

**BUSINESS GROWTH AMBITIONS  
AMONGST SMES**

*Final report*

AUGUST 2012



Llywodraeth Cymru  
Welsh Government

## Contents

Contents.....	2
Acknowledgements.....	5
<b>1. Executive summary .....</b>	<b>6</b>
<b>2. Introduction .....</b>	<b>12</b>
Objectives .....	12
Methodology.....	13
Typology definition: .....	15
Index of ambition.....	18
Structure of the document.....	19
<b>3. Defining ambition and growth .....</b>	<b>20</b>
Theories of firm growth .....	21
Defining growth .....	21
National variations in defining growth .....	23
Defining ambition .....	23
<b>4. Strengths and determinants of ambition .....</b>	<b>25</b>
Strengths and change of individual ambition .....	26
Change in strength of individual ambition .....	29
National variations in strength of individual ambition .....	30
Determinants of individual ambition .....	31
Personal background and current circumstances .....	32
Perceived impact of growth.....	35
Willingness to seek out opportunity.....	36
Attitude towards risk.....	37
External determinants of ambition.....	39

Current business circumstances .....	39
Economic climate .....	39
Access to finance .....	41
Access to business support .....	41
Government policy .....	43
Employment .....	44
Why do owner/managers lack growth ambition? .....	45
National variations.....	46
<b>5. Characteristics of ambition.....</b>	<b>50</b>
Variations by gender .....	50
Variations by sector.....	51
Variations across size bands .....	52
Variations by business age .....	54
Variations by genesis of involvement.....	55
<b>6. Link to growth .....</b>	<b>60</b>
Recent growth performance.....	63
Does ambition lead to growth?.....	63
Does growth lead to ambition?.....	69
National variations.....	74
The characteristics of firms that want to increase their turnover.....	74
Why don't some firms grow?.....	75
Relationship between non-growth and ambition .....	76
Attitudes and perspectives of growth amongst non-growth SMEs.....	77
Plans for achieving growth amongst non-growth SMEs.....	78
Businesses that believe that they could not grow .....	79

Future plans .....	79
Business plans .....	83
<b>7. Policy implications.....</b>	<b>85</b>
Increasing the level of ambition.....	85
Increasing the likelihood of ambitious SMEs growing .....	86
Communicating to SMEs about business growth.....	87
Potential target groups .....	88
Summary of policy options .....	90
Potential impact.....	90
<b>8. Appendix.....</b>	<b>92</b>
Strengths and change of organisational ambition .....	92
Causes of change in organisational ambition .....	93
Auxiliary data tables .....	95
Literature Review .....	99
References.....	121
Telephone survey script.....	124
Telephone survey quotas and sampling methodology.....	139

## Acknowledgements

Scottish Enterprise, BIS, Welsh Government and Invest NI would like to thank everybody who supported this research and made its completion possible. Gratitude is expressed to those people who gave up their time to take part in interviews, complete the telephone survey or attend the workshop in order to provide the invaluable information that underpins the comments in this report.

We would also like to thank the team at TBR and associates, Ron Botham, Simon Bridge and Theresa Crowley, for the management of the research project and the production of the SME Growth Ambitions report. Additionally thanks go to QA research for the delivery of the 1,250 telephone interviews. Specifically, we would also like to thank the 61 individuals who took part in face to face case study discussions – for their time and insight.

# 1. Executive summary

TBR and Qa Research, along with associates Ron Botham, Simon Bridge and Theresa Crowley were commissioned by BIS, Scottish Enterprise, Welsh Government and InvestNI in October 2011 to investigate growth ambitions amongst SMEs. The study covered a period of 10 months, reporting in August 2012. The research provides a better understanding of the scale and strength of growth ambition amongst UK SMEs, how this affects actual growth performance and the factors affecting growth ambition. It also considers the rationale for policy development in this area and identifies policy implications of the research.

## Defining ambition and growth

- On a scale of one to ten, almost one half (49 percent) of all SME owner/managers consider their individual desire for business growth to be as high as possible (i.e. ten out of ten).
- In response to the simple question of whether they intended to grow their business over the next three years, 80 percent of owner managers agreed. Accordingly, there is a need to develop a more refined definition of ambition to better understand how meaningful that ambition is. For the purposes of this study three typologies of ambition (substantive, moderate and low) were created based on responses to a series of questions in a telephone survey, as well as an “index of ambition” which gives each owner/manager who participated in the survey a score out of 100 depending on their level of current ambition.
- In addition to analysing current ambition, levels of past ambition from three years previous were measured and analysed alongside changes in employment and turnover performance (using the telephone survey results) to assess links between ambition and actual growth. Respondents were asked to rate their **personal desire for business growth three years ago** on a linear scale between one and ten and were categorised into the following three groups:
  - Weak past ambition (1-5),
  - Medium past ambition (6-8)
  - High past ambition (9-10).

This approach recognises that the survey asked only one question regarding past ambition and therefore it is not possible to recreate the more refined ambition typologies to assess past ambition over the previous three years.

- SMEs typically define growth using financial measures; 33 percent of owner/managers use turnover as the primary measure of the size of their business, whilst 29 percent use profit. Conversely, only 6 percent measure the size of their business by employment.

## Headline figures on the scale and strength of ambition

- 81 percent of owner/managers have ambition to grow the company: 59 percent have moderate growth ambition whilst 22 percent have substantive growth

ambition, which means they intend to scale up their business significantly and are determined to do so.

- Owner/managers in England exhibit the highest level of substantive ambition (23 percent), followed by Northern Ireland (19 percent), Scotland (18 percent) and then Wales (13 percent).
- 80 percent of SMEs intend to grow in the **next** 3 years whilst 82 percent of SMEs have taken steps to grow in **past** 3 years

### Determinants of ambition

- The determinants of ambition include the following factors, which will affect the owner/manager's perceived risk/reward ratio for following a particular course of action:
  - Security
  - Satisfaction
  - Success
  - Economic factors
  - Owner/managers' personal circumstances
  - The perceived ease of doing business
- The most common reason for increased ambition **and** decreased ambition in the last three years is the impact of the economic climate. This illustrates how a single issue can impact SMEs and their ambition in opposing ways.
- The lack of access to finance is regarded as a key barrier to growth. One quarter of SMEs indicated that it was a specific barrier holding back their attempts to grow, the second most critical issue behind the impact of the current economic climate at 38 percent.
- Business advice, whether delivered by private or public sector, or informally, has the capacity to heighten desire to grow. This is likely to occur indirectly, where the focus of the advice is on a particular challenge or belief/perception about business development and growth. This finding should motivate the providers of business advice to seek to increase ambition.
- Difficulties navigating regulations and obtaining access to finance affect not just an SME's ability to grow, but also the owner/manager's *desire* to grow.
- Increasing skills of owner/managers would lead to increased ambition, with 39 percent of owner/managers stating that they would have a higher ambition for business growth if they had additional, specific skills. Focus should be on marketing and sales, finance, industry specific skills and management skills.
- Many owner/managers attribute recent business growth to improvements in organisational efficiency as a result of new management processes which raise the ambition levels of the entire management team and workforce.

- Ambition is one of a range of factors that underpin growth. The relationship between ambition and other influences is often complex and subtle. Because of this it is possible that ambition is more influential than some of the data suggests.

### Characteristics associated with ambition

- In terms of size of business, owner/ managers of SMEs with 1-4 employees are most likely to have substantive ambition (25 percent compared to 22 percent of SME owner/managers overall). This drops to just 17 percent for SMEs with 5-9 employees.
- Owner/managers aged 25-34 are the age group most likely to have substantive growth ambition (28 percent). Just 15 percent of owner/managers aged 55-65 have substantive growth ambition.
- Owner/managers of younger businesses are also more likely to have substantive ambition (43 percent of owner/managers of businesses established between 3 and 5 years ago).
- A higher proportion of male owner/managers (24 percent) have substantive growth ambition compared to female owner/managers (15 percent).
- Owner/managers who founded their business are significantly more likely to have substantive growth ambition than those who have inherited the business (26 percent and 4 percent respectively).

### Links to growth

- Although 81 percent of SMEs have moderate or substantive growth ambition, a relatively small proportion of firms successfully realised their growth ambitions in the past three years
  - During the last three years a higher proportion of SMEs have seen their employment decrease (27 percent), rather than increase (19 percent). In contrast, a lower proportion of firms have seen their turnover decrease (33 percent) than increase (35 percent) over the same period.
- SMEs with high past ambition produced mixed performance but overall they generate a positive net impact in turnover and employment terms.
- The net marginal gain of businesses with high ambition over the last three years has been £124,000 per firm in turnover and 0.3 employees per firm. Whilst the net turnover impact has been positive across firms with low and medium past ambition, the employment impact has been negative for these groups.
- SMEs with high current ambition levels are more likely to have grown than those without ambition;
  - 46 percent of **substantive** ambition SMEs increased turnover in past three years
  - 32 percent of **low** ambition SMEs increased turnover in past three years
  - 32 percent of **substantive** ambition SMEs increased employment in past three years



- 14 percent of **low** ambition SMEs increased employment in past three years.
- Growth leads to higher ambition. Owner/managers who have presided over employment growth in their business in the past three years are more likely to have substantive growth ambition now (35 percent) compared to owner/managers that have decreased employment in the same time period (22 percent).
- Ambitious firms more likely to grow **significantly**
  - 6.4% of all firms with high past ambition grew by 90% or more in either turnover or employment terms in the last three years. None with weak past ambition grew by this scale.
  - 31 percent of **substantive** ambition firms *which increased turnover in the last three years* did so by over 90 percent. The equivalent figure for **low** ambition firms is just 8 percent.
- However, high ambition is also linked to a higher likelihood of SMEs decreasing in size. SMEs with substantive ambition are more likely to have seen turnover and employment decrease in the past three years compared to those with moderate ambition. This indicates that overall, the performance of the most ambitious SMEs has been more volatile than other SMEs in the past three years.
- Owner/managers with a business plan are more likely to run an SME that has experienced growth in turnover over the past three years. This suggests that firms which plan to grow are more likely to achieve growth.
- SMEs that are run by an owner/manager who inherited the business have the highest probability of being *non-growth*.
- SMEs are affected by incidental conditions which are beyond the control of businesses but not necessarily outside the scope of ambition since feedback loops mean that events that occur within the business environment and that affect businesses will influence ambition (positively or negatively).

## Policy

- Policy options seeking to address the issues raised in this report could take two broad approaches:
  1. Increasing levels of ambition across the SME population, for example moving more businesses from moderate to substantial levels
  - and/or
  2. Increasing the likelihood of ambitious SMEs realising their potential.
- These two options are not mutually exclusive. Evidence generated in this study suggests that past growth leads to increased levels of ambition amongst SMEs, creating a virtuous circle.
- Introducing policies to increase ambition of owner managers is problematic. This is because:
  - The relationship between moderate ambition and growth is relatively weak

- Most owner/managers (81 percent) already have moderate or substantive growth ambitions
- It is difficult to target relevant individuals
- The effect of interventions is unpredictable as they affect owner/managers in opposite ways.
- However, as the evidence suggests that substantive ambition has a stronger link to growth, there is potentially an argument for increasing the numbers of SME owner/managers within this category.
- The findings also support the importance of existing policies designed to improve the business environment, allowing more ambition to be realised. The study provides evidence of clear feedback loops which heighten ambition in the face of success and diminish it in the face of challenge and failure.
- It may be possible to target certain groups with 'marketing' messages and case studies designed to influence ambition of the entire business population. The evidence of this study also suggests that social norms (e.g. the desire to be seen as a success) influence ambition. Possible receptive audiences for efforts to help SMEs realise their existing ambition include:
  - SMEs which have downsized due to the recession and survived, as they typically have a strong desire to grow back to previous levels.
  - SMEs (particularly micro businesses) concerned about difficulties in breaking through a threshold (e.g. hiring their first employee).
  - The 'ambitious but unprepared'. More than one fifth (21 percent) of firms with substantial growth ambition have no active plans in place for growth.. However, there is a challenge associated with pinpointing this exact group of owner/managers.
  - It can be difficult for younger owner/managers (a disproportionately large number of whom have substantive ambition) to achieve growth with less experience. A mentoring programme would help to compensate for this and peer-to-peer mentoring may be the most appropriate vehicle.
  - Owner/managers who are willing to take risks to grow their business could be targeted, for example by offering investment to those who are willing to match investment (up to a certain threshold).
  - SMEs that export or plan to access export markets.
- Whilst there may be some groups that appear to be receptive audiences for policy interventions there may be a case for focusing on the majority. Most businesses (72 percent) want to grow, plan to grow and take steps to grow. Also, more than three quarters of SMEs whose turnover decreased in the last three years took steps to attempt to grow.
- Cognitive-based approaches to coaching could be helpful in supporting ambitious owner/managers to translate their ambition into growth by helping them identify their

business goals, reduce negative thinking, and deal better with the stresses of growing a business.

- A general communications campaign could help some firms with unrealised ambition to overcome any false perceptions about the financial and regulatory environment that may be affecting ambition and/or ability to realise ambition.
- Framing policy in a way that is meaningful to the SME audience. For example, SME owner/managers are much more likely view to the primary measure of growth in terms of increasing turnover and profitability rather than employment.
- Assisting owner/managers to recognise the importance of ambition embedded within the organisation which can help translate ambition of a single individual in the organisation into something that affects growth performance; for example by encouraging and helping design suitable incentive schemes.

## 2. Introduction

TBR and QA Research, along with associates Ron Botham, Simon Bridge and Theresa Crowley were commissioned by BIS, Scottish Enterprise, Welsh Government and InvestNI in October 2011 to investigate growth ambitions amongst SMEs. The study covered a period of ten months, reporting in August 2012.

### Objectives

This research has aimed to provide a better understanding of the scale and strength of growth ambition amongst UK SMEs, how this affects actual growth performance and the factors affecting growth ambition. It also considers the rationale for policy development in this area and identifies policy implications of the research.

The following questions were posed by the client at the start of the project:

	Research question	Research method	Section/sub-section	Page number
1	How can growth ambition be best defined (what are its characteristics etc), and how can it be (and best be) measured?	Literature review	Defining ambition  Literature Review (in the appendix)	20  99
2	What is the scale of growth ambition in England, Scotland and Northern Ireland and how substantive are reported ambitions?	Telephone survey (verified through depth interviews)	Strengths and determinants of ambition	25
3	What are the characteristics, attitudes and experiences associated with (substantively) ambitious and non-ambitious businesses, and which factors particularly affect ambition (i.e. what are the main determinants / drivers of growth ambition?)	Telephone survey and depth interviews	Characteristics of ambition	50
4	What is the relationship between ambition and actual growth performance?	Telephone survey	Link to growth	60

5	Why do business managers/owners lack growth ambition?	Telephone survey and depth interviews	Why do owner/managers lack growth ambition?	45
6	How can businesses be persuaded to increase their growth ambition?	Synthesising all strands of information gathered in this research	Policy implications	85
7	What would be the potential impact that raised ambitions could have on actual rates of growth and GVA	Analysis of telephone survey results	Potential impact	90

## Methodology

The research study consisted of the following components:

- A review of existing UK and international academic and policy literature on the factors affecting and influencing growth ambition. This was an important first step and the information gathered during the literature review had an important influence in the designing of the consultation tools such as the questionnaire for the telephone survey. Previous attempts to measure and define ambition were reviewed and critiqued, whilst attention was also paid to apparent drivers and characteristics of ambition amongst owner/managers. These were explored in greater detail throughout the primary research and the findings of which are contained within this report.
- Secondary analysis of existing data such as the Small Business Survey, SME Barometers, other government data/reports, Scottish Access to Finance Surveys and GEM surveys. This task was carried out to inform the design and development of the questionnaire for the telephone survey and discussion guide for depth interviews.
- A sample of UK firms was created that ensured the survey would produce statistically significant results for England, Scotland, Wales and Northern Ireland. Quotas were then set to ensure that responses were obtained from a range of sectors, size bands and countries and that these could be weighted back to be representative of the business population of each country within the UK. More detail on the profile of respondents and the sampling process can be found in the appendix of this document (page 139).

- A telephone survey of 1,250 UK businesses<sup>1</sup> to assess the scale and strength of ambition and factors associated with it.
  - The survey included a number of questions asking respondents to compare their current perspective and the position of their business to three years ago and to their vision for the SME in three years' time.
  - Typologies were created to categorise respondents into three groups based on their responses to the telephone survey – those with substantive growth ambitions, those with moderate growth ambitions and those with low growth ambitions (see below for definitions).
- In-depth qualitative case study interviews with 61 business owners across the UK<sup>2</sup> to help understand how more businesses could be tipped towards growth.
- A workshop with stakeholders involved to formulate policy recommendations and implications on the basis of evidence gathered during this research.

Further detail on the methodology for the telephone survey, the profile of respondents and the weighting procedure used to ensure the survey was representative of the UK business population is provided in the appendix. The case study interviews provided qualitative insights which are reported throughout the report to add detail and explanation to the telephone survey results. The findings from the stakeholder workshops feed into the policy implications laid out in section 7 (page 85).

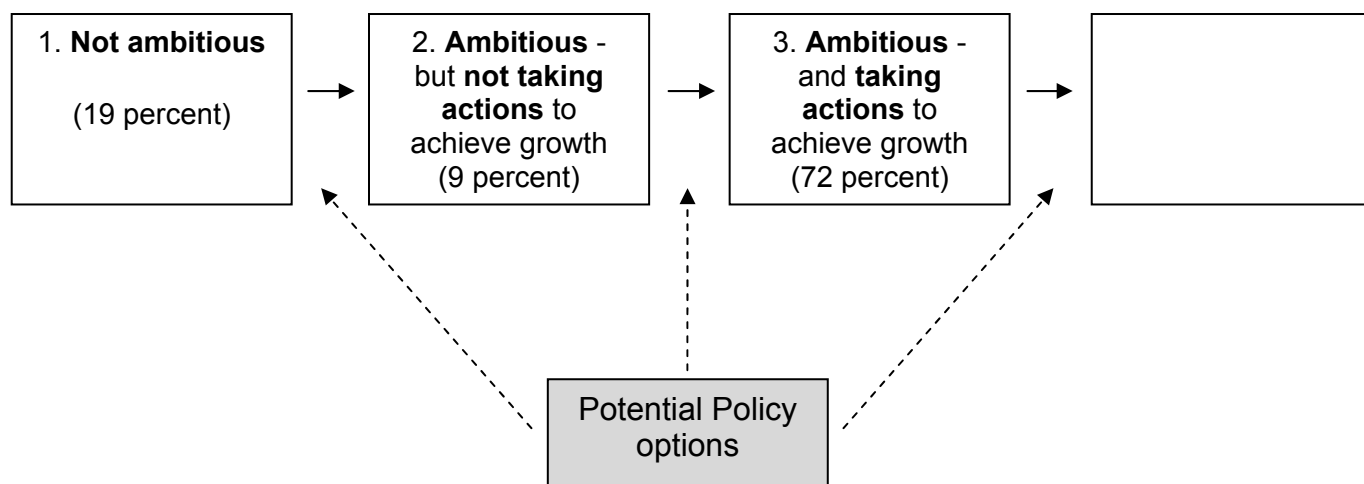
A number of different types of potential levels of ambition were identified in owner/managers at the onset of the project. The potential policy options developed in this report are designed to provide specific ways of helping SMEs at different points on the ambition spectrum as conceptualised below. There is a desire to help SMEs to move to the right of the SME spectrum by designing policy interventions which help to unlock latent growth ambition and potential and ultimately to help more businesses realise growth.

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<sup>1</sup> The survey included surveys with 450 businesses in England, 300 businesses in Scotland, 250 businesses in Wales and 250 businesses in Northern Ireland. This sample of business excluded sole traders but included those who described themselves as having just one employee.

<sup>2</sup> 26 interviews with businesses in England, 12 interviews with businesses in Scotland, 11 interviews with businesses in Wales and 12 interviews with businesses in Northern Ireland.

**Diagram 1: Spectrum of ambition<sup>3</sup> (with percentage of SMEs in each category in brackets)**



### Typology definition:

As mentioned above, typologies were created to categorise telephone survey respondents into three groups based on their survey responses – those with substantive growth ambitions, those with moderate growth ambitions and those with low growth ambitions. It is worth noting that the majority of firms fall into the middle ‘moderate’ ambition category. Many of the comparisons made in the study have focused on the substantive and low categories, as these provide the greatest contrast.

### Substantive growth ambition

These typologies have been developed to assess SME owner/managers’ level of ambition in recognition that it is not possible to rely solely on any single question to provide a reliable or robust measure of ambition (e.g. self-assessment of the level of ambition on a scale of 1-10).

Consequently, we developed a series of questions about the strength and scale of ambition designed to provide a level of detail that has not previously been possible to generate in other studies. As such we believe that this is one of the most robust attempts to measure the ambition levels of SME owner/managers in the UK. In order to be categorised as substantively ambitious owner managers must meet **all** of the following criteria:

- Owner/managers intend to grow their organisation over the next three years<sup>4</sup> **AND**

<sup>3</sup> All SME owner/managers fall into one of the three left hand boxes within the spectrum (which total to 100 percent). However, only 35% of these firms have achieved growth in the last three years (defined here as an increase in their turnover). The 35% of SMEs in the right hand box (‘Achieving growth’) are from a mixture of the three boxes on the left hand side of the diagram.

- Owner/managers intend to grow their organisation by at least 20% over the next three years in terms of turnover **AND**
- Owner/managers that rate themselves as a '10' on a scale of 1-10 (where 1 is no growth ambition and 10 is very ambitious) **AND**
- Owner/managers that view the ideal size of their business as “significantly larger” in terms of turnover **AND**
- Owner/managers that have a desire to grow their business beyond the point where it provides them with a reasonable living

Requiring respondents to record a score of 10/10 may seem like an extremely strict requirement of the typology that unnecessarily disqualifies seemingly ambitious owner/managers from this category of the typology. However depth interviews with SME owner/managers revealed that those who recorded a score of anything below 10 were unlikely to be planning to grow significantly.

### **Low growth ambition**

There are two qualifying categories for low ambition; those with a low expressed level of ambition (regardless of responses to other questions about ideal size of the SME and so on) and those with a mix of characteristics which suggest they have the lowest levels of ambition. The data for the low growth ambition typology presented in the report is a summation of these two categories. The categories are as follows;

#### *Category 1*

- Owner/managers that rate themselves as a '1-5' on a scale of 1-10 (where 1 is no growth ambition and 10 is very ambitious)

#### *Category 2*

- Owner/managers that rate themselves as a '1-7' on a scale of 1-10 (where 1 is no growth ambition and 10 is very ambitious) **AND**
- Owner/managers that do not want to grow their organisation over the next three years **AND**
- Owner/managers that do not desire to grow their business beyond the point where it provides them with a reasonable living **AND**

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<sup>4</sup> This condition is necessary for entrepreneurs to qualify under the second condition, but it has been included in the typology description because it aligns with the approach taken in other large scale studies such as the BIS Small Business Survey. It is also helpful within the analysis to understand the percentage of SMEs which express an intention to grow in the next three years, rather than simply those that intend to grow by more than 20 percent.



- Owner/managers that view the ideal size of their business as no higher than “current size” in turnover terms **AND**
- Owner/managers that view the ideal size of their business as no higher than “slightly larger” in terms of turnover.

### Moderate growth ambition

- All other owner/managers

The segmentation that has been developed is described in Table 1 below. Note that all **SMEs not meeting the requirements** to be included in either the substantive ambition or low ambition categories **are allocated to the Moderate Ambition category**.

**Table 1: Typology definitions**

Characteristic	Substantive ambition <sup>5</sup>	Low ambition (1)	Low ambition (2)
Do you intend to grow the organisation over the next three years?	Yes	Any <sup>6</sup>	No
Do you plan to grow the organisation by at least 20% over the next three years in terms of turnover?	Yes	Any	No
From your personal perspective, what is the ideal size of your business in the long term (beyond the next three years) in terms of turnover?	Significantly larger than its current size	Any	No higher than ‘Slightly larger than its current size’
How strongly as an individual do you desire business growth now? (rating scale 1 – 10)	10	1-5 inclusive	1-7 inclusive
Do you have an ambition to grow the business beyond a point where it is able to provide you with what you would consider to be a reasonable income?	Yes	Any	No

Source: TBR 2012

This typology analysis is designed to support a comparison of SMEs that fall into each category, on the basis of key characteristics and behaviours. It is recognised that the most instructive comparison, for the purposes of this study, is between those businesses in the Substantive Ambition category against those in the Low Ambition category. The analysis and results presented throughout this report draw upon this typology to aid the interpretation of the study findings.

<sup>5</sup> NB Respondents must provide the relevant required answer to each question to be categorised as substantively ambitious.

<sup>6</sup> The table entry "any" in this column reflects the fact that irrespective of a respondent's answer to these particular questions, they will still be categorised as 'low ambition' because they have rated themselves as five or lower on the scale of ambition out of ten.

Note that the section covering links between ambition and growth (see section 6) relies on analysis of *past* ambition levels (i.e. three years ago). Much of the analysis in that section does not, therefore, utilise the typology of ambition as described above because only a single question regarding the scale of ambition *in the past* was included in the questionnaire.

## Index of ambition

To support analysis of differences in levels of ambitions between different groups of SME owner/managers, as well as developing typologies of ambition, an index of ambition has been derived from the responses to the telephone survey. Each SME owner/manager surveyed gains a score on the index of ambition between 0 and 100 based on answers to questions regarding their desire for growth. These index figures should be conceptualised as a descriptive, indicative measure of ambition, rather than a highly scientific approach to calculating levels of ambition. The index values have been calculated as illustrated in Table 2 below and should be conceptualised as an interval scale, rather than a ratio scale.

This index of ambition could be used in future research to measure how levels of ambition amongst SME owner/managers change over a fixed time period. The index utilises a blend of questions which relate to intent and scale of ambition, as well as strength of ambition. This approach has been taken to ensure that this work is produced in manner which is more consistent with other similar studies.

**Table 2: Process for calculating index of ambition**

	Contribution to index score	Possible Answers and raw scores	Weight to apply to raw scores	Possible Index Values
<b>All respondents</b>				
Q33. Do you intend to grow the organisation over the next three years?	20%	No (0), Yes (1)	20	0,20
Q35. Do you plan to grow the organisation by at least 20% over the next three years in terms of turnover  (If Yes, Do you plan to grow the organisation by at least 50% over the next three years in terms of turnover)	10%	No (0) Yes 20% (1) Yes 50% (2)	5	0,5,10
Q35. Do you plan to grow the organisation by at least 20% over the next three years in terms of employment  (If Yes, Do you plan to grow the organisation by at least 50% over the next three years in terms of employment)	10%	No (0) Yes 20% (1) Yes 50% (2)	5	0,5,10
Q14a. How strongly do you as an individual desire business growth now?	30%	1-10	3	0,3,6,9,12,15 18,21,24,27,30
Q13a. From your personal perspective what is the ideal size of your business in the long term - i.e. beyond the next three years - in terms of turnover	10%	Significantly smaller (0), Slightly smaller (0), Stay the same (0), Slightly larger (1), Significantly larger(2)	5	0,0,0,5,10

Q13b. From your personal perspective what is the ideal size of your business in the long term - i.e. beyond the next three years - in terms of employment	10%	Significantly smaller (0), Slightly smaller (0), Stay the same (0), Slightly larger (1), Significantly larger(2)	5	0,0,0,5,10
Q22b. Do you have a desire to grow the organisation beyond the point where it is able to provide you with what you would define as a reasonable living?	10%	No (0), Yes (1)	10	0,10

## Structure of the document

The remainder of this document is structured as follows:

**Defining ambition:** This section discusses how growth and ambition are defined and explores the nature of the relationship between the two.

**Strengths and determinants of ambition:** This section seeks to understand individual and business growth ambition and what determines its strength.

**Characteristics of ambition:** This section presents an overview of the characteristics of those owner/managers with and without substantive growth ambition.

**Link to growth:** This section explores the relationship between ambition and actual growth performance. The section starts by looking at growth performance of SMEs during the past three years and the impact of ambition, before considering prospects for future growth and the relationship with ambition.

**Policy implications:** This section seeks to respond to the key issues raised in the research and presents some potential policy options to help overcome barriers to growth which impact upon owner/managers' ambitions.

**Appendix:** This includes further supporting material such as the findings of the detailed literature review and auxiliary data tables. It also includes more details on the methodology and a copy of the telephone survey script.

### 3. Defining ambition and growth

#### Section Summary

- On a scale of one to ten, almost one half (49 percent) of all SME owner/managers consider their individual desire for business growth to be as high as possible (i.e. ten out of ten).
- In response to the simple question of whether they intended to grow their business over the next three years, 80 percent of owner managers agreed. Accordingly, there is a need to develop a more refined definition of ambition to better understand how meaningful that ambition is. For the purposes of this study three typologies of ambition (substantive, moderate and low) were created based on responses to a series of questions in a telephone survey, as well as an “index of ambition” which gives each owner/manager who participated in the survey a score out of 100.
- In addition to analysing current ambition, levels of past ambition from three years previous were measured and analysed alongside changes in employment and turnover performance (using the telephone survey results) to assess links between ambition and actual growth. Respondents were asked to **rate their personal desire for business growth three years ago** on a linear scale between one and ten and were categorised into the following three groups:
  - Weak past ambition (1-5),
  - Medium past ambition (6-8)
  - High past ambition (9-10)

This approach recognises that the survey asked only one question regarding past ambition and therefore it is not possible to recreate the more refined ambition typologies to assess past ambition over the previous three years.
- SMEs typically define growth differently from policymakers. Whilst policymakers tend to define growth in terms of employment, findings from this research indicate that 33 percent of owner/managers use turnover as the primary measure of the size of their business, whilst 29 percent use profit. Conversely, only 6 percent measure the size of their business by how many people it employs.

This chapter provides an overview of the key subject of *growth* and *ambition*. First, it discusses the importance of defining growth and illustrates the range of approaches to defining this concept. Second, it demonstrates that theories of firm growth generally assume growth is the natural or normal state of affairs. A result is that the concept of growth ambition is often neglected as it is assumed to be in place as a precursor to growth and contributing factor towards it. Third, this section sets out the difficulties of defining ambition and suggests a requirement to separate the cognitive issues from those relating

to behaviour and expectations. Then, a brief explanation is provided of the way in which this project defines and captures growth ambition.

## Theories of firm growth

There is a vast literature (both empirical and theoretical) about firm growth. The intention here is not to provide a comprehensive review, but to focus on the role of ambition (if any) in these approaches. Four broad approaches have been identified:

- ***The External Environment and Industrial Economics.*** Economic theory generally assumes that firms are profit maximisers and that growth is more or less a natural phenomenon driven by cost curves.
- ***Business Issues.*** This approach focuses on issues internal to the firm including business skills, management, strategy, planning, innovation and the firms' access to and use of resources.
- ***Organisational Development and Stages of Growth.*** Included here are the very large number of stages of growth *descriptive* models. These focus on how the firm transforms itself as it progresses from one stage to the next, what 'triggers' and drives the move through the growth stages (e.g. various crises arising from growth) and the role of *management* structures and style in these transformations.
- ***Entrepreneurial Personality and Capacity.*** In this approach the emphasis is on the personality, aspirations, *ambitions* and behaviour of the entrepreneur/owner manager.

The first three of these approaches assume *growth* is the natural or normal state of the business world and emphasise the removal of barriers to growth. The implicit assumption is that once these barriers are reduced or removed then growth will occur.

## Defining growth

This section presents results from this research study with respect to the ways in which owner/managers assess size and scale, and then growth. It suggests that businesses typically define growth differently from policy makers.

To understand and assess growth ambition, it is necessary to understand how owner/managers perceive size, scale and measures of growth. There are many different ways in which firm growth can be (and has been) defined and measured. From a policy perspective absolute or percentage employment change (over some specified time period) is often the preferred measure, but other variables are also often discussed in order to capture, for example, the wealth creation aspect of business (e.g. GVA) or international trade (i.e. exports).

However, this is not the way the business owners typically perceive size or growth. They are more likely to select from a wide range of 'variables' including financial measures (turnover, profits), market measures (market share, market leadership), reputation

measures (corporate or personal profile), social or cultural measures (how the SME is run, the level of wealth which it distributes to staff) or even concepts of personal development.

In addition, an owner/manager may have no ambition to grow a specific firm but instead wishes to express their ambition through the setting up of further businesses (i.e. growth via serial entrepreneurship). All this makes the concept of growth less than straightforward.

Table 3 shows that, in this research, 33 percent of owner/managers use turnover as the primary measure of the size of their business, whilst 29 percent use profit. Conversely, only 6 percent measure the size of their business by how many people it employs. In fact more than half of SMEs (52 percent) believe that it is overly risky to seek to grow their business by recruiting additional staff. Turnover and profit can therefore be regarded as key indicators of size by SMEs and are variables which are likely to be closely linked. It is valid to assume, therefore, that growth will also be conceptualised using these primary measures in the majority of SMEs across the UK.

