

Managing Small Business Growth in an Unpredictable Environment

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Introduction

“Even before the Covid pandemic, small businesses with limited resources faced a fast-changing business environment. Now, it is more important than ever for small firms to know how to respond to the many challenges coming their way while also making the most of any opportunities that may arise”

Dr Peter Wyer – Advisory Board Member at FinTech B2B Marketing and Professor of Entrepreneurship

Prior to the Covid-19 pandemic, our ‘partnership working’ with small businesses had highlighted how such enterprises face a dynamic, fast-changing and uncertain external environment, whereby most change situations are open-ended, predominantly unknowable and unpredictable in terms of timing and consequences [Stacey 1990; Wyer 1990-2020 ongoing].

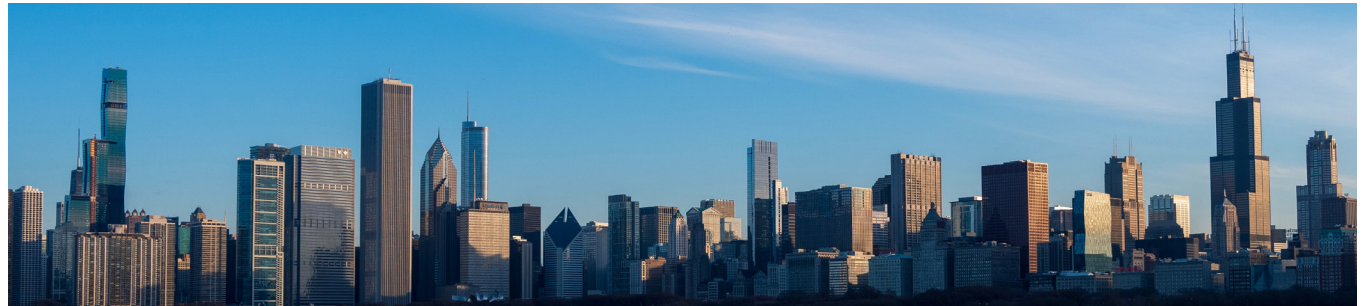
Since the emergence of the pandemic and the economic and social devastation it has wrought, the issue of unknowability of the business operating environment is more readily acknowledged by politicians and support practitioners alike. Agreement as to how progressive small businesses can be assisted in their attempts to cope with such an operating context is more pervasive. This article demonstrates why and how the worlds of small business development policy and support provision flounder in this respect, and offers an insight on how to foster effective small business management of the contemporary business environment.



Controlling an uncertain operating environment

The issue of small firms' control of an uncertain operating environment is most effectively approached in the context of a robust understanding of their distinctiveness vis-à-vis large, well-resourced organisations. Many small businesses can be viewed as a potential unique problem-type, with developmental constraints deriving from the owner-manager him or herself and/or from the smallness of operation [Wyer 1990- 2020 ongoing; Smallbone and Wyer, 2012]. For instance, owner-manager values and attitudes of independence and autonomy may restrict use of available external assistance; or the business may outgrow management abilities. Potential size-related constraints include a lack of collateral or profit track-record, restricting ability to access finance at reasonable cost [Irwin and Scott, 2010]; wage or salary levels or limited career path opportunity constraining recruitment and retention of quality workforce [Curran 1988].

The lack of a marketing budget or formal marketing knowledge and expertise can restrict effective interface and communication with, and build up the understanding of, potential owner-manager customer bases [Carson 1985; 1991; Gilmore, 2011]. Indeed, given such size-related constraints, difficulty relating to the external environment in its totality and its integral unpredictability is possibly the major



challenge for the small business owner-manager [Gibb 1983; Wyer, 1990; Wyer and Bowman, 2019]. He or she must strive for survival and growth without the ability and staffing bases of the large company with its ready access to such as marketing specialists, economists and legal beagles as a source of understanding of external change situations.

Thus for the small enterprise with its limited resources, abilities base and size-related constraints, coping with and effectively acting upon the external environment is a highly complex strategic learning task. Such conceptualisation in turn raises the question of just how successful growth-achieving micro and small enterprises effectively manage both enabling and constraining dimensions of their operating environment, and identify and seize sustainable business development opportunities.

