

Northumbria Research Link

Citation: Scott, Jonathan and Mole, Kevin (2012) Business support, firm growth, management development and learning in SMEs: Introduction. *The International Journal of Entrepreneurship and Innovation*, 13 (1). pp. 5-9. ISSN 1465-7503

Published by: IP Publishing

URL: <http://dx.doi.org/10.5367/ijei.2012.0065> <<http://dx.doi.org/10.5367/ijei.2012.0065>>

This version was downloaded from Northumbria Research Link:
<http://nrl.northumbria.ac.uk/id/eprint/29946/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)



**Northumbria
University**
NEWCASTLE



UniversityLibrary

Special Issue: Business support, firm growth, management development and learning in SMEs

Introduction

Jonathan M. Scott and Kevin F. Mole

Jonathan M. Scott is with Teesside University Business School, Teesside University, Middlesbrough, Tees Valley TS1 3BA, UK. E-mail: j.scott@tees.ac.uk. Kevin F. Mole is with the Centre for SMEs, Warwick Business School, University of Warwick, Coventry CV4 7AL, UK. E-mail: kevin.mole@wbs.ac.uk. They are the Guest Editors of this special issue.

This special issue of the *International Journal of Entrepreneurship and Innovation* focuses on the role of business support in the interlinked and symbiotic processes of firm growth, management development and learning in small and medium-sized enterprises (SMEs). It draws on papers from the ‘business support’ track of the Institute for Small Business and Entrepreneurship Conference, held in November 2010 in London, UK, and a discussion of business assistance that took place at the Academy of Management in Montréal in August 2010. The four refereed papers in this issue (Table 1) all link business support with wider issues of firm growth, management development and learning (Achtenhagen *et al*, 2010; Leitch *et al*, 2010). Previously, these concepts have been considered as separate phenomena. Researchers have linked management development on its own to growth (Coetzer *et al*, 2011) and work on SME learning has tended to focus on just organizational learning or entrepreneurial learning (Lee, 2010; Hansen and Hamilton, 2011). However, the papers in this special issue link together these sub-fields of entrepreneurship (Mole *et al*, 2011; Kösters and Obschonka, 2011): in effect, putting these papers together in this issue makes the claim that management development, learning and business support are not separate phenomena, but have much in common. Examining the connections between them may be a fruitful topic for further work.

Business support has been of particular interest in the European Union but not, with some exceptions, in the USA – as Gartner lyrically noted in his poem of

Chaucerian proportions, ‘Entrepreneurship-hop’ (Gartner, 2008; see also Chrisman *et al*, 2005; Dyer and Ross, 2007). In the UK, the role of economists and geographers in the earlier days of entrepreneurship and small business research left a legacy of attention to issues of regional policy (Bryson *et al*, 1997; Bryson and Daniels, 1998; Bennett *et al*, 2001) and small business policy (Storey, 1994, 2003; Scott and Irwin, 2009; Jones *et al*, 2010).

The research approach to business support has been through market failure. It is argued that firms find it difficult to value business advice and therefore use too little of it, which leads to a loss of potential output and reduced economic welfare (Storey, 2003). Exactly where such failures lie is a matter of dispute, with some suggesting that there is little evidence for market failure (Bennett, 2008). The implication of the market failure argument is that business support will be linked to output; consequently, it is legitimate to examine business support and firm growth (Robson and Bennett, 2000; Mole *et al*, 2011). In addition, empirically researchers have looked for behavioural changes as the result of advice (Lambrecht and Pirnay, 2005). Yet when business support has been treated as a resource in the resource-based view (Chrisman *et al*, 2005), management development has been drawn into the discussion.

Each sub-field – firm growth, management development and learning – has its own literature (Chrisman *et al*, 2005; Lambrecht and Pirnay, 2005). *Firm growth* is the most mature of these fields, and can be traced back

Table 1. Papers in this special issue: themes, key findings and business support recommendations.

| | Methodology | Theme | Key finding(s) | Recommendation(s) |
|----------------------|--|--|---|---|
| Deakins <i>et al</i> | Quantitative – New Zealand | What drives management development and participation in sources of learning by SME owner-managers? | Explained by learning orientation and belief in self-improvement. | Pilot programmes acknowledging that SMEs are learning organizations should be established. |
| McKeown | Qualitative – single case, UK | SMEs using unlearning to shed unneeded knowledge, beliefs and practices. | SME is not able to achieve unlearning by itself. | External actors should become involved, and thus foster a 'reflective space' and 'legitimacy' in which knowledge and beliefs can be 'reframed'. |
| Fogg | Conceptual – UK | How can university knowledge/AC contribute to competitive advantage in SMEs? | Differentiates between potential and realized AC, using Zahra and George's (2002) four stages. | (1) SMEs improve their AC with this model. (2) Business support and policy for innovation (and therefore growth) can be supported. |
| Smallbone and Massey | Quantitative – longitudinal panel (2007–09), New Zealand | Targeting growth in SMEs through public policy. | (1) Growth discontinuous; (2) characteristics do not distinguish growth firms from non-growth firms. | Greater level of investment in education and training (awareness raising) to foster growth. |

to Penrose's (1959) seminal work, in which she suggests the link between firm growth and management capabilities.