This finding was supported by the case study interviews with very few interviewees defining size, or their growth ambition, in terms of employment. Some owner/manages indicated that they consider 'softer' or more subjective concepts such as business reputation as a measure of their size and success also. One key conclusion from this study is therefore that SMEs are not focused on growing their workforce, unless it is driven by growth in other measures of size and success, which are primarily financial.

**Table 3: How SMEs define size**

Measure of Size	%
Market share	6%
Employment	6%
Turnover	33%
Profit	29%
Business profile/reputation	14%
Other	10%
Number of acquisitions	1%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S1/Q12)

There are also issues around what growth means in practical terms. For example, businesses express the need to 'run fast to stand still' - especially as the economy and their business emerges from the recession - and the case studies suggest that the majority of SMEs do not expect to achieve much more than that. In other words, a degree of growth is seen as necessary to underpin business sustainability and survival. Given that the prime measures of size are financial in nature, inflation is also a factor to consider; a small percentage growth can actually be considered to represent stasis.

The consequence of these findings is that responses to questions such as 'how ambitious are you for business growth' and 'what's the ideal size of your business' will overstate the proportion of business owners who want to increase the size of their business. This means that an approach to assessing growth and ambition that takes into account a range of factors, and therefore a range of responses to survey questions, needs to be employed.

## National variations in defining growth

There are some marginal differences between countries in this respect. The proportion of SMEs that regard turnover as a primary measure to define a business size is highest in Scotland (36 percent) followed by England (34 percent), then Wales (32 percent) and Northern Ireland (31 percent).

Differences are more pronounced when considering the proportion of SMEs that consider profit to be the primary measure of business size; the proportion is highest in England (31 percent), followed by Northern Ireland (30 percent), then Scotland (24 percent) and Wales (21 percent).

SMEs with five or more employees are more likely to see turnover as the primary measure of business size compared to SMEs with fewer than five employees.

## Defining ambition

The concept of 'ambition' is probably more challenging to define than growth as many of the definitions of ambition include reference to growth. A large number of terms are used to describe concepts relating to ambition. In addition to the straightforward term 'growth ambition', others include growth aspirations, motivation, intent, orientation, plans and expectations (Hakkert and Kemp, 2006). These terms are often used interchangeably, are not precisely defined and are often used loosely to refer to an individual's beliefs around, and perspectives of, business growth and possible future behaviour. It is often necessary to examine specific survey questions within existing research studies in order to deduce how the concept is in fact being defined in each case.

One possible approach is to clearly separate out, via the definition, the relevant cognitive issues from those relating to behaviour and expectations (which are dependent on resources and external environment). For example, a definition of ambition can be developed around the desire to grow (or wanting to grow). Such individuals may or may not have growth intentions or plans. However, those with growth intentions or plans must have some growth ambition – so ambition is necessary but not sufficient for serious growth intention to exist and to lead to action. Those with ambition may have no intent because they know that at the current time growth is not possible (e.g. based on the current economic climate, access to finance and so on). Reflecting on these arguments it has been suggested that growth ambition is best defined as wanting to, desiring to or having willingness to grow the business (Hakkert and Kemp, 2006).

In addition, it is possible that there is a difference between the strength of growth ambition of an individual leading an organisation, and that which the organisation itself is expressing. For example, if a manager is brought in to lead an SME where the strategy is set by the non-executive owner(s), then there could be a key difference of ambition. The ambition of the manager might be encouraged or suppressed by the ambition of the organisation (or owner).

For the purposes of this study, a distinction was made between the following two questions about ambition as follows:

1. How strongly as an individual do you desire business growth now?<sup>7</sup>

And

2. How focused and driven towards business growth is the ethos of the organisation you own/lead/manage now?

Additional questions were required to test this ambition, allowing it to be aligned and contrasted with perspectives on growth, trade-offs and risk taking. This allowed for a more sophisticated examination of the true existence and strength of ambition. The ambition of the individual and the organisation was also explored. Lastly, the case study interviews provided an ideal opportunity to explore the reasons lying behind and determinants of the strength of ambition expressed by SME owner/managers, and how experience and the trade-offs influence ambition.

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<sup>7</sup> However this may sometimes have been interpreted by owner/managers as 'how strongly are you focused on taking action to renew your customer base – which might lead to growth (but might not)



## 4. Strengths and determinants of ambition

### Chapter Summary

- 81 percent of owner/managers have ambition to grow the company: 59 percent have moderate growth ambition whilst 22 percent have substantive growth ambition, which means they intend to scale up their business significantly and are determined to do so.
- Owner/managers in England exhibit the highest level of substantive ambition (23 percent), followed by Northern Ireland (19 percent), Scotland (18 percent) and then Wales (13 percent).
- 80 percent of SMEs intend to grow in the **next** 3 years
- 82 percent of SMEs have taken steps to grow in **past** 3 years
- The determinants of ambition include the following factors, which will affect the owner/manager's perceived risk/reward ratio for following a particular course of action:
  - Security.
  - Satisfaction
  - Success
  - Economic factors
  - Owner/managers' personal circumstances
  - The perceived ease of doing business
- The most common reason for increased ambition **and** decreased ambition in the last three years is the impact of the economic climate. This illustrates how a single issue can impact SMEs and their ambition in opposing ways.
- The lack of access to finance is regarded as a key barrier to growth. One quarter of SMEs indicated that it was a specific barrier holding back their attempts to grow, the second most critical issue behind the impact of the current economic climate at 38 percent.
- Business advice, whether delivered by private or public sector, or informally, has the capacity to heighten desire to grow. This is likely to occur indirectly, where the focus of the advice is on a particular challenge or belief/perception about business development and growth. This finding should motivate the providers of business advice to seek to increase ambition.
- A key finding of this study is that difficulties navigating regulations and obtaining access to finance affect not just an SME's ability to grow, but also the

## Chapter Summary

owner/manager's desire to grow.

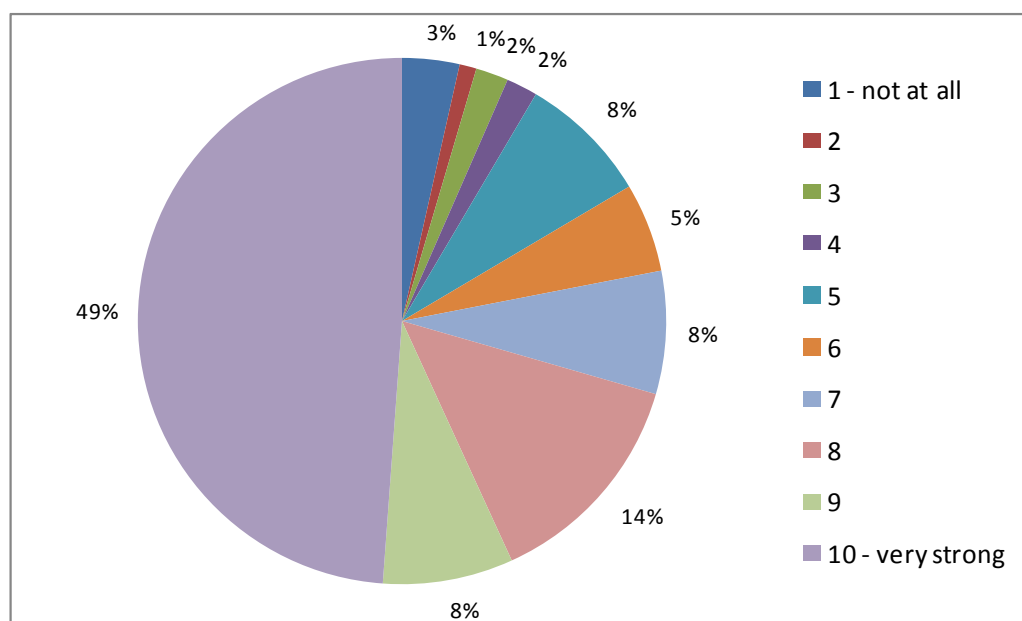
- Individuals with high business growth ambition are more likely to be open to new opportunities and are more likely to take calculated risks.
- The evidence suggests that increasing skills of owner/managers would lead to increased ambition, with 39 percent of owner/managers stating that they would have a higher ambition for business growth if they had additional, specific skills. Amongst that group, the most commonly cited additional skills which would increase growth ambition are marketing or sales skills (18 percent), financial skills (16 percent), industry specific skills (16 percent) and management skills (12 percent).
- The findings from this study are consistent with other research which shows that management skills are important to the success of an organisation. Many owner/managers attribute recent business growth to improvements in organisational efficiency as a result of new management processes which raise the ambition levels of the entire management team and workforce.
- Ambition is one of a range of factors that underpin growth. The relationship between ambition and other influences is often complex and subtle. Because of this it is possible that ambition is more influential than some of the data suggests.

This section seeks to understand what determines the strength of individual ambition and to quantify the strength of this ambition. Consideration is given to the strengths, determinants and causes of change in organisation ambition in the appendix of this report (see page 92).

## Strengths and change of individual ambition

This section presents key findings from the research related to the existence and strength of *individual* ambition.

A key initial question asked to all telephone survey respondents was to score their own level of ambition on a scale of 1-10. When asked to describe one's own level of ambition in this way, individuals are likely to consider themselves highly ambitious, as shown in Figure 1 below. This indicates that 49 percent of SME owner/managers rate themselves as ambitious as it is possible to be (10 out of 10). However, it is likely that, when this result is examined further, this ambition is rather more conditional or constrained – in terms of the scale of growth that is desired – than it appears at first. As almost half of respondents rated themselves as ambitious as is possible, it is clear that this question alone will not allow sufficiently detailed analysis of the level of ambition of individual owner/managers.

**Figure 1: Strength of individual ambition**

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S1/Q14a)

As a result of the limitations of using a self-assessment method of analysing ambition, the typologies outlined in the methodology section (see page 13 of the Introduction) were also used to measure the levels of ambition amongst SME owner/managers.

Using the more sophisticated measure of ambition, this nuanced assessment of ambition finds that a majority of SMEs (59 percent) fall into the moderate growth ambition category, suggesting that most firms would like to grow in an ideal world, but often have specific factors that make them hesitate from doing so. Also, more than one fifth of businesses (22 percent) have a substantive ambition to grow, which means that not only would they like to grow, but that they would like to seriously scale up the size of their business and are determined to do so. Finally, a similar percentage (19 percent) have low ambition to grow their business.

**Table 4: Strength of ambition**

Base 1250	Substantive ambition	Moderate growth ambition	Low ambition
100%	22%	59%	19%

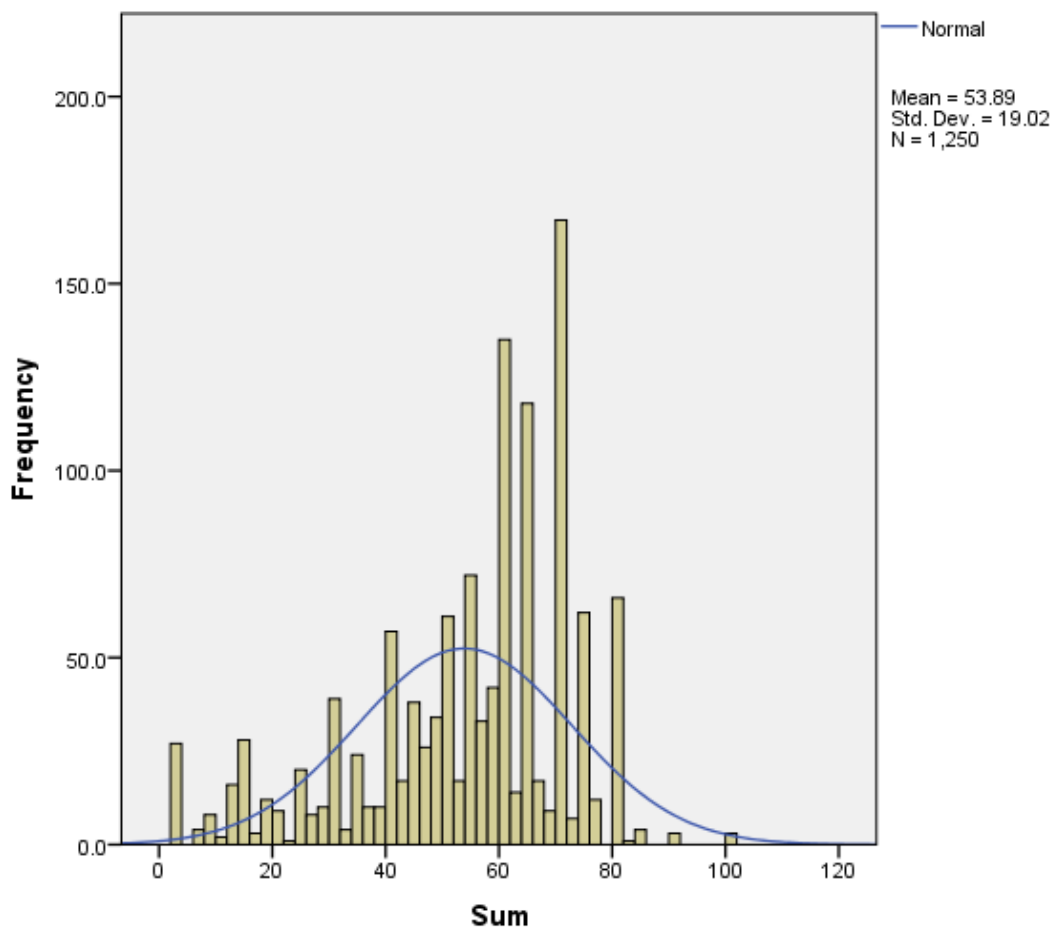
Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9/QT)

A complementary, equally sophisticated, measure of ambition was created to provide an index of ambition. This was created from owner/managers' answers to the telephone survey (see Table 2, page 18 for methodology of how it was constructed). The index is not 'normally distributed' and reinforces the point that there are a large number of firms with moderate ambition (see Figure 2 below). The mean score on the index of ambition is 54; respondents who scores a higher figure than this are more ambitious than average and similarly anyone whose index of ambition score is below 54 is less ambitious than average. The bars on the chart indicate the frequency with which a particular index of

ambition score is recorded (i.e. if 50 people have an index of ambition score of 40 then the bar will stretch vertically upwards until it is level with the 50 mark on the Y-axis).

Figure 2 shows that the mean score of 54 is exceeded by a large number of SMEs, but there is a longer tail of owner/managers with an extremely low level of ambition. The three most common index scores are all greater than the mean, suggesting that there is more variation in ambition levels amongst those owner/managers at the lower end of the spectrum. This is further emphasised by the fact that there are a lot more respondents who score between 0 and 20 on the index compared to 80 to 100. There is a strong concentration of respondents between 40 and 80 (either side of the mean) showing that many respondents do have growth ambition, but that this is limited and they are not as ambitious as they could be.

**Figure 2: Distribution of scores on index of ambition**



Source: TBR/Qa SME Growth Ambitions Survey 2012

## Change in strength of individual ambition

Three quarters (75 percent) of SMEs indicate that there has been no change in the level of ambition over the last three years. A larger proportion of SME owner/managers have increased their ambition over the last three years (14 percent) compared to those who have seen it decrease (11 percent).

The most commonly cited reason for increases in ambition over the past three years is the impact of the economic climate, with more than one in five (23 percent) owner/managers citing this (Table 5). This may be due to the necessity to increase activity during the recession in order to remain competitive in a more challenging environment.

Interestingly, the second most common reason given is to 'get back to where we were previously' (18 percent). This suggests that these businesses may have suffered during the economic downturn and again, find themselves having to grow in order to return to their original levels of business activity in a more competitive environment.

Some owner/managers state that they need to grow to survive (6 percent). This is different to purely needing to make more money (7 percent) as the survival of the business is dependent on the ambition of the owner/manager and making more money.

**Table 5: Reasons for increase in ambition in past three years**

Base: 176	Total
Reason	
Impact of the economic climate	23%
Looking to get back to where we were previously	18%
Made changes to the business structure	17%
Doing more business	7%
Because we need to make more money	7%
Need to grow to survive	6%
Other	6%
Generally in a better situation	5%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S2/Q14d)

The impact of the economic climate is also the most common reason for decreases in levels of growth ambition amongst owner/managers (50%, see Table 6). That this is the most common reason for both increases and decreases in ambition of owner/managers indicates that a single factor (impact of economic climate) can influence ambition positively and negatively.

Of those that have experienced a decline in ambition, 15 percent state that they have no desire or need to grow at the moment. This suggests that some businesses are comfortable at their current level of size. This may be due to owner/managers in a lifestyle business. Over one in ten (11 percent) of owner/managers that have experienced decreased ambition over the last three years stated that they were unable to grow. For some of these owner/managers, they have ambition to grow their businesses, but they have not been able to grow and cannot understand why. One potentially relevant policy

option would be to provide mentoring to help this group identify the reasons for not being able to realise the growth they are striving for.

Approximately one in ten owner/managers cite the impact of personal issues as a reason for decreased ambition to grow. This could include anything from the breakdown of relationships to ill health. This shows that to some extent, an individual's personal circumstances should be taken into account when understanding business growth ambition.

**Table 6: Reasons for decrease in ambition in past three years**

Base: 135	Total
Reason	100%
Impact of the economic climate	50%
No desire or need to grow at the moment	15%
Unable to grow	11%
Impact of personal issues	9%
Lack of potential customers	7%
Other	7%
Impact of increased costs	5%
Too much competition	4%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S2/Q14d)

### National variations in strength of individual ambition

An important part of this study is to provide comparisons at a national level where helpful. There are some small differences in the strength of individual ambition at the country level, where 50 percent of SME owner/managers in England rate 10, in Northern Ireland the proportion is 48%, in Scotland the proportion is 44 percent and in Wales 45 percent. Table 7 shows that there is some variation in the proportion of owner/managers who have substantive growth ambition across the four countries of the UK.

Owner/managers in England are the most likely to exhibit substantive ambition (23 percent), followed by Northern Ireland (19 percent), Scotland (18 percent) and then Wales (13 percent)<sup>8</sup>, which is also the country with the highest proportion of owner/managers (23 percent) who demonstrate low levels of growth ambition. Depth consultations found that businesses in Wales and Scotland are often reticent to trade beyond the boundaries of their country with other UK SMEs; English firms are more likely to trade across the UK than Scottish and Welsh firms and also are more likely to export.

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<sup>8</sup> Testing for homogeneity between nation and growth ambition, using the Pearson chi squared statistic, we found that the observed differences in growth ambition were not statistically significant i.e. there is no evidence that growth ambition differs significantly between nations.

Businesses in Northern Ireland report relatively high levels of exporting, although this is likely to be driven by trade with firms over the border in the Republic of Ireland and also some businesses may have interpreted trading with mainland UK firms as exporting. Northern Ireland and English SMEs score above the average on the index of ambition.

**Table 7: Strength of individual ambition by country**

Base: 1250	Sample split by country	Index of ambition score	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>UK</b>	<b>100%</b>	<b>54</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>	<b>100%</b>
England	80%	55	23%	58%	19%	100%
Wales	6%	52	13%	64%	23%	100%
Scotland	10%	52	18%	63%	18%	100%
Northern Ireland	4%	56	19%	62%	19%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q3, QT)

Analysis of the area in which owner/managers were domiciled until the age of 18 suggests that owner/managers domiciled outside of England are slightly less likely to be in the substantive ambition category. However, the scale of the variation isn't sufficient to suggest that there are fundamental differences in the 'psyches' of English, Welsh, Scottish and Northern Irish people and their approach to business; rather, the differences in levels of ambition between the countries is primarily as a result of other factors which affect the determinants of ambition such as the state of the economy and the risk/reward ratio from seeking to grow one's business. Thus if the economy was as strong in Scotland, Wales and Northern Ireland as it was in England one might expect the disparity in levels of ambition to reduce. Owner/managers domiciled in North East England were disproportionately likely to be in the substantive ambition category, but there are few other noticeable variations within England.

## Determinants of individual ambition

What determines organisational and individual ambition cannot be fully explained using a fixed number of variables. The factors which determine ambition are a limitless number of internal and external factors relating to the individual and organisation's past and current circumstances. However, the determinants of ambition for seeking to grow a business include the following factors, which will affect the owner/manager's perceived risk/reward ratio for following a particular course of action:

- Security<sup>9</sup> – the more established a business in terms of age, size, market share, and customers the less likely it is perceived that the business will fail.
- Satisfaction – making a difference, enjoying working for themselves and being in control of their own destiny.
- Success – primarily financial but also personal pride/sense of achievement.

<sup>9</sup> A sub-set of security is comfort – i.e. a business which is more comfortable to run (for instance because it has cover in key areas) and might thus be a bit bigger in terms of employment even if without increase in turnover or profit.

- Economic factors such as current business circumstances, the economic climate and access to finance. In terms of individual growth ambition, the most common reason for increased ambition **and** decreased ambition is the impact of the economic climate. This indicates that the recession has had a dual effect on growth ambitions and influencing ambition is a sensitive issue as the same intervention or event may impact different SMEs in opposing ways.
- Owner/managers' personal circumstances including the owner/manager's stage in life, financial incentives, role models, upbringing and family circumstances and view of broader social norms which will influence their view of satisfaction and success.
- The perceived ease of doing business including consideration of national and local government policies and structures, for instance regulations, funding and business support.

Often, there is a mix of these motives, with many owner/managers discussing business motivations relating to all of the above.

An owner/managers' desire to gain a sense of achievement from their business appears to be a strong determinant of their growth ambition as illustrated by Table 8, which shows owner/managers' average growth ambition index scores against the importance at which they rate the sense of achievement in terms of influencing ambition for business growth. It can be seen that the higher the importance that is given to the sense of achievement / self accomplishment, the higher the growth ambition score.

**Table 8: Importance of the sense of achievement / self accomplishment**

Impact	1 not at all important	2	3	4	5 very important
Index of Ambition	34	42	46	53	58

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W8/S2/Q21)

The remainder of this section explores other determinants of individual owner/managers ambition including the individual's background and current circumstances, their willingness to seek out opportunity and their attitude towards risk.

### Personal background and current circumstances

The case studies demonstrate that an owner/manager's background, past experiences and current circumstances heavily influence their levels of ambition for business growth. This can stem from the way in which an owner/manager first becomes involved in a business. For example:

- Inheriting, founding or buying the business
- Being recruited from another organisation
- Being promoted from within the business



**Past employment:** For those that founded the business, many owner/managers will have been employed in their sector previously and their ambition may be influenced by their previous employment. A number of business owners set up in partnership with someone else. These partnerships do not always work and one of the partners often continues the business alone. This can result in owner/managers having the ambition to initiate changes to the business that they were unable to instigate during the earlier partnership arrangements.

**Role models:** A large proportion of business owners (either consciously or unconsciously) have a role model who they have learnt from in terms of the basics of how to run a business. This role model can include a previous employer, business advisor, close friend or family member. The role model can influence the owner/manager's ambition. If the role model is an ambitious individual, it is likely that that this ambition may be imparted. However, if the role model is lacking in ambition, then this may also be passed on. For example, one interviewee chose to follow the same business model as their spouse, as their business was operating so successfully.

**Family background:** Owner/managers whose parents ran a business could be considered to be at an advantage as they are more likely to have witnessed risk-taking in the context of business life from an early age. Some owner/managers esteem their business-owning parents as role models and business mentors.

**Business skills:** Entering self-employment at an early age can help to develop business skills and business acumen and enable an individual to grasp the basic skills to run a business. A number of owner/managers feel training in basic business skills at an earlier stage in their businesses' development would have been useful. A lack of knowledge about entrepreneurship is often cited as a missing link in the education system for young people and that these skills are essential for a thriving entrepreneurial economy.

Management skills are important to the success of an organisation, with several of the case study SMEs attributing recent business growth to improvements in organisational efficiency as a result of new management processes which raise the ambition levels of the entire management team and workforce and which give them a personal, financial incentive to achieve growth. Increased skills of owner/managers could lead to increased ambition, with 39 percent of owner/managers stating that they would have a higher ambition for business growth if they had additional, specific skills. The most commonly cited additional skills which would increase growth ambition are:

- Marketing or sales skills (18 percent),
- Financial skills (16 percent),
- Industry specific skills (16 percent)
- Management skills (12 percent)

It is worth noting that owner/managers have a tendency to under-estimate deficiencies in management skills so in reality the proportion of SMEs suffering from a lack of management skills may be even higher.

**Educational attainment:** The level of educational achievement of SME owner/manager appears to have an impact on the performance of the organisation. SMEs run by the least well formally educated are most likely to be amongst non-growth firms. The percentage of firms that have seen turnover remain static in past three years is lower for owner/managers with Higher Education qualifications (25 percent) than it is for those with no qualifications (35 percent).

**Age:** The age of the business owner can have an impact on the growth ambition of the individual as noted in the subsequent chapter.

**Work, family and life balance:** Children and other dependants can have either a positive or negative influence on an owner/managers' ambition. Having children or dependents can compel business owner/managers to want to grow their business to provide a good quality of life for their family (holidays etc) and/or maximise the businesses' legacy for children. Alternatively, a family can result in an owner/managers' ambition decreasing, as they may not want to take as many risks and require a steady income 'to pay the mortgage'. Similarly, family/life balance is another reason why business owners might not pursue growth. For example, a higher proportion of owner/managers with low or moderate ambition state that they consider that 'business growth could upset their work / home life balance' than those with substantive ambition.

Table 9 shows that over half (61 percent) of owner/managers with substantive individual ambition have children, whilst less than half (49 percent) of owner/managers with low ambition do not have children. This suggests that having children may have a positive impact on ambition overall. A disproportionately small proportion of owner/managers with a spouse have modest ambition (53 percent compared to survey average of 58 percent), suggesting that having a partner/spouse is likely to contribute to one having substantive ambition or low ambition.

**Table 9: Relationship between dependents and ambition**

Base 1250	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
Partner/spouse	62%	53%	70%	58%
Children	61%	50%	49%	52%
Other family members	5%	4%	0%	4%
None	25%	30%	22%	28%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S3/Q44, QT)

## Perceived impact of growth

It could be suggested that an owner/manager's personal background and current circumstances can influence their perception of the impact of growth. Table 10 shows owner/managers' perceived impacts of SME growth against ambition typology. It can be seen that the more ambitious an owner/manager is, the more likely that it is that the owner/manager would feel that growth would result in:

- an increase in influence over business decisions
- an increase in personal income
- an increase in satisfaction with the balance between work and family/leisure time
- an increase in quality of the business' culture, atmosphere, relationship and social aspects.

At the same time, more ambitious owner/managers are more likely to perceive that significant growth would lead to the likelihood of the SME being prone to crisis decreasing. This suggests that more ambitious owner/managers (in terms of typology) have a more positive view of the impacts of growth than those with low ambition.

Conversely SME business owner /mangers with low ambition are more likely than others to think that growth would have negative impacts on their work/life balance, the potential for crisis within their SME, and the quality of the businesses' culture and internal relationships.

**Table 10: Perceived impact should the SME grow significantly in size**

Base: 1250		All SMEs	Substantive ambition	Modest growth ambition	Low ambition
Influence over business decisions would...	Decrease	9%	11%	9%	8%
	Increase	32%	40%	31%	24%
Personal income would...	Decrease	2%	3%	1%	2%
	Increase	71%	76%	72%	62%
Satisfaction with balance between work and family/leisure time would...	Decrease	21%	14%	21%	32%
	Increase	35%	46%	36%	20%
Likelihood of the firm being more prone to crises would....	Decrease	22%	26%	22%	18%
	Increase	37%	34%	36%	44%
Quality of business' culture, atmosphere, relationship & social aspects would...	Decrease	10%	4%	10%	20%
	Increase	37%	58%	37%	14%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9/Q18)

The desire to earn a higher income is clearly an important determinant of ambition. One third of owner/managers (33 percent) believe their salary would increase significantly were their business to grow, and a further 38 percent believe that there would be a slight increase in their salary if they achieve growth. Whilst 71 percent of owner/managers state that they believe that their personal income would increase if their businesses grew

significantly in size, 79 percent of those in the £0-19,999 salary band feel that the impact would result in increase income. This shows that a higher proportion of owner/managers on lower salaries believe that growing their business would increase their personal income.

The fact that most businesses have moderate growth ambition (59 percent) and only a small percentage (19 percent) have low growth ambition reflects findings of the existing literature. This concludes that before attempting to realise growth within their organisation owner/ managers perform a crude form of a cost/benefit analysis of the benefits to themselves including considering the potential for increased income as well as drawbacks, such as the likelihood of working additional hours. They will also consider factors such as the return on their investment and the overall risk/reward ratio of taking such a step. The characteristics of the individual owner/manager (e.g. their familial status, their gender, their income, their age etc) will impact on their level of ambition, as discussed in the subsequent chapter.

### Willingness to seek out opportunity

Personality variables of entrepreneurial owner/managers, in particular a need for achievement, generalised self-efficacy, innovativeness, stress tolerance, need for autonomy and proactive personality, have been demonstrated to have a significant impact on their growth and success<sup>10</sup>. Achievement motivation encourages entrepreneurs to take advantage of business finance options and distinguishes between successful and unsuccessful entrepreneurs<sup>11</sup>. It distinguishes between those who are driven by the “need to achieve” and those who are motivated by the “need to avoid failure.” Successful entrepreneurs are not necessarily following a pre-determined path to reach an end point, but will respond opportunistically to new opportunities, even when this means moving away from their original plans. Successful entrepreneurs are often open to new opportunities rather than having the pre-determined specific growth plans that a business plan approach would suggest.

People who enjoy what they do are also considered to be more likely to show ambition and the desire to make a success of the business. They may live for the job, as opposed to doing the job to live.

Over half (57 percent) of owner/managers would be willing to grow their organisation to a size beyond that which provided them with a reasonable living. As one might expect, those that state this have a higher index of ambition (64) than those that do not (41). The fact that these people would want to grow their business beyond the point that provides a

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<sup>10</sup> Rauch, A. and Frese, M. (2007) Let's put the person back into entrepreneurship research: A meta-analysis on the relationship between business owners' personality traits, business creation, and success. *European Journal of Work and Organizational Psychology*, 16 (4), 353 – 385.

<sup>11</sup> Collins, C.J., Hanges, P. and Locke, E.A. (2004) The relationship of achievement motivation to entrepreneurial behavior: A meta-analysis. *Human Performance*, 17(1) 95-117.

reasonable living suggests that they would do this for the enjoyment of growing their business and not just the financial rewards that may or may not come with this.

The level at which an owner/manager believes that growth will cause the quality of their business ethos to improve / decline has a direct link to that owner/manager's level of ambition. Table 11 below shows average ambition index scores against a scale of the impact which owner/managers believe that significant growth would have on the quality of their business' culture, atmosphere, relationship and social aspects. It can be seen that those that believe that the growth would significantly increase the quality of their business' culture, atmosphere, relationship and social aspects have a much higher growth ambition index score (61) than those that believe it would significantly decrease the quality (36).

**Table 11: Impact upon the quality of the business' culture, atmosphere, relationship and social aspects if the business grew significantly in size**

Impact	Decrease significantly	Decrease slightly	Remain the same	Increase slightly	Increase significantly
Index of Ambition	36	47	53	58	61

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W8/S2/Q18)

### Attitude towards risk

Risk is part of growing a business and owner/managers' attitudes to risk have a considerable influence on their levels of ambition. The threat of competition also means that there is a risk in not trying to grow a business. The proportion of those willing to take risks to grow a business increases with age, peaking for those in the 35-44 age band. The proportion of those willing to take these risks then gradually declines.

Table 12 shows that owner/managers with substantive individual ambition are much more willing to take risks (82 percent) than those with low individual ambition (49 percent).

**Table 12: Relationship between willingness to take risks and ambition**

Base:1250	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
Willingness to take risks	100%	100%	100%	100%
Strongly agree	48%	35%	13%	34%
Slightly agree	34%	37%	36%	36%
Neutral (Neither agree nor disagree)	7%	15%	22%	15%
Strongly disagree	4%	5%	9%	6%
Slightly disagree	7%	8%	9%	8%
Net - Disagree	11%	13%	18%	13%
Net - Agree	82%	72%	49%	70%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S3/Q23a, QT)

Some people with real confidence and ambition to grow a business idea will be less concerned about taking risks. However, the majority of owner/managers are not reckless and only take sensible, well thought through calculated decisions, taking into account the

implications of any negative impacts. Most interviewees believed that whilst risks have to be taken and they would often need to extend themselves, this shouldn't be to excess and any steps that can be taken to mitigate the risk should be implemented.

Often, the most substantial risks are taken when setting up the business. The owner/manager's experience of that risk will have an influence on their future attitudes to risk. Bad experiences can negatively influence an individual's ambition to grow their business. The owner/managers who have had a bad experience are more reticent to take risks again in the future. For example, SMEs that have had a supplier or customer default on a payment or contract may be less inclined to take on a project if there are not sufficient cashflow guarantees in place. People who have "come close to losing it all" or who have been declared bankrupt are more hesitant to take risks.