This is a crucial question, which both academic management literature and the world of small business support has to date failed to adequately address and explain. Numerous descriptions and prescriptions are offered with regard to small business management of its external environment but most draw on large company-oriented management models and vehicles or simply assume a watering down of such provision is appropriate - the small business is not 'a little big business' [Welsh and White, 1981] and cannot be treated as 'a microcosm of a large company'. Our work on the distinctiveness of small business vis-à-vis large companies has lifted the lid on what is a 'black box' of understanding [Wyer, et al forthcoming, 2021], of how successfully growing small businesses rise to the challenge of effective strategic control of highly uncertain and often hostile external operating contexts.

Best small business strategic management practice

We have for many years partnered with growth-seeking owner-managers both in supportive management development and consultancy roles and in action research projects, and such 'partnership working' has progressively unfolded a depth of understanding into what constitutes 'best small business strategic management practice'.

For most small businesses, the undertaking of traditional rational long-term planning modes of strategic management is inappropriate - to complete a comprehensive and meaningful 'discovery' assessment or audit of the fast changing environment is neither an option nor a possibility. The tidy, step-process 'Discovery' [of external development opportunities], 'Choice' [of best opportunity] and 'Action' [implementation of the chosen development opportunity] that the rational model propounds is, even for the most entrepreneurial of small enterprises, inoperable.

A key driver of success is owner-manager ability to identify and understand in some considerable depth the relevant 'slices' of the external operating environment - including embedded business development opportunities. And such learning often derives from the owner-manager milking day-to-day interfaces with key informants on the boundaries of the firm's activities, such as suppliers, agents, distributors, customers and potential customers; and even competitors. Much owner manager learning comes from the 'trying on for size' the worldviews and perspectives of others 'to see if there is anything in it for me'.

The progressive owner-manager sees, embraced in the day-to-day routines of the business, learning opportunities - opportunities to tease out understanding of changes in the marketplace and customer tastes; the emergence of new technologies or of business processes; and



competitor actions and their implications for the owner-manager. And underpinning this owner-manager learning activity is the revealing of the embryonic of business development opportunity from an effective, creative yoking together of understanding of various often apparently disparate, occasionally intertwined, relevant external factors and forces.

Crucially, integral to such learning activity is high-level owner-manager emotional intelligence - successful growth-achieving owner-managers demonstrate significant emotional competence. They have the ability to identify and challenge assumptions within their own existing personal mental models [worldviews] of an external change situation and either enhance or replace those mentally held personal constructions; and they demonstrate sound communication and listening skills and associate ability to empathise with key informants, such as suppliers, in order to obtain and take on board their perspectives.

The progressive owner-manager recognises that he does not react to the actual stimuli of a change situation - but to his interpretation of it. He is able to learn about the change and place his own individual interpretation on an event or issue, and build his own personal construction of it [Kelly; 1955; Beck, 1980]. A learning activity that culminates in owner-manager creativity and innovative business enhancement includes, for example, new products tailored to the demands of the marketplace; and new market niche products or related diversification of business activity from an existing solid business core.



Learning the business along

Effectively, then, successful owner-managers 'learn their business along' by creating and constantly enhancing their own personal theories [personal constructions] of the business and its parts, and using these to inform their business behaviours and development actions [Wyer, Donohoe and Matthews, 2010]. Moreover, experiment or 'try out' is often an integral part of this learning the business along. Occasionally, for example, this means trying out a new product or market niche with a capped resource allocation to reinforce and enhance learning and understanding built up so far, before fully committing to the identified potential development opportunity. Thus, the owner-manager is not a 'pure' risk taker or even a 'calculated' risk taker - rather, a 'controlled' risk taker whereby the experiment is bounded in terms of a maximum 'affordable loss' resource allocation.

Successful growth-achieving owner-managers do not utilise formal long-term planning modes of strategic management. Instead they capture a working perspective of their business, its core activities and

the environment as they currently understand it in some mental framework form - and use this as a 'focal learning frame' for unfolding understanding of emerging external change. Integral to this mental frame is a perspective of where the owner-manager would like to see the business develop in the future, given the current understanding of the business and its environment. Here the owner-manager is viewing strategic direction as a 'flexible preferred end', adjusted as necessary in the light of new learning relating to emerging enabling and constraining change contexts.

