grows and how the changes impact upon the potential for growth. This is a fruitful area for future research.

Overall therefore, in this area of work, it can be concluded that the personal objectives of the owner manager (as conditioned and influenced by the family)

can have a major influence on the propensity of growth. But there is no hard evidence that firm personal growth objectives are themselves predictive of subsequent growth. The reductionist and somewhat normative theories of stages of growth can largely be credited with characterizing various types of company without throwing substantial light on what are the growth 'triggers'. Indeed, it can be argued that they obscure real issues in terms of preserving the role of entrepreneurship as the business grows: and they underpin the metaphor of the business becoming both more 'professional' with the leadership style necessarily changing substantially from entrepreneur to manager with the company becoming more functionally managed. Much remains to be tested here. Finally the importance of the owner mananger's networks in stimulating or constraining growth, the way these change over time and the impact upon capability for growth have yet to be studied in substantial depth. There is conjecture and some evidence to support the proposition that, high-technology businesses in particular, depend substantially upon external information networks in development of their growth potential.

Business Management Approaches to Growth

The business management models focus on business skills and the role of functional management; planning, control and formal strategic orientations: Examples of growth models which fit into this category are Sandberg strategy and structure model (Sandberg, 1986; Sandberg and Hofer, 1987) and Chandler and Hanks (1994) venture performance model in which characteristics of the founders and strategy interact with opportunities and resource based capabilities to determine performance.

The growth of the firm can be also seen in terms of its performance in the marketplace and in particular its financial performance and its ability to operate at maximum efficiency levels. This is also frequently characterized as the ability of the firm to take rational decisions about product/market development and profitability. Implicit to this is statements about the ability of the firm to plan its development both operationally and strategically.

All growth must of course come through the marketplace. And in this respect Ansoff's (1965) product/market scope approach has been widely adopted as the paradigm for exploring the way in which the firm can develop through combinations of market penetration; product development; market development and diversification. Associated with this is the degree to which it is able to improve its competitive position, and in particular take appropriate 'make or buy' decisions. The metaphor that is frequently used in management teaching in this respect is that of the pseudo-scientific model of planning approaches to product/ market development and business goal setting including the business plan as the main means of assimilating the path to successful growth.

On the financial side also the economist's obsession with the profit motive as the single overriding objective in the theory of the firm underpins philosophically managerial approaches which focus upon financial performance. The fallacy of the single objectives of the theory of the firm has long been exposed (Drucker, 1954): but the economist's perception of the entrepreneur as the rational decision-marker seeking to maximize or satisfice is still powerful (Brock and Evans, 1989). This goes along with attempts to predict the potential success of the firm in terms of

financial ratios and their changes over time and is in line with the pseudo-scientific approach of the banker and accountant in using past performance of financial ratios to predict future capability. These approaches have proved largely unproductive. This is not surprising because they focus upon indicators, which are essentially 'outputs' from the performance of the firm rather than inputs. It is also not surprising that there is little evidence to support their predictability value in terms of future performance. Strongly associated with this approach, also underpinned by the accountant and the banks, is the value of contral as exhibited in terms of ability to provide financial and other information on a regular basis as part of the management of the company. This 'capability of control' is seen as being associated with the concept of the 'well managed business' to which the banker will lend.

This is turn links with the concept that competitive efficiency is best achieved at least cost levels. Here the economist's metaphor is that the size of firm will be determined by the minimum point in the long run average cost curve (all other things being equal) Seeking to explain small firms growth in term of efficiency, building around this simple assumption, has been a preoccupation of much of micro economic literature and this supports macro theory generalizations about equilibrium and optimal size of firms under certain very substantial theoretical constraints. The role of cost/efficiency in dictating views of the potential of the firm to grow is arguably still considerable in management schools with their emphasis upon competitive efficiency standards and cost control. Behind this lies the metaphor that control will be an important factor in facilitating growth. Such approaches can inscrutably lead to excessive concentration upon cost/price relationships and control rather than upon a wider variety of other factors influencing consumer choice and demand for the firm's products.