Management development has been acknowledged as a contributory factor in the growth prospects of an SME, and yet some researchers have found the relationship to be rather weaker than might have been expected (Westhead and Storey, 1996), although some recent research has suggested a positive relationship between management development and growth and survival (Fuller-Love, 2006; Coetzer *et al*, 2011; Kösters and Obschonka, 2011).

Learning in SMEs and entrepreneurial contexts has emerged recently as a theme for research. Some researchers, for example, have built on the burgeoning work on organizational learning. Yet there is a relative lack of research specifically on entrepreneurial learning (Leitch and Harrison, 2008). Entrepreneurial learning is conceptualized as 'an experiential process where enterprising individuals continuously develop their entrepreneurial knowledge throughout their professional lives' (Politis, 2005). One of the key issues relating to learning is how firms absorb external knowledge in the process of innovation – in other words, their absorptive capacity (AC) (Cohen and Levinthal, 1990). Arguably, external knowledge is an important resource that can contribute to the growth of the firm as well as its innovative capabilities.

The link between these four elements that, arguably, determine business performance is relatively unexplored. In this special issue, Smallbone and Massey observe:

'...in a recent special issue of *Entrepreneurship Theory & Practice* on firm growth, the public policy dimension was not addressed directly by any of the papers, although some mentioned it tangentially ... None attempted to examine the interface between the chief actors in the growth landscape – that is, firm owners and those who make policies targeted at them. The lack of attention being paid to this important topic means that the literature on how to design policies to encourage growth, and how best to deliver them tends to be practitioner literature, focusing largely on how to improve delivery and design...'

In this issue

In the first of two New Zealand-based studies in this special issue, David Deakins, Martina Battisti, Alan Coetzer and Hernan Roxas consider the drivers of management development and participation in sources of learning by SME owner-managers, which they identify as learning orientation and belief in self-improvement. What drives the choices of particular learning sources, and management development in particular, is a critical gap in the literature, which these authors attempt to fill with a quantitative survey based on data from the New Zealand Centre for SME Research postal survey of 2009. Their literature review examines different sources and barriers to management development in SMEs. Building on this theoretical foundation, though acknowledging the research gap, Deakins *et al* then articulate a conceptual framework that itself is

constructed on Gibb's (1997) stakeholder model of SME learning – in particular on Gibb's notion that learning sources can be categorized as 'practice-based', 'proximal' and 'distal'. Deakins *et al* identify the further propositions that the extent of owner-managers' learning goal orientation and their beliefs about the improbability of skills and abilities will influence (a) how likely they are to engage with particular sources of learning; (b) how intensely they engage with particular sources of learning; and (c) how important they perceive particular sources of learning to be. Their empirical results broadly support these propositions and go a long way towards explaining why many owner-managers do not engage in management development. Accordingly, future business support for management development (with the ultimate aim of fostering firm growth) ought to recognize SMEs as learning organizations.

In the second paper, Ian McKeown examines the role of unlearning in UK SMEs – the shedding of unneeded knowledge, beliefs and practices. His exploratory, qualitative study draws on the single case of a West Midlands furniture manufacturer to examine how conventional wisdom was contested in the small business. Old practices that no longer contribute to the performance (represented by growth) of the firm can be replaced through the novel process of unlearning as applied to a small firm. McKeown's literature review considers learning as practice, then problematizes the previously learned practice and finally questions the extent to which unlearning can be a 'hurdle' to the management team. He then describes the management team of his case example in considerable detail, noting that it was 'fractured and dysfunctional', with deficient transparency and trust. At the same time, the team had grown and cohered in the course of the firm's development, and thus had common elements, such as its sense of identity and its notion of how to 'get things done in the business'. However, it was notable that the management team was simply too busy, and indeed did not have a space in which to reflect critically on whether its *modus operandi* was, in fact, beneficial for the firm (Jones *et al*, 2010). The management team members were also afraid that their new ideas would be 'rejected', or would affect their reputation or standing in the team. In addition, the MD exerted considerable decision-making power over other senior managers. Unlearning was, however, achieved through the involvement of external actors and by using 'disruptive discourse', enabling an increase in the management team's capacity to absorb external knowledge (absorptive capacity) and thus enhancing the firm's growth prospects. The way practices are de-institutionalized in firms is a matter of debate, and McKeown shows how external inputs may be important in this process.