Crucially, as for the owner-manager the predominant focus is on the 'now' of the business activities, strategic direction is considered in a less futuristic sense [Stacey, 1990, 1993; Wyer, Donohoe and Matthews, 2010]. Direction instead forms out of the momentum of nurturing the business forward from its existing core activities, progressively extending that business core with relevant and additional business activities. Thus, an owner-manager learns his way along 'from the now', not 'to somewhere'

because the future 'somewhere' is too unknowable. Yet all the time the owner-manager is looking to ensure continuity, coherence and consistency [Stacey, 1990] with regard to any adjustment to existing core markets, products and processes activities.

Thus, the prime success factor is the owner-manager as a 'resilient and effective learner'. He or she has 'learned how to learn' effectively and progressively becomes better in this respect, including working out just what he or she needs to know and how and where to learn about it.

Whilst rarely elaborated within the management literature, such small business strategic management and integral resilient learning capability was the hallmark of successful growth-achieving small enterprise before the Covid-19 crisis. Now, within the Covid-19 business climate, such strategic control needs to be a natural orientation of all growth-able, stability- and growth-seeking micro and small businesses.

Effective small business development support

In short, our thesis, based upon our own version of Kelly's [1955] Personal Construct Theory, propounds that in highly uncertain environments, successful small business development is driven by owner-manager 'learning the business along', and sound emotional competencies embracing personal and social awareness skills predominantly facilitate that learning. Empathising with key informants, listening carefully, understanding their perspective, taking on board their standpoint - 'trying on for size' their worldview and challenging one's own personal constructs: all these factors facilitate effective owner-manager personal construing and re-construing [Kelly, 1955; Beck, 1980] as a basis for operational and/or strategic development action. A learning and development process underpins owner-manager ongoing approximation and re-approximation of his personal constructs of his business and its interdependent parts in its environment - it is an ongoing painting and rework of his mentally

held 'meaningful picture' of his or her business, a constant striving for an ever more meaningful picture to inform his management, organisational and learning behaviours and activities. But as progressive owner-managers seek to facilitate business growth in uncertain operating contexts, they understand that they cannot undertake all the necessary learning and development tasks themselves. A key challenge is creating organisational conditions that most effectively facilitate identification of and learning about the unfolding open-ended change situations.

Thus, the entrepreneurial owner-manager anchors-in, manipulates and manages the informal and often idiosyncratic infrastructural characteristics of the business, the potential advantages associated with smallness of operation and the abilities of a more capable workforce to subsume strategic and operational development learning and integral





market- and marketing-orientation into all day-to-day roles and activities. In this way, the owner-manager facilitates learning opportunities from internal work interfaces and from owner-manager and key workforce daily interfaces with external key informants such as suppliers, distributors, customers/potential customers and local support agencies.

Gradually, the more progressive owner-manager fosters a wider embrace of entrepreneurial learning that differs from other forms of learning [Pittaway, et al 2018; Jack et al, 2018; Cope, 2010; Wyer and Bowman, 2019; Gibb, 1997], learning vicariously and independently through:

- Learning by doing
- Learning from crisis
- Learning by 'try out' and experiment
- Learning vicariously by 'trying on for size' the perspectives and worldviews of those on the boundaries of the firm's activities
- Learning in context [in the internal and external business contexts]
- Treating learning as a social process involving multiple actors
- Dialogical learning from internal workforce
- Dialogical learning from external key informants and expert/knowledgeable individuals
- Learning by problem solving
- Learning by opportunity seeking
- Learning from mistakes
- Learning by observation
- Learning from perspectives in informal and formal written, visual and audio media

Short-term planning for future direction

Crucially, while an owner-manager relies on a mentally-held strategic development frame [as described above] with little or no resort to traditional written long-term plans, detailed short-term planning is the bedrock of the small firm's effective long-term development. It is keeping a 'finger on the pulse' of the daily, weekly and monthly business activity that creates the slack for consideration of the bigger picture and creation of conditions for learning about and acting upon emerging open ended change. Confidence in high quality operational output and in consistently meeting the requirements of today's customer provides the physical and psychological 'space' for the owner-manager and key workforce to consider 'the more strategic' and thus implications for future direction. This can be achieved by nurturing a culture of constantly asking: 'in what ways has my current work task or interface with external stakeholders provided some strategic significance for the business: what could or should I be looking to learn here'?