This rational approach leads in turn to emphasis upon the resource constraints on the growth of the firm. It leads to a focus on difficulties in obtaining loan finance because of the perceived weakness of the initial capital base. It underlines difficulties in small firms obtaining equity finance because of the unattractive economies of scale, for venture capital companies in spending time on appraisal of small and medium business. And it points to problems in the marketplace in ensuring that a fair share of resources obtained by small business in competition with more powerful firms. The creation of financial crisis in small companies by large ones is well documented. It is argued that the large firm uses the small one as a means of restoring its own liquidity through devices such as failing to pay on time or by passing stock building onto small firm suppliers or consumers while at the same time using exchange power to dictate margins and prices for small firm suppliers or customers. Further comments upon the relationship between large and small firms are made in the section below.

Not all resource constraints on growth are financial. There is evidence to suggest that there are major constraints of managerial time and resource on the firm's capacity to grow and spend time on planning proactive rather than reactive responses to the marketplace. One classical theory of small firms growth places much emphasis on the importance of managerial slack as a critical factor (Penrose, 1959). But there is little evidence showing how solving this problem will automatically lead to growth or how the problem of time and resource can be adequately solved.

The rational decision making approach response to the above problems is that of advocating more planning, both operational and strategic (Bamberger, 1982).There has been a great deal of literature dedicated to the concept of planning in the small firm much of which is somewhat ambiguous in its outcome. Strategic planning of the small business is seen as unstructured, irregular, incremental, reactive and insufficient although there is ambiguity in definition as to what exactly is meant by strategic planning. There is also a growing interest in the strategic vision of the entrepreneur and its influence on growth (Westley and Mintzberg, 1968) and this merges into concepts such as strategic orientation and strategic awareness which seek to encapsulate the degree to which the entrepreneur can flexibly review and plan responses in a competitive environment often with limited information and resource. There are some studies that find correlation between planning and performance but several of these suffer from methodological weaknesses in terms of very open and therefore ambiguous definitions of planning or undue inference from cross-sectional data. An example of the latter is where evidence of greater planning in larger small companies (that have grown) compared with small, leads to an inference that planning is a determinant rather than a resultant.

Overall, therefore, business approaches can be usefull in providing frameworks for understanding the way in which firms might grow through product/market combinations. But they fail to demonstrate clearly how different approaches to dealing with product and market development have influenced a firm's growth positively or negatively. Similarly, financial analysis can demonstrate the way in which firms grow in profit or in asset term but there is little evidence, despite claims, that financial ratios can be used as basic determinants of the potential of firms to grow. Nor is it possible to demonstrate that more formal control in reporting procedures related to financial management or cost control leads to growth. Notwithstanding, it is often assumed in the management literature that more formal management approaches are important in facilitating growth. There is, moreover, evidence to suggest that, for a variety of reasons, small firms have problems in acquiring adequate resources externally both financial and managerial and this is a constraint on their ability to grow. Finally, while it is not possible to make firm predictions about the impact on planning on performance, there is some support for the contention that entrepreneurs with wider strategic orientation and awareness will perform better. This, however, is tentative. Notwithstanding this evidence the current 'accepted practice' in the business financial community is still that the firm with business plan will be the one with better growth potential.

Sectoral and Broader Market Led Approaches

The sectoral and broader market led approaches are more macro in their scope and often have their academic base in industrial economics. Examples of growth models in this category include McGee's (1989) analysis of the impact of market structure on growth, and O'Farrell and Hitchens (1988) work on the impact of location on growth.

These are largely by economists. There have been many sectoral studies of constraints and problems of small firm growth largely conducted on a pragmatic basis and relating largely to the impact of external factors and constraints. These are

too numerous to mention and the constraints identified are obviously characteristic of the sector studies. By and large, however, from the viewpoint of policy makers, these studies do not demonstrate that formal assistance mechanisms of counseling, training, etc have a fundamental impact on firm growth. Nor do they generally support the view that many of the commonly perceived bureaucratic constraints on the growth potential of the small business in terms of taxation, regulations, labor regulations, impact adversely. In India, however, the ability to compete for labor of the right quality even in a relatively slack labor market has frequently been defined as a constraint (Monck, Quintas, Porter, and Storey, 1988).

