A CRITICAL EXAMINATION OF START-UP
BUSINESS GROWTH THROUGH
EMPLOYMENT DECISIONS

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A CRITICAL EXAMINATION OF START-UP BUSINESS GROWTH THROUGH EMPLOYMENT DECISIONS

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Abstract

In the United Kingdom, small businesses account for 99.9% of all private sector businesses, 59.1% of private sector employment and 48.8% of private sector turnover (BIS, 2012). Small business growth is considered to offer benefits to the economy via wealth creation and employment. Implicit in policy and the management literature is the idea that in order to grow, businesses must recruit additional resource. However, there is limited research into how, why and when businesses take this first step. The complex transition from being a sole trader to a manager is largely ignored in studies of business growth and human resource management in in favour of normative accounts, which relate to larger or more established businesses.

To address this gap in the extant research, this research aims to critically investigate the complexities of employment decision making in a start-up business context in order to further understand start-up business growth. The research adopted a longitudinal, qualitative case study design to critically evaluate business owners’ employment decisions. Visual data elicitation tools (mapping) complemented semi-structured interviews and observational data collection to develop four case studies, presented as the empirical contribution of this study.

Employing the theoretical lens of effectuation, this study moves towards an expanded theory of human resource management in growth orientated start-up businesses and provides an empirically grounded conceptualisation of effectual logic in practice in a start-up business context. The contributions are an expanded understanding of the practices of hrm in growth oriented start-up businesses, strongly influenced by kinship and notions of legitimacy, and an understanding of the role of effectuation in relation to hrm in growth oriented start-up businesses.
These findings make a valuable contribution to extending perspectives on growth, support and employment practices in the UK small business sector. Specifically contributing to the academic discussions regarding effectual decision making and growth. It also offers practical utility via policy and practice implications.
Acknowledgements

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Dedicated to Mary Flaxman – “Doing does it.”
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### Abbreviations

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<th>Description</th>
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<tr>
<td>BIS</td>
<td>Department for UK Business, Innovation and Skills (UK Government Department)</td>
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<tr>
<td>CR</td>
<td>Critical realism</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of Trade and Industry (UK Government Department)</td>
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<tr>
<td>EO</td>
<td>Entrepreneurial Orientation</td>
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<td>EU</td>
<td>European Union</td>
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<td>ER</td>
<td>Employment relationships</td>
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<td>FOB</td>
<td>Family Owned Business</td>
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<td>HGF</td>
<td>High Growth Firm</td>
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<tr>
<td>HMRC</td>
<td>Her Majesty’s Revenue and Customs</td>
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<td>HRM</td>
<td>Human Resource Management</td>
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<td>LEGI</td>
<td>Local Enterprise Growth Initiative</td>
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<tr>
<td>LEP</td>
<td>Local Enterprise Partnership</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>RBV</td>
<td>Resource Based View</td>
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<tr>
<td>SME</td>
<td>Small to Medium Enterprises</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<tr>
<td>VRIN</td>
<td>Valuable, rare, inimitable and non-substitutable – resources that meet these criteria may be a source of sustainable competitive advantage (Barney, 1991)</td>
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Chapter 1 Introduction

1.1. Research Topic

Small businesses account for the vast majority of the United Kingdom’s businesses (BIS, 2012a). They account for 47 per cent of private sector employment and 34.4 per cent of private sector turnover (BIS, 2012a). They have long been heralded as economic and employment generators, offering salvation from economic downturns by creating jobs and wealth. However, the majority of small businesses in the UK employ no one at all (Young, 2013). They are sole traders, working to maintain an income to support themselves and their families. Government initiatives focus on “high-growth” and the academic literature continues to presume linear, rational growth (Leitch, Hill, & Neergaard, 2010) and yet the statistics suggest that most businesses have limited focus on any kind of growth at all (BIS, 2013b; Young, 2013).

This is particularly true in the area of employment. Small businesses may envisage financial growth as a business objective, but this may not be linked by a desire to grow in terms of employment (Birley & Westhead, 1990; Stanworth & Curran, 1976; Wiklund, Davidsson, & Delmar, 2003). The concerns of cash-flow, reliable staff and red-tape may be amongst the reasons why so many start-up or micro businesses never grow in numbers beyond the owner-manager (Blackburn, Kitching, Hart, Brush, & Ceru, 2008; Carter & Jones-Evans, 2000; Jack, Hyman, & Osborne, 2006).

Employment relationships in small firms are characterised by informality (Barrett, Mayson, & Warriner, 2008; Marlow, 2006). However, there is a shortage of explicit research relating to growth and employment decisions in very small businesses (Devins, Gold, Johnson, & Holden, 2005; Kelliher & Reinl, 2009). Policies to support management have largely ignored the micro business context or at best assumed that it is embraced by the term “small business” or “SME” (Devins et al., 2005; Gilbert, McDougall, & Audretsch, 2006). There is still much to learn about how start-up businesses make decisions about when and who to employ and how and why
they make those choices. This research aims to critically investigate the complexities of employment decision making in a start-up business context in order to further understand start-up business growth. In doing so, it serves to contribute to our knowledge of the practice of small business management.

1.2. **Engaged Scholarship**

The researcher takes the view that social research must be grounded in lived experiences if it is to provide any societal benefits. This research has, therefore, sought to follow the principles of ‘Engaged Scholarship’ (Van De Ven, 2007). This emphasises the social nature of the research process and calls for researchers to engage with practitioners and other stakeholders throughout the study. A key premise of Engaged Scholarship is to ground the research problem or question in reality, both up close and from afar (Van De Ven, 2007). Put differently, the emic and the etic.

This research has emerged from observations of small business owners taking their first tentative steps towards growth. As a fellow tenant of a business incubator, I witnessed first-hand some of the struggles faced by these individuals. The extract below was taken from a very early interview with one of the research participants, H of Kildo. The sentence in bold is evidence of the quandary faced by start-up business owners; it is the lived reality that became the focus of the study.

> “Small businesses, a lot of them tend to be home based or small office based and don’t have space to bring in a new person until they can afford that... **You can’t employ somebody because you don’t have enough work but you won’t have enough work unless you employ somebody.** As far as other businesses I think a lot of the time freelancers are your only hope but I suppose it depends on your market. If you can cope with a student working part-time, if you’re lucky with a student you find, if you can cope with a freelancer, an adult, part-time and whether they care enough about your business to do their best work. But how other businesses do it, I guess a lot of them probably don’t. A lot of them probably struggle on, working, God knows, 70 hour weeks.”
The study was also grounded in the broader societal context. Research dating back to the influential Bolton Committee Report of 1971 shows that the majority of micro-firms do not grow into large scale employers; in fact the majority of them employ no one at all (BIS, 2013b, DTI, 2001; HMSO, 1971; Storey, 1994). However, if or when individuals do look to recruit, the step is a very big one. It is effectively doubling the size of the company, shifting an individual’s role from sole trader to manager, increasing responsibility (financially and in terms of training etc.) and making an outward statement of a desire to grow. Why is it that some individuals make this decision and others do not? And why do some people set out with every intention to grow the business through employing people - even if there is not an imminent resource need?

In the UK there is normative discourse that “entrepreneurship” is good. Starting a business and growing as a company is seen as socially desirable and exciting. In fact, some “high-growth” programmes teach leadership skills to micro-firm owner managers who have no employees. Are individuals being shaped by this growth discourse and are they aware of it? One of the implications that such a reframing of “entrepreneurship” might trigger is that it might be better (for individuals and the broader society) to focus support on micro-firm owner managers who seek sustainable businesses over those with “high-growth” (and possibly higher risk) potential.

The traditional Schumpeterian model of business start-up portrays entrepreneurs or business owners as entirely rational decision makers, acting consistently and almost exclusively in the pursuit of profit/material gain (Pittaway, 2005). This notion has been challenged by a number of theories such as Bounded Rationality (Simon, 1986) and more recently effectuation (Sarasvathy, 2001) and Bricolage (Baker & Nelson, 2005). However, there is still more to understand about the factors that play a part in start-up decision making.