One way to understand the extent to which SMEs are willing to take risks is to examine the extent to which individuals would be willing to invest their own money in their business. More than half (59 percent) of owner/managers would be willing to invest their own money in the business, whilst just under a quarter would not (24%, Table 13). Owner/managers with substantive individual ambition are much more likely to be willing to invest their own money in their business (76 percent) when compared to owner/managers with low individual ambition (36 percent). One of the principles of effectuation is 'do not put at risk on a venture more than you can afford to lose'; this principle may be helpful here in explaining SME owner/managers' attitudes to risk.

**Table 13: Willingness to invest and ambition**

Base: 1250	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Willing to invest own money</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Strongly agree</b>	58%	36%	18%	<b>38%</b>
<b>Slightly agree</b>	17%	23%	18%	<b>21%</b>
<b>Strongly disagree</b>	8%	15%	23%	<b>15%</b>
<b>Slightly disagree</b>	5%	9%	11%	<b>9%</b>
<b>Neutral (Neither agree nor disagree)</b>	10%	11%	14%	<b>11%</b>
<b>N/A / Don't know</b>	1%	5%	16%	<b>7%</b>
<b>Net - Disagree</b>	14%	24%	34%	<b>24%</b>
<b>Net - Agree</b>	76%	60%	36%	<b>59%</b>

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S3/Q23h, QT)

As those who are willing to take risks and invest their own money are more likely to have substantive ambition, it could be suggested that these owner/managers may be particularly appropriate to support, to help them to realise this ambition as they will have a strong incentive to realise growth.

## External determinants of ambition

The telephone survey covered various determinants of ambition, some of which have been mentioned above. This section summarises key drivers and how they influence ambition.

This may not be new information per se and the findings are consistent with other recent studies. However, these factors can have a significant impact on owner/managers as they do not just affect an SME's ability to grow, they can also serve to *suppress* the ambition of the owner/manager to grow.

### Current business circumstances

Most owner/managers provide views on growth of their business on the basis of rational business analysis. Evidence collated through the case studies suggests that whilst the majority of businesses express an ambition to grow, a number state that they are content not to grow and provided rational explanations based on their current business circumstances. Examples include:

- **Profit margins:** Some owner/managers perceive that for them to increase their turnover they would have to take on work which would provide them with no additional profit, because the additional work would be at a lower margin.
- **Geographical constraints:** Many owner/managers have identified opportunities for growth and rejected them. Often there is a good business reason to not want to grow including not wanting to work outside of their geographical comfort zone. For example, a construction business may have sub-contractor networks that are unwilling to travel large distances. Every business is influenced by a variety of factors; factors that stimulate growth for some SMEs may restrict growth for others.
- **Loss of USP:** Some owner/managers do not want to diversify into brand new markets and fundamentally change the size of the SME and risk losing their unique selling point.
- **Lifestyle businesses:** Some owner/managers set their SME up as a lifestyle business. They are happy doing what they do and are not concerned about hiring other people and growing.
- **Product/Life cycle:** One reason that business owners might appear to lack ambition is that the firm is at the end of its 'natural life'. This might be because of product life cycle issues or because the owner/managers as individuals are nearing retirement.

### Economic climate

The most commonly cited reason for both personal and organisational decreases in ambition over the last three years is the economic climate. The economic climate was also the most commonly cited reason for personal increases in ambition over the last three years.



The impact of the economic climate can include demand conditions (contracting markets) and supply side conditions (access to finance, cost pressures). At present, some owner/managers feel that their attention needs to be attuned to the difficult economic circumstances, rather than expending energy and resources towards growth. In addition, two other main contributing factors producing a lack of growth ambition are that many owner/managers currently express a 'survivalist' mentality or are satisfied with the status quo of the business. At present, these owner/managers are concerned with making sure that their SMEs survive over the short-term or continue business at the same level, rather than pursuing a strategy that would help the organisation grow. A lot of owner/managers don't make this distinction because, for them, it's the same activity but the outcome it leads to (shrink, stay the same or grow) they feel is largely beyond their control. Overall, the economic downturn has had a negative impact on growth ambition, with owner/managers stating that:

- The current economic climate is a barrier to growth (38 percent)
- Better economic conditions would increase their personal desire to grow their business (27 percent).
- The economic climate was a main reason for decreasing their individual desire for business growth (50 percent).

The recession has caused many SMEs to downsize either to eradicate cost altogether or to increase productivity to be competitive. However, the economic climate has also been a contributing factor towards producing an increase in growth ambition, with 23 percent of owner/managers expressing that the economic climate was a reason for an increased ambition for business growth over the last three years. An explanation could be that increased ambition can be driven by the need to work harder to survive (i.e. businesses feel like they need to 'run faster to stay still') and in some cases businesses may need to grow to survive.

Therefore, the economic downturn has had two very different impacts on owner/managers in terms of growth ambition. For some owner/managers, the economic downturn has resulted in a greater drive and ambition for business growth. However, for others it has had a negative impact, causing growth ambitions to decrease. This finding could be explained by the way in which individuals perceive the need to work harder during difficult economic times. It really depends on how owner/managers view 'running hard to stay still'; some would consider this as ambition, whilst others just see it as a necessary activity in order to remain the same size.

Economic volatility influences business planning. Owner/managers consider it is pointless to look too far ahead because there are so many variables which can influence business performance. Most businesses struggle to look 5-10 years ahead and some beyond the next 12 months. Market events can create ambition when a firm suddenly realises it has the opportunity to expand and capitalise on an emerging market for a product. Some interviewees stated that they had to 'bin' business plans made before the recession as they became unrealistic as the effects of the recession began to be felt.



## Access to finance

Access to finance is a significant factor affecting growth ambitions of owner/managers of SMEs. Lack of access to finance is regarded as a main barrier to growth by many SMEs, making it difficult for owner/managers to take the necessary steps to achieve growth in their organisation over the next three years. One of the questions in the survey was “Are there any specific barriers that make it difficult for you to take necessary steps to achieve growth in your organisation in the next three years?” More than two in five (42 percent) of substantive ambition firms say lack of access to finance makes growth harder to achieve; the corresponding figure for firms with low ambition is only 8 percent. Roughly one third of SMEs with substantive ambition (33 percent) believe that increasing the ease of access to finance is the single, most important factor which would make it easier for them to achieve their growth ambitions.

There is widespread frustration amongst owner/managers with banks, especially publicly-owned banks. The impact of the financial crisis is that banks want more guarantees and this is not helpful for businesses that want to take risks. This restricts opportunity to unlock growth ambition for some. Case study interviewees appreciate the Government might not be able to lend to them directly but would like them to ensure that the banks are “doing what they are supposed to”. Frustration was evident among case study interviewees with a scaleable business, many of whom claimed that they could deliver growth within their business with easier access to capital.

Owner/managers at the lower end of supply chains who struggle with cashflow issues would like to see more support from Government in ensuring that large contracts are awarded with strict payment conditions for suppliers.

Easier access to bank loans/finance in the future may increase individuals' ability to grow their business. A high proportion (24 percent) of those with substantive ambition state that easier access to bank loans and finance would help increase their desire to grow (and in general 25 percent of SMEs state that a lack of access to finance is a significant barrier to achieving their growth ambitions). Improving access to finance also involves improving the understanding of owner/managers in how to raise capital; lack of knowledge can be a barrier for SMEs.

The key point to note here and an addition to the current literature and understanding on this topic is that difficulty in accessing finance doesn't simply restrict an SME's **ability** to grow, it also suppresses their **desire** to grow as the perceived difficulties of the process of obtaining finance diminishes the owner/manager's “stomach” for the process of obtaining a loan.

## Access to business support

Just under one half of SMEs (46 percent) have received informal business advice. This compares with just over one third (34 percent) receiving business advice from a private sector provider and just under one quarter (23 percent) receiving business support from a public sector organisation in the last three years. It is interesting to note that firms with substantive ambition are more likely to have accessed business support from all of these three sources than businesses with moderate or low ambition (41 percent, 30 percent and 49 percent respectively). This suggests that SMEs with greater ambition are more likely to seek and are more likely to be receptive to business advice of any kind.

The evidence also indicates that;

- Of those that have accessed private sector support, around one third (32 percent) stated that the support made no difference to their *desire* to grow the business, whilst one in five (19 percent) indicated that it had made a significant difference to their desire.
- Of those that have accessed public sector business support, over half (54 percent) state that the support that they received made no difference to their *desire* to grow, whilst a quarter (25 percent) state that the support has made a significant difference in affecting their desire to grow.

These results are interesting but also a little confusing. It appears that public sector advice is more likely than private sector advice to make no difference to desire to grow and also that it is more likely to make a significant difference.

However, it should be noted that very little business support (public, private or informal) is designed with the purpose of increasing growth ambition (or delivered with that purpose in mind) and therefore would not be expected to have this impact in the majority of cases. Therefore, the quarter that experienced an increase in the desire for growth may be perceived to be very positive. Positive impacts on desire appear to be achieved indirectly, through the tackling of a real and specific growth challenge that a business is facing, or through the removal of perceived growth barriers.

Perhaps the key conclusion here is that advice, if appropriately targeted, of great relevance to the business or the particular issue being faced, can influence desire and ambition. This is a positive and motivating outcome for those seeking to influence economic performance (which of course includes stakeholders in the private as well as public sectors).

**Table 14: Public sector business advice**

	Received formal public sector business advice	Made a difference	Made no difference
Plan to grow	85%	23%	53%
Don't plan to grow	15%	33%	44%
Intend to grow	88%	25%	52%
Don't intend to grow	12%	26%	66%
Substantive	28%	16%	63%
Moderate	55%	31%	46%
Low	17%	21%	62%
Increased turnover	41%	22%	59%
Decreased turnover	26%	21%	58%
<b>Total</b>		25%	54%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9/Q21c)

Table 14 above shows the proportion of owner/managers that received public sector business advice split by growth plans, ambition typology and actual growth in terms of turnover. It can be seen that the group (in terms of ambition typology) which are most likely to receive public sector business advice are those with moderate ambition. This is also the group that are most likely to feel that the advice increased their desire to grow the business.

A higher proportion of owner/managers have accessed private sector business support (35 percent) compared to public sector support. Private sector support was also received more positively in terms of increasing growth ambition, with over a third (34 percent) stating that it made a difference to their desire to grow and only 32 percent stating that it made no difference to their desire to grow.

Almost one in two (46 percent) of owner/managers state that they have received business advice and support from a friend or colleague. This is significantly higher than the proportion that has accessed either private or public sector business support. This demonstrates the importance and value of networking and informal business support amongst SMEs. One way in which this value could be increased is to facilitate peer-to-peer mentoring as a cost effective means of providing coaching/advice/mentoring amongst SMEs. However, it is understood that this would need to vary by sector as some sectors appear to be more willing to share knowledge with owner/managers working in similar organisations than others (for example, companies in the digital sector are renowned for having a strong collaborative approach when compared to more traditional industries).

As can be seen above, a high proportion of owner/managers access business support from the public sector, private sector or informally. However, some owner/managers stated in case study interviews that it can be difficult for SMEs to access business support as it feels “tailored to big businesses” and not tailored towards an entrepreneurial society. For example, larger firms will have access to specialist legal and HR staff and departments but small firms need to either deal with legal and HR issues themselves or outsource these issues to external agencies. If the external advice and support is not available or is too costly, this can be a challenge to SMEs.

Some owner/managers complain that business support can be difficult to find and should be tailored to their location, age (of SME), sector and business size. Information asymmetries can influence a businesses’ ambition for growth, with some SMEs reporting a lack of clear signposting for advice, especially in relation to funding availability, business advice and information on new legislation following government restructuring. Case study interviewees would value support in helping them to export by extending export credit guarantees and firms at the lower end of supply chains who struggle with cashflow issues would like to see more support from Government in ensuring that large contracts are awarded with strict payment conditions for suppliers.

## Government policy

National and local government policy can have a significant impact on the growth ambition of owner/managers. For example, if businesses feel overwhelmed by the amount of legislation they need to comply with, their motivation to grow is diminished as the necessary effort may not be deemed worthy of the estimated returns. It is not always the end result of a firm’s attempt to navigate policy, but their experience of the process, which can be sufficient to prevent them from wanting to go through the same process again to

make future growth possible. For example, they may gain planning permission for a new site but if the application was fraught with delays and threats to the project this may put them off seeking to expand again.

Owner/managers feel that legislation and regulation are constructed without regard to the burden on smaller businesses and a significant proportion of businesses with substantial ambition (12 percent) state that removal of unhelpful regulations would increase their personal desire to grow their business. Case study interviewees cited examples of directives which are often hundreds of pages long and areas of compliance which are hugely difficult for SMEs to comprehend confidently.

A series of small frustrations can convince businesses that growth is not a worthy or desirable aspiration. Owner/managers state that they are particularly concerned about a lack of clarity over complex regulations and difficulty in getting definitive advice. Whilst accepting that regulations are necessary, the way in which regulations are enforced can inhibit business growth. For example, local authority communications relating to signage, planning permission and licenses can seem excessive to SMEs. Owner/managers feel that current legislation has been constructed to focus on large businesses. There is a need to ensure policies are appropriate for an entrepreneurial economy.

## Employment

The results of the case studies indicated that for many SMEs, especially when they are very small, one of the perceived largest risks is taking on an employee. In fact, many employers cite hiring their first employee as the most substantial risk that they have taken. This is due to the considerable learning curve for those unfamiliar with managing staff, the PAYE system and basic employment law.

This issue was important for those wanting to grow their businesses. When asked what would increase their personal desire to grow their business, a larger proportion of owner/managers with substantive ambition (compared to those owners/managers with moderate or low ambition) cite receiving advice on issues including;

- Recruiting skilled workers,
- Exporting,
- Employment matters.

Employment is a particular concern for small businesses for a number of reasons, including:

- A lack of experience in working with the PAYE system.
- Difficulty dismissing poor employees due to legal implications if this is not done correctly.
- The commitment and responsibility that comes with taking on an employee in terms of maternity/paternity pay and sick pay, which can be restrictive for small

organisations that not only have to pay these costs but may also have to pay for a temporary worker to cover the absent employee's place.

- The fear of employment tribunals brought about through unintentional ignorance of complex regulations.

It is often cited that the assumption is that employees need to be protected from 'big businesses' through legislation. However, whilst large businesses are likely to have a team of employees working in human resources, SMEs struggle to understand and adhere to this complex legislation. Many SMEs believe that the mindset of Government should not assume big business is the 'norm', as the vast majority of firms are SMEs. Small businesses are different to big businesses and need to be treated differently.

When asked what factors outside of their control have made a significant contribution to the performance of their business in the past three years, several owner/managers with substantive ambition cite issues with legislation and regulations.

Owner/managers interviewed in this study believe the needs of SMEs should be better reflected in public procurement processes. Many stated that they had to take on additional staff just to focus on writing and winning bids, which is a considerable overhead for small firms especially given the amount of time taken to complete extensive paperwork. Similarly, health and safety requirements are not designed for small firms. There is a cumulative impact on ambition from these small regulations.

There is potentially a requirement for different employment rules or assistance for SMEs. Case study interviewees felt that many recent laws have been introduced with big businesses in mind and the need to protect the employee. They expressed the view that in order for a more entrepreneurial economy to develop, changes to current employment legislation / employment advice may be required.

### Why do owner/managers lack growth ambition?

This section looks at why some owner/managers lack growth ambition. Just fewer than 1 in 5 owner/managers have low ambition for business growth (19 percent) and a third (33 percent) state that the current size of their business is the ideal size. There are many reasons provided for not wanting to grow a business. However, the most commonly cited reasons include:

- The current economic climate (33 percent of those with low ambition)
- Satisfied with the status quo (26 percent)
- Planning to wind down the business, poor health or retirement (23 percent)
- Too focused on survival in the short-term (14 percent)

It can be seen that the above answers relate mainly to either personal preferences/decisions or the economic climate and survival in the short term. This does not suggest that there are any particular information failures driving a lack of growth ambition.

Only 6 percent of respondents do not believe that they have the ability to grow, although this is higher for those with no employees or a turnover of less than £99,000 (10 percent and 11 percent respectively). However, as noted above, 39 percent of owner/managers feel that they would have a higher ambition for business growth if they had additional skills. The most commonly cited additional skills which would increase growth ambition are marketing or sales skills, financial skills, industry specific skills, and management skills.

Ambition of one individual owner/manager in a large SME will not necessarily make much difference upon the growth performance of the organisation if the rest of the management team in the organisation lack any motivation and/or incentive for growth. A number of case study interviewees attributed recent growth to the fact they had a highly motivated workforce (particularly amongst those with some form of managerial responsibility) with individual ambitions to progress and who benefited individually from the growth and success of the company. Thus it appears that organisational architecture and being able to “manage the managers” is an important part of translating the ambition of the owner/manager into growth for larger SMEs.

A large proportion of owner/managers (44 percent) would not want to grow their business beyond a size that would provide them with a reasonable living. The most common reason given for is that the owner/manager is ‘happy at this level’. It is suggested that this is perhaps a level at which the owner/managers feel their comfort zone would be exceeded if considerable growth was achieved.

A higher proportion of businesses with no employees (52 percent), or a turnover of less than £67,000 (49 percent) state they would not want to grow beyond the size that would provide them with a reasonable living. For those with no employees, a common reason for not wanting to grow beyond this size is the preference to be directly involved and in control of the business (37 percent). This was also a finding of the depth consultations, with some owner/managers stating that by taking on employees, they would have to take on a different role of manager and employer as opposed to managing their own workload and being directly involved in what they do, which is what they enjoy.

To reinforce this finding, when asked what the perfect size of the business is in terms of employment, just over half (52 percent) of business with no employees stated that the current size of their business was the ideal size. This suggests that half of businesses with no employees do not want to grow.

## National variations

Table 15 shows country differences in terms of future plans and past experience. The first part of the table shows future plans whilst the second part shows past experiences. It can be seen that Northern Ireland has the highest proportion of SMEs with the intention to grow whilst England had the highest proportion of firms with specific plans to grow. There is a significant difference in Northern Ireland between those that intend to grow (86 percent) and those with specific plans to grow (64 percent). This suggests that there is an opportunity for intervention to support the high proportion of SMEs in Northern Ireland which have the ambition to grow but have not made specific plans to enable them to develop growth strategies and realise their ambitions.



It can be seen that England and Northern Ireland have the highest proportion of firms which have taken steps to grow. It is these nations that have also have the highest proportion of SMEs that have experienced increases in turnover and employment. This shows that firms that have taken steps to grow are more likely to experience growth in terms of both turnover and employment.

It can also be seen that there are variations in terms of growth performance between countries but that these variations are small and a larger survey sample would be required to make definitive conclusions about growth performance at a country level.

**Table 15: Country variations by future plans and past three years' experience**

Base 1250	England	Northern Ireland	Scotland	Wales	Total
	80%	4%	10%	6%	
Intend to grow	81%	86%	71%	74%	80%
Specific plans to grow	72%	64%	62%	68%	70%
Taken steps to grow	83%	83%	80%	73%	82%
Increased turnover	36%	33%	31%	29%	35%
Decreased turnover	32%	41%	34%	34%	33%
Increased employment	20%	19%	17%	15%	19%
Decreased employment	28%	25%	20%	30%	27%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9/Q21c)

SMEs in England and Northern Ireland have more ambition when ambition is expressed as a desire for the ideal size of the business in the long term to be larger. 65 percent of SMEs in both England and Northern Ireland expressed the desire for the ideal size of the business to be larger compared to only 58 percent in Wales and 52 percent in Scotland. This would suggest that in the long term, SMEs in England and Northern Ireland have more ambition to grow the size of their business than those SMEs in Wales and Scotland. Ambition to grow is however widespread across the UK. Any apparent differences between countries are likely to be driven by local business conditions rather than any inherent differences in owner/managers' inherent ambition levels. This again supports the hypothesis that business conditions do play a role in shaping the ambition of individual owner/managers and that by making it as easy as possible for owner/managers to do business it may be possible to increase ambition in specific countries and across the UK.

**Presence of growth ambition:** As noted previously, Table 7 illustrates that English owner/managers have the highest levels of substantive growth ambition and Welsh managers have the lowest levels of substantiate growth ambition (23 percent and 13 percent respectively). Northern Ireland and Scotland were 2nd and 3rd (19 percent and 18 percent respectively). Other indicators also demonstrate that English owner/managers have higher levels of growth ambition (although some differences between countries are small):

- English owner/managers were the most confident they could grow their organisation (84%, compared with 83 percent in Northern Ireland, 82 percent in Scotland and 76 percent in Wales)

- English owner/managers, were the most likely to strongly express as an individual a desire for business growth now than other countries (50%, compared with 48 percent in Northern Ireland, 45 percent in Wales, and 44 percent in Scotland)
- English owner/managers were the most likely to state the ideal size of their organisation, in terms of turnover, would be significantly larger than its current size (56%, compared with 52 percent in Northern Ireland, 47 percent in Scotland and 42 percent in Wales)

Interestingly, English owner/managers perceived they would gain more individually for attaining business growth than owner/managers in other countries:

- 19 percent believed that their influence over business decisions would increase significantly if they achieved significant business growth (17 percent in Northern Ireland, 14 percent in Wales and 8 percent in Scotland)
- 35 percent perceived their personal incomes would increase significantly if their business grows significantly (28 percent in Scotland, 26 percent in Northern Ireland, and 23 percent in Wales)
- 38 percent thought they would experience an increase in the satisfaction of their balance between work and family/leisure time (33 percent in Scotland, 25 percent in Northern Ireland and 18 percent in Wales)

As previously mentioned, Welsh owner/managers have the lowest levels of substantive growth ambition. They were also the only country where under half of the owner/managers stated that the ideal size of their organisation, in terms of turnover, would be significantly larger (42 percent). There are certain reasons that can account for Welsh owner/managers having lower substantial growth ambition than the rest of the countries:

- The sample included a higher proportion of female owner/managers in Wales (36 percent compared with 25 percent UK average). As noted subsequently in the report, females are less likely to have substantive growth ambition than males (15 percent and 24 percent respectively) supporting the findings of the existing literature (see the literature review in appendix).
- Owner/managers in Wales were the least confident that, if they wanted to, they could grow their organisation (76%, compared with 84 percent in England, 83 percent in Northern Ireland, and 82 percent in Scotland), suggesting that lower levels of confidence might mean lower levels of growth ambition.

Scotland had the highest proportion of owner/managers that were satisfied, in terms of employment, with their current size (44 percent vs. 33 percent UK average). Having a large proportion of owner/managers satisfied with the present business size could serve as a barrier to business growth. If owner/managers are satisfied with current size of their business they could be less likely to desire and attain business growth, in terms of employment, even if they have the personal confidence they could achieved business growth.



Overall, owners/managers in Northern Ireland displayed high levels of growth ambition. They were confident that they could grow their organisation (83 percent) and were the most likely to be express that the ideal size of their organisation, in terms of employment and turnover, would be larger (65 percent and 87 percent respectively).

**Accessing business advice:** Owner/managers in England have proved much more likely to access business advice in the past three years from private, public and informal sources as shown in Table 16 below.

**Table 16: National variations in uptake of business advice**

Base 1250	Total	England	Northern Ireland	Scotland	Wales
Business advice from public sector	23%	24%	18%	16%	19%
Business advice from private sector	34%	37%	26%	26%	19%
Informal business advice	46%	47%	37%	42%	36%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

**Attitude to risk:** Overall, owner/managers in Northern Ireland and Scotland were slightly more concerned that significant business growth would increase the likelihood of their business being more prone to crisis: 42 percent in Northern Ireland and 39 percent in Scotland compared with 36 percent in both England and Wales. In addition, Welsh owner/managers were less likely to regard 'willingness to take risks' as an important factor in influencing their personal desire for business growth (38 percent vs. 47 percent UK average) and less likely to take risks when necessary in order to attempt to grow the business (59 percent vs. 70 percent UK average). However, the proportion of owner/managers who are willing to invest their own money into the SME is roughly constant across all countries.

**Work and family/leisure balance:** Owner/managers in Northern Ireland were most likely to sacrifice more of their personal (non work) time to achieve substantial business growth, with 57 percent agreeing they would and 31 percent strongly agreeing (51 percent and 28 percent UK average, respectively). Scotland was the only country where under half of the owner/managers (46 percent) would agree to sacrificing more of their personal (non work) time to achieve substantial business growth.

In summary, whilst there are some small differences in ambition levels by country they are not sufficient to merit the development of radically different policy options between countries. As outlined in the section 7 (page 85) the most effective ways of helping firms to realise their existing ambition or influencing the overall level of ambition do not vary significantly at an inter-country level within the UK. If one imagined a scenario where the economic conditions were level across all countries of the UK the differences in levels of ambition would probably be less pronounced.

## 5. Characteristics of ambition

### Chapter Summary

- In terms of size of business, owner/ managers of SMEs with 1-4 employees are most likely to have substantive ambition (25 percent compared to 22 percent of SME owner/managers overall). This drops to just 17 percent for SMEs with 5-9 employees.
- Owner/managers aged 25-34 are the age group most likely to have substantive growth ambition (28 percent). Just 15 percent of owner/managers aged 55-65 have substantive growth ambition.
- Owner/managers of younger businesses are also more likely to have substantive ambition (43 percent of owner/managers of businesses established between 3 and 5 years ago).
- A higher proportion of male owner/managers (24 percent) have substantive growth ambition compared to female owner/managers (15 percent).
- Those owner/managers who founded their business are significantly more likely to have substantive growth ambition than those who have inherited the business (26 percent and 4 percent respectively). This might be partly explained by the fact that many of the inherited businesses in the sample were over 25 years old and employed over 50 and it is often challenging to promote further growth within such businesses.
- Those owner/managers who are drawing a minimal, or zero, income from their business or are at the very top of the income spectrum are the most likely to have substantive growth ambitions (39 percent of those with an annual salary over £100,000 compared to just 15 percent of those earning £20,000-£34,999).
- In terms of turnover, owner/managers with the lowest index of ambition scores are those with a turnover of less than £67,000. This group of SMEs are also least likely to have taken any active steps over the past three years to grow the organisation. The most ambitious group are those with a turnover of between £67,000 and £99,000.

This section presents an overview of the characteristics of business owners with ambition. Information is largely drawn from responses to the telephone survey and is presented using the typologies described in the previous sections.

### Variations by gender

There are a number of demographic patterns that can be observed when examining ambition levels of business owners. As can be seen from Table 17, male owner/managers

are more likely to have substantive growth ambition than females owner/managers (24 percent compared to 15 percent).

This supports the findings of the existing literature including global GEM data which show that female entrepreneurs have lower expectations than males of increasing employment in their businesses.<sup>12</sup>

This may reflect something about the size and sector of businesses that females tend to own/manage. Also, previous research has shown that women judge success differently (research has suggested the existence of stronger “nurturing instinct” among women<sup>13</sup>), have other goals in life, and perceive the consequences of growth differently. For example, this study shows a higher proportion of male owner/managers (73 percent) would expect their personal income to increase if their business increased in size significantly compared to female owner/managers (65 percent).

When asked about motivations for growing their business, female owner/managers were more likely than males to cite reasons including job satisfaction or a sense of accomplishment whilst male owner/managers cited factors such as ‘needing to grow to survive’ than female owner/managers. These more tangible motivations help to explain why male owner/managers are more ambitious for growth as they are striving for growth out of necessity rather than personal aspiration.

**Table 17: Strength of individual ambition by gender**

Base: 1250	Percentage split by gender	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition
<b>Gender</b>	<b>100%</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>
<b>Male</b>	75%	24%	56%	20%
<b>Female</b>	25%	15%	70%	15%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q2, QT)

## Variations by sector

The sectors which contain the owner/managers with the highest level of growth ambition are Financial Services (34 percent), Business Services (29 percent) and Transport & Logistics (28 percent) as shown in Table 18. It is interesting to note that these sectors have been comparatively successful over the last decade, and given the feedback loops that exist between success/failure and ambition, this is almost certain to be a factor influencing the ambition levels of owner/managers in these sectors today.

Conversely, Primary Activities<sup>14</sup>, Construction and Hospitality are the sectors where the higher proportion of owner/managers with a low level of ambition (30 percent, 26 percent

<sup>12</sup> Kelley, D. J., Brush, C.G., Greene, P. G. and Litovsk, Y. (2011) *GEM 2010 Worldwide Women's Report*, p. 35. [www.gemconsortium.org](http://www.gemconsortium.org)

<sup>13</sup> Mahdavi I., 2001, Comparing Men's and Women's Definition of Success. *Journal of Behavioural Studies in Business*. National University, pp 1-8.

<sup>14</sup> Key activities within this sector are; Agriculture, Forestry and Fishing, Mining and Quarrying and Utilities

and 3 percent respectively). Only a small proportion of owner/managers in the Construction sector (12 percent) exhibit substantive growth ambition, which is unsurprising given the quiet nature of the market for construction projects in many parts of the UK. These inter-sectoral variations are largely because of the perceived differences in opportunities to grow a business in these sectors in the current economic climate. As the economic climate can have the effect of both increasing and decreasing growth ambition, it is difficult to assess how the levels of ambition across sectors has been influenced by the economic downturn.

**Table 18: Strength of individual ambition by sector**

Base: 1250	Percentage split by sector	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Sector</b>	<b>100%</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>	<b>100%</b>
Primary Activities	8%	19%	51%	30%	100%
Manufacturing	10%	22%	54%	23%	100%
Construction	14%	12%	62%	26%	100%
Wholesale & Retail	18%	17%	62%	21%	100%
Hospitality	10%	19%	78%	3%	100%
Transport & Logistics	7%	28%	49%	24%	100%
Financial Services	7%	34%	41%	25%	100%
Business Services	16%	29%	60%	11%	100%
Personal Services	9%	26%	63%	12%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q4, QT)

### Variations across size bands

An owner/manager's growth ambition can be influenced by the current size of the business. It can be seen in Table 19 below, that owner/managers of businesses with 1-4 employees are most likely to have a substantive ambition when compared to any other size band.

**Table 19: Ambition by business size band**

Base: 1250	Substantive ambition	Moderate growth ambition	Low ambition
<b>Average</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>
1-4	25%	56%	19%
5-9	17%	63%	19%
10-49	19%	64%	16%
50-99	23%	67%	10%
100-249	23%	64%	13%
Don't know	-	21%	79%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/WeightedData/Q6)

However, it is not the case that the bigger the business, the lower that owner/managers' ambition levels become. It can be seen that ambition drops away for business owners/managers in the 5-49 size band (where the proportion that display moderate ambition is higher) and recovers again with owners/managers employing between 50-99 and 100-249 being slightly more likely than average to have substantive ambition. This finding is corroborated when looking in terms of the index of ambition as those that score most highly are in the 100-249 size band (index score of 59, see Table 20).

**Table 20: Index by employment size band**

Base: 1250	0	1 - 4	5 - 9	10 - 49	50 - 99	100 - 249
<b>Ambition Index (Average)</b>	47	52	55	54	55	59

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W8/S2/Q6)

One reason for the strength of ambition amongst the smallest size band is that those owner/managers are more likely to believe that their income will increase significantly if their business grows. Interestingly, owner/managers in SMEs employing 1-4 people are more likely to believe that growing their business will improve the balance between work and family/leisure time, whereas those in larger SMEs are more likely to be concerned that an increase in the size of the business will lead to a decrease in their work/life balance.

Ambition is also linked to turnover size band. It can be seen from Table 21 below, that owner/managers with the lowest index of ambition scores are those with a turnover of less than £67,000.

**Table 21: Index of ambition by turnover size band**

Turnover Base:1203	All	Substantive ambition	Modest growth ambition	Low ambition
Less than £67,000	13%	12%	13%	16%
£67,000 - £99,999	7%	10%	7%	3%
Net - £100k-499k	37%	37%	34%	44%
£500,000 - £999,999	12%	9%	14%	10%
Net - £1m-5m	13%	14%	12%	14%
Net - £5m-24.99m	3%	4%	3%	3%
£5m - £9.99m	2%	2%	2%	1%
£10m - £14.99m	1%	2%	1%	1%
£15m - £24.99m	0%	1%	0%	1%
£25m or more	1%	1%	1%	0%
Don't know	7%	7%	9%	3%
Unwilling to answer	7%	6%	7%	7%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W9/S2/Q8, QT)

However, the most ambitious group are those with a turnover of between £67,000 and £99,000. Those with a turnover of less than £67,000 are also least likely to have taken any active steps over the past three years (or since start up if less than three years old) to attempt to help the organisation to grow, when compared to other turnover size bands. This suggests that this may be linked to VAT threshold, which is currently set at a turnover of £77,000<sup>15</sup>. During depth consultation, it was suggested by a number of owner/managers that the VAT threshold poses a barrier to growth for some organisations as they perceive the additional paperwork associated with registering for VAT as a burden. However, the data suggests that once an organisation crosses this threshold, their growth ambition increases significantly. Another reason for the difference between these turnover size band categories could be that some smaller organisations have no desire to grow and have set themselves up as a business purely in order to save on tax.

### Variations by business age

The length of time which a business has been in operation can have an impact on growth ambition. Table 22 shows that the younger the business, the more likely that it is that its owner/managers will have substantial ambition. The only exception to this is firms aged less than three years, the majority of which have moderate growth ambition. None of the businesses under the age of three years old have low growth ambition. This may reflect that as businesses mature, many approach an optimum size of employees or growth plateaus as they find a place in their market where they can survive comfortably without taking significant risks and growth is perhaps no longer a necessity for survival.