Particular attention has been paid in numerous studies to hi-tech business both in the UK and in Europe (Rothwell and Dodgson, 1987). A number of factors have been emphasized including the importance of building marketing into quality, design and development from the early stages and the importance of keeping in touch with technology with associated ability to harvest knowledge from the environment. In general, the importance of professional management 'in supporting the growth potential of the company' is stressed. But the evidence is by no means conclusive that there is a correlation between the educational levels of managers, their technical ability and growth. Storey (1987), for example, finds some relationship between the technical qualification of managers and the growth performance of firms but the sample is limited and there is no explanation offered as to why this might be of importance or "should be of importance". There is evidence to demonstrate that innovation does not always lend itself to formal pseudo-scientific models identified in the business section above. Indeed, it is argued that "small-and medium-sized manufacturing company innovation is often unstructured", not well defined or planned and there is little question of a well-considered model.

There have been attempts to identify growth potential in terms of different kinds of sectoral approach differentiating between artisan operating in certain kinds of limited markets; dependent sub-contractors, tied in with large firms; and small firms as flexible specialists. But this is not predictive in the sense that it is perfectly possible for artisans, sub-constractors and/or specialist to find small market niches and grow. This categorization does, however, bring into the reckoning the influence upon growth of the relationship of small business with large companies. It is undoubtedly the case that the potential for small businesses to grow is a function in part of large companies in their own 'make or buy' decisions. As has been pointed out elsewhere, most large firm are made up of potentially many small companies that could be separated and segmented as demonstrated clearly by the Japanese sub-contracting model of the economy. It is evident that decisions made by large companies to spin out or sub-contract can have a major impact on the growth potential of small and medium businesses (Hingle, 1989) as will the nature of any strength partnership between large and small. There is also the question of the nature and strength of the dependency relationship (Jacobs, 1974), and the philosophy of the large firm dealing with the small. Overall, therefore, the structure of industry itself in terms of its division of power and markets between large and small business will affect the growth potential of small firms in the economy as will of course the acquisition strategies of large firms (Oakay and Rothwell, 1988). It can be argued that indigenous growth potential

companies can be emasculated if they quickly become the focus of large company takeovers. It is also clear that decisions taken by large firms to share technology, provide R & D, financial and managerial support to small firms can influence growth potential (in theory) although in practice there is no major detailed evidence.

It is evident that on the whole, sectoral studies have concentrated largely upon identifying external constraints and opportunities relating to small business growth: particularly in studies of hi-tech companies. These have been useful in highlighting certain problems. It is difficult however, to derive form this research predictive models of innovative small firm growth. And this work certainly does not lend itself to support the formalistic planning model of success. The industrial economist's traditional description of the functions of small firms in the marketplace is not overly useful in predicting growth. But they do raise the issue of the relationship between large and small firms and how this can provide both constraints and opportunities. There are no predictive theories, which provide clear guidelines as to the effective organization of markets to stimulate growth.

EVALUATION OF THE GROWTH MODELS

Most theories of growth in new ventures (as explained in the previous paragraphs) take for granted that growth in a desired objective of the entrepreneur (Bird, 1989; Snuif and Zwart, 1994). Only a few models of growth explicitly recognize the possibility that small firm owner managers choose not to grow. Among these are Churchill and Lewis (1983) stage-of-growth model, and Davidsson's (1991)-growth motivation model. In the Davidsson model, actual growth in a function of the entrepreneurs' ability, need, opportunity, and growth motivation. Growth motivation in Davidsson's (1991) model, in a function of perceived ability, perceived need and perceived opportunity.

Ginn and Sexton (1989) argued that since we assume that the founder can choose whether to start a new firm or not, we can also assume that the entrepreneur can choose whether to "grow" the firm or not. There is no reason to expect that all entrepreneurs should want their business to grow. On the contrary, there is evidence to suggest that the vast majority of small business owner managers do not have personal objectives to "grow their business (Bevan et al., 1989; the STRATOS Group, 1990). O'Farrel and Hichens (1988) suggested that the prospect of having to delegate authority, or even ownership might deter small business owner managers from growth beyond a certain size. Davidsson (1989) investigated the relative importance of eight different outcomes of growth, and also the degree to which achievement motivation affected growth motivation in a sample of Swedish small firms. Of the expected outcomes of growth, expectancies concerning private finances were found to have the strongest impact on growth willingness. Significant relationships were also found between growth willingness and expectations concerning employee well being, control, independence, workload, and achievement motivation.