The further tenet of ‘Engaged Scholarship’ (Van De Ven, 2007) is to communicate and apply the findings in an attempt to address the problem or research questions.
Communication of research is different from dissemination. It involves multidirectional and iterative conversations with a range of stakeholders. Of course, contributing to the academic community via publication of research papers is one form of communication. This serves to progress our knowledge on social phenomena and the robustness of the theories developed rely on them being critiqued and well as reapplied.

However, it is my view that multiple communication strategies are required in order to produce effective research. When developing research projects, researchers should be mindful of the gap between theory and practice so prevalent in much management research (Leitch, Hill and Neergaard, 2010; Van de Ven, 2007). Publication via journals is a notoriously long process and this perpetuates the gap. Journal articles (and conference papers) are only one channel of dissemination and others are required in order to ensure the research gains an audience expediently.

In addition to the academic community, I consider there to be three key stakeholder groups to this study; participants, business owners and policy makers. I have talked with the research participants since completing the project to speak informally about my findings. Their reflections have been included alongside my own in the final chapter of this thesis. The second community is business owners. I hope that ongoing engagement with the business community (via networking, blogs and social media) will spark ideas and productive conversations about business choices. In doing so, it may offer the reciprocal benefits of theoretical development. The final group of stakeholders with which I will communicate is policy makers. Although communication to this group may occur via academic connections, I have also actively pursued involvement in political networks.

Measurement of research impact is much debated. Unless researchers seek interaction with stakeholders, communication is merely dissemination. Research findings are sent ‘out there’ but not followed up. It is my view that social research should aspire to social change. In order for this to occur, communication of research should be multidirectional, iterative and involving. Whilst I am not able to
demonstrate *immediate* impact, it is hoped that these substantive outputs will add to other voices hoping to contribute to social debate.

### 1.3. Background Information

Prior to the commencement of this project, I observed many micro-firms and start-up owner managers. This was as a fellow tenant in a business incubator unit. From this developed some early heuristic possibilities that were investigated in a Masters of Research (MRes) research project.

Early conversations in the field highlighted that the growth visions and decisions of owner managers are much more varied in practice than much of the literature suggests. Some owner managers seek only a degree of freedom matched with some control over job continuity and security. Some are open to emergent growth and feel they may or may not scale as opportunities and their own drives change and evolve. Another group again set out utterly determined to scale in size and turnover. Furthermore, these people can change within categories as circumstances change for them. Whilst the initial research uncovered a multitude of employment relationships being engaged with, there was little understanding of how and why these decisions were made. This research seeks to further that initial investigation by considering in greater detail both the drivers and outcomes of human resourcing decisions that support growth.

A longitudinal case study approach was deemed appropriate in order to build upon existing relationships held with tenants of a business incubator. This would enable the researcher to utilise a number of data collection methods, as is common in case study approaches (Yin, 1994). Thus, the project used multiple data sources over a period of three years to gather data from four micro-business owner managers. The initial observation and study led to the following questions, which helped shape the literature review and subsequent research design;
• What do we know about small business growth and what are the approaches that dominate this understanding?
• How do business owners make employment decisions about growing their business?

Having presented the overall research topic, this chapter will now outline the structure of the rest of the thesis.

1.4. Structure of the thesis

This thesis is presented in three parts. The first, comprising of the first three chapters, provides the background, theoretical and methodological foundations that underpin the research. Firstly, it establishes the small business context in which the study was conducted, then reviews extant literature before presenting the methodological approach adopted. The second part of the thesis, (comprising chapters four and five) presents the empirical research that serves to build on our existing knowledge. The final part draws together the analysis via discussion, conclusions and reflection. In doing so, it offers theoretical and practical implications and contributions.

This first chapter outlined the research problem and introduced key themes considered throughout the thesis. The context in which research is undertaken is important to consider and Chapter Two begins with a detailed consideration of this, discussing the definitions of small business and the political approaches to small business support offered by the UK Government. It continues with a critical evaluation of the extant literature relating to the topic of study. Despite the specific phenomenon of business start-up employment decisions being an under-researched area, there is a wealth of literature that could be drawn from related fields. This research sits at the nexus of small business growth, decision making and human resource managing (HRM) in small business. The dominance of normative approaches to all three areas is evident in earlier studies, however, it is argued that more nuanced and critical approaches to this area of study are both required and
are emerging. The chapter concludes by drawing together the literature into a conceptual framework, which was used to develop the research objectives and subsequent methodology.

This methodology is then presented in Chapter Three. The underpinning ontological and epistemological assumptions dominant in management research are briefly evaluated before the pragmatist approach adopted in this research is discussed and justified. As the research focused on decisions made during the process of growth, a longitudinal design was selected. The research design was driven by the development of propositions derived from researcher experience and the review of the extant literature. This chapter provides a detailed rationale and justification of how this longitudinal case study research was conducted, including the specifics of using maps as elicitation tools, and the data analysis protocols. The chapter concludes by evaluating the data in accordance with the notions of trustworthiness before discussing both the limitations and ethics of the study that the researcher had to be mindful of.

Chapter Four is the first of two chapters presenting the empirical findings. This chapter offers the reader insights into each business via four descriptive case studies. It is not the intention of the researcher to present all data collected, the volume would make this a difficult feat and would add little. Indeed, it could be argued that a ‘complete’ representation of the businesses would be impossible since the researchers gaze was drawn to the problem under investigation. Instead, the cases tell the story of the businesses over the three-year research period in relation to the research objectives. Timelines are presented to highlight the employment decisions along with a descriptive analysis of these decisions. This is provided to illuminate the range of decisions and employment relationships.

Chapter Five presents the cross case analysis firstly by returning to the research propositions and evaluating the empirical evidence in relation to these. The empirical analysis is then developed by presenting the key conceptual themes
interpreted from the cross case analysis. These are presented in detail and illuminated using examples and quotes from the research participants.

Chapter Six draws together the findings and presents the conclusions of this research. In doing so, it provides an expanded understanding of the practices of human resource management in growth oriented start-up businesses. The chapter further presented three key theoretical contributions that advance our understanding of the role of effectuation in understanding human resource management in a start-up business context. These are the development of effectual contingencies, the process of decision righting and the influence of the perception of capacity as an indicator of the use of effectual logic. In accordance with the philosophical approach of pragmatism, this study also sought practical utility. Therefore the chapter follows by presenting the implications of the study on policy and practice. There are two specific contributions, namely the development of a category of businesses, the amoebusiness and the redefinition of growth in start-up businesses as ‘forward momentum’. The chapter concludes by considering the methodological contributions the study has made alongside its limitations and avenues for future research.

The final chapter of this thesis is dedicated to researcher reflection. It offers a commentary on the research process, highlighting the challenges faced and strategies for overcoming them. It also provides an account of how the researcher practiced reflexivity during the research process and the importance to research of such an activity. For the researcher it seemed apt to finish this research by returning to business owners who had shaped it. Therefore, the thesis concludes with a brief update on each of the businesses.
Chapter 2 Understanding what is known, context and content

This research aims to critically investigate the complexities of employment decision making in a start-up business context in order to further understand start-up business growth. This chapter establishes what is already known about the subject, specifically addressing the initial questions presented in the opening chapter;

- What do we know about small business growth and what are the approaches dominant in this understanding?
- How do business owners make employment decisions about growing their business?

In addressing the first question, the chapter begins by providing the context of the study, discussing the various definitions used by researchers and policy makers when discussing small business. This, therefore, situates the research by providing a consideration of an enterprise policy and the notion of an ‘enterprise culture’ in the UK. The businesses studied have launched their businesses in a particular environment, which has been shaped by previous enterprise approaches, so an understanding of this context enables later analysis of the support factors that may have shaped the decisions.

Whilst this provides the context and policy rhetoric of growth, what follows is a critical review of the academic literature relating to small business growth, again addressing the first of the research questions. It presents the various dominant approaches to growth present in the extant literature, and evaluates their usefulness in understanding the specific research problems to be addressed by this thesis.