**Table 22: Strength of individual ambition by business age band**

Base: 1250	Substantive ambition	Moderate growth ambition	Low ambition
<b>Age</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>
<b>Over 50 years</b>	14%	69%	16%
<b>Over 25 years but under 50</b>	11%	60%	30%
<b>Over 15 years but under 25</b>	10%	67%	23%
<b>Over 10 years but under 15</b>	15%	70%	14%
<b>Over 5 years but under 10</b>	29%	53%	18%
<b>Over 3 years but under 5</b>	43%	50%	7%
<b>Over 1 year but under 3</b>	27%	73%	0%
<b>Don't know</b>	24%	57%	19%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q5)

Businesses aged between three and five years are most likely to have substantive ambition (43 percent), whilst businesses aged between the ages of 25 and 50 are most likely to have low ambition. There is a strong correlation between the size and age of a business; typically, businesses which are less than five years old are more likely to be relatively small as it takes time for businesses to grow to an efficient size and to establish itself in a market. The younger business age bands therefore contain a disproportionately high number of SMEs employing four people or less; as discussed above these firms have

<sup>15</sup> <http://www.hmrc.gov.uk/vat/forms-rates/rates/rates-thresholds.htm#2>

higher levels of ambition, which plays a key role in explaining why younger firms are more likely to be ambitious.

### Variations by genesis of involvement

Table 23 illustrates that the means of attaining one's current position of owner/manager (and to some extent their role within the SME) is significantly related with the level of growth ambition of that individual. Those owner/managers who founded their business are significantly more likely to have substantive growth ambition than those who have inherited the business (26 percent and 4 percent respectively). This can be explained by the following two factors:

- Owner/managers who set up their own businesses are more likely to be ambitious by nature and happy to undertake the necessary risks involved in setting up a business (e.g. investing own money and staking personal reputation).
- Founders of businesses are likely to have a greater incentive to make a success of the business, especially compared to managers who have been recruited in or promoted from within the organisation and who may not own a significant stake in the business. Managers who do not have a shareholding in the company (this is more often the case in larger organisations) may have fewer incentives to strive for significant growth, given that their performance is likely to be assessed on a number of performance indicators of which growth is but one.

**Table 23: Relationship between means of attaining current position and ambition**

Base: 1250	Percentage split by means of attainment	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Means of attaining current position</b>	<b>100%</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>	<b>100%</b>
Inherited the business	6%	4%	70%	26%	100%
Founded the business	53%	26%	52%	22%	100%
Bought the business	14%	15%	68%	17%	100%
Recruited from another organisation	17%	27%	62%	12%	100%
Promoted from within the businesses	8%	8%	79%	13%	100%
Net - Other	3%	16%	66%	18%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q42, QT)

Founders of businesses are more likely than any other group of owner/managers to own multiple businesses; this suggests that helping these individuals overcome their barriers to realise their ambition could benefit more than one SME.

Relatively few owner/managers who have attained their current position by inheriting the business consider that they have any desire to be seen as a success by others; this might contribute to explaining why they are less ambitious than other owner/managers who are motivated not just by money but by the opinions' of others too. Only a fraction of owner/managers who have inherited their business (4 percent) want to grow it significantly in terms of employment; however, this might largely be explained by the fact that 82 percent of these businesses in the sample are over 25 years old and achieving significant employment growth in such a mature business is often challenging. This suggests that the



individual characteristics of the inheritor owner/manager might not be as important as the characteristics of these SMEs which are often passed from one generation to another.

Owner/managers who have been promoted from within the business are the most likely to have moderate ambition (79 percent). Whilst they lack the strong incentive to strive for significant growth, their future job prospects depend on their ability to demonstrate competent performance. As such they are incentivised not to take large risks (which are sometimes necessary to achieve growth) as they will gain little reward from the risk paying off (e.g. if they are not a shareholder in the business) and could risk losing their job if significant risks they initiate go wrong. Some businesses identify empowering their workforce and providing strong incentives linked to improved SME performance as a key means of contributing to their growth in recent years.

Owner/managers of social enterprises and community interest companies are less likely to have substantive growth ambition as their organisational goals are often limited to specific small-scale initiatives. Often their focus is to achieve social goals instead of the expansion of their organisation and they perceive that opportunities should be shared rather than monopolised by a single organisation. Conversely, owner/managers of public limited companies in this sample are more likely to have substantive growth ambition (30 percent compared to 22 percent average). Apart from this, the ownership structure of the SME does not appear to have a significant impact on the growth ambition of the owner/manager.

Owner/managers in the centre of the income spectrum (i.e. those earning £20-99k per annum) are typically found to have moderate levels of individual ambition. The salary bands at extremes of the income spectrum (£0-20k or 100k+ per annum) contain the higher proportion of owner/managers with substantive growth ambitions. Those owner/managers earning £100k+ are less likely to be motivated purely by financial gain but are more likely to be serial entrepreneurs who strongly desire business success and growth for a myriad of other reasons (e.g. status, reputation, awards etc). A relatively small, but significantly high proportion of owner/managers who don't take a salary (8 percent) have low ambition, suggesting that they do not expect to ever draw a large income from the business.

**Table 24: Relationship between annual salary and ambition**

Base: 1250	Percentage by annual salary	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Annual salary</b>	<b>100%</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>	<b>100%</b>
<b>£0 (respondent draws no income from business)</b>	4%	41%	51%	8%	100%
<b>£0-19,999k</b>	20%	27%	59%	15%	100%
<b>£20,000-34,999k</b>	20%	15%	59%	25%	100%
<b>£35,000-49,999k</b>	22%	26%	55%	19%	100%
<b>£50,000-74,999k</b>	16%	21%	58%	21%	100%
<b>£75-99,999k</b>	9%	22%	71%	8%	100%
<b>Over £100,000</b>	6%	39%	45%	16%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q47, QT)

Note: Percentage by annual salary does not sum to 100% because 22% of respondents chose not to answer this question



Owner/managers who state that an important factor behind their ambition to grow the company is their desire to receive an increased salary are more likely than average to measure their business primarily in terms of turnover and profit; conversely owner/managers who don't cite the prospect of an increased salary as a primary motivation for seeking to grow their business are more likely to cite company profile or other non-pecuniary measures as their primary descriptor of business size.

Additionally, owner/managers motivated by a desire to earn a higher salary are more likely to have taken steps to grow in the past three years, are more likely to intend to grow in the next few years, and have substantive ambition (as shown by Table 25). It is particularly noticeable that a higher proportion of people with substantive ambition (84 percent) cite the desire to earn a higher salary as an important driver of their ambition compared to those with moderate or low ambition (76 percent and 50 percent respectively).

Owner/managers whose desire to earn a greater salary does not play a major role in determining their level of ambition are more likely to believe that increasing the size of their company will lead to a significant increase in their own salary; thus money-driven owner/managers are not convinced that increasing the growth of their business will bring them sufficient personal rewards and thus this may prevent them from seeking to fulfil their ambitions. This suggests that those owner/managers motivated by a desire to increase their salary might be particularly amenable to attempts to help them to grow if the benefits of growth are clearly communicated to them.

More than 60 percent of 25-44 year olds have only moderate growth ambitions. Many owner/managers in this age band do not have stronger growth ambitions because they perceive the economic climate is not sufficiently amenable to take advantage of growth opportunities.

**Table 25: Variation between owner/managers that perceive salary to be an important factor in determining their ambition**

Base 1250		Total	Salary important factor in ambition	Salary unimportant factor in ambition
		100%	73%	12%
Intend to grow organisation over next three years	Agree	33%	87%	38%
	Disagree	20%	13%	62%
Active steps in the last three years to attempt to grow the organisation	Agree	82%	86%	61%
	Disagree	18%	14%	39%
Turnover in last three years	Increased	35%	37%	16%
	Decreased	33%	33%	48%
Typology category	Substantive	22%	84%	7%
	Moderate	59%	76%	9%
	Low	19%	50%	27%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

As can be seen from Table 26 the most ambitious owner/managers are disproportionately likely to be aged 25-34 with more than a quarter of this age group (28 percent) exhibiting substantive growth ambition and only 5 percent displaying low growth ambition. This is unsurprising given that the benefits of growth (should growth be achieved) will remain with them for a greater period of time. There is a greater time window to recoup the benefits of the effort expended in order to seek to achieve business growth for these younger individuals. Thus it is unsurprising that individuals aged over 55 (and particularly those aged over 65) are less likely to have substantive growth ambition (and much more likely to have low growth ambition) as they are 'winding down' to retirement.

Perhaps surprisingly however, owner/managers in the younger age group are more likely to state that their desire to improve work life balance is very important, when compared to those in older age groups. This demonstrates that whilst those in younger age groups are the most ambitious, they also have the greatest ambition for work life balance. However, generally, younger people are more likely to state that they would be willing to sacrifice more of their personal (non work) time to substantially grow their business. This point emphasises the high ambition levels of younger age bands.

As people get older they also become much more likely to state that they believe that they could not grow the business if they wanted to. These findings are also reflected in the index of ambition, with the average score gradually declining with age. The largest decline in ambition is between the age bands of 55-64 (index score of 52) and 65-74 (43), a drop of 9 points. This is the age at which many people decide to retire and it is suggested by the data that at this stage, business growth ambition substantially declines.

However, some owner/managers who plan to leave their business to their children are keen to achieve growth in the final years of their careers to ensure they pass on the best possible endowment. Others are less ambitious for growth and keen to protect what they have and avoid taking unnecessary risks with their child's inheritance.

**Table 26: Relationship between age and ambition**

Base: 1250	Percentage by age band	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Age</b>	<b>100%</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>	<b>100%</b>
<b>25-34</b>	11%	28%	67%	5%	<b>100%</b>
<b>35-44</b>	23%	25%	61%	14%	<b>100%</b>
<b>45-54</b>	34%	25%	54%	20%	<b>100%</b>
<b>55-64</b>	23%	15%	63%	22%	<b>100%</b>
<b>65-74</b>	1%	6%	58%	36%	<b>100%</b>

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q43, QT)

**Table 27: Index and age band**

	21-24	25-34	35-44	45-54	55-64	65-74	75+	All
<b>Percent</b>	1%	8%	24%	35%	23%	6%	1%	100%
<b>Average Ambition Index</b>	57.71	60.12	58.60	53.47	51.64	42.85	37.40	53.89

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W8/S2/Q43)

## 6. Link to growth

### Chapter Summary

- Although 81 percent of SMEs have moderate or substantive growth ambition, a relatively small proportion of firms successfully realise their growth ambitions
  - 35 percent of all SMEs have increased their **turnover** in the past three years
  - 19 percent of all SMEs have increased their **employment** in the past three years
  - During the last three years a higher proportion of SMEs have seen their employment decrease (27 percent), rather than increase (19 percent). In contrast, a lower proportion of firms have seen their turnover decrease (33 percent) than increase (35 percent) over the same period.<sup>16</sup>
- However, ambition, particularly substantive ambition, is linked to growth. Ambitious SMEs are more likely to grow than those without ambition.
  - 46 percent of **substantive** ambition SMEs increased turnover in past three years
  - 32 percent of **low** ambition SMEs increased turnover in past three years
  - 32 percent of **substantive** ambition SMEs increased employment in past three years
  - 14 percent of **low** ambition SMEs increased employment in past three years.
- Ambitious firms more likely to grow **significantly**
  - 6.4 percent of all firms with high past ambition (i.e. high ambition three years ago) grew by 90percent or more in either turnover or employment terms. Very few with weak past ambition ((i.e. weak ambition three years ago)) grew by this scale.
  - 31 percent of **substantive** ambition firms *which increased turnover* did

<sup>16</sup> These results are indicative of the SMEs surveyed in this research and do not necessarily reflect broader trends in the macro-economy.

## Chapter Summary

so by over 90 percent. The equivalent figure for **low** ambition firms is just 8 percent.

- However, high ambition is also linked to a higher likelihood of SMEs decreasing in size. SMEs with substantive ambition are more likely to have seen turnover and employment decrease in the past three years compared to those with moderate ambition. This indicates that overall, the performance of the most ambitious SMEs has been more volatile than other SMEs in the past three years.
- SMEs with high past ambition produced mixed performance but overall they generate a positive net impact in turnover and employment terms. In other words, growth in SMEs with high past ambition outweighs decline in SMEs with similarly high past ambition.
- The net marginal gain of businesses with high ambition over the last three years has been £124,000 per firm in turnover and 0.3 employees per firm. Whilst the net turnover impact has been positive across firms with low and medium past ambition, the employment impact has been negative for these groups (-0.2 employees per firm for medium past ambition and -0.4 for those with weak past ambition).
- Growth leads to higher ambition. Owner/managers who have presided over employment growth in their business in the past are more likely to have substantive growth ambition now (35 percent) compared to owner/managers of businesses that have decreased in employment in the same time period (22 percent).
- Past growth is not necessarily the best predictor of future growth. Even the most ambitious firms who manage to realise growth do not grow constantly, with increases in employment and turnover occurring periodically, for example after investment in new equipment which increases capacity.
- Four in five owner/managers (80 percent) intend to grow their business over the next three years. Approximately one in eight (13 percent) owner/managers intend to set up a new business in the future.
- Owner/managers with a business plan are more likely to run an SME that has experienced growth in turnover over the past three years. This suggests that firms which plan to grow are more likely to achieve growth.
- SMEs that are run by an owner/manager who inherited the business have the highest probability of being *non-growth*.
- Whilst the majority of businesses express an ambition to grow, a number state that they are content not to grow and provide rational explanations. Common reasons include the economic climate, difficulties in accessing

## Chapter Summary

finance, regulatory difficulties, satisfaction with the status quo, poor health or retirement.

This section explores the relationship between ambition and actual growth performance. The section starts by looking at growth performance of SMEs during the past three years, before considering prospects for future growth and the relationship with ambition.

It is important to recognise when examining and explaining firm growth there are some 'technical' reasons why ambition might appear less influential than in fact it is. For example, it is likely that other variables and activities are likely to 'capture' the influence of ambition. For instance, SMEs which export typically grow faster. However, exporting businesses may export because they want to grow, meaning exporting and ambition are correlated. Similarly women are shown to have lower levels of growth ambition on average but this may be a reflection of the type or size of SME they typically own/manage, their motivations for starting their business or a focus on different objectives when developing their business. Many other examples could be given. Overall it is probable that the influence of ambition is at least partly 'hidden' by other variables which are themselves influenced by growth ambition.

Furthermore, ambition's influence does not work in isolation (Davidsson et al., 2010). It affects the strength and influence of other determinants of growth. For example, those with higher education qualifications tend to grow their business somewhat more than those with a lower education level. However, this effect is more substantial for those with both ambition and higher education (compared with those simply having higher education and weak growth ambition). Ambition is just one of a number of factors that are important to growth.

Owner/managers most commonly cite the difficult economic climate (51 percent) and the actions of customers (19 percent) as the main contributing factors to business performance over the last three years. This demonstrates that the majority of SMEs are affected by incidental conditions outside the scope of ambition itself. However, the findings of this study indicate that having no growth ambitions (or very weak ones) may go a long way to resulting in no growth - it is much easier to stop growth than to make it happen.

It is therefore important to structure an approach that will better understand the role (if any) of growth ambitions towards producing firm growth, which would avoid the limitations stated above. An implication is that the role of growth ambition may be better identified and seen in simpler descriptive statistics and case studies. Whilst multivariate analysis may be interesting and possibly enlightening, this type of analysis has not been performed on this dataset, which may be limited by the range and number of variables (beyond many that relate to ambition and other core subjects of this study) which might explain growth. Therefore, a combination of descriptive statistical analysis from the telephone survey and case study analysis is presented below to shed light on the relationship between growth ambition and growth.

## Recent growth performance<sup>17</sup>

During the last three years a higher proportion of SMEs have seen employment within their organisation decline (27 percent), rather than increase (19 percent). This is not surprising given the economic climate, which has forced many businesses to concentrate on competitiveness and survival (often leading to job cuts) rather than expanding their workforce and turnover.

As noted in the Defining ambition and growth chapter above, turnover is a more widely acknowledged indicator of business growth by owner/managers than employment. Just over one third of SMEs (35 percent) report an increase in turnover in the last three years despite difficult economic circumstances, whilst precisely one third (33 percent) have experienced turnover decline.

## Does ambition lead to growth?

This section begins by examining the relationship between the levels of personal ambition held by SMEs three years ago (*past ambition*) and performance since that date. This section then goes on to examine the relationship between past performance and current ambition levels.

We must bear in mind that there is a degree of self-selection in the analysis presented in this and the subsequent section (focusing on whether growth leads to ambition) as those firms which have performed very badly in the past will no longer exist, and therefore are excluded from the survey.

Ambition is linked to growth. As can be seen in Table 28 below, over half of owners/managers that had increased their employment in the last three years had very strong ambition (10) three years ago. However, only 4 percent of those that increased employment had very low ambition three years ago grew. Turnover also follows this same pattern.

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<sup>17</sup> These results are indicative of the SMEs surveyed in this research and do not necessarily reflect broader trends in the macro-economy.

**Table 28: Past ambition and growth in employment and turnover**

Past ambition (3 years ago)	Employment increased	Employment decreased	Employment stayed the same	Turnover increased	Turnover decreased	Turnover stayed the same
1 - not at all	3%	2%	6%	5%	4%	6%
2	0%	3%	2%	0%	4%	1%
3	3%	2%	2%	3%	2%	2%
4	0%	1%	4%	3%	2%	2%
5	8%	9%	10%	5%	11%	13%
6	4%	3%	7%	3%	4%	11%
7	6%	7%	6%	8%	6%	6%
8	12%	12%	17%	19%	8%	16%
9	8%	8%	11%	5%	15%	10%
10 - very strong	56%	51%	36%	48%	46%	33%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S4\_Compay\_Demog/Q14c(full base)/Q7 and Q9)

If SMEs are grouped by their past ambition levels into groups with similar levels of ambition, then further differences can be discerned. We have chosen to form three ambition groups (not to be confused with the typologies discussed elsewhere in this report), as follows;

- weak past ambition = personal desire for growth **3 years ago** between 1 and 5 inclusive
- medium past ambition = personal desire for growth **3 years ago** between 6 and 8 inclusive
- high past ambition = personal desire for growth **3 years ago** between 9 and 10 inclusive

This approach recognises that the survey asked only one question regarding past performance and therefore it is not possible to recreate the ambition typologies for past ambition.

Table 29 and Table 30 below present the analysis of employment and turnover performance (respectively) in the last three years against the past ambition groups, where SMEs have been distributed across the growth categories within their past ambition groups. The results indicate that;

- SMEs with high past ambition are more likely to have grown (23.1 percent) than those with medium past ambition (16.5 percent) or weak past ambition (13.9 percent).
- SMEs with high ambition in the past are more likely to have declined in employment terms than grown (29.9 percent cf. 23.1 percent).



**Table 29: Past ambition groups and employment performance**

Past ambition (3 years ago)	Employment Increased	Employment decreased	Employment stayed the same	All
Base: 1250				
Weak (1-5)	13.9%	24.2%	61.9%	100%
Medium (6-8)	16.5%	23.9%	59.7%	100%
High (9-10)	23.1%	29.9%	47.0%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

The analysis of past ambition levels against turnover performance indicates that;

- SMEs with medium ambition are more likely to have grown in turnover terms (41.1 percent) than those with high past ambition (36.7 percent) or weak past ambition (29 percent).
- SMEs with high ambition in the past are more likely to have declined in turnover terms than grown (38.8 percent cf. 36.7 percent)

**Table 30: Past ambition groups and turnover performance**

Past ambition (3 years ago)	Turnover Increased	Turnover decreased	Turnover stayed the same	All
Base: 1250				
Weak (1-5)	29.0%	36.5%	34.4%	100%
Medium (6-8)	41.1%	23.0%	35.9%	100%
High (9-10)	36.7%	38.8%	24.5%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

These are important results as they demonstrate that ambition is no guarantee of high performance or growth. However, they only tell part of the story, because they do not prove or disprove causality, and neither do they assess the net effect of growth and decline across businesses with differing levels of past ambition.

However, the survey did capture data on current levels of employment (absolute numbers) and turnover levels (in bands) and the percentage change experienced over the last three years. An analysis of this performance<sup>18</sup> is presented in Table 31 below, and indicates that;

- All past ambition groups generated a net increase in turnover
- The positive net turnover impact of those with high past ambition is significantly larger (£62.1m) than SMEs with weak and medium ambition put together (£14.9m).

<sup>18</sup> Note that for turnover, we have taken band midpoints and applied percentage change to these. With Employment, the data is based on stated figures so more reliable.

- The net turnover impact per firm of holding high ambition is £124,000 across a three years period, compared to an increase of £28,400 for SMEs with medium past ambition and £21,500 for those with weak past ambition.
- SMEs with high past ambition have produced a positive employment impact (156 employees across 1008 firms) in contrast to those with weak and medium past ambition (a loss of 107 and 81 employees respectively).
- The net employment impact per firm of holding high ambition is 0.3 employees across a three years period, compared to a loss of 0.2 employees for those with medium past ambition and 0.4 for those with weak past ambition.

**Table 31: Past ambition groups and estimated net employment and turnover impacts**

Past ambition group (3 years ago)	Net turnover change	Net turnover change per firm	Net employment change	Net employment change per firm
Base: 1008				
Weak (1-5)	£5,584,100	£21,500	-107	-0.4
Medium (6-8)	£9,319,100	£28,400	-81	-0.2
High (9-10)	£62,086,200	£124,000	156	0.3

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

This data should be treated as a positive finding regarding the linkage between ambition and growth and the impact that ambition may have on growth. However, as causation has not been empirically proven, it should be treated as suggestive of a link which is worthy of further examination in future studies.

### Ambition leads to action

One reason for the correlation between ambition and growth is that more ambitious owner/managers are more likely to take proactive steps to grow their business. Those that had taken active steps over the past three years (or since start up if less than three years old) to attempt to help their organisation to grow were also much more likely to have a higher index of ambition (57) than those that had not (37).

Table 32 shows the clear relationship between turnover growth and steps taken by the SME to grow. This shows that growth is not purely coincidental or 'random' as a higher percentage of firms grew their turnover (39 percent) having taken active steps to grow in the last three years compared to those firms that hadn't taken any steps to grow (17 percent). This relationship suggests that an effective policy option would be to help firms take the necessary steps to help achieve growth (where they have the ambition to do so).

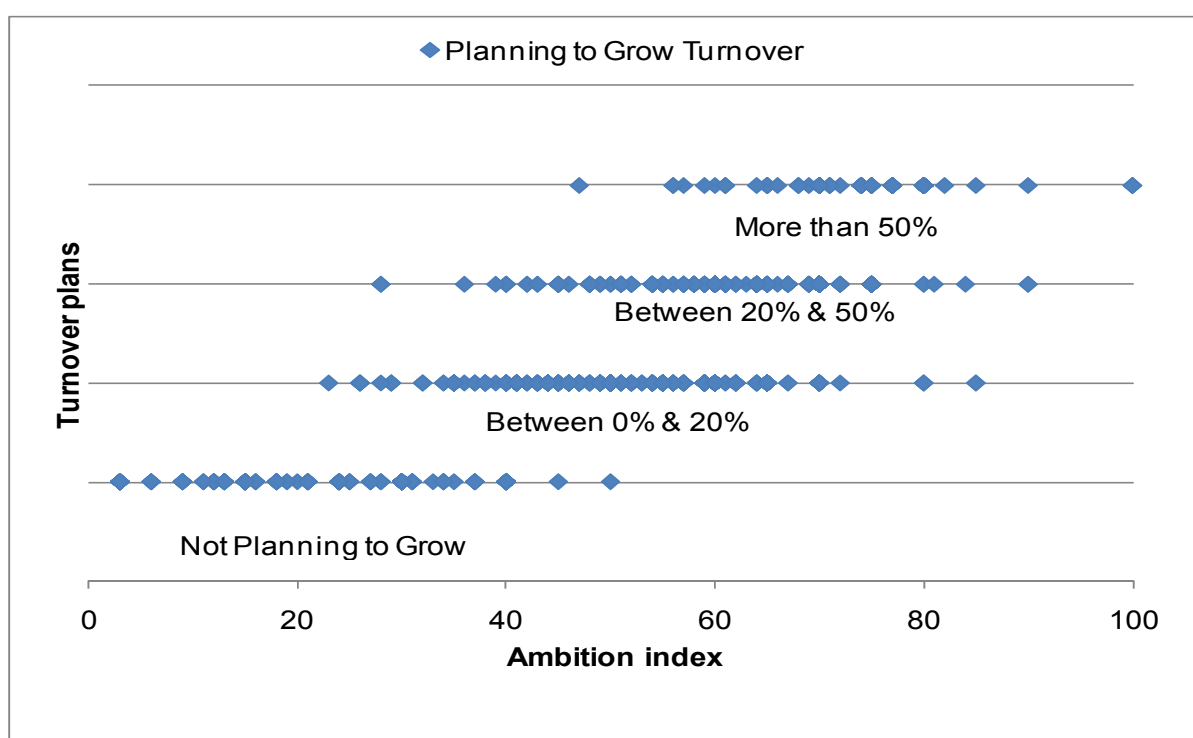
**Table 32: Growth performance by SMEs that have and have not taken specific steps to grow**

Base 1203		Total	Taken steps to grow in last three years	Not taken steps to grow in last three years
Turnover in the last three years	Increased	35%	39%	17%
	Decreased	33%	31%	39%
	Stayed the same	28%	27%	36%
	Don't know	4%	3%	8%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S6, Q9, Q26)

Figure 3 shows owner/manager's future plans to increase turnover plotted against their index of ambition score. It can be seen that owner/managers with the highest index of ambition scores also plan to increase their turnover by the greatest amounts over the next three years and those with the lowest index of ambition scores also have the least ambitious plans to increase their turnover.

**Figure 3: Turnover growth plans by ambition index score**



Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W10, Q33)

Not only is ambition linked to growth, but very high ambition can lead to very high increases in both employment and turnover growth, whilst very low ambition does not, as shown in Table 33 and Table 34 below.

The evidence suggests that very strong individual ambition is more likely to lead to either an increase or a decrease in employment (as opposed to it staying the same). 31 percent of owner/managers with strong ambition three years ago experienced a decline in employment compared to 15 percent of those with low ambition.

Of owner/managers with high past ambition (a score of 9 or 10), 7.4 percent achieved a turnover growth rate of over 90 percent. Just by examining those that grew across the last three years (i.e. excluding static and declining businesses) the evidence shows that 32 percent grew by 90 percent or more over the last three years. On the other hand, none that had low individual ambition have experienced an increase of more than 90 percent.

**Table 33: Employment change in past three years by past ambition group**

Change in employment in past 3 years	Past Ambition (3 years ago)			
	All	Weak	Medium	High
Over 90%	4.8%	3.4%	0.3%	7.4%
76% to 90%	0.3%	0.0%	1.0%	0.0%
51% to 75%	0.5%	0.4%	0.7%	0.5%
26% to 50%	5.3%	0.9%	5.5%	6.8%
11% to 25%	5.3%	5.1%	5.2%	5.4%
0% to 10%	3.5%	4.7%	3.3%	3.1%
0% Stayed the Same	53.1%	60.3%	60.3%	47.1%
0% to -10%	4.0%	2.1%	4.9%	4.3%
-11% to -25%	6.5%	7.3%	7.2%	5.8%
-26% to -50%	10.5%	4.7%	9.4%	13.1%
-51% to -75%	3.9%	6.0%	0.3%	4.9%
-76% to -90%	0.3%	0.0%	0.0%	0.6%
Over -90%	2.1%	5.1%	2.0%	1.1%
Sample/All	100.0%	100.0%	100.0%	100.0%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

A similar pattern is shown in relation to turnover: those with very strong ambition three years ago were much more likely to have increased their turnover by over 90 percent than those with very low ambition. Of owner/managers that had very high past ambition (a score of 9 or 10), 6.2 percent have grown by more than 90 percent. Of those firms that have increased their turnover in the past three years, 21 percent have done so by more than 90%.

On the other hand, of those that had weak past ambition, the vast majority (89.9 percent) experienced an increase in turnover of less than 25 percent and only a small percentage (3.4 percent) have experienced an increase of more than 90 percent.

**Table 34: Turnover change in past three years by past ambition score**

Change in employment in past 3 years	Past Ambition (3 years ago)			
	All	Weak	Medium	High
Over 90%	4.7%	3.4%	3.0%	6.2%
76% to 90%	0.4%	0.0%	0.7%	0.4%
51% to 75%	0.7%	0.6%	0.7%	0.8%
26% to 50%	9.4%	6.7%	7.2%	11.8%
11% to 25%	10.5%	7.9%	11.1%	11.0%
0% to 10%	13.5%	14.0%	15.7%	11.8%
0% Stayed the Same	28.5%	33.7%	32.8%	23.8%
0% to -10%	9.0%	9.0%	7.9%	9.7%
-11% to -25%	11.7%	11.8%	13.1%	10.8%
-26% to -50%	9.2%	9.6%	7.2%	10.4%
-51% to -75%	1.4%	1.7%	0.0%	2.3%
-76% to -90%	0.5%	1.1%	0.0%	0.6%
Over -90%	0.5%	0.6%	0.7%	0.4%
Sample/All	100.0%	100.0%	100.0%	100.0%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

The research results highlight that the relationship between the ambition of the owner/manager and the future growth of their business is complex. Past growth is not necessarily the best indicator or predictor of future growth. Even the most ambitious firms who manage to realise growth do not grow constantly, with significant increases in employment and turnover occurring periodically, for example after investment in new equipment which increases capacity.

### Does growth lead to ambition?

There is a relationship between growth in the business in the last three years and current levels of growth ambition (Table 35 and Table 36). Owner/managers who have presided over employment growth in their business are more likely to currently have substantive growth ambition (35 percent) compared to owner/managers of businesses that have decreased in employment in the same time period (22 percent). Those that have recently experienced an increase in turnover or employment also have the highest scores in terms of the index of ambition (58 and 60 respectively).

Almost half (46 percent) of owner/managers with current substantive ambition increased their turnover in the last three years. On the other hand, almost a third (32 percent) of current low ambition SMEs also increased their turnover in the same time period.

Findings also suggest that high ambition is more likely to lead to substantial growth, with 31 percent of those with current substantive ambition and experiencing a growth in turnover reporting an increase of more than 90 percent. This compares to just 8 percent of owner/managers with low growth ambition.

These findings are corroborated by evidence from businesses themselves, who believe that “success breeds success”. Successful entrepreneurs often have a bank of opportunities in their mind and once they have grown a business to a certain size where it

is profitable (and possibly self-sustaining with minimal input from themselves) they are better placed to grow this business further, or, if they perceive that it has reached optimal size, to channel their time and resource into a new business venture. Owner/managers who are 'successful' in business gain exposure to different ways of working/best practice, which can strengthen their ability to grow other businesses to a greater extent in the future.

Interestingly, owner/managers of businesses whose employment level remained unchanged in the past 3 years are even less likely to have substantive growth ambition (15 percent) than those who had seen their workforce decline in the preceding three years (22 percent). This pattern occurs for two main reasons:

- Owner/managers whose businesses had shrunk are keen to re-grow their team back to its previous size<sup>19</sup>,
- Many firms which remain static in employment for a long time are lifestyle businesses employing relatively few people, where the owner/manager's goals are rarely centred on growing the SME.

**Table 35: Relationship between employment growth and current individual ambition**

Base: 1203	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Change in employment in past 3 years</b>	<b>21%</b>	<b>59%</b>	<b>20%</b>	<b>100%</b>
<b>Increased</b>	35%	51%	14%	<b>100%</b>
<b>Decreased</b>	22%	65%	13%	<b>100%</b>
<b>Stayed the same</b>	15%	60%	25%	<b>100%</b>

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q7, QT)

Perhaps unsurprisingly given the relationship noted above between employment change and levels of ambition, owner/managers whose business has increased its turnover in the past three years are more likely to have a substantive growth ambition compared to those firms whose turnover has remained static or declined (Table 36).

However, a seemingly surprising finding is that owner/managers who have seen their turnover increase in recent years are more likely to have low growth ambitions compared to owner/managers who have witnessed a recent decrease in turnover. This possibly reflects the well established pattern of episodic growth in SMEs. Many owner/managers who reported an increase in their turnover in the past three years grew between 0-20%; growth ambition is not necessary for a firm to record such an incremental increase in turnover, as other exogenous factors may precipitate a better financial performance without any changes being made to the running of the organisation.

<sup>19</sup> According to Kahneman an 'asymmetry in the risk of regret' means that the risk of losing something means more to most people than the chance of achieving a gain of the same relative size. (Daniel Kahneman, *Thinking, fast and slow*, (London: Penguin Group, 2011)

**Table 36: Relationship between turnover growth and current individual ambition**

Base: 1203	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Change in turnover in past 3 years</b>	<b>21%</b>	<b>59%</b>	<b>20%</b>	<b>100%</b>
Increased	28%	54%	18%	100%
Decreased	23%	63%	14%	100%
Stayed the same	12%	59%	29%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q9, QT)

It therefore appears that there is a positive correlation between past growth of firms (in terms of employment and turnover) and current levels of ambitions in business owners. Therefore, owner/managers who have experienced recent business growth are more likely to have higher levels of ambition.