Next, Helen Fogg's conceptual paper continues the themes of absorptive capacity and entrepreneurial learning by relating them to university knowledge exchange and UK SMEs' competitive advantage. She comprehensively reviews the literature on knowledge transfer, AC and entrepreneurial learning, and then outlines the Innovation for Growth (IFG) model (developed for a project of the same name). IFG is a university–SME knowledge exchange process that illustrates how the knowledge from business schools can be transmitted via the process of entrepreneurial learning and absorbed by SMEs in a transformative process to enhance their competitive advantage, and, by implication, their growth prospects. While Fogg does not discuss growth directly, it is an inevitable outcome and corollary of competitive advantage. In particular, her paper demonstrates the distinction between *potential* and *realized* AC for SMEs participating in the IFG programme and how knowledge can be transformed and exploited in these firms, moving further than acquisition and assimilation to the four stages identified by Zahra and George (2002). These four stages, with reference to the SMEs participating in the IFG programme, are outlined in detail.

In the fourth paper, David Smallbone and Claire Massey re-engage with the debate on whether those SMEs with greater growth prospects should be targeted by policy makers. Starting with a compelling rationale of the inevitability that governments will target high-growth SMEs, and moving on to a comprehensive review of the SME growth literature, Smallbone and Massey focus on how the growth performance of an SME can be measured. They consider how SME growth can be explained, and what the particular characteristics of growing firms actually are, and then ask how policy makers might foster SME growth by 'encouraging' owner-managers to undertake the activities that will lead to growth. Their longitudinal panel data, based on the New Zealand Centre for SME Research postal surveys in 2007–09, reveal two empirical findings. First, an SME's growth is discontinuous, due to its 'vulnerability' to external economic flux and its changing growth aspirations over time – thus there are growth periods or phases. This finding brings into doubt the identification and classification of particular SMEs as 'growth firms'. Second, they find that, apart from the outliers of family firms (with weaker performance) and 'non-European ethnic' firms (high-performing), it is not possible to differentiate growth SMEs from non-growth SMEs by their characteristics (size, age, sector, innovation activity, export orientation, etc). Consequently, Smallbone and Massey recommend that governments should invest in greater provision of education and training 'for growth' to raise awareness – that is, how to achieve growth and what happens next.

Table 2. Special issue themes addressed by the four papers.

| | Business support | Growth | Learning/ AC | Management development |
|----------------------|------------------|--------|--------------|------------------------|
| Deakins <i>et al</i> | ✓ | ✓ | ✓ | ✓ |
| McKeown | ✓ | ✓ | ✓ | |
| Fogg | ✓ | ✓ | ✓ | |
| Smallbone and Massey | ✓ | ✓ | | ✓ |

The Discussion Paper that follows the above contributions presents summaries of a research workshop held at the 2010 Academy of Management Conference in Montréal. Sergio Janczak, Franck Barès and Alain Fayolle invited researchers from the USA, Canada and Europe to discuss the capabilities of business assistance systems (BAS). Several issues were highlighted. First, there is a lack of pluralism in the evaluation of BAS. Second, Marc Rice raised the question of who is served by BAS and whether a business assistance system should be characterized as an ecosystem. If so, BAS might be designed to plug gaps or market failures: in that context, Dafna Kariv points out that some ecosystems work so well that any gaps that may exist are not evidently harmful. One factor that became evident was the heterogeneity of the business assistance systems that the various participants chose to examine – from incubation to spin-offs – and the accompanying challenge of researching the mechanisms that support them.

In conclusion, as Table 2 demonstrates, the four refereed papers in this special issue of the *International Journal of Entrepreneurship and Innovation* make significant contributions to the literature on firm growth and business support. In addition, the papers link those factors with two additional issues: (a) learning, from either the organizational learning or the learning organization perspective (Deakins *et al*) or entrepreneurial learning (Fogg) and knowledge or absorptive capacity (Fogg; McKeown); and (b) management development, whether explicitly or in terms of education, training and awareness raising (Deakins *et al*; Smallbone and Massey). Taken together, the papers address key knowledge gaps.

Acknowledgments

We wish to thank the contributing authors, the Editor of *IJEI* for his support throughout, and the organizers of the ISBE Conference. We also gratefully acknowledge the help of the reviewers, who, in accordance with the journal's policy, must remain anonymous.