Within the field of business and management, employment and selection fall within the domain of human resource management (HRM). Therefore, the chapter continues with an evaluation of the literature relating to HRM within a small business context, considering how useful current HRM theories are to the understanding of employment
decisions in startup businesses. Within this section the topic of selection in small businesses is also reviewed. Although this is regarding choices (and therefore decisions) and, therefore, has a significant overlap with decision making, studies still sit predominantly within the HRM scholarly field.

The review then addresses the third key area that informs this study: decision making. In doing so it critically evaluates the usefulness of normative, behavioural and entrepreneurial approaches to evaluating employment decisions made by owner managers.

Huff (2008) argues that in designing social research, it is crucial to identify the academic ‘conversations’ you are seeking to join. This situates the research project in already established academic areas and places some boundaries around the research project. Considering the above research questions, this research is positioned at the nexus of three areas of literature – business growth, HRM in SMEs and decision making - as depicted in the figure below. Establishing an understanding of these topics, as presented in this chapter, both situates the research in broader academic debate and also informed the design of the study.

![Figure 1. Research as positioned at the nexus of established academic conversations](image)

The chapter concludes by drawing together these various strands to provide an overview of what is known - the context and content - about the problem under
investigation. The major thread that runs through the literature review is that our current understanding of employment decisions in small businesses is shaped by research in larger or more established companies or via post-hoc rationalisation. The conclusion drawn is that these businesses are not simple ‘little big businesses’ and therefore our understanding of the decisions regarding human resources in growth orientated start-ups is limited, as it is based on large business practices, which is likely to be inappropriate. As a result, there is a discussion of the usefulness of employing effectuation theory as a lens for explaining employment decision making in a start-up business context, where there is high uncertainty. The chapter concludes with a summary of the literature, demonstrating how it informed the development of specific research aims.

2.1. The Context of Small Business Growth

Record numbers of people are starting a business each year as part of a burgeoning population of over 4.8 million firms in the UK today (Young, 2013). Small business accounts for 99.9 per cent of all private sector business and, in the UK, 59.1 per cent of private sector employment and 48.8 per cent of private sector turnover (BIS, 2012b). There is little question that small businesses play a vital part in the UK economy.

Whilst there is a trend in both research and policy to support high growth companies – known colloquially as ‘picking winners’ (Jennings & Beaver, 1995) – it remains a ‘fact’ that the majority of new jobs and, therefore, employment creation comes from micro firm development (Gibb, 2000; Young, 2013).

This research aims to critically investigate the complexities of employment decision making in a start-up business context in order to further understand start-up business growth. In order to review the extant literature that will inform this research it is first important to draw some boundaries around the unit of study. For both statistical and research purposes, a start-up business may be categorised as a small firm, or small to medium enterprise (SME) or micro-business. However, those starting the business and thus making the decisions about staff and growth may fall into the categories of owner-
manager, sole-trader or entrepreneur. The following section will explore how various definitions are used by academics and policy makers in order to identify overlaps, omissions or contradictions in these approaches.

2.2. Approaches to defining the small firm

Broad definitions of small business have been evident for the past half a century. As such, historical yet seminal references provide the backbone to our understanding. There is no single definition of a small firm, mainly because of the wide diversity of businesses (Storey, 1994). ‘Objective’ measures of size - such as number of employees, sales turnover, profitability and net worth – do not account for sectoral differences (Curran & Blackburn, 2001; Storey, 1994) - i.e. a firm of a given size could be small in relation to one sector where the market is large and there are many competitors; whereas a firm of similar proportions could be considered large in another sector with fewer players and/or generally smaller firms within it (DTI, 2001). In effect, in some sectors most firms may be regarded as small (as is the case in the digital/creative sector currently in the UK), while in other sectors there are possibly no firms that are small (Storey 1994).

A frequently used descriptor of the key characteristics of a small firm is that used in the Bolton Committee in its Report on Small Firms (HMSO, 1971). This ‘economic’ definition stated that a small firm is an independent business, managed by its owner or part-owners and having a small market share (Stanworth & Curran, 1976). In recognition that size is relevant to sector, the Bolton Report also adopted a number of different ‘statistical’ definitions, arguing that certain measures are more appropriate than others for certain sectors (using employees or turnover as the measures).

There are a number of criticisms of the Bolton Report definitions. Regarding the first, ‘economic’ definition, it has been argued whilst smaller organisations will fit into these categories, many growing firms see decision making and day-to-day management devolved to employees at an early stage of growth and before reaching the statistical growth boundaries suggested (Storey, 1994). Atkinson and Meager (1994) argue that
managerial appointments are made when a firm reaches between 10 and 20 employees and it is thus unlikely to be solely managed by the sole owner/s in a personalised way.

A further criticism of the ‘economic’ definition is related to the notion that a small firm is one that has a relatively small share of its market. Many small, start-up and entrepreneurial businesses may be operating in niche or highly specialised markets (Stanworth & Curran, 1976). In the short to medium term they may have low competition and thus a higher market share.

The ‘statistical’ definitions provided by the Bolton Report have also been criticised for their inability to enable comparisons between sectors (due to the use of multiple criterion) and over time or internationally (due to monetary units used) (Storey, 1994). In an attempt to nullify some of the criticisms of the Bolton Report definitions, the European Commission introduced the term Small and Medium Sized Enterprises (SMEs) in 1996. It also provided recommendations for definitions of micro, small and medium businesses. A micro-business defined as having fewer than ten employees. This original definition only used number of employees as a measure and thus had the advantage of offering greater comparability over time/nations. However, in 2003 these definitions were updated to include a maximum turnover and balance sheet value (previously not defined).

According to the European Commission, “an enterprise is considered to be any entity engaged in an economic activity, irrespective of its legal form. This includes, in particular, self-employed persons and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity.” (EU 2003 p39).
Table 1. The European Union definitions European Commission (2003)

<table>
<thead>
<tr>
<th>Company category</th>
<th>Employees</th>
<th>Turnover</th>
<th>or</th>
<th>Balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium-sized</td>
<td>&lt; 250</td>
<td>≤ € 50 m</td>
<td></td>
<td>≤ € 43 m</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 m</td>
<td></td>
<td>≤ € 10 m</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 m</td>
<td></td>
<td>≤ € 2 m</td>
</tr>
</tbody>
</table>

Footnote: To qualify as an SME, both the employee and the independence criteria must be satisfied and either the turnover or the balance sheet total criteria.

The inclusion of the micro-enterprise category goes some way to recognising the shift toward formality noted by researchers when the headcount reaches around ten (Atkinson & Meager, 1994; Storey, 1994). However, the vast changes in formality, structure, management and working practices that occur in the very early stages of employment growth are ignored. The opportunities and barriers faced by a two-person company may be entirely different from those of a team of eight, yet they are placed within the same ‘micro’ category.

The EU definitions are in accordance with Section 248 of the United Kingdom Companies Act of 1985, which states that a company is "small" if it satisfies at least two of the following criteria:

- a turnover of not more than £2.8 million;
- a balance sheet total of not more than £1.4 million;
- not more than 50 employees

For statistical purposes and in order to recognise the difference in support needs of micro-enterprises, the Department of Trade and Industry usually used the following definitions:

- micro firm: 0 - 9 employees
- small firm: 0 - 49 employees (includes micro)
- medium firm: 50 - 249 employees
- large firm: over 250 employees

However, in practice schemes which are targeted at small firms adopt a variety of working definitions depending on their particular objectives (DTI, 2001).

It is worth noting that the definition of an ‘employee’ according to the UK Government reporting “does not include owners or partners, people working for the business that work on a self-employed basis and agency or contract staff that are not paid directly by the business (i.e. their PAYE tax and National Insurance is paid by an agency)” (BIS 2013 p2). However, the European Union definition states that included in headcount statistics for business categorisation, the staff consists of:

- Employees;
- Persons working for the enterprise being subordinated to it and deemed to be employees under national law;
- Owner-managers;
- Partners engaging in a regular activity in the enterprise and benefiting from financial advantages from the enterprise.