There is also a link between past levels of growth and self-diagnosed levels of ambition (on a scale of 1-10, where 10 represents a very high level of ambition). Owner/managers who consider themselves to be as ambitious as possible are more likely to own or manage a business which has seen its workforce increase in the past three years; surprisingly, however, individuals in this same group are also more likely to run a business where the turnover and number of employees have declined over the past three years (Table 37 and Table 38).

This could be due in part to the fact that as employment has decreased they have resolved to re-grow their business to its previous level (as discussed previously), or it could be reflective of the fact that they are inherently more willing to take risks. This notion is supported by the fact that those with low levels of growth ambition (rated 1-5) are much more likely than average to have experienced static levels of employment and turnover in the past three years, due in part to the risk aversion of their owner/managers.

**Table 37: Relationship between desire for business growth and change in employment in past three years**

Base: 1203	Employment Increased	Employment Decreased	Employment Stayed the same	Don't know or Unwilling to answer	Total
<b>Current strength of individual ambition</b>	<b>19%</b>	<b>27%</b>	<b>53%</b>	<b>1%</b>	<b>100%</b>
1 to 5 - weak	16%	20%	64%	0%	100%
6 to 7	16%	31%	50%	3	100%
8 to 9	19%	19%	62%	0%	100%
10 - very strong	22%	32%	45%	1%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S3/Q14a, Q7)

**Table 38: Relationship between desire for business growth and change in turnover over past three years**

Base: 1203	T/O Increased	T/O Decreased	T/O Stayed the same	Don't know or Unwilling to answer	Total
<b>Current Strength of individual ambition</b>	<b>35%</b>	<b>33%</b>	<b>28%</b>	<b>5%</b>	<b>100%</b>
<b>1 to 5 - weak</b>	34%	24%	39%	3%	<b>100%</b>
<b>6 to 7</b>	35%	28%	37%	-	<b>100%</b>
<b>8 to 9</b>	37%	27%	31%	5%	<b>100%</b>
<b>10 - very strong</b>	34%	40%	21%	5%	<b>100%</b>

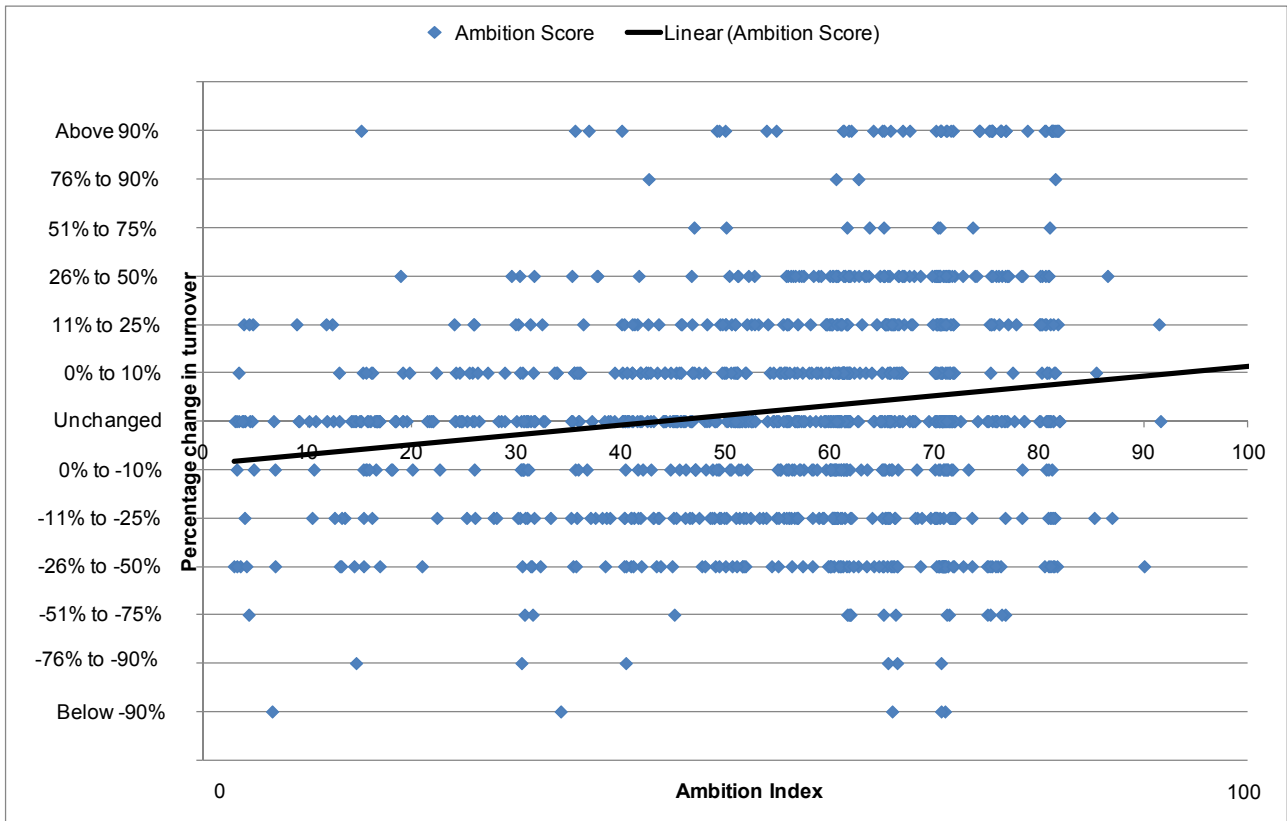
Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S3/Q14b, Q9)

Figure 4 shows owner/manager's current index of ambition scores plotted against their SME's turnover performance in the last three years. The trend line shows that those with higher index of ambition scores are more likely to have experienced growth in turnover over the last three years. However, it should be noted that this is a relatively weak relationship and that several firms that have grown significantly still record a low index score whilst others which haven't grown are very ambitious.

The analysis here does not acknowledge that those firms growing by 90% of more are doing so at a rate which is at least four times that of those in the 11-25% band. The quantum of growth is not unimportant and this is explored in more detail in the section entitled 'Does ambition lead to growth?' above (page 63). The analysis there indicates that ambition is much more likely to deliver significant growth than that achieved by SMEs with lower ambition.



**Figure 4: Ambition Score plotted against Growth in Turnover (in the last three years)**



Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W10, Q33)

## National variations

Welsh owner/managers were the least likely to have taken active steps to achieve growth in the last three years (73 percent vs. 82 percent UK average). In addition, owner/managers in Wales were the least likely to have had a previous business plan in the last three years (45 percent vs. 61 percent UK average).

Owner/managers in Northern Ireland were the most likely to state 'lack of access to finance' as a present barrier to growth than the other countries (35 percent vs. 25 percent UK average) and owner/managers in Scotland were the most likely to state the 'current economic climate' as a barrier to growth (42 percent vs. 38 percent UK average).

## The characteristics of firms that want to increase their turnover

The majority of SMEs intend to grow in terms of turnover (76 percent) in the next three years; a majority of these SMEs intend to do so by at least 20 percent. Of those that wish to increase their turnover, almost a third (29 percent) intend to do so by 50 percent or more and over half (56 percent) intend to increase their turnover by 20-50 percent. Only 15 percent state that they intend to increase their turnover by 0-20 percent.

Table 39 compares SMEs that are aiming for high turnover growth (defined as intending to increase their turnover by more than 50 percent over the next three years) with other owner/managers that intend to increase their turnover by a smaller amount. It is important to note that this table only examines those with the intent to increase their turnover.

Though Table 39 shows that those SMEs that intend to increase their turnover in the next three years are more likely to be actively taking steps to grow, it also indicates that many businesses are not taking specific steps to plan for growth, even those aiming for high growth. Three quarters of those that intend to grow by more than 50 percent have specific plans to grow and only 68 percent have a business plan. This suggests that a significant proportion of SMEs with intent to grow their turnover could be helped to take the necessary steps to plan for growth or be better prepared to take advantage of opportunities as they arise.

SMEs with ambitions to grow their turnover intend to do so in a number of ways. Those who intend to grow by more than 20 percent and more than 50 percent in the next three years are more likely to intend to start exporting or export more, are more willing to invest their own money to grow their business substantially and are incrementally more likely to intend to start up a new business in the future.

SME's that intend to increase their turnover in the next three years are more likely to have already recruited more staff in the last three years and are more likely to have taken steps to grow in the last three years when compared to other SMEs.

Further analysis shows that those that intend to increase their turnover in the next three years are more likely to be the founders of their business than to have inherited, bought or been recruited into it.

**Table 39: Characteristics of SMEs that intend to increase their turnover**

Base: 952	Over 50%	At least 20%	0-20%	All SMEs
	29%	56%	15%	
Intend to grow	100%	100%	100%	80%
Specific plans to grow	74%	77%	51%	70%
Current business plan	68%	59%	50%	55%
Employ more staff	92%	73%	68%	74%
Start exporting/exporting more	28%	19%	14%	20%
Willing to invest own money to substantially grow business	74%	62%	48%	59%
Grow organisation beyond reasonable living	78%	62%	41%	56%
Develop new or significantly improved products or services	77%	74%	61%	71%
Set up new business in the future	21%	12%	8%	13%
Founded current business	75%	43%	37%	53%
Recruited additional staff in last three years	25%	14%	5%	16%
Steps to grow last 3 years	94%	86%	84%	82%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6, S9)

## Why don't some firms grow?

Whilst the majority of businesses express an ambition to grow, a number state that they are content not to grow and provided rational explanations based on their current business circumstances or personal reasons (e.g. poor health, approaching retirement, etc).

Non-growers are defined as the companies with **lower or static levels of turnover** compared to three years ago. This is a tighter definition than one based on employment since many firms have increased turnover without taking on more staff. Nevertheless, the results of this study indicate that 61 percent of all UK SMEs experienced the same (28 percent) or declining (33 percent) turnover in the past three years<sup>20</sup>; **consequently 61 percent of all UK SMEs are, as defined here, non-growth firms**, and this section focuses on examining these firms.

Some characteristics of non-growth SMEs are set out in the annex at Table 50. This shows the proportion of different groups of SMEs which experienced declining and static turnover.

Based on Table 50, the following are noteworthy points about non-growth firms:

- The proportion of non-growth SMEs is slightly higher in Wales, Northern Ireland and Scotland. Northern Ireland is notable, because of the above average proportion of firms which experienced *declining* turnover.

<sup>20</sup> 80% of all SMEs have seen static or declining levels of employment in the last three years.

- Firms aged between 10 and 15 years old appear to have experienced substantial difficulty over recent times; 47 percent of such firms suffered declining turnover and 28 percent experiencing static turnover (i.e. 75 percent of firms in this age band are non-growers over the last three years).
- The smallest SMEs, especially those with fewer than 5 employees, are particularly likely to be non-growth SMEs. The probability declines as firm size increases (measured by employment). This is unsurprising because the assessment of size is based on a current picture of the business – any growth may have taken micro firms out of the micro bracket.
- The probability of being a non-growth firm is much less for businesses with an owner/manager aged 35 or under (49 percent are non-growth compared to 65 percent of those with an owner/manager aged 55-65).
- SMEs run by owner/managers without qualifications are most likely to be amongst the non-growth firms; 72 percent compared to 57 percent of those with a HE qualification.
- SMEs purchased by the owner/manager are least likely to be non-growth (55 percent) and inherited businesses have the highest probability of being non-growth (73 percent).
- Three quarters of owner/managers who spent most of their early life living outside the UK were running non-growth (and especially declining) firms.
- The lowest proportion of non-growth SMEs is found in manufacturing and business services (48 percent). At the other end of the sectoral scale, the highest proportions are to be found in construction (68 percent) and wholesale/retail (69 percent). In personal services there is a high proportion of SMEs which have an unchanged turnover.
- SMEs reliant on domestic UK markets are more likely to be amongst the non-growth firms than ones with a substantial proportion of their turnover generated by exports. While 63 percent of non-exporters experienced no growth in turnover, the equivalent figure for exporters is 54 percent. For those which derive over 25 percent of turnover from exports the proportion falls to 39 percent.

### Relationship between non-growth and ambition

Across all parts of the economy non-growth SMEs are essentially the norm. This raises the question of how far this is due to the absence of growth ambition. In practice, non-growth SMEs are somewhat more likely to be run by individuals with relatively low growth ambition. For example, using the three way categorisation (substantial, moderate, low growth ambition), 65 percent of those with low ambition run a non-growth SME compared to 51 percent of SMEs with substantial ambition. The reasons for low growth ambition have been previously discussed (see Chapter 4).

Key characteristics of non-growth businesses include:

- They do not lack ambition - the majority are run by individuals with moderate (62 percent) or even substantial (18 percent) growth ambition.
- The majority (78 percent) say they took active steps over the past three years to achieve growth.
- 75 percent say they intend to grow over the next three years with 41 percent saying they intend to increase turnover by at least 20 percent (and 16 percent by over 50 percent).<sup>21</sup>

In summary, the **majority of non-growth firms actively tried to grow their turnover** over the past three years. For most, the absence of growth was not due to an absence of desire to increase turnover. An important finding is that although high ambition is associated with growth, there is little difference in the strength of ambition between growth and non-growth firms.

### Attitudes and perspectives of growth amongst non-growth SMEs

It might be expected that the factors which are related to growth ambition (e.g. perceived consequences of business growth, attitudes to work/family life balance, attitudes to risk) are clearly differentiated between growth/non-growth SMEs. Table 51 in the annex indicates that owner/managers in SMEs that have declined over the last 3 years are:

- More likely to think that growth would lead to a decrease in their influence (control) in the business (23 percent cf. 16 percent of growing businesses)
- More likely to think that growth would lead to an increase in personal income (45 percent cf. 34 percent)
- More likely to believe that it is overly risky to grow their business by taking on additional employees (52 percent cf. 45 percent)
- More likely to be willing to sacrifice personal (non-work) time to grow the business (57 percent cf. 49 percent).

On the other hand, owner/managers in SMEs that have grown over the last 3 years are:

- More likely to be willing to take risks where necessary to grow the company (77 percent cf. 67 percent)
- More likely to believe that society holds in high regard those who grow their business substantially (68 percent cf. 57 percent)

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<sup>21</sup> It should also be noted that a minority of SMEs which achieved growth over the last three years say they have little future growth intent or plans. For example, in response to an open question on specific current plans for growth, 10% of SMEs which have grown over the past three years, responded 'not applicable, don't want to grow'.

- More likely to believe that they possess the skills/abilities to grow the business substantially if they wished to do so (82 percent cf. 77 percent)

While there are small differences between growth firms and SMEs with static turnover, it seems unlikely that these differences have much policy significance. For example, while growth firm owner managers on average are slightly more willing to take risks and invest their own time to achieve growth, the majority of non-growth owner/managers are also willing to do so. If those with low growth ambition were excluded from the analysis the differences could be even more marginal. In other words the majority of owner/managers of non-growth businesses are perhaps little different to those whose business has experienced an increase in turnover.<sup>22</sup>

It appears about 20-25 percent of non-growth firms (or 13 percent of all SMEs) may not grow because their owner/manager does not want to grow the business (i.e. has low growth ambition). When those who have not taken active steps and run non-growth SMEs were asked why they had not taken active steps to grow the business, the main reasons given were:

- Little desire to grow (27 percent of non-growers or 6 percent of all SMEs)
- Unable to grow (27 percent). Several of the case study interviews illustrated that owner/managers made a rational decision (which appeared to be based on sound reasoning) not to seek growth because their analysis was that the business could not realistically grow.
- Just trying to survive (23 percent)
- Economic climate prevented it (16 percent)
- A wide range of often idiosyncratic reasons cited by a small number of individuals.

When asked whether they could grow the business if they wanted to, 22 percent of the non-growth SME owner/managers say, for whatever reason, they could not. However, the majority (78 percent) of non-growth owner/managers believe they could. Very few are explicitly not trying to increase turnover (at least a little); of those not trying to grow, the majority give business reasons such as the economic climate and their negative assessment of the cost and risks of growth.

The majority of non-growth SMEs that want to grow/intend to grow are trying to grow the business, despite a lack of success in recent years. In addition, 11 percent of owner/managers of non-growth SMEs intend to grow by setting up a new business.

### Plans for achieving growth amongst non-growth SMEs

Attitudes and perspectives on business growth do not clearly differentiate growth from non-growth SMEs. However, their actual behaviour and approach to achieving growth could do so. Some relevant data is presented in Table 52 and the key findings are:

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<sup>22</sup> However, even some of these actually experience business growth. It would perhaps be useful to compare growth/no growth firms having removed those with low growth ambition.

- Non-growth SMEs were less likely to have had a business plan three years ago than SMEs that had grown. However, a business plan was no guarantee of growth. Over 50 percent of non-growth SMEs (including those which experienced declining sales) had such a plan but failed to meet its objectives.
- The case studies suggest that business plans were often rather informal or 'in their heads' with formal ones being developed as means of accessing external finance or of keeping the public sector happy.
- The most frequently cited action to achieve growth amongst non-growth SMEs was to increase marketing (46 percent of those with plans in place wished to do this) or attempt to enter new domestic markets (15 percent). Non-growth firms were more likely to be planning these than firms that had grown. Only a small proportion of both growth and non-growth firms are planning to increase exporting (less than 3 percent).
- Developing new products/services is more common (but still a minority) amongst growth SMEs. Nevertheless some 17 percent of non-growth firms say they are planning to do this.
- Relatively small proportions of firms are planning to do a wide range of things (e.g. train staff, increase R&D, seek advice/coaching, access new finance etc) to try to achieve growth

When asked which steps to growth they believed to be the most important, increased marketing, accessing finance and the specific action identified under 'other' emerge as their priority actions.

### Businesses that believe that they could not grow

Owner/managers that believe that they could grow their business if they wanted to are more likely to have substantive ambition (92 percent). However, many of those with low ambition (81 percent) also feel that they could grow the business but choose not to.

Almost half (49 percent) of businesses that believe that they could not grow their business if they wanted to cite the current economic climate as a barrier to growth, and hence their ambition. This compares to just 38 percent of all SMEs.

### Future plans

As noted earlier in the report, the majority of owner/managers plan to grow their business (81 percent). Over half (59 percent) of owner/manager with ambition to grow have moderate growth ambitions, whilst 22 percent have substantive ambition, which means they intend to scale up their business significantly and are determined to do so.

As can be seen in Table 40, four out of five (82 percent) owner/managers have taken specific steps to grow in the last three years, whilst another four out of five (80 percent) owner/managers intend to grow their business over the next three years.



**Table 40: Links between ambition and plans to grow**

		Substantive	Moderate	Low
	<b>Total</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>
<b>Intend to grow</b>	<b>80%</b>	100%	84%	44%
<b>Specific plans to grow</b>	<b>70%</b>	79%	68%	65%
<b>Taken steps to grow</b>	<b>82%</b>	91%	86%	61%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9/QT)

Whilst not presented in the table above, the underlying data also indicates that SMEs with substantive ambition are more likely to have intentions to grow (27 percent of 22 percent of all SMEs having).

Many of those with future plans to grow are keen to see their company expand significantly and are ambitious for large-scale growth. Table 41 below demonstrates that of owner/managers who intend to grow their business, over half intend to increase their employment (51 percent) and turnover (56 percent) by at least 20%, whilst just under an additional third intend to increase their employment (28 percent) and turnover (29 percent) by at least 50 percent.

**Table 41: Plans to grow and scale of growth plans**

<b>Base: 750</b>	
<b>Employment</b>	<b>Total</b>
<b>Yes by at least 20%</b>	<b>51%</b>
<b>Yes and by over 50%</b>	<b>28%</b>
<b>No</b>	<b>21%</b>
<b>Base: 952</b>	
<b>Turnover</b>	<b>Total</b>
<b>Yes by at least 20%</b>	<b>56%</b>
<b>Yes and by over 50%</b>	<b>29%</b>
<b>No</b>	<b>15%</b>

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W9/S8)

More than nine out of ten (91 percent) of owner/managers whose businesses had increased the number of employees in the last three years intend to take on even more staff, as shown in Table 42 below. Almost three quarters of businesses that have experienced a decrease in employment over the last three years also expect their employment to grow, whilst around seven in ten (68 percent) of SMEs that have remained static share this view. This can be seen as a relatively optimistic outlook across the piece.

However, expectations for financial performance are even higher, with almost all growing businesses (by employment) expecting to experience a growth in turnover (98 percent) and profit (94 percent) in the next three years. SMEs that have experienced static employment in the last three years and those that have declined are only slightly less optimistic.



Also of interest to policy makers will be the result that around one in five SMEs plan to start or increase their export activity in the next three years. Those with an expanding employment base are more likely than others to do so (25 percent of SMEs).

**Table 42: Expectations by previous employment growth performance**

Expectations over next 3 years Base: 1001	Employment increase/decrease in last 3 years			
	All	Increased	Decreased	Stayed the same
Employ more staff	75%	91%	73%	68%
Increase turnover	95%	98%	94%	94%
Increase profits	94%	94%	93%	95%
Increase market share	78%	85%	77%	74%
Develop new or significantly improved products or services	71%	70%	67%	72%
Acquire other businesses	15%	17%	14%	13%
Start exporting/export more	20%	25%	13%	20%
Net - Other (Specify)	4%	2%	5%	4%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

The survey also asked SMEs to identify the specific steps they plan to take in order to help their organisation to grow in the future. The results, presented in Table 43 below, indicate that firms that have experienced recent employment increases are more likely to do the following in order to support growth plans;

- recruit new staff (32 percent cf. 24 percent for all SMEs)
- create/update a business plan or organisational strategy (11 percent cf. 9 percent of all SMEs)
- change the organisational structure (6 percent cf. 3 percent of all SMEs)
- increase levels of exporting (4 percent cf. 3 percent of all SMEs).

**Table 43: Specific steps to support growth**

Expectation over next 3 years Base: 1001	Employment increase/decrease in last 3 years			
	All	Increased	Decreased	Stayed the same
<b>Increase marketing</b>	<b>42%</b>	38%	41%	42%
<b>Recruit additional staff</b>	<b>24%</b>	32%	17%	22%
<b>Create new product(s)/services</b>	<b>20%</b>	21%	23%	18%
<b>Attempt to enter new domestic markets</b>	<b>14%</b>	13%	17%	12%
<b>Create/update a business plan or organisation strategy</b>	<b>9%</b>	11%	10%	7%

Invest in specific training/education for existing staff	7%	6%	7%	5%
Increase efficiencies/ Reduce costs	7%	8%	9%	6%
Access new funding	7%	7%	7%	8%
Change the organisation's ownership or management structure	3%	6%	2%	3%
Increase levels of exporting	3%	4%	2%	2%
Seek external advice or coaching to help grow your business	2%	2%	3%	1%
Increase investment in R & D	2%	2%	1%	2%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/S9)

In the longer term, i.e. beyond the next three years, most owner/managers consider that the size of their business is currently smaller than its ideal size as shown in Table 44 below. Almost two thirds (63 percent) of owner/managers view the ideal size of their organisation in terms of number of employees as being larger (23 percent as significantly larger). This trend is even more distinctive with regard to the ideal turnover size of the organisation, with 85 percent of owner/managers viewing the ideal size of turnover as being larger (54 percent as being significantly larger). This suggests that some owner/managers would like to increase turnover but not necessarily employment at their organisation, thereby increasing the security of their business.

This suggests the existence of latent growth potential within owner/managers as many would like to grow in the longer term, but far fewer are actively pursuing growth by taking specific actions. This finding has important implications for policy development as these individuals may be particularly amenable to attempts to help them formulate plans to achieve their ambition.

**Table 44: Owner/managers' ideal size of their business**

Base: 1250	Employment	Turnover
Size	100%	100%
Significantly larger	23%	54%
Slightly larger	40%	31%
Currently ideal size	33%	11%
Slightly smaller	2%	2%
Significantly smaller	2%	2%
Net - Larger	63%	85%
Net - Smaller	4%	4%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S3/Q13a, Q13b)

Almost a third (32 percent) of owner/managers who intend to set up a new business have substantive growth ambitions (Table 45). Whilst an owner/manager with low ambition may see their business grow through opportunism, it is rarer that such an individual will be willing to set up an entire new legal entity to take advantage of a market opportunity. As such it is those individuals with substantive growth ambitions that are likely to drive job creation in new firms. Unsurprisingly only 11 percent of those individuals who intend to set up a new business have low growth ambitions.

**Table 45: Intentions to set up new business and relationship to ambition**

Base: 1250	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Set up new business</b>	<b>22%</b>	<b>59%</b>	<b>19%</b>	<b>100%</b>
<b>Yes</b>	32%	57%	11%	<b>100%</b>
<b>No</b>	19%	60%	20%	<b>100%</b>
<b>Unsure</b>	27%	54%	19%	<b>100%</b>

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q41a, QT)

A higher proportion of Northern Ireland owner/managers (86 percent) intend to grow their organisation in the next three years compared to England (81 percent), Wales (74 percent) and (71 percent). However, this could be partly because a disproportionate number of businesses in Northern Ireland (41 percent vs. 33 percent UK average) experienced a decrease in their turnover in the last three years and thus need to grow to reach previous turnover levels.

Interestingly, managers from Scotland with the intention of growing their business over the next three years have the most substantive ambitions, in terms of employment growth: 29 percent of them plan to grow the organisation by over 50 percent in terms of turnover (equal with England) and 36 percent aim to grow the organisation by over 50 percent in terms of employment (compared with 29 percent in Northern Ireland, 27 percent in England and 24 percent in Wales).

## Business plans

More than half of owner/managers (55 percent) reported having a business plan in place. The most commonly cited ways in which owner/managers intend to grow their business are:

- Increased marketing (44 percent)
- The recruitment of additional staff (24 percent)
- Development new products/services (20 percent).

Owner/managers with a business plan in place both three years ago and currently score higher on the index of ambition than those without a business plan, which suggests a higher level of ambition amongst this group (or at least, more formalised plans to put ambition into action).

As illustrated by Table 46 there appears to be a relationship between change in turnover over the past three years and the existence of a business plan. Those owner/managers with a business plan were more likely to have witnessed an increase in their turnover (39 percent) compared to owner/managers who do not have a business plan in the past three years (30 percent). This suggests that firms which plan to grow are more likely to achieve growth compared to firms who may wish to grow but fail to enact specific plans to realise this ambition.

A higher proportion of owner/managers who have business plans have substantive growth ambition (25 percent) compared to 18 percent amongst those without business plans (Table 47). Unsurprisingly, relatively few individuals who have a business plan have low growth ambition (13 percent) compared to 27 percent amongst those without a business plan.

**Table 46: Business plan and change in turnover over the past three years**

Base: 1203	Increased	Decreased	Stayed the same	Don't know	Total
<b>Business plan</b>	35%	33%	28%	4%	100%
<b>Yes</b>	39%	32%	25%	4%	100%
<b>No</b>	30%	34%	32%	3%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S3/Q32, Q9)

**Table 47: Business plan and typology**

Base: 1250	Substantive individual ambition	Moderate Individual Ambition	Low Individual Ambition	Total
<b>Business plan</b>	22%	59%	19%	100%
<b>Yes</b>	25%	62%	13%	100%
<b>No</b>	18%	56%	27%	100%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W7/S1/Q32, QT)

A higher proportion of owner/managers with a bachelor's degree or higher qualifications have a business plan in place (73 percent) when compared to all SMEs (55 percent).

However, it should be noted that as well as those firms that have a written, codified business plan, many businesses have 'informal' businesses plans which are not formalised in writing. Some businesses view business plans merely as 'vehicles' which can help them to access finance as they are often used as tangible evidence by financiers and business support organisations. Some case study interviewees stated that business plans do not actually help businesses to plan for growth, but serve to make businesses and business advisors more cautious and less open to new opportunities, especially where some risk is involved, as pursuing an opportunity not foreseen in the business plan would cause them to deviate from their strategy in the market place.

Some owner/managers may have formal business plans because that is what banks and other funders ask for. However, they may not necessarily use these plans to help them in the day-to-day running of their business.

## 7. Policy implications

This section considers the key issues raised by SMEs and their owner/managers in the research and presents some suggestions for how ambition and other factors which affect growth of SMEs could be influenced. It explores the types of policy options that could promote higher levels of ambition and the likelihood of ambitious SMEs growing.

The vast majority of SMEs have taken steps to grow in the past three years, currently have growth ambitions, believe they can grow further if they want to, and are making specific plans to grow. However, their ambition does not always translate into growth (as illustrated by Diagram 1 on page 15) and the evidence presented in this study shows growth sometimes occurs without ambition or planned actions.

The key question is whether policy should concentrate on increasing ambition or helping businesses realise their existing level of ambition. The policy implications could take the form of:

1. Increasing levels of ambition across the SME population
- and/or
2. Increasing the likelihood of ambitious SMEs growing

These two options are not mutually exclusive. Evidence generated in this study suggests that past growth leads to increased levels of ambition amongst SMEs, creating a virtuous circle. If business conditions are such that there are fewer barriers to ambitious SMEs achieving growth, one would expect to see an increase in levels of ambition across the SME population. As the relationship between ambition and business growth isn't as simple as moving businesses to the right of the spectrum in Diagram 1 (and there are other influencers of business growth) policy options shouldn't be limited to increasing ambition.

The remainder of this section explores these two options in turn.

### Increasing the level of ambition

There is a positive correlation between ambition and business growth. A higher proportion of SME owner/managers with substantive ambition (46 percent) have achieved business growth in the last three years compared to those with moderate or low ambition (both 32 percent). Increasing the number of owner/managers with substantive ambition and reducing the number of owner/managers with low business growth ambition, could result in an improvement in SMEs' contribution to economic growth. Although more than four in five (81 percent) owner/managers have growth ambitions, only 22 percent have substantive ambition. A key question therefore is whether it is possible to increase growth ambition from moderate to substantive.

This research suggests that there may be a case for increasing levels of substantive ambition. However it should be recognised that policy in this area would potentially be problematic in a number of ways.

Although ambition is linked to growth it is also linked to decreases in the size of a business. Substantively ambitious owner/managers are more likely have overseen a decrease in company size (both in employment and turnover terms during the past three years) compared to those with low ambition. Where firms have downsized due to the recession and survived, they have a strong desire to grow back to previous levels once business conditions have stabilised.

Even owner/managers who say they do not want to grow sometimes achieve growth. Difficulties in identifying and targeting those people who may be at the margins and amenable to a 'nudge' to become more ambitious, coupled with uncertainty around the net effects of individual interventions, serve to make policy options designed to increase innate ambition problematic.

Another difficulty associated within intervening to increase levels of growth ambition is that the ambition levels of different owner/managers can be affected in opposite ways by the same intervention. The multi-faceted determinants of an individual's ambition mean that introducing a policy option that will increase the ambition of one owner/manager may cause another to have less ambition. Choosing the right levers which will have a positive net effect on levels of ambition is also problematic.

In summary, increasing the innate level of ambition in individuals is difficult in both theory and practice and the net benefit of doing so is hard to quantify. However, this study estimates that highly ambitious firms create a net employment impact of 0.3 employees over three years and £124,000 in turnover over the same period. Policies directed at encouraging ambition may therefore produce a net positive impact if they can persuade businesses to raise ambition levels.

It may also be possible to target certain groups with 'marketing' messages and case studies designed to influence ambition of the entire business population. The evidence of this study also suggests that social norms (e.g. the desire to be seen as a success) influence ambition. Therefore seeking to affect social norms could be one potentially viable means of increasing the overall level of ambition.

### Increasing the likelihood of ambitious SMEs growing

Findings in this research support the rationale for established policy measures designed to ensure a business environment conducive to growth.

**Access to finance:** SMEs repeatedly assert that difficulties in accessing suitable sources of finance as well as obstructive and burdensome legislation and regulations are real hurdles in achieving growth over the next three years. This is consistent with other research and in itself is nothing new. However, the key additional insight generated through this study is that difficulties encountered with accessing finance or complying with regulations do not just affect a firm's **ability** to grow but also their **desire** to grow. Negative experiences can suppress owner/managers' growth ambition as they may not be willing to attempt to grow their business again if they believe that they will encounter frustrating 'hassle factors'.

For most SMEs, difficulties in accessing finance refer to difficulties in obtaining commercial loans and overdraft facilities at affordable rates. More than two fifths of substantively ambitious SMEs (42 percent) state that difficulties in obtaining finance make it more

difficult to achieve their growth ambitions and a third (33 percent) of all SMEs believe this is the single most important factor that is constraining their ability to grow. Only 8 percent of firms with low ambition believe access to finance is an issue; showing that the difficulties in obtaining lending impact disproportionately upon those firms with the strongest desire to grow.