References

- Achtenhagen, L., Naldi, L., and Melin, L. (2010), "Business growth" – do practitioners and scholars really talk about the same thing? *Entrepreneurship Theory and Practice*, Vol 34, pp 289–316.
- Bennett, R.J. (2008), 'SME policy support in Britain since the 1990s: what have we learnt?' *Environment and Planning C: Government and Policy*, Vol 26, pp 375–397.
- Bennett, R.J., Robson, P.J.A., and Bratton, W.J.A. (2001), 'Government advice networks for SMEs: an assessment of the influence of local context on Business Link use, impact and satisfaction', *Applied Economics*, Vol 33, pp 871–885.
- Bryson, J.R., Churchward, S., and Daniels, P.W. (1997), 'From complexity to simplicity? Business Link and the evolution of a network of one-stop-advice shops: a response', *Regional Studies*, Vol 31, pp 720–723.
- Bryson, J.R., and Daniels, P.W. (1998), 'Business Link, strong ties, and the walls of silence: small and medium-sized enterprises and external business-service expertise', *Environment and Planning C: Government and Policy*, Vol 16, pp 265–280.
- Chrisman, J.J., McMullan, E., and Hall, J. (2005), 'The influence of guided preparation on the long-term performance of new ventures', *Journal of Business Venturing*, Vol 20, pp 769–791.
- Coetzer, A., Battisti, M., Jurado, T., and Massey, C. (2011), 'The reality of management development in SMEs', *Journal of Management & Organization*, Vol 17, pp 290–306.
- Cohen, W.M., and Levinthal, D.A. (1990), 'Absorptive capacity: a new perspective on learning and innovation', *Administrative Science Quarterly*, Vol 35, pp 128–152.
- Dyer, L.M., and Ross, C.A. (2007), 'Advising the small business client', *International Small Business Journal*, Vol 25, pp 130–151.
- Fuller-Love, N. (2006), 'Management development in small firms', *International Journal of Management Reviews*, Vol 8, pp 175–190.
- Gartner, W.B. (2008), 'Entrepreneurship-hop', *Entrepreneurship Theory and Practice*, Vol 32, pp 361–368.
- Gibb, A. (1997), 'Small firms training and competitiveness: building upon the small business as a learning organisation', *International Small Business Journal*, Vol 15, pp 13–29.
- Hansen, B., and Hamilton, R.T. (2011), 'Factors distinguishing small firm growers and non-growers', *International Small Business Journal*, Vol 29, pp 278–294.
- Jones, O., Macpherson, A., and Thorpe, R. (2010), 'Learning in owner-managed small firms: mediating artefacts and strategic space', *Entrepreneurship and Regional Development*, Vol 22, pp 649–673.
- Kösters, S., and Obschonka, M. (2011), 'Public business advice in the founding process: an empirical evaluation of subjective and economic effects', *Environment and Planning C: Government and Policy*, Vol 29, pp 577–604.
- Lambrecht, J., and Pirnay, F. (2005), 'An evaluation of public support measures for private external consultancies to SMEs in the Walloon region of Belgium', *Entrepreneurship and Regional Development*, Vol 17, pp 89–108.
- Lee, C.Y. (2010), 'A theory of firm growth: learning capability, knowledge threshold, and patterns of growth', *Research Policy*, Vol 39, pp 278–289.
- Leitch, C., and Harrison, R.T., eds (2008), 'Entrepreneurial learning: a review and research agenda', in *Entrepreneurial Learning: Conceptual Frameworks and Applications*, Routledge, London, pp 3–23.
- Leitch, C., Hill, F., and Neergaard, H. (2010), 'Entrepreneurial and business growth and the quest for a "comprehensive theory": tilting at windmills?' *Entrepreneurship Theory and Practice*, Vol 34, pp 249–260.
- Mole, K.F., Hart, M., Roper, S., and Saal, D.S. (2011), 'Broader or deeper? Exploring the most effective intervention profile for public small business support', *Environment and Planning A*, Vol 43, pp 87–105.

- Penrose, E.T. (1959), *The Theory of the Growth of the Firm*, Basil Blackwell, Oxford.
- Politis, D. (2005), 'The process of entrepreneurial learning: a conceptual framework', *Entrepreneurship Theory and Practice*, Vol 29, pp 399–424.
- Robson, P.J.A., and Bennett, R.J. (2000), 'SME growth: the relationship with business advice and external collaboration', *Small Business Economics*, Vol 15, pp 193–208.
- Scott, J.M., and Irwin, D. (2009), 'Discouraged advisees? The influence of gender, ethnicity, and education in the use of advice and finance by UK SMEs', *Environment and Planning C: Government and Policy*, Vol 27, pp 230–245.
- Storey, D.J. (1994), *Understanding the Small Business Sector*, Routledge, London.
- Storey, D.J. (2003), 'Entrepreneurship, small and medium sized enterprises and public policies', in Audretsch, D.B., and Acs Z.J., eds, *The Handbook of Entrepreneurship*, Kluwer, London, pp 473–511.
- Westhead, P., and Storey, D.J. (1996), 'Management training and small firm performance: why is the link so weak?' *International Small Business Journal*, Vol 14, pp 13–24.
- Zahra, S.A., and George, G. (2002), 'Absorptive capacity: a review, re-conceptualization, and extension', *Academy of Management Review*, Vol 27, pp 185–203.