(EU, 2003)

Even when using what appears to be an ‘objective’ measure of size, there are discrepancies between definitions. These definitions fail to take account of the multiple complex staffing or employment relationships that support business growth in the early stages (Barrett & Mayson, 2006) and only regard formal employment relationships as a marker of size. This ‘size-reductionist’ approach has the effect of ‘lumping together’ all businesses under a certain size and presuming they share a sufficient amount of similarities (Curran & Blackburn, 2001). This can imply a ‘false homogeneity’ amongst small businesses (Curran & Burrows 1993 p180).

The sheer diversity of businesses means that small business research is likely to always face problems with generalisation (Curran & Blackburn, 2001). The applicability of even the most well planned and carefully executed study investigating a group of small
businesses will be easy to challenge on grounds of different sector, geography, size, turnover or any number of other criteria. Whilst many researchers have mused on the problems with using the statistical definitions highlighted above (particularly employee numbers), there is yet to be a satisfactory, universal alternative (Storey, 1994). In practice, researchers adopt useable definitions that are appropriate for the aims of their study (Curran & Blackburn, 2001). A review of various small business studies supported for the Economic and Social Research Council (ESRC) in the early 1990s shows that although the units of study did fit into the EU numerical definitions, more specific definitions were then adopted that linked to the subject of the study (see Storey 1994). A number of these additional categorisations will now be explored.

### 2.3. Alternative Definitions

There are multiple labels used in small business research. Some of these have very specific definitions but often the meanings are implied and used in a subjective sense to place boundaries around a particular group or research project.

#### 2.4.1 Age-based categories

Small businesses are frequently categorised by how long they have been established. New and young versus established businesses. In terms of new and young there is no set timeframe that this refers to, however, it is often those less than three years old, with established businesses defined as anything established longer than three years (BIS, 2012b). Of course, the time at which a business officially starts may be flexible and/or arbitrary. For funding bodies (e.g. European Regional Development Fund), it is trading that evidences start-up but even this can be vague as it may refer to purchases but no sales. From researcher experience, anything before trading is usually referred to as pre-start but may still be considered as part of the start-up phase.

#### 2.4.1.1 Growth distinctions

It was identified over 30 years ago that despite the high number of small businesses, only a small proportion of these that delivered high growth and job creation (Birch, 1981). Birch (1981) termed these small businesses ‘gazelles’ and they have been a
source of increasing interest for policy makers and academics alike for the disproportionate effect they can have on the economy (Brown & Mawson, 2013).

High-growth firms (HGFs) are defined by the Organisation for Economic Co-operation and Development (OECD) as “enterprises with average growth in employees (or in turnover) greater than 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period.” (OECD, 2011).

Clearly, this statistical definition would discount micro-enterprises from being HGFs. However, in practice the term ‘Gazelle’ is often used to refer to any young, fast growing business (Brown & Mawson, 2013). It is also important to note that mature firms also have the potential for high-growth (Smallbone, Leigh, & North, 1995). Despite this, many more established firms are considered as ‘Trundlers’ if they do not display growth ambition (Storey, 1994).

The UK Small Business Survey 2012 categorises businesses as growers, stable or shrinkers; 13 per cent of SME employers were categorised as growers, of which a subset of three per cent were high growers. Thirteen per cent were classified as shrinkers and 57 per cent were stable (BIS, 2013b).
### Table 2. UK Small Business Survey 2012: Growth Special Report (BIS, 2013b)

<table>
<thead>
<tr>
<th>Category</th>
<th>Employment Status</th>
<th>Financial Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growers</td>
<td>SME employers that had increased the numbers employed by five per cent or more in the last year with a minimum of three new employees, or SME employers that had increased turnover by five per cent or more in the last year</td>
<td>A minimum increase of £50,000.</td>
</tr>
<tr>
<td>High Growers</td>
<td>A sub-set of the growers segment, who were SME employers that had increased the numbers employed by 20 per cent or more in the last year with a minimum of ten new employees</td>
<td>Increased turnover by twenty per cent or more in the last year, with a minimum increase of £250,000.</td>
</tr>
<tr>
<td>Stable</td>
<td>SME employers that had the same numbers, or who employed up to two more or fewer employees than 12 months previously,</td>
<td>Turnover increased or decreased by less than £50,000.</td>
</tr>
<tr>
<td>Shrinkers</td>
<td>SME employers that had decreased the numbers employed by five per cent or more in the last year with a minimum of three employees</td>
<td>Decreased turnover by five per cent or more in the last year, with a minimum decrease of £50,000. In addition, this group could not have grown employment or turnover by five per cent or more.</td>
</tr>
<tr>
<td>Incomplete</td>
<td>Businesses where employment or turnover information was incomplete. This included very new businesses where no previous data was available.</td>
<td></td>
</tr>
</tbody>
</table>
2.4.1.2  Lifestyle Businesses
Enterprises categorised as ‘lifestyle’ businesses are those with little or no growth ambition (Young, 2013). These businesses “have been established to provide a measure of independence with an acceptable income at a ‘comfort-level’ of activity” (Beaver, 2003) rather than being motivated by financial objectives (Poutziouris, 2003).

This term is often used in a rather pejorative sense, pitting lifestyle businesses against the entrepreneurial ventures (see below) or HGFs who are considered as offering greater benefits to the economy. Whilst it may not be explicit, there is a disposition to treat lifestyle business owners as ‘others’ and less ‘real’ than those who show a desire to grow (Ramoglou 2011 p445).

2.4.1.3  Entrepreneurial Venture
An entrepreneurial firm or start-up has been defined as “one that engages in product-market innovation, undertakes somewhat risky ventures and is the first to come up with ‘proactive’ innovations, beating competitors to the punch” (Miller 1983 p771). In contrast to a ‘lifestyle’ firm, the entrepreneurial firm is characterised by innovation, taking risks and proactivity (e.g. Miller 1983; Covin & Slevin 1989; Covin 1991; Wiklund et al. 2007).

In their 1984 article, Carland et al. make the distinction between owner-managers and entrepreneurs, arguing that the pursuit for entrepreneurs is profit and growth whilst for owner-managers it is furthering personal goals. In practice, however, this 'entrepreneurial intention' (Bird, 1988) may be hard to identify from the outset. It could be argued that the term 'entrepreneurial' relates to behaviours and/or a set of actions (the entrepreneurial process) and can, therefore, only be aspirational or retrospective when used as a label for individuals (Howorth, Tempest, & Coupland, 2005). The term 'entrepreneur' is thus conceptualised as behavioural, whilst owner-manager is a specific status.
2.4.1.4 Sole trader/Self-employed Person/Freelancer
At the smallest end of the small firm spectrum are the self-employed, or ‘one-person enterprises’ (EU, 2005). For statistical purposes, these individuals are often referred to collectively as ‘businesses with no employees’ (BIS, 2013a) or ‘size class zero’ (DTI, 2001). In 2012, these individuals represented 74 per cent of all private businesses and 18 per cent of all private sector employment in the UK according to Business Population Estimates (BIS, 2013a).

Whilst statistically these individuals often form one homogenous group, it is recognised that the difference between them are vast (Curran & Blackburn, 2001). There will be self-employed individuals who (other than for tax and national insurance purposes) are treated very much like employees. This is very much the case in construction for example. However, there are other self-employed individuals (such as consultants or designers) who both consider themselves to be, and are considered to be, ‘businesses’. Where do freelance teachers, journalists, artists fit into this picture? Of course there will be a number of broad issues they share in common, such as completing tax returns, but how they conduct their day-to-day careers and business affairs will vary widely.

2.4.1.5 Family Businesses
Although many small businesses will inevitably also be family owned and managed, ‘family business’ is a distinct area of study with dedicated publications (e.g. Journal of Family Business Strategy, and Family Business Review) and special editions in other management journals.