**Regulation and legislation:** Regulation and legislation are seen as barriers to fulfilling growth ambition by SMEs with substantive, moderate and low growth ambitions. Increasing staffing or entering a new market, for example, may involve complying with additional legislation/regulations that have considerable cost and resource implications. Difficulties in accessing finance compound this, as they limit SMEs' ability to obtain the funding needed to comply with the additional regulations. Some SMEs were reticent about expanding beyond a certain point due to concerns about the implications of breaking through a tax threshold or needing to become an incorporated business. Business services such as accountants and legal services could have a role here marketing cost-effective services to assist SMEs and communicating (particularly to micro businesses) that tax and employment thresholds are nothing to fear, will not lead to significant additional burdens, and may bring financial advantages.

**Skills:** The evidence suggests that businesses believe that the following skills enhancements will support increases in growth ambition: marketing/sales, finance, industry/market specific and management skills.

## Communicating to SMEs about business growth

**Message 'framing':** It is important that policy is framed to address the concerns of SMEs. An important example of the need for better framing of messages is the way in which SMEs and Government view business growth, where financial (rather than employment) measures are favoured by business. Policy messages about growth should therefore focus on the concerns of business: that is, promoting growth rather than reducing unemployment, and increasing turnover and profitability rather than numbers employed.

More generally, SMEs do not believe that the Government and other parts of the public sector understand small businesses. This is partly due to the language used, which often is not tailored to specific groups. Micro businesses, for example, behave differently to SMEs employing two hundred people, yet may be treated as part of a 'homogenous SME' group.

**Addressing perceived barriers to growth:** Businesses appear to make rational decisions when planning to grow or not grow. However, these rationales are formed on the interpretation of facts but also assumptions about what growth challenges might arise or false perceptions of the risks. Policy should be targeted at identifying and addressing these assumptions and false perceptions.

**Perceived risk and reward:** Some owner/managers believe that it is too risky to grow their business and that the risks outweigh the rewards. Those with substantive ambition are significantly more likely to be willing to invest in their business in order to grow it compared to low and moderately ambitious owner/managers. Owner/managers with substantive ambition are also more likely than owner/managers with low or moderate ambition to believe that income and influence would increase if the business grew



significantly. Thus, whilst acknowledging it may not be appropriate for all, helping owner/managers with low and moderate ambition to understand how additional growth in their business could benefit them personally may change attitudes to growth and growth ambition.

### Potential target groups

As noted above, targeting individual SMEs, or even groups of SMEs, can be problematic. Nevertheless, the research has identified some more tangible and easily identifiable 'groups' that may be amenable to interventions designed to assist them realise their existing ambitions to grow.

- A general communications campaign could help some firms to overcome any false perceptions about the financial and regulatory environment and help them to navigate through it in a hassle-free way.
- Owner/managers motivated by a desire to increase their salary might be particularly amenable to attempts to help them to grow, if the benefits of growth are clearly communicated to them.
- Around one fifth (21 percent) of firms with substantial growth ambition have no detailed or specific plans for growth. This seems like an interesting group that could find themselves in a growth scenario with the right help. However, there is a challenge associated with identifying this exact group of people.
- A particular group of people that may be receptive to attempts to support the achievement of their existing growth ambitions is those businesses that have decreased in size during the past few years as a result of the recession and are ambitious to get back to normal.
- A disproportionately large proportion of younger owner/managers (aged under 34) have substantive ambition; however, it can be difficult for these younger owner/managers to achieve growth as they often have less experience. A mentoring programme for these individuals would be helpful to compensate for this.
- Individuals who are willing to take risks to grow their business (e.g. invest their own money) are more likely to achieve significant levels of growth.

In larger SMEs the performance of the organisation will be affected by the ambition levels of not just the owner but also the ambition of employees, particularly the management team. High levels of ambition amongst owner/managers is much less likely to translate into strong growth performance if other managers (particularly those without a shareholding in the company) lack any financial motivation for success. Assisting owner/managers to recognise the importance of having suitable incentive schemes, and helping them to design them, is an important step in translating ambition of a single individual in the organisation into something that affects growth performance. This is likely to be a particular issue for mid-size and large SMEs where the owner is typically dependent on a larger management team.



There are a number of demographic groups that have a smaller proportion of owner/managers in the substantive ambition category and a higher proportion in the low ambition category (e.g. those who have inherited the business).

In summary, the study finds that ambition is neither strictly necessary, but certainly not sufficient for growth to occur. Ambition is just one of a number of factors that are important to growth. Also, growth happens in SMEs with low ambition, but the greatest levels of growth are achieved by those with the highest levels of ambition. However, the presence of ambition does not guarantee growth. SMEs are affected by incidental conditions which are beyond the control of businesses but not necessarily outside the scope of ambition, since feedback loops mean that events that occur within the business environment and that affect businesses will influence ambition (positively or negatively).

The evidence supports the continuation of existing policies designed to improve the conditions for growth and would suggest that if the goals of such policies are achieved, both the innate levels of ambition and growth resulting from it are likely to improve.

If steps such as those outlined above were taken to help SMEs realise their existing ambition, the impact upon growth would be more quantifiable and tangible than policies aimed at simply increasing ambition. It should also be noted that making it easier for firms to achieve their growth ambitions will also lead to higher levels of ambition in the future as success breeds success.

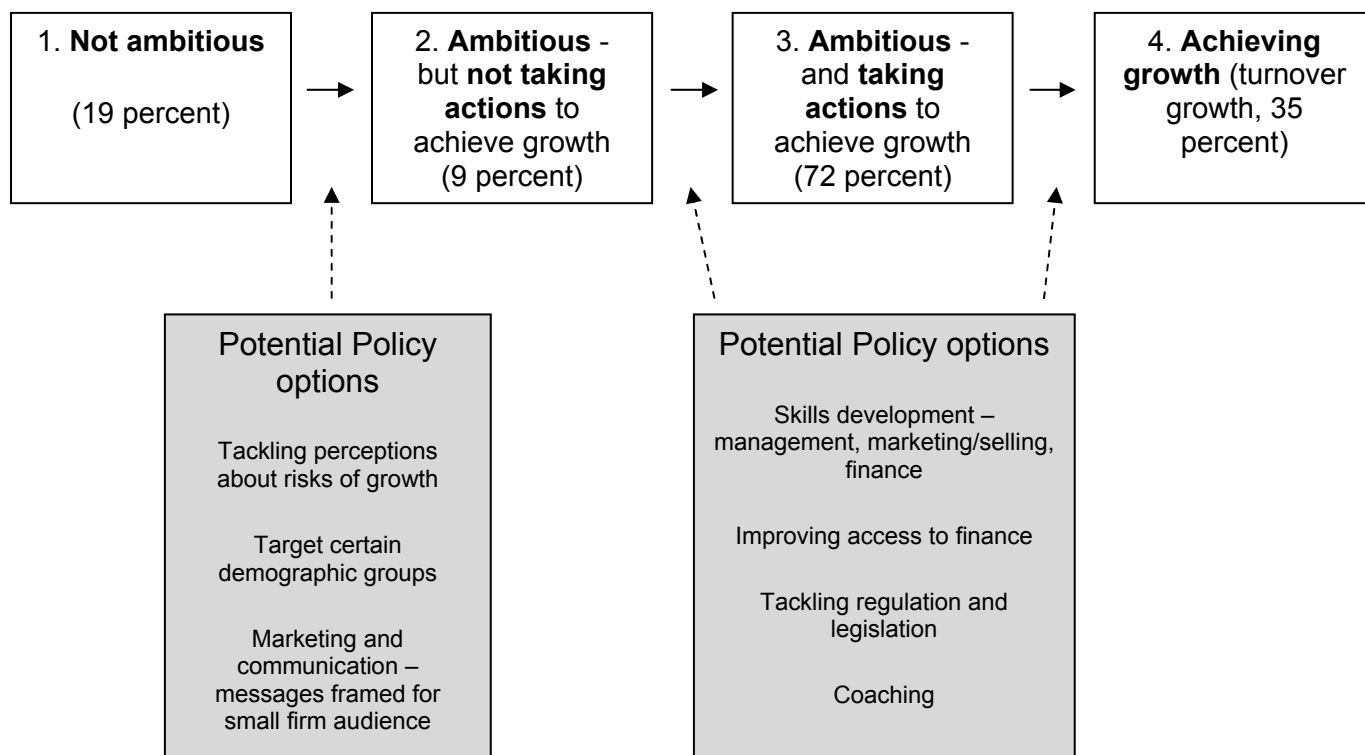
**Supporting those with ambition:** Coaching is widely used to improve the performance of business leaders and managers. There is little direct evidence as yet that coaching increases business growth or business growth ambition; but there is evidence that coaching increases self-efficacy<sup>23</sup> – the belief that one can execute successfully the behaviour needed to produce a desired outcome. Cognitive-based approaches to coaching could be helpful therefore in supporting ambitious owner/managers to translate their growth ambition into action by helping them identify their business goals, reduce negative thinking, and deal better with the stresses of growing a business. Given that the evidence base for the benefits of business coaching is currently weak, there is scope to develop a useful pilot control study to evaluate the benefits of coaching and to develop cost-effective evidence-based approaches tailored to SMEs wishing to grow their businesses. This would be best focused on those with realistic business plans and ambition to grow rather than low ambition firms.

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<sup>23</sup> Leonard-Cross, E. (2010) Developmental coaching: Business benefit – fact or fad? An evaluative study to explore the impact of coaching in the workplace. *International Coaching Psychology Review*, 5:1, p.36-47.

## Summary of policy options

**Diagram 1: Spectrum of ambition<sup>24</sup> (with percentage of SMEs in each category in brackets)**



## Potential impact

It is difficult to estimate what the potential impact of increasing growth ambition amongst owner/managers would be upon actual rates of growth and gross value add (GVA) and this is potentially an area for further research. However, the research does suggest that firms with high past ambition have produced a net increase of 0.3 employees per firm in the past three years, compared to a decline of 0.2 employees per firm for SMEs with medium past ambition.

Although further work should perhaps be undertaken to investigate in more detail what the marginal impact on GVA of raising the ambition levels of firms with medium/moderate or weak/low ambitions, this analysis suggests that an employment creation 'swing' of 0.5 employees per firm and per three year cycle could be created. If one were to take a purely

<sup>24</sup> All SME owner/managers fall into one of the three left hand boxes within the spectrum (which total to 100 percent). However, only 35% of these firms have achieved growth in the last three years (defined here as an increase in their turnover). The 35% of SMEs in the right hand box ('Achieving growth') are from a mixture of the three boxes on the left hand side of the diagram.

income based estimate of GVA impact, this would convert to around £10,000 every three years<sup>25</sup>.

This highly simplistic analysis suggests that an estimate of marginal additional GVA achieved by each highly ambitious SME is £3,333 per annum when compared to those with moderate ambition.

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<sup>25</sup> Based on ONS GVA Regional, Sub-regional and local Gross Value Added 2010, which indicates that GVA per head in the UK is £20,000 per annum in 2009 (see page 10).

## 8. Appendix

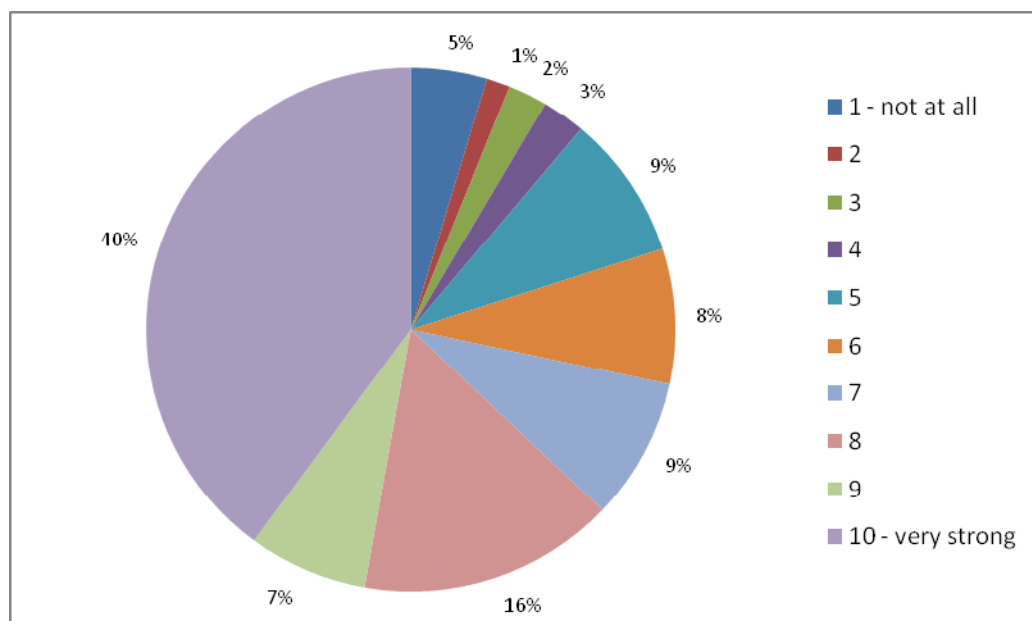
### Strengths and change of organisational ambition

This section presents key findings from the research related to the existence and strength of *organisational* ambition.

Individual growth ambition is greater than organisational growth ambition. Almost half (49 percent) of respondents indicated a very strong (10) ambition for business growth as an individual, with only 40 percent of respondents indicating a very strong ambition at the organisational level. Overall, 22 percent of the respondents that stated they had a very strong desire for business growth had more ambition than the SME.

It is perhaps no surprise that such disparities exist, but it does raise interesting questions about the implications of such differentials. They might lead to change in the future, where the individual leaves because their ambition is not given the opportunity to translate into behaviour and growth outcomes, or is replaced with someone with a level of ambition more aligned with the organisation and its owners. If the differential is relatively low they may be allowed to persist.

The evidence also suggests that individuals are more likely to have experienced a change in their desire for growth over the last three years (33 percent) than organisations (27 percent). This perhaps reflects the extent to which individual ambition can be considered and articulated instantaneously, whereas organisational ambition needs to be expressed and articulated in behaviour (communication of a new growth ambition at a company review meeting, for example) and therefore takes more time to become apparent. However, it might also indicate that organisations are relatively inflexible in the face of significant change and challenge (such as that presented by the recession) or are more likely to respond to such pressures in a way that indicates reduced ambition (cost cutting, protecting assets, and so on).

**Figure 5: Strength of organisational ambition**

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S1/Q15a)

## Causes of change in organisational ambition

There are a number of important factors outside the control of owner/managers that have made a significant contribution to the performance of their business in the last three years. As expected, an often cited factor was the difficult economic climate (51 percent), which suggests that without an overall improvement of the national and global economy it will be difficult for individuals to successfully pursue steps aimed at growing their organisation. The outcome is that an improvement in the economic climate is likely to help the success of the steps being pursued by individuals to help grow their organisations.

One way in which the determinants of organisational ambition can be understood is to examine the factors which owner/managers believe have increased their organisation's ambition over the last three years. The key reasons given as to why organisations have experienced increased ambition in the last three years are shown in Table 48.

**Table 48: Primary reasons for organisational increase in ambition during past three years**

Base: 168	Total
Change in owners or management	22%
Change in business activities	18%
Impact of the economic climate	15%
Have to grow to survive	14%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S2/Q15d)

More than one in five (22 percent) owner/managers state that a change in ownership or management has increased ambition. This suggests that a change in management or

ownership can give an organisation an increased level of ambition brought about through change. Similarly, almost one in five owner/managers (18 percent) cite that a change in business activities has led to increased organisational ambition, suggesting that change can lead to a revived interest in and ambition for the ethos of the organisation.

Other reasons given by owner/managers for increased organisational ambition include the impact of the economic climate (15 percent) and the fact that the business feels that it has to attempt to grow to survive (14 percent). These two reasons for increased ambition are related, in that businesses are feeling under pressure to work harder to survive, especially in relation to the current economic climate.

Table 49 shows that the impact of the economic climate has had the most significant impact on stifling ambitions of owner/managers (42 percent). Whilst the recession and subsequent financial crisis brought opportunities for some, it has had a generally negative effect on ambition levels of owner/managers.

**Table 49: Reasons for organisational decrease in ambition during past three years**

Base: 137	Total
Reason	100%
Impact of the economic climate	42%
Lack of potential customers	17%
No desire to grow	14%
The negative actions of others	11%
Other	11%
Unable to grow	4%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W1/S2/Q15d)

Whilst business owners rarely want to grow their organisation purely for the satisfaction of recruiting new staff, some owner/managers are very protective about retaining their existing workforce. Relationships with employees can motivate SMEs to keep an existing team together as the welfare of their employees may be considered ahead of the consequences for growth. This could suggest that a stable and good workforce is a requirement of growth. Thus, the interests of existing employees are an important consideration for businesses seeking to grow, even if it is not the most profitable approach in the short term. However, many owner/managers did suggest that their long-term growth has been made possible by developing a workforce that understands the work of the SME in detail. However, it is understood that there can be trust issues when bringing in new management as owners of businesses can find it hard to let control of the SME go to a delegated manager. This is why some people are not interested in growing beyond a certain size, and it appears that other SMEs are simply unable to grow beyond a certain size for reasons often not immediately obvious to their owner/managers.

## Auxiliary data tables

This section provides additional tables which correspond to the information presented in the Non-growers section of the report (Section: Why don't some firms grow? page 75)

**Table 50: Characteristics of Non-Growers**

Overall (base 1203)	% of firms that have seen turnover decrease in past 3 years	% of firms that have seen turnover remain static in past 3 years	Total
<b>UK</b>	33	28	61
<b>Nation (base 1203)</b>			
<b>England</b>	32	28	60
<b>Wales</b>	34	32	66
<b>Scotland</b>	34	30	64
<b>Northern Ireland</b>	41	25	66
<b>Firm Age (base 1203)</b>			
<b>Under 5 Years</b>	39	24	63
<b>5 – 10</b>	28	23	51
<b>10 – 15</b>	47	28	75
<b>15 – 25</b>	33	25	58
<b>25 – 50</b>	34	38	72
<b>50+</b>	31	40	71
<b>Firm Size (base 1203)</b>			
<b>0 Employees</b>	37	45	84
<b>1 – 4</b>	36	29	64
<b>5 – 9</b>	27	29	56
<b>10 – 49</b>	31	24	55
<b>50 – 99</b>	34	16	50
<b>100 – 249</b>	25	20	45
<b>Gender (base 1203)</b>			
<b>Male</b>	32	28	60
<b>Female</b>	34	28	62
<b>Attain position</b>			
<b>Inherited Business</b>	31	42	73
<b>Founded Business</b>	33	29	62
<b>Purchased Business</b>	30	25	55
<b>Manager of Business</b>	37	27	64
<b>Age</b>			
<b>Age Under 35</b>	25	24	49
<b>35 - 54</b>	32	27	59
<b>55 – 64</b>	36	29	65
<b>65+</b>	34	33	67
<b>Qualification</b>			
<b>Higher Education (Base 352)</b>	32	25	57
<b>No Qualifications (Base 183)</b>	37	35	72

Early Life Outside UK (Base 67)	41	34	75
Income from Business			
0 (Base 45)	46	27	73
Under £35k (Base 511)	34	25	59
£35 – 100k (Base 352)	34	24	58
Over £100k (Base 38)	14	16	30
Sector			
Manufacturing (Base 118)	29	19	48
Business Services (Base 197)	29	24	53
Personal Services (Base 114)	19	46	65
Construction (Base 160)	37	31	68
Wholesale/Retail (Base 219)	32	37	69
Export			
No Exports (base - 971)	35	28	63
Exporters (base - 232)	21	30	51
25% + Sales from Exports (Base 64)	9	29	38

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/Q9, Q3, Q4, Q5, Q6, Q32, Q43, Q46, Q47, Q11)

**Table 51: Perceived Effects of business growth and actual turnover growth**

	Turnover in Past 3 Years		
	Increased	Decreased	Static
<b>Influence over business would.. ( percent) Base 1250</b>			
- Increase significantly	16	23	15
- Decrease significantly	3	4	3
<b>Personal income would.. ( percent)</b>	Base 419	Base 393	Base 341
- Increase significantly	34	45	22
<b>Work/family work balance would.. (</b>	Base 419	Base 393	Base 341
- Improve significantly	11	17	12
- Deteriorate significantly (base	6	7	4
<b>Business prone to crisis would.. ( percent)</b>			
- Increase significantly	8	9	9
- Decrease significantly	6	17	4
<b>Business culture/environment would.. (</b>	Base 419	Base 393	Base 341
- Improve significantly	17	18	9
- Deteriorate significantly	0	1	3
<b>Agreeing/Disagreeing with following</b>	Base 419	Base 393	Base 341
<b>Willing to take risks where necessary to grow the company</b>			
% Agree	77	67	64
% Disagree	13	11	13



<b>Would be willing to invest own money to grow substantially</b>			
<b>% Agree</b>	61	57	57
<b>% Disagree</b>	23	25	22
<b>Most business people I know believe it is overly risky to grow their business by taking on additional employees</b>			
- <b>% Agree</b>	45	52	57
- <b>% Disagree</b>	28	25	26
<b>Society holds in high regard those who grow their business substantially</b>			
- <b>% Agree</b>	68	57	59
- <b>% Disagree</b>	15	18	19
<b>Most people in the UK business community believe your aim should be to grow your business substantially</b>			
- <b>% Agree</b>	61	58	54
- <b>% Disagree</b>	18	19	20
<b>Would be willing to sacrifice personal (non-work) time to grow the business</b>			
- <b>% Agree</b>	49	57	41
- <b>% Disagree</b>	38	29	37
<b>Have skills/abilities to grow the business substantially if I wish to do so</b>			
- <b>Agree</b>	82	77	79
- <b>Disagree</b>	4	11	4

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/Q9, Q18, 23a, 23b, 23d, 23d, 23e, 23f, 23h )

**Table 52: Percentage of SMEs who have taken steps to achieving growth**

Steps taken	Turnover in Past 3 Years		
	Increased	Decreased	Same
<b>Had business plan 3 years ago (base 1250)</b>	70	58	56
<b>Achieved plan objectives (base 767)</b>	66	27	60
<b>Current business plan (base 1250)</b>	60	53	49
<b>Specific growth plans in place</b>	70	69	70
<b>Specific plans for future (base 706)</b>			
<b>Create/Update plans or organisational strategy</b>	12	10	4
<b>Recruit additional staff</b>	32	19	18
<b>Invest in training existing staff</b>	8	7	3
<b>Attempt to enter new domestic markets</b>	9	15	14
<b>Create new products/services</b>	24	19	14
<b>Seek external advice/coaching</b>	2	2	1
<b>Increase efficiency/reduce costs</b>	9	7	5
<b>Change ownership/management structure</b>	5	3	2
<b>Increase exporting</b>	3	2	3
<b>Increase R &amp; D</b>	3	1	1
<b>Increase marketing</b>	30	46	46
<b>Access new funding</b>	6	9	8
<b>Other<sup>26</sup></b>	33	20	27

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W6/Q9, Q30, Q31, Q32, Q38 )

<sup>26</sup> The most frequent plan under 'Other' is attract new customers (i.e.further increasing the importance of marketing). This relates to a key characteristic of business.

## Literature Review

### 1. Introduction

This paper reviews the literature to establish what is known about 1) the determinants of SME growth and the role of growth ambitions as an influence and 2) the concept and extent of growth ambition and what determines growth ambition. It should not be viewed as a completed paper. Given the timescale, it has not been possible to read and assimilate all the literature and produce a coherent, concise summary. It has been written as and when material became available. Nevertheless, it should be sufficient to inform discussion of, for example, how we wish to define ambition, the study foci and the issues to be explored in the survey (and type of questions to be used).

### 2. Ambition and Growth

#### 2.1 The Concept of Growth

There are many different ways in which firm growth can be (and has been) defined and measured. From a policy perspective absolute or percentage employment change (over some specified time period) is generally the preferred measure. However, this is generally not the way the business owners perceive growth. They might see growth in terms of sales, profits, market share or even some concept of personal development. Their measure of success is often not growth or not even financial success but rather issues such as a comfortable life, job or customer satisfaction or the quality of the product/service. (Reijonen and Komppula, 2007). Indeed their objective is not usually to employ people and create jobs. This may be seen as a necessary 'evil' to achieve their business objectives (e.g. increase sales, make profit). Furthermore, growth can be either via internal growth or acquisition. The owner/manager may be referring to growth through acquisition; policy makers may have less interest in such growth (since the relationship to job creation (or even job loss) is not clear cut. Consequently when asked about the growth of the firm, owner managers may have in mind a very different concept to that of either researchers or policy makers. In addition, an owner/manager may have no ambition to grow a specific firm but have growth ambitions via setting up further businesses (i.e. growth via serial entrepreneurship). All this makes the concept of growth less than straightforward.

Nevertheless employment and sales (ideally allowing for the affects of inflation) are the two most widely used measures of firm growth in the policy and research literature. On these indices, the vast majority of SMEs in any specific (say 3-5 year) time period do not grow. For those which do, most do not grow in the subsequent time period. In other words, growth is generally sporadic rather than continuous. Most have a burst of growth followed by stability (or even some decline in size) perhaps followed by a further burst of growth. Consequently, growth firms today may not be tomorrows and non-growers today may be growers tomorrow. This makes the definition of growth firms and the determinants of growth very difficult<sup>27</sup>.

These difficulties are compounded by the fact that explanations of growth are affected by how growth is measured. For example, a firm's sales can increase while employment

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<sup>27</sup> Most studies use cross-section data. Consequently, many firms which achieve at least some growth are classified as non-growth firms.

declines. Should such a firm be classified as a growth firm? Obviously, the determinants of sales and employment growth must differ. At a more basic level, the (statistical) determinants of growth differ with whether growth is measured in absolute or percentage changes in sales and particularly employment.

## 2.2 Theories of Firm Growth

There is a vast literature (both empirical and theoretical) about firm growth. The intention here is not to provide a comprehensive review, but to focus on the role of ambition (if any) in these theories. It is widely accepted that our understanding of (and ability to predict) firm growth are limited and that it is highly unlikely it will be possible (any time in the near future) to develop a comprehensive theory (Leitch et al 2010). Consequently rather than reviewing theories of growth per se, the general approaches to examining growth are reviewed. Four broad approaches are identified by Bridge et al (2003) as follows;

***The External Environment and Industrial Economics.*** Economic theory generally assumes that firms are profit maximisers and that growth is more or less a natural phenomenon driven by cost curves. To survive firms have to grow to achieve at least the minimum efficient size/scale (MES) or they go out of business. The firm essentially responds to market conditions (e.g. demand, competitors). There is essentially little role for (or attention paid to) the needs or actions of the individual entrepreneur or owner/manager. As such there is no room for ambitions in such models; small firms have to grow to reach MES regardless of what the owner wants (or they no longer exist). Subsequent growth is assumed to further increase profit. Variations in growth between firms are explained by factors both internal to the firm (i.e. the shape of cost and revenue curves) and external factors (e.g. industry, location, state of the economy). Economics has been somewhat preoccupied with the effects of firm size on its subsequent growth.

***Business Issues.*** This approach focuses on issues internal to the firm including issues such as business skills, management, strategy, planning, innovation, the firms' access to and use of resources. It is generally informed by the 'resources' view of the firm. It is generally assumed that the firm is driven by the need to increase profit and grow. As such individual ambition (or lack of it) is given minimal (if any) role.

***Organisational Development and Stages of Growth.*** Included here are the very large number of stages of growth descriptive models. These focus on how the firm transforms itself as it progresses from one stage to the next, what 'triggers' and drives the move through the growth stages (e.g. various crises arising from growth) and the role of management structures and style in these transformations. The assumption is that the normal state of the world is for firms to want to move through the early stages (e.g. from start-up into growth stages). While it is accepted that large numbers do not move into the growth stages, there is little attempt to explain this lack of 'progress'. Again there is no (or very little) role for individual ambition or the needs of the entrepreneur and business owner/manager.

The three approaches discussed so far assume growth is the normal or natural state of the world. This view also influences much policy. For example, there is much emphasis on removing/reducing barriers to growth. The implicit assumption is that business growth will occur once these barriers have been reduced/removed. These three approaches continue to dominate the literature. (See for example, Dobbs and Hamilton 2007; Levratto et al., 2010; Moreno et al., 2007). This despite the fact that in one of the most widely read SME

texts on SMEs, sometime ago Storey (1994) noted that 55 percent of the UKs businesses in the 1980 had no growth plans and just 15 percent were seeking to grow substantially.<sup>28</sup> Quoting the same data, the same point is made in the introductory chapter to his more recent Small Business and Entrepreneurship text book (Storey and Greene, 2010). While just 2 percent of firms with 25-49 employees are not seeking to grow, the figure rises to 60 percent for the smallest businesses (with 0 -3 employees). While the desire of the business owner is identified as the reason for this lack of growth plans, the question of ambition and its role in firm growth is not discussed further in the remainder of the book. This illustrates how the question of ambition is dealt with (i.e. largely ignored) in most of the literature. However, this is beginning to change as reflected in Bridge's fourth approach to explaining SME growth.

***Entrepreneurial Personality and Capacity.*** In this approach the emphasis is on the personality, aspirations, ambitions and behaviour of the entrepreneur/owner manager. In the majority of SMEs, decisions are centralised at the level of the owner/manager (i.e. s/he is the boss). Consequently his/her personal views, decisions, motives and needs have a dominant influence on the business. Owner/managers with no (or little) growth ambition are seen as running 'lifestyle' businesses. The objective is generally to generate a satisfactory household income and maintain a satisfactory work/leisure and work/family balance. However, much of the emphasis is on behaviour rather than ambition as such. While the 'no growth' decision is emphasised, it is 'loosely' explained in terms of the owner/manager wanting to maintain a comfortable lifestyle. The question of why an owner manager should want to grow the business is rarely explicitly addressed.

This approach focuses on the desires, aim and needs of the owner manager which are believed to influence behaviour which in turn influences firm growth. This introduces the role of psychology in explaining the growth process. Perhaps one of the best known concepts coming from social psychology is the Theory of Planned Behaviour (Krueger et al, 2000). It is argued that entrepreneurial (and business growth) decisions have to be intentional and planned. (Even when growth appears to be the result of a specific external event such as market growth, the individual generally has a long term interest and desire for, or at least willingness to accommodate, business growth). It is argued that in many walks of life intention has been shown to be a reasonably reliable predictor of behaviour. Intention to grow the business is seen as an antecedent of trying to grow the business and a reasonably reliable predictor of business growth. Business growth requires a prior intention to grow the business. Within the business development literature, the theory has been most extensively tested in the field of business formation. However, it should apply equally to the link between growth intentions and behaviours to grow the business. Intent is itself explained by inter alia; ambition, attitudes, social norms and perceived feasibility of achieving a specific outcome from the behaviour (e.g. business growth).

### **2.3 Determinants of Firm Growth**

There is a large literature which tries (generally using regression analysis) to empirically identify the determinants of firm growth. In part depending on the underpinning theoretical background, a very large number of factors have been found to be statistically significant explanations of growth. To list just a few, they include firm/owner age, gender, firm size,

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<sup>28</sup> The data is from Hakim C in the January 1989 issue of the Employment Gazette.

owner education, legal form, location, use of external finance, innovation, R&D, use of networks, knowledge of customers etc. The list is almost endless. They vary from study to study, are sometimes significant and sometimes not significant. Nevertheless, many argue that factors internal to the firm are generally more important than external ones (Davidson, 2010; Baum et al., 2001). However, even in the most comprehensive models (i.e. with a large number of independent variables) most of the variation in growth remains unexplained. It rarely exceeds 25 percent and is generally lower. Consequently, it is widely concluded that there is a substantial element of randomness in SME growth with luck playing a not insignificant role.

Very few of these models have included variables to test the effects of variations in owner manager growth ambitions. However, those that have examined the role of growth ambition have found a statistically significant positive relationship. Using a sample of Swedish SMEs, Delmar and Wicklund (2008) test the hypothesis that growth motivation at time  $t$  influences sales and employment growth over the subsequent 3-4 year period.<sup>29</sup> This found a statistically significant relationship. However, even with the inclusion of a substantial number of 'control variables' (e.g. age of the owner manager) and the past growth of the firm, most of the differences between firms' growth remains unexplained. To illustrate, the simple correlation between motivation and employment growth was 0.27 and with sales growth 0.29 (i.e. less than 10 percent of the differences between firm growth is explained).

There is much less research on the relationship between growth ambition and actual growth than was initially expected. Much of the research on the determinants of growth ambition states in the introductions that ambition, motivation, aspirations or intent are good predictors of subsequent growth. Indeed, this claim is used as the rationale for wanting to study and understand ambition. However, on closer inspection the quoted references provide less convincing evidence than might be expected. For example, some examine the effect of concepts which are related to ambition but are not strictly ambition. Miner et al. (1994) examine the effect of Task Motivation on subsequent sales growth of successful applicants for US SBIR awards (with Task Motivation measured at the time of the application for a SBIR award). High growth is defined as sales of \$1m 5.5 years after receipt of the reward. Task Motivation is a composite index including attitudes to risk, personal innovativeness, the importance of self-achievement, the tendency to 'plan' for the future and the extent to which feedback from past actions is taken into account in behaviour. In other words, it is not ambition per se. The study finds that Task Motivation is correlated with high growth ( $r$  0.40). The conclusion that Task Motivation affects SME growth has been confirmed by others (Baum et al., 2001). Task Motivation is a determinant of firm growth.