The relationship between the entrepreneur's personal goals and the objectives of the organization has been extensively discussed (Haahti, 1989). It is clearly evident that particularly when the firm is small the entrepreneur and the firm's goals are synonymous (Simon, 1964). Therefore, the influence is strong so that the goals of the entrepreneur will also be those that

determine the future of the firm (Gibb and Davies, 1990).

Assuming volitional control over behavior, the best single predictor of entrepreneur's behavior is a measure of his intention to perform the behavior (Fishbein (1975) and Ajzen, 1985). In other words, given that the entrepreneur is forced to choose whether or not to "grow" the business, and that this choice will influence managerial as well as organizational behavior, one may argue that the owner manager's intentions to "grow" the firm is a central predictor of small business growth.

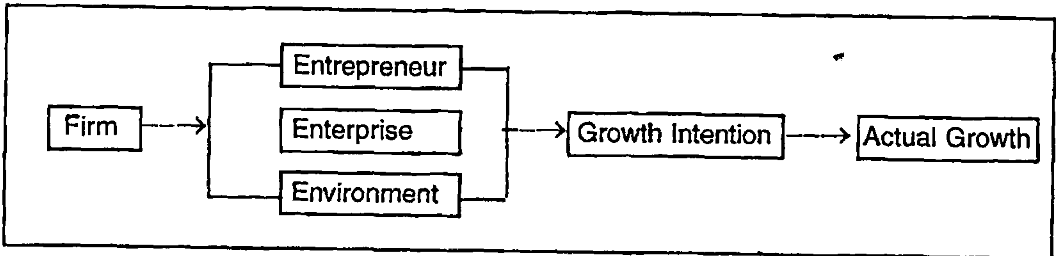
Kolvereid (1992) investigated factors, which influenced entrepreneurs' growth intentions. He found that an entrepreneur's motives to start a business are only marginally related to growth intentions. Significant relationships were found between education, industry, and a number of organizational variables, including past growth in turnover and past growth in number of employees, and the entrepreneur's intentions to "grow" the firm in the future. However, growth intentions were not found to be related to experience, sex, location of the firm, or the size of the firm as measured by the number of employees.

Both Davidsson (1991) and Kolvereid (1992) reported signficant relationships between past growth and growth intentions. However, the most likely casual order is from intentions to behavior. According to the theory of planned behavior (Ajzén, 1985; 1991), the intention to perform a given behaviour is determined by the individual's attitude towards the behavior, the subjective norm (perceived social pressure to perform or not perform a specific behavior), and the degree of perceived behavioral control. The theory further postulates that the behaviour is a function of salient information or beliefs relevant to the behavior. Behavioral beliefs are assumed to influence the attitudes towards the behavior, normative beliefs are assumed to influence the subjective norm, and control beliefs are assumed to provide the basis for perceived behavioral control. According to the theory of planned behavior, it is quite likely that personality traits, demographics and general attitudes are only indirectly related to growth in an entrepreneurial firm by influencing a factor more closely related to growth, i.e. the entrepreneur's intention to "grow" the firm.

PROPOSED GROWTH MODEL FOR SMALL BUSINESS

Recent models of performance and growth in organizations usually include the characteristics of the founder, the characteristics of the organization, and the characteristics of the environment (Chandler and Hanks, 1994; Herron and Robinson, 1993) as well as attitudes (Robinson et al., 1991; Davidsson, 1989; 1991). The organizational variables includes are strategy (Chandler and Hanks, 1994; Herron and Robinson, 1993) and resource-based capabilities (Chandler and Hanks, 1994). Finally, the characteristics of the environment are often defined in terms of the characteristics of the task environment, market attractiveness of opportunity (Chandler and Hanks, 1994), or in terms of industry or external environmental structure (Sandberg, 1986; Herron and Robinson, 1993). Combining these recent models of growth with the Ajzen's (1985; 1991) theory of planned behavior, allows us to arrive at a conceptual model of growth in newly established firm (see figure).

Proposed Growth Model for Entrepreneurial Organizations



In the proposed model, characteristics of the owner manager, the organization and the organizational environment determine the entrepreneur's growth intention, which, in turn, determine the actual growth of the firm.

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