Definitions of family-owned business (FOB) are often operational in nature, i.e. they relate to the extent to which the ownership, governance, management and trans-generational succession is family-owned and led (Chrisman et al. 2003). However, other definitions also consider the extent to which the business vision and identity is also ‘family’ based (see Chrisman et al. 2005 for a discussion on family business definitions).
2.4. Towards a working definition

In providing a discussion of the various categories and definitions used in small business research, policy and support we can see that there remains an inherent complexity about the area because of the range of individuals and organisations the term Small to Medium-sized Enterprise (SME) covers. From the publication of the Bolton Report in 1971, there has been ongoing policy focus on small business because of the economic contribution that they make to the economy. Whilst there is an abundance of categories, these are neither static nor absolute in relation to the lived experiences of those belonging to them. These definitions depend on multiple fluctuations and changes. Who is a sole-trader; lifestyle business one month may become a ‘Gazelle’ the next or visa versa. These changes may depend solely on the definitions used by providers of business support. Additionally, the identity of an individual starting a venture is often wrapped up in what they do (Howorth et al., 2005) and is subject to change as the business changes. Therefore, whilst the definitions presented may provide utility in that they can directly support and latterly be evaluated on the basis of this, they fail to take account of the individual’s own identity (Howorth et al., 2005).

Perhaps a more useful approach is to look at what businesses actually do and take account of their aspirations alongside current business practices in order to create more specific categories. This would counteract the false homogeneity often criticised as being present in quantitative approaches to small business research (Beaver & Prince, 2004; Storey, 1994). This suggests a need for a more nuanced understanding of very small businesses, drawn from empirical evidence, which moves away from over-simplistic taxonomies.

This research focuses on *individuals who start a self-identified business venture and have voiced aspirations for business growth*. This may seem an overly vague category, but it is one that captures the businesses investigated. From researcher experience, people who run businesses use multiple labels to describe themselves and what they do. In this sense, the definition is specific in that it describes the current status of activity, rather than a more general statistical label that fails to take account of the individual
aspirations. Additionally, the research follows the tradition in small business research whereby definitions are adopted that are useable in relation to the aims and philosophical stance of the researcher (Curran & Blackburn, 2001).

Having provided background on the various approaches to defining the small firm, this chapter will now turn its attention to the social context in which the research was conducted. As discussed, the policy context for discussions about small business support began in the 1970s with the publication of the Bolton Committee Report. Since that time successive Governments have developed a range of policies to encourage enterprise and these will now be considered.

2.5. Government approaches to small businesses

Self-employment increased significantly in the UK from the 1960s until the present with the greatest period of growth occurring during the 1980s. While total employment grew by just over 10%, self-employment grew by 63% (ONS, 2013). Policy makers during the Thatcher era sought to exploit the potential economic benefit offered by small businesses by developing an ‘enterprise culture’ in Britain (Keat & Abercrombie, 1991). This also stimulated a considerable increase in research into entrepreneurship and small businesses along with other informally written and published reports, referred to as ‘grey’ literature (Gibb, 2000). The aims of the Conservative government were twofold - institutional and cultural reform. The central themes of economic and institutional reforms were economic liberalism, non-state intervention and efficient markets (Keat & Abercrombie, 1991). The central tenet was that ‘free markets’ and increased competition would encourage enterprise and commercial activity. The cultural reformations during this time aimed to foster enterprising qualities that would flourish in an increasingly commercialised world, increase individual liberty and “neutralise and reverse all those tendencies within British society that are supposedly inimical to the ‘spirit of enterprise’.” (Keat & Abercrombie 1991 p4). This included introducing enterprise activities within the education system to foster entrepreneurial skills, promoting networking and attempts to overcome the dependency on the welfare state (Gibb, 2000; Keat & Abercrombie, 1991).
The argument for introducing enterprise activities within schools was centered around the notion that much of academia was inherently risk-averse and this was failing to develop school leavers or graduates with the necessary skills for venture creation (Keat & Abercrombie, 1991). However, Gibb (2000) argues that these initiatives feed into one of the ‘mythical’ concepts that continue to surround enterprise and entrepreneurship. The notion of enterprise (and the activities undertaken in such initiatives) became somewhat synonymous with being business-like. Key transferable skills – such as communication, problem solving and IT – are important for enterprising activities but are not solely related to them. Competencies and skills developed under the umbrella ‘enterprise’ may well develop business-skills, but is unlikely to stimulate entrepreneurship unless it addresses the notions of uncertainly and risk taking in a behavioural sense (i.e. ways of doing things) (Gibb, 2000). The discourse of enterprise continued throughout the Thatcher years and beyond, featuring as a key element of the 1992 Conservative manifesto (the party being led by John Major from 1990) (Lamond & Doherty, 2010).

In 1997, upon coming into power, the Labour government continued to place policy primacy on fostering enterprise in Britain, however, there was a marked shift in their approach. New Labour focused on the state’s ability to develop the social capital of its citizens (Lamond & Doherty, 2010). Encouraging enterprise meant investing in skills, knowledge and education and encouraging businesses to do the same (with support). The premise being that an investment in human capital would increase productivity and, in turn, profitability. For individuals it would give them the necessary competencies to engage in enterprising activity with a safety net of support (Lamond & Doherty, 2010).

A further related policy driver of New Labour was to address what was seen as the ‘enterprise gap’. This meant increasing enterprise activities amongst underrepresented groups (ethnic minorities, women) and in disadvantaged areas (Derbyshire & Haywood, 2010). These policies resulted in an abundance of support initiatives such as training and grant funding.
Labour had set up the Small Business Service (SBS) with the aim of overseeing the Business Link network and to “act as a voice for small businesses” (Huggins & Williams 2009 p23). In a bid to target regional differences, Regional Development Agencies (RDAs) were established and the Local Enterprise Growth Initiative (LEGI) was launched. The aim was to tackle the imbalance that existed between regions. However, a lack of formal published aims and objectives (other than to increase enterprise generally) has been criticised for creating a range of uncoordinated activities (Beaver & Prince, 2004; Huggins & Williams, 2009).

2.6. Small business policy and initiatives

The enterprise rhetoric has continued into the current coalition government but there has been a shift towards greater empowerment of local organisations and a return to the Conservative approach of focusing on creating the right economic conditions for growth. Cuts in public funding, matched with traditional Tory ideals about free markets, competition and individual responsibility (as opposed to state dependence) has meant many of the support initiatives set up during the Labour government are no longer funded.

2.7.1 Emergence of LEPs and EZs

The 2010 Conservative election manifesto included a commitment to abolish the Regional Development Agencies and replace them with local enterprise partnerships. These would include different memberships but would be ‘business led’ (Jarvis & Martin, 2012). Local Enterprise Partnerships (LEPs) were, therefore, set up in the context of regional change, including the dismantling of Regional Development Agencies, to drive sustainable economic growth and create the conditions for job growth. This represented an explicit attempt to shift power away from central government to local communities, citizens and independent providers, as described in the Local growth White Paper (BIS, 2010).

Enterprise Zones were identified as a way to regenerate less economically successful areas and to deal with regional inequality in terms of wealth and investment. This
echoed their initial implementation under the Thatcher administration. This is perhaps unsurprising given the involvement of Lord Young, as a coalition government advisor, who had previously advised Thatcher and coined the phrase ‘Enterprise Economy’. All enterprise zones would implement new measures on business rates, planning and broadband while other specific policies and actions would be applied to fit local contexts (Mellows-Facer, 2012).

The introduction of LEPs and reintroduction of EZs demonstrates the current coalition government’s commitment to developing the economic drivers that support enterprise activity within a discourse of localism. However, they have been heavily criticised (not least by some of their members) for having a lack of delivery power, making them little more than strategic ‘talking shops’ (Pugalis, Shutt, & Bentley, 2012).

2.7.2 Supporting Small Businesses

Lord Young, as enterprise advisor to the Prime Minister, David Cameron, published a two-part report on small firms in what he termed the “first comprehensive report on small and medium-sized enterprises (SMEs) since the Bolton Report of 1971” (Young, 2012). In the second of these reports, Growing your Business, he highlights the need to support the “vital 95%” of UK businesses that are micro-firms (0-9 employees), citing the contribution they make to the economy (Young, 2013).