In other words, as a predictor the index (which is made up of several different components with limited link to ambition per se) does better than a simple guess but not greatly better.<sup>30</sup> To emphasise the point one of the most widely quoted sources justifying the

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<sup>29</sup> As discussed subsequently growth motivation is measured using the same questions generally used to measure growth aspirations, ambition and willingness to grow.

<sup>30</sup> While not strictly accurate the  $r=0.40$  translates into a finding that the index explained 16% of high growth.

conclusion that ambition is an important determinant of growth concludes 'intentional behaviour has an impact on firm development, even if the impact is relatively small' (Delmar and Wicklund, 2008, p 452).

For a sample of Scottish rural SMEs, ambition was found to be a statistically significant variable in explaining employment growth. (However, the measure of ambition is not ideal since it incorporates both an intention to grow and whether or not the entrepreneur set up the business to exploit an opportunity. In other words, it does not test the influence of ambition). Nevertheless, the results are illustrative. For example, 36 percent of the firms with high growth ambition achieved at least some growth (although 6 percent lost employment); for those with no ambition, 19 percent experienced some growth while the remainder had constant or declining employment.

## 2.4 The Role of Growth Ambitions

The statistical analyses suggest a weak (even if statistically significant) relationship between growth ambition (and indeed any other postulated explanatory variable) and growth. In other words predicting winners (i.e. firm growth) simply on the basis of growth ambition is not recommended. It would result in more wrong predictions than correct ones. This is not surprising since growth is a complex process depending upon many different factors many of which are not under the entrepreneurs' control.

However, there are also some 'technical' reasons why ambition may appear less influential than in fact it is. In many regression analyses other variables probably 'capture' the influence of ambition. For example:

- Firms which export tend to grow faster. However, exporting firms may export because they want to grow. Exporting and ambition are correlated. Because exporting has a closer relationship with firm growth, it enters the equation rather than ambition (even if included in the study). However, a decision to export is probably driven by the desire to grow the business. In other words, the influence of growth ambition is 'picked up' by the exporting variable.
- Age of the owner manager (and the firm) is consistently found to influence growth. However, as will be discussed subsequently, growth ambition is related to age (declining amongst older owner/managers). Consequently, firms with 'middle aged' managers grow more because their 'middle aged' managers have growth ambition.
- Gender is often associated with growth (i.e. female owned/run businesses grow less). However, as discussed subsequently, this may be because women, on average, have less growth ambition.

Many other examples could be given. Overall it is probable that the influence of ambition is at least partly 'hidden' by other variables which are themselves influenced by growth ambition.

Furthermore, 'ambition's' influence does not work in isolation (Davidsson et al., 2010 p36). It affects the strength/influence of other determinants of growth. For example, those with higher education tend to grow their business somewhat more than those without such education. However, this effect is more substantial for those with both ambition and higher



education (compared with those simply having higher education and weak growth ambition).

An implication of these observations is that the role of growth ambition may be better identified and seen in simpler descriptive statistics and case studies. For example, in a small matched sample of growth and non-growth company case studies over several years, Hanson and Hamilton (2011) found that the growers were clearly differentiated by their 'controlled growth' ambition and their opportunistic perception of the external environment. For the non-growers 'growth means hassle and I needed that like I need a hole in my head'. Their objectives were about the status quo, adequate income and lifestyle. In a longitudinal study of 26 service sector firms in New Zealand, Kirkwood (2009) found 21 had some employment growth aspirations and 13 achieved some employment growth. Of the 5 firms with absolutely no ambition to grow, just one experienced some growth.

It is clear that growth ambitions do not guarantee growth (far from it). Growth depends on many other factors. However, it seems possible that having no growth ambitions (or very weak ones) may go a long way to resulting in no growth. It is much easier to stop growth than to make it happen. Even if growth is happening by chance, it is still necessary for the owner manager to do something to accommodate it. The hypothesis that no/weak growth ambition is a good predictor/determinant of no growth businesses has not been tested in the literature.

Given the absence of much convincing empirical evidence (with most of that which does exist coming from overseas), it would seem sensible to examine the relationship between ambition and growth. However, given ambition underpins many other growth factors, the most appropriate approach is a straightforward comparison of firm growth with indices of ambition. This should be a simple comparison with no attempt to allow for other factors (since these may 'hide' the role of ambition). To better identify the direction of causality it is probably appropriate to ask about ambition say X (3?) years ago if data is available on recent growth performance.<sup>31</sup>

### **3 Determinants of Ambition**

#### **3.1 Terminology**

A large number of terms are used to describe concepts relating to, or something like, ambition. In addition to growth ambition, these include growth aspirations, motivation, intent, orientation, plans and expectations (Hackert and Kemp, 2006). These terms are often used interchangeably, not precisely defined and used loosely to say something about the individual's beliefs towards business growth and possible future behaviour. It is often necessary to examine the specific survey questions to deduce how the concept is being defined.

An obvious question is does the definition and the specific words matter? Given each means slightly different things and elicits different responses from business owners, the

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<sup>31</sup> Asking about historical ambition is far from ideal (but unavoidable if we wish to examine its relationship with actual growth).



answer is yes it does matter. For example, an individual might want or desire to grow the business but may not intend to grow over the next few years (e.g. because the business may have a large overdraft and cannot raise external finance so there is no intent or plans to grow the business in the short term). The expected size of the business in X years incorporates views on the desire and plans to grow but also on the respondents views on, inter alia, the firm's capacity to and resources for growth as well as the external environment (e.g. customers, market growth, reaction of competitors). Obviously given that each concept has a different meaning, each has somewhat different (even if overlapping) explanations or determinants.

Perhaps the most fundamental requirement is to clearly separate out via the definition cognitive issues from those relating to behaviour and expectations both of which are dependent on resources and the external environment. For example, a definition of ambition could be the desire or wanting to grow. Such individuals may or may not have growth intentions or plans. However, those with growth intentions/plans must have some growth ambition. In other words a willingness to grow 'captures' more individuals or is the more all embracing concept. Those with ambition may have no intent because they know that at the current time growth is not possible (e.g. the recession, cannot get a bank loan etc.). In other words intent may be influenced by 'traditional' business development issues. This is less the case for wanting to/willingness to grow. Reflecting these arguments it has been suggested that growth ambition is best defined as wanting to, desire to or willingness to grow the business (Hakkert and Kemp, 2006). This must clearly separate out the cognitive dimension of ambition.

However, even willingness and wanting to grow have slightly different meaning. Wanting to grow may imply a willingness to be somewhat more proactive to achieve growth. More generally it is important to obtain an indication of the strength of ambition. One suggested method (Hakkert and Kemp, 2006) is to divide those willing to grow into;

- Proactive Growers. These are seen as more actively seeking out opportunities. They explore different growth paths. They view the world through opportunistic lenses. They are believed to be less risk averse than average and be more concerned with business profit rather than simply family income. It is suggested they are somewhat more likely to achieve growth.
- Reactive Growers. These are willing to grow but do not seek out opportunities. Growth requires an external trigger (e.g. by a customer, someone else's idea/push). They are more risk averse and concerned with a satisfactory income level.
- Non-Growers. Perhaps having reached a given size, these make a positive decision to grow the business no further.
- Must Growers. These are those who have to grow the business (or go out of business) because without growth the business is not viable. Hence this willingness to grow is driven by economics (e.g. minimum efficient scale) rather than anything to do with ambition.

Unfortunately the survey questions required to operationalise these concepts are not given. However, these ideas emphasise the need to have some measure of the strength of ambition. This could be done in many different ways.

### 3.2 Measuring Ambition and its Extent

The apparent extent of ambition varies greatly between studies depending on the precise questions used as measurement instruments, the composition of the sample (the inclusion of all small businesses, just limited liability companies, companies with over a specified employment etc) and whether or not the strength of ambition is assessed (as opposed to a ambition/no ambition split as in many studies). For example, the annual Small Firm Survey (BIS, 2011) finds that 70 percent of UK SMEs (with employees) aim to grow in the next couple of years while Davidsson (1989) found 62 percent of his sample of small Swedish firms wanted some growth with an ideal size in 5 years modestly above the current level (for sales the figure was higher at 87 percent)<sup>32</sup>. Very few wanted to shrink the firm. However, it is emphasised that the overwhelming majority wanted modest growth. Defining growth ambition as those selecting 'I want my company to be as large as possible' (as opposed to 'I want a size I can manage myself or with a few key employees'), it is estimated that around 20 percent of Dutch young start-ups have growth ambition (Verheul and van Mil, 2006). This is a measure of the proportion wanting more substantial growth.

The proportion of firms which plan to grow (which may be a reasonable proxy for intent) varies by region, sector, firm age and firm size. For example, the 2010 Small Business Survey found that 74 percent of employing SMEs said they planned to grow in the next 12 months; this varied from 72 percent for micro firms (1-9 employees) to 89 percent of medium sized firms (50-249 employees) and 91 percent for those less than 3 years old to 69 percent for those over 10 years of age. The proportion varies from a high of 80 percent in the East Midlands to a low of 65 percent in Scotland. As would be expected, the proportions which expect to increase employment in the next 12 months is lower varying from 22 percent of micro firms to 29 percent of medium sized firms (giving an average of 23 percent of all employing SMEs). In terms of sales 41 percent expect an increase varying from 40 percent for micro firms to 57 percent for medium sized firms.<sup>33</sup> Again as would be expected, when measured as sales rather than employment, more firms both plan and expect some growth.

A small sample of the questions used in the research literature is set out in Figure 6. Of note is that studies have not sought to assess business growth ambition relative to other personal ambitions (e.g. to be a great footballer). Where the strength of growth ambition has been assessed against other ambitions, these have been other ambitions for the business. However, given the importance of the owner/manager in most SMEs, it can at least be argued that it is the strength of growth ambition relative to his/her other ambitions that really matter.

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<sup>32</sup> The Davidsson and BIS figures are not comparable. The Davidsson sample contains only firms with under 25 employees as well as asking a different question.

<sup>33</sup> If business support organisations decide to target firms with growth plans, such figures could encourage them to target larger SMEs. However, because of the size distribution of firms, the majority of firms with growth plans are micro firms.

## Figure 6: Survey Questions

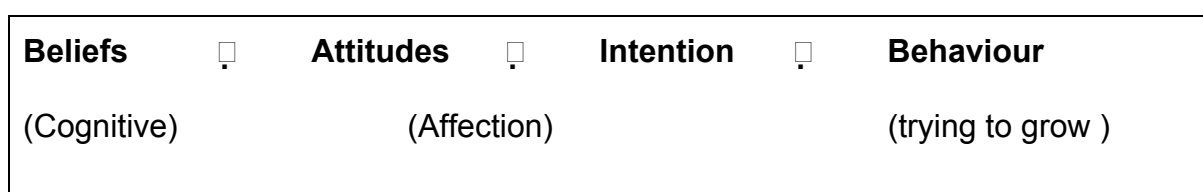
- i) How many people do you expect the business to employ in 12 months time?  
Q17 Small Business Survey
- ii) Over the next two to three years do you aim to grow your business?  
Q49 Small Business Survey.
- iii) Thinking about your business, what growth objectives do you have for your business over the next two to three years? Do you plan to,
- Remain the same size
  - Become smaller
  - Grow moderately
  - Grow substantially
- And thinking about your main objectives, which one of the following is the key focus for your business at this time?
- Maintaining sales from your current products.
  - Increasing sales from your current products.
  - Developing new products.
- Which one of the following statements most closely applies to your firm.
- Our number one objective is to grow the size of the business.
  - As long as I am living I am quite happy with the business.
  - Our number one objective is to maximise the income we earn from the business.
  - None of these.
- Q H2-4 SFLG Evaluation
- iv) Are you actively trying to grow the company over the next two or three years?  
Q83 Botham and Graves (2009)
- v) For nascent entrepreneurs and recent business founders. 'How many employees do you expect to have in X years time?'  
A standard GEM question.
- vi) What would the ideal size of the business be in X years time? (Employment, Sales ignoring any affects from inflation).  
Davidsson (1989).
- vii) Would an increase of 100% (others use different percentages) be mainly negative or mainly positive and then for either direction 'somewhat', 'rather strongly' or 'very strongly'.  
Wicklund et al (2003).
- viii) Do you want to grow the company (can be either/or sales and employment)  
Kolvereid (1992)
- ix) Growth orientation has been seen as the willingness to grow assessed via an index incorporating four sets of questions:
- Allocate 100 points between the following objectives/aims; maximise profitability, sales, technology superiority, value of the firm for an eventual acquisition, stability and longevity of the firm.
  - How strongly do you agree/disagree with
    - Growing as rapidly as possible is the most important for this venture.
    - Aiming for rapid growth is not what drives this firm.
  - The target for turnover in three years time.
- Autere and Auto (2000)

### 3.3 Theories of Ambition

There appears to be no theories of ambition as such. Within psychology there are many theories seeking to explain individual behaviour including the theory of reasoned action and the theory of planned behaviour. These in turn utilise theories of attitudes and intent. No attempt is made to provide a comprehensive review of theories which contribute to an individual's willingness to grow or try to grow a business. Rather a brief review is used to identify the main factors which influence such behaviour.

A simple basic (probabilistic) causal chain is set out in Figure 2. Essentially this hypothesises that beliefs determine (or influences) attitudes, which determine (or influence) intentions which in turn influence behaviour.

**Figure 2 Theories of Behaviour**



In the case of business growth, behaviour might be best-defined as trying to grow the business since actual growth depends on many other factors (such as the ability to grow the business, available opportunities and resources, the external business and economic environment). Given these are probabilistic links in a causal chain. Belief is a less effective predictor of Behaviour than Attitudes which in turn is a less good predictor than Intentions which is seen as the most reliable predictor of behaviour.

Theories of reasoned action hypothesise that Beliefs are determined by the perceived consequences of a specific behaviour. These consequences are either positive or negative. These perceptions of the consequences of 'growing/trying to grow' the business determine an individual's attitudes towards business growth. Attitudes are a 'disposition to respond favourably or unfavourably' to growing the business. While attitudes are (almost by definition) taken as reasonably stable over time (otherwise they are not an attitude), they can be influenced by, for example, additional knowledge and experience.

Reasoned action is dependent on attitudes (which are derived from beliefs) but also subjective or social norms (i.e. what the social environment thinks about a particular behaviour). It is not what other people actually think but what the individual perceives them to think (i.e. subjective social norms). Subjective norms and attitudes combine to determine intentions which are defined as the will to perform a specific behaviour (in this case to try to grow the business).

However, the theory of reasoned action applies to situations in which the individual has more or less complete control of his/her behaviour and its outcomes. This obviously does not apply to growing a business. To deal with this, the Theory of Planned Behaviour sees behaviour depending on attitudes, subjective social norms and the perception of how much control the individual sees himself/herself having on the behaviour and its outcomes (i.e. growing the business). In other words if the individual does not believe trying to grow

the business will be successful and/or largely outside their control/efforts, s/he will not try to grow the business.

The implications of these theories might be summarised as;

- If others do not think growing a business is a good thing to do, the entrepreneur is less likely to grow the business.
- The balance between the perceived positive and negative consequences of growing the business (and the value the individual attaches to each consequence) has an important effect on whether the individual will try to grow the business.
- The extent to which the individual believes growth is under his/her control influences growth ambition.

As will be illustrated subsequently most of the empirical work has focused on issues of the balance between perceived positive and negative consequences and issues of control. Little work has been done on subjective social norms.

## **4 Determinants of Ambition**

### **4.1 Regression Analyses**

A limited number of studies use reasonably large samples to 'explain' variations in growth ambition between SME owner managers. Defining growth ambition as the difference between the firm's current size (measured both as employment and sales) and the ideal size in 5 years time, attempts are made to test the idea that expected consequences of growth and the need for achievement are major determinants of growth ambition (Davidsson, 1989; Wicklund et al, 2003). The main findings from these studies include;

- Individuals perceive the effects or consequences of growth very differently. For example, while most believe the effect on their income would be neutral or positive, a minority believe growth would have a negative effect on their income. While a small majority believe growth would not affect their control of the firm, approaching 40 percent believe it would have a negative effect and 10 percent believe it would have a positive effect.
- For the samples as a whole, the factors which increase ambition are personal income and the Need for Achievement (a psychological trait which is generally assumed to be constant throughout most of life). In other words, those who believe growth will have a positive effect on their income have greater growth ambition (and, of course, the reverse is true; there is little ambition to grow if it is believed that it will reduce income).
- The main factors reducing growth ambition are the belief that growth will have negative effects on the firm's 'atmosphere', their control of the firm, their independence and, to a lesser extent, issues such as their expected workload and the stability of the firm. Having allowed for these factors some 'control variables' (e.g. gender, industry, age, firm size, high tech) remain statistically significant

variables. As discussed subsequently (see the section on gender) these are not in reality explanations of ambition.

- For the overwhelming majority of individuals the perceived negative consequences of growth outweigh the perceived positive consequences. Indeed, the influence of income is not the single most important variable. The perceived negative effects of growth outweigh the positive effect of a perceived growth in income for the majority of individuals. (Perhaps it is not surprising that most firms experience limited growth).
- Those 'explanations' are not fixed but vary somewhat when the samples (i.e. small firm owners/managers) are segmented. For example, growth ambition is strongest amongst firms with less than 5 employees and reduces in firms with between 5 and 25 employees. (All the firms in the studies had less than 25 employees). A perception that growth will lead to a loss of independence and control is not a major deterrent to very small firms but they becomes major concerns for why owner/managers do not want to grow beyond around 5 employees.

While all the variables discussed above are consistently identified (i.e. in all studies) and are statistically significant, the overall levels of explanation in such models is low (at the most around 25% of variation in ambition is explained). In other words most of the variation in the level of an individual's ambition remains unexplained.

It may be that the low levels of explanation are due to methodological issues and that these result under-estimate the influence of the individual variables (e.g. income, work load, loss of control and independence). Such models estimate average effects of a variable on the sample as a whole. On average growth is seen as reducing independence. However, as already illustrated, some individuals believe growth will increase independence even if others believe it will reduce it. Given regression coefficients estimate the average effect on the group as a whole, much variation between individual owner/managers is left unexplained. It is also clear that some individuals are greatly affected by specific factor (say income) while many are not influenced by the factor. Given many individuals set up in business to be independent, it would be surprising if the loss of control and independence believed to be the consequence of growth were not important influences on growth ambition.<sup>34</sup>

It should be noted that these results relate to Swedish small firms in the 1980s and 1990s. Given the nature of the Swedish social system at the time, it cannot be simply assumed that the results apply to UK owners/managers. For example, the relative unimportance of money could reflect the Swedish tax system (higher marginal rates) and greater equality in the distribution of income. Hence, owner/managers did not expect growth to increase their income substantially. Similarly the influence of what has been labelled here as 'atmosphere' is perhaps problematic. The literal translation of the Swedish word is

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<sup>34</sup> It may be that by estimating average effects, regression analyses based on individuals (or people or firms) will always have low levels of explanation. To illustrate the point further, if 50% think growth will have a very positive effect on say income and 50% a very negative effect, the regression analysis would show a zero effect from income. This despite the fact that it is a very important influence on all individuals!



'employee well being'. However, there is no English word for the Swedish term and it is suggested the Swedish word incorporates concepts such as comfort, camaraderie, job satisfaction and the work place atmosphere.

GEM data has been used to 'explain' the ambition of Dutch nascent (i.e. in the process of setting up in business) and early stage (i.e. in business for less than 42 months) entrepreneurs. Growth ambitions is measured as either yes or no depending on which of the following statements respondents say best describes them, 'I want my company to be as large as possible' or 'I want a size I can manage myself or with a few key employees'. Not surprisingly less than 20 percent are classified with growth ambition with more men having such ambition than women. As a comparison, the study also seeks to explain expected growth (with high growth expectancy defined as those expecting to employ over 10 in 5 years time). The explanatory variables are limited to those collected by GEM. Consequently, the explanatory variables examined exclude all those found to be relevant in the studies discussed above.

The main findings can be briefly summarised as follows:

- Amongst nascent entrepreneurs the probability of having growth ambition declines with age and 'fear of failure'. Rather oddly it also appears to decline with higher levels of self-efficacy. It is higher amongst opportunity (rather than pushed or necessity entrepreneurs). It also varies by sector (which 'hides' the effect of gender since women go into sectors in which founders have low ambition). The models also found several variables to be significant for which the direction of causality is highly problematic. For example, an expectation of exporting is statistically significant. However, this is not a causal factor but more the result of having growth ambition.
- The degree of ambition is higher amongst nascent entrepreneurs and is less amongst early stage owner/manager (the effects of experience?). For early stage entrepreneurs, the factors determining ambition appear to be gender and whether or not the business was set up to exploit an opportunity (with the main 'explanatory variable' being involvement in export markets). The degree and determinants of ambition appear to vary substantially between those in the process of setting up in business (nascent entrepreneurs) and those who have been in business for a couple of years.
- Many other variables in both models (e.g. higher education, perceptions of opportunities in the near future, having children etc) are included but none are statistically significant. Overall the levels of explanation are low.
- Ambition and Growth Expectations are correlated but ambition is a poor predictor of growth expectations. Comparing the models it is concluded "growth ambitions and expected growth are relatively distinct concepts' (p29).

Overall all the models have a low level of explanation (even with the inclusion of the reverse causality variables). It would be unwise to draw policy conclusions (or any other conclusions) from the analysis.

Cassar (2006) examines the effect of opportunity cost on growth intentions of 490 nascent US entrepreneurs (i.e. those involved in the process of setting up a business). Intentions are measured as what respondents expect their sales and employment to be in 5 years after starting the business. The statistically significant explanatory variables are the extent of management experience and current income (which increase sales growth intent) and gender (with women having lower intent). However, the effects are relatively small. For example, a doubling of income increases intended (in reality expected) sales by 35 percent. Other variables such as the extent of education, age and ethnicity or household wealth have no effect. The level of overall explanation is low. For expected employment opportunity cost (existing income and management experience) has no effect.

Growth motivation is influenced by past experiences (Delmar and Wicklund, 2008). While using different language and theories, this measures motivation as 'the ideal percentage increase in sales and employment between the current level and ideally what it would be in 5 years if the firm developed the way you would like' (i.e. the same questions used in previous studies to measure ambition). Based on a sample of over 900 Swedish SMEs, this finds that growth motivation is significantly related to the age of the CEO/owner, the extent of his/her education, how the respondent became CEO (i.e. founders had higher motivation), motivation three years previously and firm growth over the previous three years. In other words the experience of growth on average further increases growth ambition. (However as previously illustrated, such regression results do not preclude the possibility that the experience of growth reduces growth ambition for some). While motivation changes with experience there is also a degree of stability. The determinants of motivation vary somewhat between whether it is motivation/ambition to grow sales or employment. Employment growth motivation is less common but somewhat more stable.

A conclusion from efforts to identify the determinants of ambition using regression analyses is that ambition remains largely unexplained, the determinants are complex and interrelated and that they appear to vary between individuals and groups of individuals (e.g. nascent and early stage owner managers) with experience playing a complex role.

#### **4.2 Case Study and Qualitative Studies**

There are few such studies which aim to explain the determinants of SME growth ambition. The only one we found is by Dutta and Thornhill (2008) who study 30 Canadian growth orientated SMEs over a 5 year period. They were growth orientated at the start of the period in that all had obtained substantial external investment to finance growth. Growth intentions seem to be defined as future employment targets. Growth intentions are found to vary considerably over time. They are influenced by the perception of the competitive environment (including that within the business) and experiences. The extent of the change in intentions is itself influenced by the respondent's cognitive style. Those with a holistic style (associated with those who are less risk averse, who have less need of conformity, who go beyond current norms, who take a more quantum approach to problem solving and decision making) change their intentions more than those with an analytic style (which involves a more incremental, risk averse approach). While cognitive style remains reasonably stable, most things which determine intentions change as the business environment and the state of the business changes. This suggests intentions are a poor indicator of ambition per se.



### 4.3 Other Potential Determinants

Growth intentions have been found to be influenced by a vast array of factors (or have been hypothesised to be determined by a vast array of factors). Based on a review of the literature, a non-exhaustive list identified in one study (Dutta and Thornhill, 2008). They make it clear that intentions are determined as much by the environment as by the individual ambition. They are determined by much more than the desire or willingness to grow the business.

Based on theoretical reasoning (which essentially appears to mean informal speculation), a number of other determinants of ambition (defined as the willingness or desire to grow) have been suggested as particularly important (Hakkert and Kemp, 2006). Perhaps the most interesting is the idea that social norms (or what others think) have an effect on growth ambitions. Social norms are one of the key variables in theories of planned behaviour in which, for example entrepreneurial intent (e.g. to set up a business) is a reasonable predictor of subsequent action. There appears to be little empirical evidence explicitly showing social norms affect the willingness or intent to grow a business. However, the views of others have been found to influence entrepreneurial intent (Krueger et al, 2000; Boughn et al, 2006). In general this has been overlooked as a potential determinant. For example even the studies using the GEM data have not tested whether the relevant GEM variable (the percentage of the population who think that most people in their country consider starting a new business a desirable career choice) influences growth expectations.

A second potentially important factor is the skills and abilities of the individual (or the self-perception of these). It is more likely an individual has the ambition to grow the company if s/he believes they have the skills/abilities to do so. This identifies a more general question relating to the relationship between ambition and what is (perceived to be) possible. Perhaps one does not have the ambition to be an international footballer if you have no footballing skills (i.e. it is not a possibility or, if you have such an ambition, it is a rather irrelevant ambition). While this question appears to underpin discussion in much of the literature, it has rarely been explicitly examined.

Much of the empirical evidence explains why the majority of owner managers have, at best, modest growth ambition. Only money and the need for achievement appear to determine high ambition and for most their effects are outweighed by the negative consequences of growth. This appears to explain (or at least be consistent with) the fact that growth is rare and that none-growth is the norm. The factors accounting for why owner/managers do not want to grow have been well identified to such an extent that one is left wondering why any business grows (or wants to grow) substantially. This suggests the need to ask and answer the question 'why grow?' (rather than the more frequent question of why do many owner/managers not want to grow which implicitly assumes growth is the natural state of affairs).

Since growth is not the normal state of affairs (and involves many perceived individual costs), it is perhaps necessary to more explicitly consider what other factors positively impact on the ambition to grow. For example, anecdotal evidence suggests for some owner/managers their contribution to society (e.g. in terms of creating local employment) is

a factor.<sup>35</sup> However, the literature has little to offer (beyond income and the need for achievement) on the question of ‘why have an ambition to grow’ (as opposed to explaining why owner/managers have little ambition to grow). While not in the context of business growth per se, organisations such as the Service Corp of Retired Executives in the US appear to believe that business people are driven by issues such as peer and societal recognition and ‘community’ leadership (Botham, 2010). Similarly one could speculate growth for some may be about satisfaction, influence or power. Whether such factors determine the ambition to grow the business are worthy of investigation.

The studies reviewed essentially assume it is the ambition of an individual entrepreneur or owner/manager that determines the rest of the ambition – growth causal chain. However, many SMEs (especially the larger ones) have some sort of management team and more than one owner; all may have some influence on the firm’s growth ambition. Nor is an individual necessarily dominant in a start-up. Many start-ups involve more than one founding partner. It may be appropriate to assess how such factors affect firm ambition.

#### 4.4 The Role of Income

While one of the main drivers of growth ambition, it is less dominant than might be thought. This is partly because many owner managers do not expect growth to increase their income. This was the case, for example, for 40 percent of Swedish owner managers. This raises a general issue of the accuracy of perceptions. If growth increases profitability, these perceptions may be wide of the mark. However, based on a review of research, Davidsson concludes that growth does not generally increase profitability. Rather it is more common for companies which achieve profits to subsequently grow. Having achieved profits, growth is likely to be both greater and more sustained. Businesses which seek to grow without first achieving profits are at risk and growth is less likely to be sustained (Davidsson et al, 2010 p 62). In other words perceptions relating to growth and income are perhaps reasonably accurate.<sup>36</sup>

#### 4.5 Gender

Gender emerges as one of the most powerful ‘explanatory’ variables in all the studies. This is consistent with all the entrepreneurship and SME growth literature which finds gender to be a significant factor throughout most of the process from entrepreneurial ambition, intent, start-up through to SME growth. Reviewing the literature on small firm growth Davidsson et al. (2010) believe that women owned businesses grow less because they have lower growth ambition than men (as opposed to other possible explanations such as, lower abilities/skills, access to resources/finance etc). However, to see gender as a determinant of ambition (or any other part of the entrepreneurial and business growth process) is not very helpful. To assess the determinant of ambition it is necessary to understand why women have lower growth ambition.

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<sup>35</sup> Based on discussions between Colin Mason and high growth Scottish SMEs.

<sup>36</sup> However, other perceptions of the consequences of growth may not be ‘accurate’. For example, it is believed by many that growth will put the business at risk (and indeed growth does involve risk). However, it is also true that as firms become larger the probability of closure declines. Contrary to perceptions growth might ensure greater stability and longevity for the business.

The studies reviewed above do not examine this question. It could be that women generally believe some of the consequences of growth (e.g. work load, loss of control) are likely to be more severe than men. Even if their perceptions of the consequences are the same, they may place a higher/lower value on specific perceived outcomes. For example, they may value and be less driven by wealth (Dawson et al., 2009). Alternatively (or probably in addition), it may be that the factors which determine ambition vary by gender and those most relevant to women have not been included in the studies. For example, it has been shown that women set up businesses for different reasons, judge success differently, have different experiences in early life, have different goals in life and perceive different consequences of business growth. (Manolova, et al., 2008; Roomi et al., 2009). All are potential determinants of why women have lower business growth ambitions (even amongst those who set up their own business). Within regression analyses gender simply acts as a proxy for these potential determinants of ambition.

An implication is that this study needs to analyse males and females separately and ensure that the questionnaire explicitly examines the issues which potentially influence women's growth ambitions. As far as we are aware such analyses have not been undertaken (probably because the number of women in the samples is rather small).

## 5. Note on Effectuation

Sarasvathy studied 27 'expert' entrepreneurs: people 'who, either individually or as part of a team, had founded one or more companies, had remained a full-time founder/entrepreneur for ten years or more and participated in taking at least one company public.' From her findings she concluded that entrepreneurs mainly believed that the future was uncertain and not predictable, and that, rather than following a 'causal' process they broadly followed a set of principles which she labelled 'effectuation'.

'The first theme that emerged from the data', Sarasvathy says, 'was: Expert entrepreneurs distrust market research' and they revealed 'a profound distrust of attempts to predict the future'. However, if the future is not predictable, it is not pre-determined and so potentially can be shaped by the entrepreneurs' actions. Also, if it is unpredictable, then much market research which attempts to forecast how consumers will react to a product or service offering must be viewed with considerable suspicion – and yet business plans are constructed around such sales forecasts. This view of market research is supported by Graves in his book, *Consumer.ology*, in which he reveals 'why the findings obtained from most market research are completely unreliable' and suggests that 'market research is a pseudo science ... and the beliefs underpinning it are false'.

The main theme emerging from Sarasvathy's research however was that entrepreneurs preferred what she calls an effectuation approach: 'over 63 percent of entrepreneurs in the ... study preferred effectuation to causal approaches more than 74 percent of the time'. Traditionally, she suggests, entrepreneurs were thought to pursue a causal approach in which they fix on a target and then try to cause it to happen – like deciding what dish to cook, looking up a recipe, assembling the listed ingredients and then following the recipe to prepare the dish initially chosen. Effectuation, on the other hand, would be to start, not by selecting the target dish, but by considering the ingredients available and then deciding how they might be put together to create a dish, based on the abilities and ideas of the chef. Sarasvathy's five key principles of effectuation are the following:

1. The bird-in-hand principle – Effectuation is means-driven, rather than goal-driven. Its emphasis is on creating something new with existing means rather than on new ways to chosen goals.
2. The affordable loss principle – Instead of making a business plan based on sales projections and trying to raise the investment the expected returns appear to justify, this principle indicates that your commitment to a venture should be limited to no more than you can afford to lose on it.
3. The crazy-quilt principle – Effectuation involves building connections, putting together commitments from stakeholders, and determining the goals based on who comes on board.
4. The lemonade principle – If life gives you lemons, make lemonade.
5. The pilot-in-the-plane principle – Effectuation recognises human agency as the prime driver of opportunity so the venture should not always stay on a pre-determined path and the entrepreneur can, and should, create opportunities and steer the venture accordingly.

### **Effectuation and Causation**

The contrasting metaphors of a patchwork quilt and a jigsaw puzzle capture the difference between an effectual and a causal logic of action. The prevailing myth of the entrepreneur is that of a visionary who is able to see farther into the future than the average person, who solves the complex jigsaw puzzle of a profitable opportunity more quickly and efficiently than others, bringing together financial resources, key people and capabilities that create a large and sustainable competitive advantage. But the problem with the jigsaw puzzle metaphor is that the picture — the market opportunity — already exists, so entrepreneurship is primarily a task of discovery. The expert entrepreneurs in the study, irrespective of whether they saw themselves as visionaries or not, did not in the actual experiment behave as though the picture existed and was just waiting to be put together. Instead, they proceeded rather like an accomplished quilter making a patchwork quilt.