Within such insight, we are beginning to see how the 'black box' of small business strategic development process envelops 'strategy as practice' within the day-to-day. The micro-level details of the daily management, organisational and work activities and behaviours that make up a small business strategy process [including the daily learning and development activities and behaviours, as well as design and experimentation].

'Best practice small business strategic management' does in fact embrace the same three strategic control elements as the rational long term planning model - that of 'discovery-choice-action'. But not in tidy steps management form. Rather, it is a much more untidy and iterative back and forth between, for example, 'partial discovery', then 'try-out action' to reinforce or expand that initial discovery understanding, and then 'choice' [or rejection] based upon that try-out. And it is strategy as practice that underpins and makes up that messier process.



Entrepreneurial capability and behaviours

Crucially, it is the 'entrepreneurship capability' and 'entrepreneurial behaviours' of the owner-manager and more able workforce that facilitate this effective small business strategic control of the external environment. Our work highlights the need for a shift in perspective as to what entrepreneurship actually involves, from the treatment of entrepreneurship as a celebration of the entrepreneur as some 'super hero' individual [with particular personal innovation-unfolding traits and characteristics] towards the key processes and activities that are involved in entrepreneurship and the activities and behaviours in which the small business entrepreneurs engage.

There is also a need to approach the fostering of entrepreneurship mind-set and capability beyond the tendency in much of the literature to focus on pre-start, start-up and early stage growth enterprises, and towards an inclusive embrace of established growth-able and growth seeking micro and small businesses. As seen above, the success of growth-achieving small enterprises with whom we 'partnership work' is due to their high-level entrepreneurship and entrepreneurial management capability.

Crucially, such entrepreneurship and entrepreneurial behaviours that make up effective small business control of the uncertain environment as outlined in this article are not the sole inbreed of 'special' human beings. They can be taught and learned - and today's crisis environment demands that policy makers and small business support providers quickly recognise how progressive, growth achieving entrepreneurial small businesses cope with unpredictable development contexts and how this capability can be nurtured in others.

Economic recovery and the livelihoods of many are dependent upon this - and we at Fintech Marketing have embedded the fostering of such entrepreneurial small business development capability as a central offering in our support provision. We recognise the individualistic nature of all small businesses, understand the developmental issues and problems they face and the most effective ways in which they learn and tailor customised entrepreneurial training and 'partnership working' strategic development support to meet those needs and to build on their strengths.

Author



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Peter has held professorial roles in a number of UK and overseas universities. An internationally respected specialist in entrepreneurship and business education, he has more than 25 years' experience of managing, 'partnership working' with and consulting for growth-seeking small businesses. For several years, he divided his time between the teaching, research and development roles of Professor in Entrepreneurship in university business schools and provision of direct support to small businesses. His research focuses predominantly on small business strategy development processes, and incorporates a comparative dimension that examines small business development in the developed economy context of the UK, the developing economy contexts of Malaysia and Ghana, and the transitional economy context of Russia.

He has held leadership positions in the higher education and commercial sectors ranging through Dean and Departmental Head of Business Management to Professorial Lead of Entrepreneurship Research Centres. Within such roles, Peter has designed, developed and delivered innovative business and management education programmes at all educational levels [undergraduate; postgraduate and executive education] and in developed, developing and transitional economy contexts; and has developed creative teaching and assessment approaches and methodologies.

In recognition of his work, his appointments have embraced business and management subject Quality Assessor for the Higher education Funding Council, Director on the Board of North Manchester Business Link and Consultant Industrial Fellow to a leading London independent school. His teaching and lecturing capability has regularly unfolded a 'repeat client-base' with students following him from their school context to undergraduate studies; and undergraduates requesting his support for their ongoing study at PhD level. Indicative of his coaching and mentoring skills are five PhD completions (and two of these progressing on to Professorship and Associate Professorship in their specialist fields).

His international consultancy work includes small business strategic development support and the design, development and delivery of small business management training provision in Russia and Ghana, and Masters level curriculum development in the area of small business management in Malaysia. He has also undertaken consultancy activity for major British companies and agencies, based upon the outputs of his academic research activity, including projects for British Aerospace; the National Freight Consortium; London Development Agency; Welsh Development Agency, the British Council and the UK Small Business Service. His output in the field includes articles, book chapters and conference papers disseminated across ten different countries.

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