The 2012 Business Population Estimates (BPE) calculated that there were 4,794,105 businesses in the UK private sector. Seventy-four per cent (74%) of these businesses had no employees (BIS, 2013a). Of those remaining, 83 per cent (83%) had between one and nine employees and were classified as micros. This equates to nearly a million micro firms, many with opportunities for growth (Young, 2013). So, at the start of 2012, 95.5% (4.6 million) of private sector businesses in the UK were micro firms (0–9 employees). Micro businesses together accounted for 32% of private sector employment (7.8 million) and 20% of private sector turnover (BIS, 2013a; Young, 2013).
Lord Young highlights three areas that he feels need policy focus in order to support micro-enterprise growth;

1. Confidence – in the economy, prospects for growth and the conviction to make growth happen.
2. Capability – by improving skills and performance. More needs to be done to encourage firms to invest in their capability and engage external help.
3. Coherence – business support must be easy to understand, find and trust.
(Young, 2013)

Huggins and Williams (2009) provide a framework that assists in analysing enterprise policy in the UK. The current trend in business support is a focus on the economic drivers that create barriers to enterprise and business growth (Huggins & Williams 2009). This represents a shift away from a greater focus on social drivers that took place under the Labour government. The current approach is to assist in creating the right conditions for growth and removing barriers to enterprise (such as reducing the regulatory framework faced by businesses). Economic drivers are targeted at improving business growth “by reducing the burdens of regulation, improving access to finance, providing appropriate support, including to specific industries that are deemed to be valuable, and encouraging innovation and investment.” (Huggins & Williams 2009 p26). This ‘arm’s length’ approach involves less direct intervention in the businesses. However, there has been a continuing focus on culture through Conservative, Labour and now the coalition governments. There remains a commitment to create a culture where entrepreneurial activity (or business ownership) is seen as analogous to actual employment and the root of this remains in integrating enterprise into the education system (Gibb, 2000; Huggins & Williams, 2009).

2.7. Policy Support and the Research Context

In providing an overall context for this research project, it is important to highlight some issues relating to business support policy that has (and is) taking place. Over the duration of this research project there were multiple initiatives designed to support business start-up and growth via employment. Programmes were wide ranging, inter
alia investment in business incubators, funding for new graduate employees, Innovation Vouchers to support research, development and innovation and business mentoring. However, historically the statistics suggest that most businesses fail to engage with these initiatives (Curran, 2000) and the evidence is that the vast majority of businesses remain as sole traders (BIS, 2013b). Storey (1994) argues that policies intended to encourage new business start-up is no more than a lottery and greater focus should be given to those businesses who are most likely to grow – a “picking winners” approach to policy formation and business support (Jennings & Beaver, 1995). However, the ongoing problem with this is that it is not only difficult to identify business most likely to grow, but business aspirations are not always static. This returns us to the problem of definitions – without taking account of the complexity of business identity and changes, any ‘picking winners’ approach is likely to ignore a wide range of potentially grow-able businesses.

A second issue relating to government intervention in small businesses is that policy, designed to promote enterprise generally, may result in unsustainable, dependent activities. There is a potential for businesses to be incentivised and supported by public funds rather than as a result of consumer demand or market needs (Huggins & Williams, 2009). It could be argued that the current business policies are less likely to create this problem as they adopt a less hands-on interventionist approach. However, there is still the risk that by encouraging everyone to start a business and offering financial incentives to do so, the UK creates a surplus of unproductive micro-firms, dependent on government support. This is an area of interesting discussion when considering the rise of social enterprises. However, it is beyond the scope of this research to focus on this area specifically.

This research focuses on individuals who grew up in the era of Thatcherism and the introduction of Britain’s ‘enterprise culture’. They took their first steps into business whilst under a Labour government and benefited from a number of the ‘hands on’ social initiatives delivered at the time. They sought to grow their businesses in the midst of a financial crisis and at the time of a coalition government who seeks to return to a focus on creating the conditions for growth via ‘economic’ drivers. The context and
environment in which these individuals are operating their ventures will shape (enable or constrain) the decisions that they make (Scase, 2000) as well as personal ambitions and characteristics. The interaction of both the personal and the structural will shape actions (Chell, 1985; Zahra, 2007).

The aim of the preceding sections was to establish the social and policy context in which the businesses in this study were operating. In doing so, it partially addresses the initial research question – what do we know about small business growth? To address this question fully, the following section will review the literature relating to small business growth and the approaches that dominate our understanding.

### 2.8. Approaches Small Business Growth

Gibb and Davies (1990) and Smallbone, Leigh and North (1995) suggest that there are four main of approaches to business growth literature and these continue to dominate our understanding:

I. **Market-led approaches**

II. **Business management approaches**

III. **Organisational development models**

IV. **Personality dominated approaches**

The following sections will explore each of these in turn from a macro level perspective to the micro or individual level.

#### 2.9.1 Market-led approaches

The first of the approaches to growth suggested by (Gibb & Davies, 1990) are the sectorial and broader market led approaches. These (largely economics based) approaches focus on the external constraints and opportunities that affect small business growth, with a focus on how markets can effectively stimulate growth (Gibb & Davies, 1990). Stemming from economics (and often specifically Gilbrat's (1931) “Law of Proportionate Effect”), these ‘stochastic’ (Dobbs & Hamilton, 2007) models assert that
there are multiple causes of the change in size of a business, but none which influence a major influence over time. These approaches may offer some opportunities to identify sector or geographic specific enablers of growth (Gibb & Davies, 1990) but they are less useful either predicting which firms may grow or why. Additionally, the variance in growth rates for new businesses is markedly higher than for established companies (Gilbert et al., 2006) suggesting that because Gibrat’s law does not apply to startups and, therefore, offers limited insights into growth at the micro-business level.

2.9.2 Business management (or strategic) approaches

Often considered to be the traditional view of business growth, these approaches consider the growth of the firm in relation to its ability to perform in the market place, exploit opportunities and operate at maximum efficiency (Gibb & Davies, 1990). These approaches implicitly place formal planning, rational decision making and the execution of a clear strategy at the center of small business growth (Gibb & Davies, 1990).

A clear message emanating from the strategic/business management approaches is that not all managers have the capability or desire to grow (Stanworth & Curran, 1976; Birley & Westhead, 1990; Storey, 1994) but that those with a strategic approach to growth are more likely to succeed (Gibb & Davies, 1990). This has implications for both policy and support as it suggests that increasing owner managers’ strategic capabilities can encourage those who do display a desire to grow.

2.9.3 Organisational Development Models

A further approach frequently found in the SME growth literature is that of the organisational development models. These approaches seek to explain (often theoretically or normatively (Gibb & Davies, 1990)) the various stages businesses go through during growth. Traditional views in this area suggest movement through various discrete stages in the firms’ ‘life-cycle’ through which growth businesses typically pass (McMahon, 1998). Arguably one of the most valid contributions to the review of such approaches is that of D’Amboise and Muldowney (1988) and an updated review completed by Levie and Lichtenstein (2010).
The intuitive appeal of these “organismic” approaches has led to their continuing use amongst researchers and practitioners (Phelps, Adams, & Bessant, 2007, p1). In recent years, however, there has been increasing criticisms of these approaches, suggesting that they are overly simplistic and deterministic (O’Farrell & Hitchens, 1988; Perren, Berry & Partridge, 1998; Levie & Lichtenstein, 2010). Despite some models accepting that growth is punctuated by a predetermined set of “crises” (as in Greiner’s 1972 model), there is generally an assumed linearity to the process (Deakins & Freeland, 1998). Critics argue that growth is non-linear and non-cyclical and may consist of disconnected growth spurts interspersed with stability (O’Farrell & Hitchens, 1988; Smallbone & Massey, 2012).