Making a patchwork quilt differs from solving a jigsaw puzzle in at least three ways.

1. The quilter has wider latitude than the puzzle solver in putting together the pattern. Even when she begins with a basket of random patches, she can choose which patches to use and juxtapose them in a way that she personally finds pleasing and meaningful.
2. Large quilting projects are usually communal: a good quilter works with others who bring their own baskets of patches along with their tastes and talents. In the process, the quilter must decide who she will work with and why, manage various problems of coordination and deal with unexpected contingencies.
3. The quilt not only has to be pleasing and meaningful, but also has to be useful and valuable ultimately, it has to keep human bodies warm or embody their aesthetics.

Often it seems business plan thinking, in particular as taught and/or advocated by many business professional advisers is a 'causal' approach in that it encourages the selection of an end goal which should then be caused to happen by following the plan. But what Sarasvathy seems to be saying is that is not how many successful entrepreneurs actually work. Some of them many have formal business plans because that is what banks and other funders ask for, but those plans may not be how they actually operate. Thus any apparent correlation between business plans and growth needs to be viewed questionably, and probably not ascribed to causation.

## 6. An International Dimension

### 6.1 Comparisons

We have found no data which systematically compares growth ambitions across countries. Any notion that low ambition is an explanation of poor UK performance is, therefore, simply speculation. The only systematic comparisons are from GEM data on the proportion of the adult population which expects is considering setting up a business which they expect to be a high growth business (see Table4). If this is an indication of ambition then it appears the Chinese and Americans have more ambition than Brits who, in turn, are more ambitious than most Europeans.

**Table 4: Expected High Growth Entrepreneurship**

	% of Adult Population expecting to set up a high growth business	% of Start-ups expected to be High Growth
China	1.68	12.4
USA	1.49	13.0
New Zealand	1.41	9.2
Ireland	0.91	11.5
UK	0.67	11.1
Scotland <sup>1</sup>	0.52	8.5
Germany	0.64	11.9
Netherlands	0.51	10.6
France	0.25	5.5
Spain	0.22	3.5
Japan	0.14	6.0

Source; Autio (2007) Notes; Estimated from the UK/Scottish Figures in 2007 Scottish GEM Report

However, it is not clear that expecting high growth is a good indicator of ambition. It is presumably strongly influenced by factors such as market conditions, access to finance, the degree of market competition and other factors influencing what is possible. In addition it is known that some of these high aspiration would be entrepreneurs will not achieve such growth (or even set up a business).

### 6.2 Explaining International Differences

There are no data sources of international comparisons of SME growth ambition. However GEM is a systematic and consistent data set covering over 40 countries. It has been used to examine high growth expectation entrepreneurship amongst nascent and early business founders (generally, but rather misleadingly, referred to as high aspiration entrepreneurship). This is not, as already suggested, a measure of ambition per se. However, it may be indicative. The advantage of international comparisons is that it is possible to identify important factors (especially at the macro-level) which country based studies cannot easily identify. For example within the UK everybody essentially operates within the same tax regime, cultural environment and institutional system. Consequently,

the tax regime does not determine variations between individuals and so cannot be identified in regression analysis or by individuals (since they are less aware of how alternative regimes would affect them). However, the tax regime affects everybody and, therefore, could be a critical determinant of ambition.

Estrin et al seeks to identify the factors which account for (or differentiate) high growth expectancy nascent entrepreneurship from those not expecting to grow using individual level data (the well-known variables collected by GEM) and country level variables (e.g. relating to each country's financial system, role of government, property rights etc). The study has data on almost 300,000 individuals in 42 countries. Regression equations are estimated to identify what determines the decision to become an entrepreneur and what influences those who believe their business will employ a substantial number in its fifth year (i.e. high growth aspirations).

The main conclusions which can be drawn from a review of the two regression models and the variables which are statistically significant in explaining high growth are;

- Demographic factors are important; males are more likely to have high growth expectations. Age also plays its well-known role with high expectations increasing until late middle age and then declining.
- Individual experience and circumstances are statistically significant. Specifically growth expectations are more frequent amongst those who are in employment, know an entrepreneur, have less fear of failure, are a current business owner and are setting up the business with more than one partner.
- The country's financial system is important. A large and well developed financial sector increases the proportion of the population who expect to set up high growth business.(It does not affect the proportion of the population who are say they are in the process of setting up a business just the proportion of the population who expect to be high growth.)
- Strong property rights increase high growth expectations (but have no affect on overall levels of business formation). Essentially, it appears that weak property rights discourage entrepreneurs from growing their business. This is the most influential factor.
- Property rights are a 'systems wide' issue and include things such as the rule of law. Interestingly intellectual property rights are not significant. This is probably because they are relevant to a very restricted part of the economy (e.g. some high tech firms).
- The level of inward investment increases growth expectations. This may reflect a country's openness (to both trade and ideas), market conditions or simply the experience of seeing successful international firms.
- The probability of having high growth expectations in what are classified as 'transition' economies is greater. This may be largely due to the high rate in China.



Of interest are the factors found not to be statistically significant. While both the tax and regulatory burden adversely affect the level of business formation, they do not affect the number of individuals who say they expect their business to be high growth. This is hypothesised to be because if the individual expects high growth it is worthwhile overcoming the regulatory obstacles and paying (or being in a position to avoid) the taxes.

Again using GEM data and a similar methodology, in a recent paper the same author (Estrin, 2011) examines the growth expectations of over 13,000 young businesses (i.e. in business for less than 3.5 years) across 55 countries. Growth expectations are defined as the difference between the business' current employment and expected employment in 5 years time. All the results reported in the previous study are confirmed. However, with the use of more specific explanatory variables;

- The perceived level of corruption has a negative effect on growth expectations.
- The dimension of property rights which is most important is protection from arbitrary government (rather than simply the protection of private contracts).
- The size of government has a negative effect on growth expectations. This refers to its 'economic size'. Unfortunately the precise definition is not given in the paper.
- A positive growth expectation effect arises from both secondary and tertiary education.

While these studies do not examine ambition per se, it might be expected that similar macro variables (e.g. strong property rights) could influence an individual's ambition to grow the business.

## 7. Self Employed

The self-employed are a very heterogeneous segment of both the workforce and small businesses. Many are essentially employees with employers getting their employees to become self-employed as a means of reducing costs and legal liabilities. These self-employed probably have little ambition to run a 'real' business never mind to grow a business. Many others will be self-employed with several clients (e.g. many in professional occupations). The majority may not want to grow their business (at least in terms of taking on employees). It is well established that limited companies are substantially more likely to grow than self-employment businesses (Storey, 1994; Greene et al, 2009). This is not surprising since those wanting to grow the business are in general expected to seek the protection of limited liability by setting up a limited company. All this might suggest that the self-employed have little growth ambition.

However, it should not be assumed that all the self-employed have little growth ambition and wish to remain sole traders. (Those running a partnership are self-employed. We are also aware of limited companies which began life as self-employment businesses. We have been unable to find systematic statistics on how many self-employed actually grow and become limited companies or what proportion of limited companies began life as self-employed businesses. However, to illustrate the process, in one sample of women who

run businesses in Eastern England, 35 percent of the limited companies in the sample began life as sole trader/self-employed business.<sup>37</sup> At least some of the business orientated self-employed (rather than those who are in reality employees) must have at least some growth ambitions.<sup>38</sup>

The probability of a self-employed business having growth ambition is perhaps low (relative to a limited company). However, because they are so numerous, the number with growth ambition could be large and even exceed the number of limited companies with growth ambitions. To obtain an estimate of the extent of growth ambition in the UK some estimate of ambition amongst the self-employed is perhaps necessary. For example, how many want to become a limited company (perhaps if things go well etc). Also the self-employed may be a better indicator of why some individuals have no growth ambition than those running a limited liability company.

The self-employed can also provide insights into the determinants of growth ambition. These insights may be more difficult to identify and assess from examining just limited companies. For example, in all countries for which data are available it is well established that the self-employed have greater job satisfaction than employees. This is despite the fact that they often earn less work longer hours and face greater insecurity. Particularly of those not pushed by necessity, many choose to be self-employed to do something they like. They also believe that being 'independent is great'. The greater job satisfaction comes mainly from doing interesting work and, to a lesser but considerable extent, the extent to which self-employment contributes to the psychological need for self-determination (with the self-employed seeing autonomy as a contributing factor to their higher 'job satisfaction'. (Benz and Frey, 2008a; 2008b).

As previously noted, relatively few up-side gains from growing a business are examined in the literature (money and the need for achievement) but with many potential 'downside' costs.

## 8. Policy Implications.

We found little discussion of the policy implications in the literature on determinants of ambition beyond the observation that if it is possible to understand the determinants of ambition it may be possible for policy to increase growth by raising ambition (Delmar and Wicklund, 2003). How and the costs of raising ambition has not been considered. In the same paper the authors stress that the causal link between motivation and actual firm growth is a weak one. This suggests it could be necessary to raise the ambition of a large number of would be entrepreneurs and owner/managers to achieve a noticeable effect on the number of growth SMEs. Nor did we find any analysis of the effectiveness of cognitive coaching which appears to be on offer from the private sector to SMEs. However, this form of coaching appears to require the individual to want to do something and is then about the mode of thinking which will assist them realise their ambition (i.e. what they want to do).

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<sup>37</sup> Calculated from Table 1 in Roomi et al, (2009).

<sup>38</sup> Those on the TBR database are the self-employed with 'real' businesses. Those working for a single (employer are unlikely to be included because their 'employer' is unlikely to require a credit reference.



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## Telephone survey script

### Section 1 – Filter questions and initial data collection/validation

*Aim of section: This section, along with data held on respondents' businesses from TCR, will provide useful information on the owner/manager, their business and details of business performance in the past few years.*

**Q1. Are you an individual within the organisation who is best placed to answer questions about the future plans of the organisation, and someone who has the ability to influence these?**

Yes

No

**Q2. Can I just confirm some details about you? (If no to Q1, ask who is the most relevant person to speak to? [Interview Note – Please complete contact details]**

Name:

Organisation:

Position:

Contact Details: (including direct dial)

Gender [Interview Note – do not ask about this – just record information]:

The following are some general questions about your organisation and its activities.

**Q3. Can you confirm the address details of the organisation (including the postcode and nation). [Interviewer Note – Please read out address from database]**

**Q4. We currently have <BROAD SECTOR from database> as the sector in which your organisation currently operates, would you say this is correct?**

Yes (Continue)

No (Please provide a description of the sector in which your organisation operates)

**Q5. We currently have <YEAR from database> as the year in which your organisation was founded, would you say this is correct?**

Yes

No (Record the year in which the company was founded)

**Q6. How many people are employed by your organisation in XX [name of nation]?**

[Interviewer Note - do not read out size bands unless respondent is unable to provide a figure. Please allow open, numerical response]

0

1-4  
 5-9  
 10-49  
 50-99  
 100-249  
 Don't know

[Note to interviewer – no need to ask these (Q7 to Q9) questions to businesses which are less than three years old as their previous employment and turnover would have been zero and % increases will be infinite].

**Q7. In the previous three years (or since your businesses started if less than three years old) has the number of employees in your organisation increased, decreased or stayed roughly the same?**

Increased  
 Decreased  
 Stayed the same  
 Don't know  
 Unwilling to answer

ASK Q7b If increased/decreased] AT Q7

**Q7b. By approximately how much has employment increased/decreased over the past three years?**

Enter percentage (0-999 percent)

**Q8. Can you please tell me the approximate turnover of your business in the past 12 months?** [Interviewer note: if necessary, remind respondent that all the information they give us is absolutely confidential; no third party will have access to this info. We can accept an estimate. Prompt with bands if necessary].

Less than £67,000  
 £67,000 - £99,999  
 £100,000 - £249,999  
 £250,000 - £499,999  
 £500,000 - £999,999  
 £1m – £1.49m  
 £1.5m - £2.49m  
 £2.5m - £4.99m  
 £5m - £9.99m  
 £10m - £14.99m  
 £15m - £24.99m  
 £25m or more  
 Don't know  
 Unwilling to answer

**Q9. In the past three years (or since your businesses started if less than three years old), has the turnover of your organisation increased, decreased or stayed roughly the same?**

Increased

Decreased  
 Stayed the same  
 Don't know  
 Unwilling to answer

ASK Q9b If increased/decreased] AT Q9

**Q9b. By approximately how much has turnover increased/decreased over the past three years?** (or since start-up if less than three years old)?  
 Enter percentage (0-999 percent)

**Q10. How would you describe the ownership structure of your organisation?**

Sole proprietor or partnership  
 Privately owned  
 Public limited  
 Equity investor-owned  
 Social enterprise, community interest company or cooperative  
 Other (please specify)  
 Don't know

**Q11. Approximately what proportion of your turnover comes from exports?**

0% / Don't export  
 0.1%-9%  
 10-24%  
 25-49%  
 50-74%  
 75%+

## Section 2 – The existence and strength of ambition (to grow)

*Aim: This section would identify whether the business has 'ambition' and how strong this desire is. It would also crystallise how firms and their owners see growth. It will seek to identify and differentiate between personal ambition (i.e. the CEO has strong ambition to grow the business) and corporate ambition (and this is also supported and shared by other shareholders/key individuals).*

This section asks about how you view growth, your personal desire for business growth and how this relates to the aims of your organisation.

**Q12. What do you see as the primary measure of the size of a business?**

[Note to interviewer – Do not read out, but prompt if necessary]

ALLOW ONE RESPONSE ONLY

Market share  
 Employment  
 Turnover  
 Profit  
 Company profile/reputation  
 Number of acquisitions  
 Other (please specify)

**Q13. From your personal perspective what is the ideal size of your business in the long term –i.e. beyond the next three years – in terms of a) turnover and b) employment? C) Their answer to Q12 (If not turnover or employment)**

- a) turnover
- b) employment
- c) response to Q12 (if different)

Significantly larger than its current size  
 Slightly larger than its current size  
 It is currently the ideal size  
 Slightly smaller than its current size  
 Significantly smaller than its current size

**Q14a. On a scale of 1-10 (with 1 being not at all and 10 being very strongly), how strongly do you as an individual desire business growth now?)**

[Note to interviewer – this is about business growth aspirations related to any company in which the individual may be involved in now (or in the future), i.e. not just the individual's aspirations for that one particular business]

- 1-Not at all
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 – Very strongly

**Q14b) And would you say that has changed since three years ago (or since start up if less than 3 years old)?**

- Yes
- No

**Q14c) (If yes to 14b) On the same scale of 1-10 (with 1 being not at all and 10 being very strongly), how strongly did you as an individual desire business growth three years ago (or when respondent started the business if less than 3 years old)?**

- 1-Not at all
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10 – Very strongly

ASK Q14d IF VALUES DIFFER BETWEEN Q14c AND Q14a

**Q14d) Why has it <decreased, increased>?**

*Open Response*

**As well as your personal ambition we are also interested in the ambition of your company.**

**Q15a. On a scale of 1-10 (with 1 being not at all and 10 being very strongly), How focused and driven towards business growth is the ethos of the organisation you own/lead/manage NOW?**

1-Not at all

2

3

4

5

6

7

8

9

10 – Very strongly

**Q15b) And would you say that has changed since three years ago (or since start-up if less than 3 years old)?**

Yes

No

**Q15c. On the same scale of 1-10 (with 1 being not at all and 10 being very strongly), how focused and driven towards business growth was the ethos of the organisation you own/lead/manage three years ago (or since start-up if less than three years old)?**

1-Not at all

2

3

4

5

6

7

8

9

10 – Very strongly

ASK Q15d IF VALUES DIFFER BETWEEN Q15c AND Q15a

**Q15d). Why has it <decreased, increased>?**

ASK IF VALUES FOR Q14a DIFFER FROM Q15a



**Q16. You indicated that your own desire for growth differs from that of your organisation What do you think are the main reasons for this? [Do not read out, code as appropriate]**

MULTIPLE RESPONSES PERMITTED

Other owners/shareholders have different objectives

Other management team have different objectives

Current business does not have potential to grow

Difficult market conditions

Other (please specify)

**Q17. Do you believe you can grow your business if you want to?** (Note to interviewer – If respondent asks for growth criteria then say in terms of employment or turnover)

Yes

No

This next set of questions ask you to think about the consequences of growth in your organisation for yourself and the company.

**Q18 I am now going to read out a number areas which could be impacted should your business grow significantly in size. For each area could you tell me what you think the impact would be on a scale of 1 to 5 where 1 is a significant increase and 5 is a significant decrease.**

Increase significantly

Increase slightly

Remain the same

Decrease slightly

Decrease significantly

Don't know/Not Applicable

Your influence over business decisions

Your personal income

Your satisfaction with the balance between your work and family/leisure time

The likelihood of the firm being more prone to crises

The quality of the business' culture, atmosphere, relationship and social aspects

### Section 3 – Determinants of ambition

*Aim of the section: The main aim of this section is to identify the important influences on the levels of ambitions held by respondents. It will examine the effects of experience, social norms and so on. This is likely to be of great support in understanding the policy options that may arise from the study. It will also explore, for those with and without ambition, why they are attracted/not attracted by growth. It would explore the extent to which ambitious and non-ambitious firms have considered the consequences, and what they believe they are.*

[Interviewer to read out] Intro – we're going to ask you a bit about what factors influence your personal desire for growth in your business.

ASK Q19 TO ALL THOSE RESPONDING 2 OR HIGHER ATQ14a

**Q19. Earlier you rated yourself as x [taken from Q14a] in terms of your personal desire for business growth. For you personally, what would you say is the main reason for wanting to grow the business?**

*(Open response – first mentioned and record up to 3)*

First response

Second response

Third response

ASK TO ALL

**Q20. Are there any reasons why you personally, might not want to grow the business? If so, what would you say is the main reason you do not want to grow the business?**

*(Open response - first mentioned and record up to 3)*

First response

Second response

Third response

**Q21. Which of the following are important in terms of influencing your personal desire for 'growth' in your business? Please rate the importance factors on a scale of 1-5 (where 1 is not important at all, and 5 is very important)**

1-not at all important

2

3

4

5 – very important

Enjoying a challenge

Willingness to take risks

Confidence in own ability

Sense of achievement/ self accomplishment

Desire to improve work life balance

Desire to earn a higher salary

Desire to be seen as a success

**Q21b) Which of the following things has your business done over the past 3 years (or if less than 3 years old, since start up):**

Won a major customer

Lost a significant previous customer/market

Needed to expand to compete/survive

Received formal business advice from a public sector business support organisation (If respondent needs an example e.g. Business Link in England, Business Gateway or Scottish Enterprise or Highlands and Islands Enterprise in Scotland, Invest NI in Northern Ireland and Welsh Assembly Government in Wales)

Received formal business advice from private sector organisation (e.g. bank, accountant, lawyer etc)

Received informal business advice e.g. from friends/colleagues

Any other factor (please specify)

**Q21c) And to what extent has each of these things made a difference to your desire to grow the business on a scale of 1 to 5 (where 1 is has not made any difference at all, and 5 is has made a significant difference.)**

1-Made no difference at all

2

3

4

5-Made a significant difference

POPULATE RESPONSE FIELD WITH THOSE SELECTED AT Q21b

Won a major customer

Lost a significant previous customer/market

Needed to expand to compete/survive

Received formal business advice from a public sector business support organisation (If respondent needs an example e.g. Business Link in England, Business Gateway or Scottish Enterprise or Highlands and Islands Enterprise in Scotland, Invest NI in Northern Ireland and Welsh Assembly Government in Wales

Received formal business advice from private sector organisation (e.g. bank, accountant, lawyer etc)

Received informal business advice e.g. from friends/colleagues

Any other factor (please specify)

**Q22. Looking forward, what else do you feel would increase your personal desire to grow your business?**

*[Do not read out. Open response. Code as appropriate, make a note of the first mentioned)*

**External advice**

Business growth advice or mentoring

Advice on exporting

Advice on advertising or marketing

Advice on raising finance

Advice on recruiting skilled workers/ employment matters

Support with business planning

**Personal**

More confidence in running a larger enterprise

Better childcare / less reliance by dependents

**Economic/ Financial**

Better economic conditions

Easier access to bank loans/finance

Finding investors/venture capital

Lower corporation taxes

Availability of cheaper premises

**Other**

More skilled workers available

Fewer regulations

Other (please specify)

Nothing

Don't know

**Q34. Do you have a desire to grow the organisation BEYOND the point where it is able to provide you with what you would define as a reasonable living?**

Yes

No (Why not?)

*[Interviewer to read out - We are interested in understanding your views on the trade-offs that might be involved in achieving business growth].*

**Q23. Could you tell me how strongly you agree/disagree with the following statements.**

5-Strongly agree

4-Slightly agree

3-Neutral (Neither agree nor disagree)

2-Slightly disagree

1-Strongly disagree

N/A /don't wish to attempt to grow the business

A) I am willing to take risks where necessary in order to attempt to grow the business

B) I have the ability and skills to grow the business substantially should I wish to do so

C) I would have a stronger ambition for business growth if I had additional skills.

D) Most people in the UK business community believe your aim should be to grow your business substantially

E) Society holds in high regard those who achieve substantial business growth

F) Most business owners/managers I know believe it is overly risky to grow their business by taking on additional employees.

G) I would be willing to sacrifice more of my personal (non work) time to substantially grow the business

H) I would be willing to invest my own money to substantially grow the business'

ASK Q24 IF Q23H) CODED 4 OR 5

**Q24. How much of your own money would you be prepared to invest in the business?**

Record value (open answer)

*Don't know/Depends*

ASK Q24 IF Q23C) CODED 4 OR 5

**Q25 What additional skills would cause you to have a stronger growth ambition?**  
(Open Response)

## Section 4 – Link to growth

*Aim: This will explore historic ambition/non-ambition, linkages to growth/non-growth and the consequences. It would also seek to understand the drivers of growth (i.e. driven by actions based on ambition, or opportunistic but ambition led to response and so on).*

We are now going to ask you about your plans and general circumstances that might have affected business performance in the past three years.

**Q26. First of all, have you taken any active steps over the past three years (or since start up if less than three years old) to attempt to help the organisation to grow?**

Yes

No

ASK Q27 IF NO AT Q26

**Q27. [If no], Can I ask why not?**

Open response

ASK Q28 IF YES AT Q26

**Q28 What steps have you taken to help the organisation to grow?**

[Do not read out, code as appropriate, Record all mentioned plus most important]

Most important step taken

Created a business plan or organisation strategy

Recruited additional staff

Invested in specific training/skills

Attempted to enter new domestic markets

Created new/ improve current product(s)/services

Sought business coaching on how to grow a business

Increased efficiencies/ Reduced costs

Change the organisation's ownership or management structure

Increased levels of exporting

Increase investment in R & D

Sought external investment

Increased marketing

None

Don't know

Other (please specify)

**Q29. Aside from these active steps you have just mentioned, what factors outside of your control have made a significant contribution to the performance of your business in the past 3 years** (or if less than three years old, since start-up). [Do not read

out, code as appropriate, Record all mentioned plus most important]

Development of a significant new product or service by a competitor / Actions of competitors

An unforeseen opportunity arose which you seized upon e.g. won a major new contract / market

Difficult economic climate

Actions of suppliers

Change in ownership or management structure (If yes to this option please specify Merger or Acquisition or Management buy-out or Spinning out from another organisation)  
 External investment  
 Actions of customers  
 Market Performance  
 Don't know  
 Other (please specify)

ASK TO ALL

**Q30. Did you have a business plan three years ago** (or if less than three years old, since start-up)?

Yes

No

Don't Know

IF YES AT Q30 ASK Q31

**Q31. (Have you met your business plan growth targets from three years ago** (or if less than three years old, since start up)?

Yes

No

Don't know

## Section 5 – Planned Behaviour

*This section would explore the extent to which ambition is supported by planned behaviour – if there is ambition, is the firm seeking to act on this (in a relevant period). If not, why not- and when might they? It would help identify the barriers to growth for ambitious businesses. This would also focus on what firms see as 'possible'.*

The next few questions we'd like to ask you are about plans for the future. We'll come back to ask you about whether you are implementing them or not.

**Q32. Do you have a current business plan?**

Yes

No

Don't Know

**Q33. Do you intend to grow the organisation over the next three years?**

Yes

No

IF YES AT Q33 ASK Q34, IF NO GO TO Q37

**Q34 Do you expect to do any of the following over the 3 years?**

READ OUT – Allow multiple responses

Employ more staff  
 Increase turnover  
 Increase profits  
 Increase market share  
 Develop new or significantly improved products or services  
 Acquire other businesses  
 Start exporting/export more  
 Other (please specify)  
 Don't know

IF YES AT Q33 ASK Q35

**Q35. Do you plan to grow the organisation by at least 20% over the next three years in terms of:**

**A) Employment– If yes ask if it will be over 50%**

Yes

Yes and by over 50%

**B) Turnover – If yes ask if it will be over 50%**

Yes

Yes and by over 50%

**Q36. Do you have specific plans in place to help you realise your intention to grow the organisation?**

Yes

No

GO TO Q38

**Q37. What are your reasons for not planning to grow the business?**

[Do not read out, code as appropriate, record all mentioned plus most important]

The firm is functioning at optimum size for products/market

Am nearing retirement/ poor health

Satisfied with status quo

Lack of time/resources

Plans to grow are too far in the future

Too focused on survival in short-term

Other key individuals in the organisation do not share ambition for growth

Difficulties in accessing finance

Current economic climate

Planning to wind down/close this business

*Other (please specify)*

GO TO Q40

**Q38. What specific steps do you plan to take to help the organisation grow in the future?**

[Do not read out, code as appropriate, Record all mentioned plus most important]

Create/update a business plan or organisation strategy  
 Recruit additional staff  
 Invest in specific training/education for existing staff  
 Attempt to enter new domestic markets  
 Create new product(s)/services  
 Seek external advice or coaching on help grow your business  
 Increase efficiencies/ Reduce costs  
 Change the organisation's ownership or management structure  
 Increase levels of exporting  
 Increase investment in R & D  
 Increase marketing  
 Access new funding  
 None  
 Other (please specify)

Don't know

**Q39. Are there any specific barriers that make it difficult for you to take necessary steps to achieve growth in your organisation in the next three years?**

[Do not read out, code as appropriate, Record all mentioned plus most important]

Not applicable/do not want to grow  
 Lack of skilled workers  
 Lack of availability of suitable training  
 Lack of desire to see the business grow in size  
 Lack of access to finance  
 Lack of knowledge about how to enter new markets  
 Difficulties in winning contract/levels of competition  
 Lack of business support for owner/managers  
 Current economic climate  
 Regulations  
 Other (please specify)

None

**Q40. Do you currently own or manage any other business apart from the one we have been discussing today?**

Yes – Owns one other business  
 Yes – Owns more than 1 other business  
 No

**Q41. Are you intending (as an individual) to set up any new businesses in the future?**

Yes  
 No  
 Unsure

ASK Q41B) IF YES AT Q41

**Q41 B) Are you intending to set any of these businesses up in the next 3 years?**

Yes  
 No



Unsure

## Section 6 – And finally

*Aim: Provide more information on the person participating in the survey.*

[Interviewer to read out - Just before we close I'd like to ask you a few questions about yourself. This information, like the rest of your answers will be treated in the strictest confidence].

### **Q42. How did you attain your current position within the organisation?**

Inherited the business  
 Founded the business  
 Bought the business  
 Recruited into the business  
 Promoted from within the businesses  
 Other (please specify)

### **Q43. What is your age? [Record exact number]**

### **Q44 Do you have any of the following individuals dependent on your income? (Select all that apply)**

Partner/spouse  
 Children (If so how many?)  
 Other family members  
 Other (please state)

### **Q45. In which region of the UK did you predominantly reside until the age of 18?**

[Note to interviewer, do not read out but code into one of the following options. Allow only one response]

South East  
 South West  
 London  
 East of England  
 East Midlands  
 West Midlands  
 North West  
 North East  
 Wales  
 Scotland  
 Northern Ireland  
 Other UK (e.g. Jersey etc) (please specify)  
 Outside the UK (please specify)

### **Q45. What is the highest level of qualification you have?**

PHD  
 Masters degree or other postgraduate qualification  
 Bachelors Degree  
 Foundation Degree

Vocational Qualifications (please specify level)  
 A-levels/AS-levels/GCE  
 GCSEs/O-levels  
 Other (please specify)  
 Don't know  
 None

**Q46. Please could you provide an indication of your annual income?**

£0 (respondent withdraws no income from the business)  
 £1-19,999k  
 £20,000-34,999k  
 £35,000-49,999k  
 £50,000-74,999k  
 £75-99,999k  
 £100k-249,999k  
 £250k+  
 Prefer not to answer

Ask ALL:

**Q47a. Thank you very much for your time today. The Department for Business Innovation and Skills (BIS)/ Scottish Enterprise/ Welsh Government/Invest NI [Note to interviewer - read out appropriate organisation] may want to carry out further research in the future. Would you be willing to help with that research?**

Yes  
 No

[Note to interviewer – double check contact details have been entered correctly at start of questionnaire]

IF YES AT Q47a Ask Q47b

**Q47b) We are looking to speak to a small number of businesses in more depth about the subjects we have discussed today. Would you be happy to be a case study business? It would involve having a conversation in the next few weeks with our research partners TBR who are helping us to deliver this work for BIS/Scottish Enterprise/WAG/Invest NI.**

Yes  
 No

(If yes, Interview to read out. Thank you. One of our colleagues from TBR may be in touch with you again in the next few weeks to arrange a mutually convenient time to discuss some of these things in more detail).

[Note to interviewer – is asked, tell the respondent that we could do this conversion over the telephone or face-to-face at their premises.]

ASK ALL:

**Q48. Would it be possible for BIS/Scottish Enterprise/Welsh Government/Invest NI or a contractor acting on their behalf to link your responses to other information that you have provided previously to the Government? This may mean passing on**

**your company information alongside your responses but if so will only be used to inform research on businesses in aggregate and will not be used to identify individual business responses. By allowing this data linkage, we can reduce the burden of our surveys on your business and can improve the evidence that we use. Do you give your consent for us to do this?**

Yes

No

**Thank and close**

**End**

## Telephone survey quotas and sampling methodology

The tables below show the number of people who completed the survey as well as some basic demographic information about the profile of respondents. The data tables are based on unweighted number of respondents and as such might differ slightly to the weighted data presented in the report above.

The sample of SMEs and their contact details used in the completion of the telephone survey were derived from TBR Observatory's business data resource called TCR<sup>39</sup>, which has details on approximately 3 million businesses.

Once the telephone interviews had been completed, weighting was applied to the data to ensure that the sample of 1,250 SMEs was representative of the UK SME population. This was achieved by weighting the number of firms back to BIS business population statistics using 2003 Standard Industrial Classification (SIC) codes. Data were not available by nation *and* sector for 2010 onwards so BIS SME population statistics from the year 2009 were used in the weighting procedure. The data were weighted on the following three key variables:

- Country
- Size of firm
- Sector

An independent weighting procedure dependent on company size and sector and then country was devised. For each individual country, data were weighted on an overall level by size (number of employees) and sector, before a final weight being applied to take into

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<sup>39</sup> TCR is the UK's largest longitudinal business data containing information on more than 3 million individual businesses of all sizes. It contains information on the age of businesses, their location, their activity and their size making it an ideal tool for creating sampling frames.

account the proportion of businesses in that particular country which make up the UK whole. The separate weights were combined into a single weight for each firm following an iterative process. This provided a degree of UK wide representivity along with representivity at the individual country level.

In summary, this approach devised a different weighting procedure for businesses from each separate country (.e.g. all companies from Wales would have a specific weighting by sector and size (dependent on the profile of businesses in Wales) before having a final weight applied to take into account that businesses from Wales were 'oversampled', given the proportion of UK SMEs that are based in Wales.

**Table 53: Number of respondents by country and sector**

		Primary Activities	Manufacturing	Construction	Wholesale & Retail	Hospitality	Transport & Logistics	Financial Services	Business Services	Personal Services	Other
Country	Base 1250	114	149	144	190	153	122	107	159	103	9
England	450	40	53	56	63	56	42	44	54	37	5
Wales	250	23	27	29	38	35	22	20	33	21	2
Scotland	300	32	41	29	48	34	34	17	39	24	2
Northern Ireland	250	19	28	30	41	28	24	26	33	21	-

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W9/S9/Q3, Q4)

**Table 54: Number of respondents by size of company by number of employees**

Size Band	Total 1250
1-4	328
5-9	266
10-49	430
50-99	130
100-249	96

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W9/S9/Q6)

**Table 55: Number of respondents by gender**

Gender	Base 1250	
	Count	Percentage
	1250	100%
Male	961	77%
Female	289	23%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W9/S9/Q2)

**Table 56: Number of respondents by age**

Age	Base 1250	
	1250	100%
21-24	14	1%
25-34	102	8%
35-44	302	24%
45-54	442	35%
55-64	291	23%
65-74	71	6%
75+	10	1%
Refused	18	1%

Source: TBR/Qa SME Growth Ambitions Survey 2012 (TBR Ref: W9/S9/Q43)

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**URN 12/1169**