Levie and Lichtenstein (2010) argue that the simplicity of these models, although attractive, actually acts as a barrier to advancement of research on growth. This is because they fail to explain the complexities associated with small business management and merely retrospectively describe rather than predict growth (Storey, 2004). The lack of empirical evidence found by Levie and Lichtenstein (2010) underpinning stage models led them to dub them little more than “clear but misleading roadmaps that create an illusion of certainty about the road ahead” (p 336). Further, implicit in these stage models are models of management and decision-making that are more likely found in larger and/or more established businesses rather than start-up businesses with no employees. They ignore the complex characteristics found within micro-firms (Gilbert et al., 2006) and, therefore, provide limited insight into the specific early stage growth this study seeks to address.

**2.9.4 Personality dominated approaches**

The final approach evident in the business growth literature is those studies that focus on the dominance of the owner manager in influencing business performance (Gibb & Davies, 1990). The belief that the entrepreneurial firm is an extension of the entrepreneur has led researchers to examine the character traits of the entrepreneur...
that are most likely to influence the growth of the firm. A plethora of personality traits have been considered which include the owner managers personal goals, drivers, attitude and experience (Baum et al., 2001; Baum & Locke, 2004; Carter & Jones-Evans, 2000). However, most of the personality traits researched are now believed to have indirect, rather than direct, effects on the growth of the firms. (Baum et al., 2001; Baum & Locke, 2004)

Storey (1994) identifies the ‘characteristics of the entrepreneur’ as one of the three key components of growth alongside characteristics of the organisation and growth strategies. At start-up, the characteristics of the organisation and growth strategies are likely to be so intrinsically entwined with the owner manager, that distinguishing one from the other is difficult (Culkin & Smith, 2000; Goffee & Scase, 1995; P Greenbank, 2001). The business is embedded in “biographical development processes” meaning business decisions relating to growth can only be understood in the context of the life decisions of the owner (Gilbert et al., 2006 p930). Recent research that suggests the more ‘serious’ a business owner is, the more likely it is to grow (Korunka, Kessler, Frank, & Lueger, 2011). ‘Seriousness’ is reflected as a larger start-up size (in terms of human and financial capital – but still without employees) combined with vocalised growth intentions (Korunka et al., 2011). The authors argue that the ‘classic’ entrepreneurial traits, such as internal locus of control, a need for achievement and risk propensity are poor indicators of growth as, although they are common traits amongst those who select self-employment, they are less relevant in future growth decisions. This suggests that in researching early growth decisions, considering both the self-identity and ‘seriousness’ of the owner-managers in their desire to grow may provide a more nuanced understanding than a re-consideration of classic entrepreneurial traits.

The preceding sections have evaluated the four approaches to growth articulated as dominant by Gibb and Davies (1990). Despite being nearly 25 years old, the approaches presented in small business and entrepreneurship literature continue to fall into these broad categories with the exception of the Resource-Based view (RBV), which has become one of the central views in contemporary entrepreneurship research and, therefore, requires consideration.
2.9.5 Resource-Based view

A resource-based approach was first proposed by Penrose in 1959 as an alternative theory to firm management. The resource-based view (RBV) conceptualises growth as dependent on the combination and deployment of valuable, rare, imperfectly inimitable and non-substitutable (VRIN) resources (Barney, 1991a; Wiklund et al., 2007). The performance (growth) of a business is a consequence of firm specific resources (tangible and intangible assets) enabled by management competencies (Kelliher & Reinl, 2009). This link, between the way resources are controlled by a firm and market competitiveness (and therefore growth), is an area of increasing interest in the entrepreneurship and small business field (Wiklund et al., 2007).

RBV has frequently played most attention to resources or competencies that are valuable, rare, inimitable and non-substitutable (VRIN) but also relatively stable over time (Barney, 1991b). This has led to criticisms of RBV and its application in complex or dynamic environments – a context in which business startup could be considered. In a bid to overcome this problem, recent attention has focused on the need for organisations to develop new capabilities in dynamic environments (Wright, Dunford, & Snell, 2001). These are referred to as “dynamic capabilities” and have been defined by Eisenhardt and Martin (2000) as “the firm’s processes that use resources—specifically the processes to integrate, reconfigure, gain and release resources—to match and even create market change.” (p 21). Dynamic capabilities require businesses to establish processes that enable them to change products, services and routines over time.

There are a number of well-rehearsed critiques of RBV. The first is that RBV is in essence tautological (Priem & Butler, 2001), i.e. in order to create value you must have resources that are already valuable. Crucially, business owners must be able to recognise that they have resources before exploiting them. This suggests that whilst it may have utility in larger or more established businesses, at the start-up stage when resources are scarce, the theory may prove less useful.
A second criticism, relating specifically to micro-firms, is that it assumes there is ‘managerial slack’ in the firm (McKelvie, Wiklund, & Davidsson, 2006). Micro-firms or sole traders often suffer from resource poverty (Cassell, Nadin, Gray, & Clegg, 2002), meaning there is likely to be limited ‘slack’ or availability of resources to work with. Or at least the individuals may feel that there is not. This suggests that RBV is unworkable for owner managers themselves in that it “tells managers to develop and obtain VRIN resources and develop an appropriate organisation, but it is silent on how this should be done.” (Priem & Butler, 2001).

The four dominant approaches to research into growth in small firms as articulated by Gibb and Davies (1990), along with RBV, as discussed in the preceding sections cover many of the empirical and theoretical contributions made by scholars over the past few decades. However, more recent studies propose that organisational, individual and environmental dimensions combine to provide a more comprehensive prediction of venture development and growth than any one dimension in isolation (Covin & Slevin, 1989; Hornsby & Kuratko, 1990; Lumpkin & Dess, 1996; Baum, Locke, & Smith, 2001).

Each of the approaches that contribute to our understanding of growth are dominated by studies of larger or established SMEs and are frequently retrospective in their focus (Dobbs & Hamilton, 2007; Leitch et al., 2010; Wiklund et al., 2007). They frequently evaluate growth post facto and, therefore, offer little utility to business owners in the throes of early stage growth. There remains a paucity of literature or theoretical development which focuses on the specific context of micro-business growth conditions and the decisions made by start-up owner managers in order to grow their enterprise (Korunka et al., 2011). It is this gap that the research seeks to address by comparing and analysing the business growth drivers identified by start-up owner managers with those discussed in the extant literature.

2.9.6 Understanding Growth
In reviewing the policy context and literature content relating to small business growth, these preceding sections of this chapter sought to address the initial research question;
What do we know about small business growth and what are the approaches that dominate this understanding?

Despite sustained interest in small business growth for nearly 50 years, there is relatively little consensus regarding the phenomenon. This is unsurprising considering the heterogeneity of small businesses and the complexity associated with growth (Baum et al., 2001; Baum & Locke, 2004; Gilbert et al., 2006; Leitch et al., 2010). However, there is likely to be continued interest in the phenomenon because of its contribution to economic prosperity. Indeed, the UK Department for Business Innovation and Skills (BIS) recently stated that “business growth is the main priority” in their “Bigger, Better Business” initiative (BIS, 2011). Whilst economic, rational growth models continue to dominate much of the discussion around business growth (and as such, inform policy choices), there are calls to broaden the debate and consider the complexities associated with business growth within the specific micro-firm context (Devins et al., 2005; Kelliher & Reinl, 2009; Korunka et al., 2011; Leitch et al., 2010).

It is worth noting that much of the focus has been on how much enterprises grow (Brown & Mawson, 2013). With the possible exception of RBV, the emphasis is often placed on quantitative ‘output’ measures (turnover, employment). Much less focus is dedicated to the ‘how’ and ‘why’ of business growth (Brown & Mawson, 2013; Leitch et al., 2010). As such, there have recently been calls for business growth to be reconceptualised via ‘growth as process’ rather than simply growth as output (McKelvie & Wiklund, 2010). Although growth itself must be measured in terms of some output (e.g. turnover, employment) focusing on this to the exclusion of the processes that enable it tell a half told story.

A further problem of focusing outputs only is that looking at mean growth between two points ignores the fluctuations that may occur over that period, when growth may be erratic and non-linear (Delmar & Wiklund, 2008; McKelvie & Wiklund, 2010). Additionally, there remain serious questions as to whether owner managers exercise deliberate (and efficient) growth strategies consciously at all times (McMahon, 1998; Baum & Locke, 2004; Delmar & Wiklund, 2008). There is an implicit assumption of
rationality and linearity in these approaches where the “supremacy of the economic motive is taken for granted”. (Wiklund et al., 2003 p248). Whilst growth may be an objective in itself, however, it is often not be the priority for the majority of small business managers (Stanworth & Curran, 1976; Birley & Westhead, 1990; Wiklund, Davidsson, & Delmar, 2003).

There are multiple reasons why owner managers may decide not to grow via employment. These include, inter alia, a disinclination to surrender control (Greenbank, 2001; McMahon, 1998) assumptions that growth will increase workload or affect job satisfaction (Richard Scase & Goffee, 1980; Wiklund et al., 2003) or a fear that growth will increase risk or change the culture of the business (Carter & Jones-Evans, 2000). In this sense, growth may not always be an indicator of success (Greenbank, 2001; Wiklund et al., 2003). The vernacular of growth in policy and research terms is not the same as growth on a day-today basis (Deacon, 2013). This suggests understanding the concept and measures of success and growth from the perspective of individual business owners may add to our knowledge in this area (Leitch et al., 2010), acknowledging that owner-manager motives, or primary goals, may change over time (Baum & Locke, 2004; Delmar & Wiklund, 2008; Wright & Stigliani, 2013). These factors combined suggest that whilst there is significant research into potential conditions for growth, our knowledge to date about the processes of growth in start-up businesses remains simplistic and in its fledgling stages (Korunka et al., 2011; Leitch et al., 2010). It is this gap in our understanding that this research aims to contribute to by investigating the complexities of employment decision making during the course of the start-up process.

Whilst the research problem is situated within the area of small business growth, specific issues relate to the decisions made by owner managers regarding the resourcing of such growth, i.e. the employment relationships adopted. These decisions include who to recruit, when to recruit, what type of employment relationship to adopt and, vitally, whether or not to recruit at all. Although employment is only one of the potential outputs of growth, it is arguably the most easily observable (Shepherd & Wiklund, 2009). How business owners deal with the complexity of managing resources, including human resources, is an important factor in their potential growth (Baron,
and the specific context this research is situated in. However, there is limited knowledge about whether existing HRM theories apply in start-up or micro-firms (Barrett et al., 2008; Tansky & Heneman, 2003). In order to understand small business growth it is, therefore, pertinent to consider the role that employment and human resource management (HRM) plays.

2.9. Human Resource Management in Small Businesses

The first recruits of a business can be considered the first major human resource challenge in the life of a business (Atkinson & Meager, 1994; Greenbank, 2001). Despite this it is an under-researched area (Barrett & Mayson, 2008; David & Watts, 2008; Tansky & Heneman, 2003). This review will, therefore, broaden the search and evaluate the extant literature relating to human resources in small business. Despite the limited research on the specific phenomenon, drawing from this larger body of research also assists in situating the research in a recognised academic conversation.

2.9.1 Characteristics of HRM in small businesses

In a review of empirical research into HR in small firms, Cardon and Stevens (2004) surmise that it is characterised by informality and strategies employed are often *ad hoc*. In the broader business literature, a clear strategy is seen as critical for decision-making (G. Johnson & Scholes, 2002). Timmons (1994) argues that formal planning enables small firms to assess alternatives, making decision making more efficient and effective. The resource-based perspective (Barney, 1991) suggests that competitive advantage is gained if the resources small firms have are hard to imitate and heterogeneous. In the context of managing human resources and recruitment, this would suggest that a rational, strategic approach is the most appropriate. However, the extant literature asserts that small businesses do not act in this way, instead taking a much more informal approach to staffing issues (Matlay 1999; Heneman et al. 2000; Baron 2003; Cardon & Stevens 2004). However, Cassell et al. (2002) found that managers adopted a “pick and mix” (p 687) approach to HR practices. Rather than being wholly formal or informal, practices were contingent, contextual and dependent on multiple influences. Although the adoption of practices was often piecemeal and reactive, this should not necessarily
be viewed in a negative way as it enables businesses to respond quickly and remain flexible (Cassell et al., 2002; Gilbert et al., 2006; Kelliher & Reinl, 2009). It is suggested that informality found in small businesses is due to the liabilities of newness and smallness, resource poverty and the fundamental role of the owner manager (Barrett & Mayson, 2008). These characteristics will now be discussed further.

2.9.2 Liability of newness & smallness
Stinchcombe (1965) argues that new firms risk a greater failure than established firms because they have low levels of legitimacy, this impacts on their ability to attract and recruit ‘good’ staff. This liability of newness is a unique burden faced by emerging companies and one that can only be overcome in time. A further liability start-up businesses suffer from is that of smallness (Heneman & Berkley, 1999). Again, this impacts on the legitimacy of the business and thus opportunities to recruit. Williamson (2000) argues that the liabilities of newness and smallness means there is a tendency for owner managers to ‘muddle through’. Their attractiveness to potential candidates is hampered by a perceived lack of legitimacy. It is argued that in order to obviate against this, small firms should imitate the practices of larger firms (Williamson, 2000). This would mean engaging in (creating or outsourcing) recruitment processes and HR practices seen (or espoused) in larger organisations. This could be seen as somewhat of a contradiction; in order to appear legitimate and thus attract the best candidates, it should imitate other, larger businesses. Yet in order to gain competitive advantage it should remain flexible and unique (Barney, 1991).

2.9.3 Resource Poverty
Small firms are considered to suffer from “resource poverty” (Welsh & White, 1981) meaning they lack the necessary resources to be able to act in a formal manner. The most obvious of these resources lacks is cash flow (Welsh & White, 1981). On start-up and as a business is emerging, it is unlikely to have the necessary cash flow to invest in formal HR practices and processes. Focus is given to getting the business up and
running, dealing with marketing, production and sales, rather than giving consideration to longer term plans (Mayson & Barrett, 2006).

A second area of resource poverty is the skills of the owner-manager (D’Amboise & Muldowney, 1988). Individuals starting a business may have no previous experience of HR practices. Indeed some owner managers may not even understand what the term HRM means (Jack, Hyman, & Osborne, 2006). As HR activities may be seen as less important than activities that are directly related to business launch/stability, they are less likely to be undertaken in the early stages of business growth (Mayson & Barrett, 2006). This results in recruitment practices that are informal and ‘unimaginative’ and limited training, through either ignorance or because of perceived prohibitive costs (Barrett, Mayson, & Warriner, 2008).

It is widely accepted that the growth of a firm will result in greater complexity and thus a higher degree of formality in management is required (Barrett et al., 2008). It, therefore, follows that formality will increase with size. The following section will explore this notion in further detail.

2.9.4 Formality Increases with size

Mazzarol (2003) asserts that as small firms grow, managers are faced with increasingly complex HRM issues. This increasing scale and scope puts pressure on the owner manager to delegate and build an effective team (Heneman et al., 2000). This (and common sense) suggests that practices are at their most informal at start-up.

Hornsby and Kuratko (1990) found that recruitment practices increased in formality as a business grew, with greater prominence being placed on application forms and reference checks. They also noted that training (albeit often informal and on the job) also increased as firms grew. Kotey and Slade (2005) also found that as firm size increases, so too did the amount of documentation associated with HRM, suggesting greater formality of processes.
Along with increased size, time also plays a part in the formalisation of HRM. While new start-ups are likely to be dominated by owner-manager control, more established firms are likely to have undergone some formalisation, be functionally organised and have some delegation of authority (Martin, Janjuha-Jivraj, Carey, & Sursani Reddy, 2008). Over time, founding owners (or teams) may have an increased understanding of the business needs and skills required, leading to a greater recognition of the need for specialisation (Storey, 2004). However, research from Marlow and Thompson (2008) suggests that owner managers are often reluctant to delegate the management of labour and the transition to greater formalisation is challenging. Martin et al. (2008) also note that formalisation of HR policies is not an easy task. They argue that the transition to formality can strongly affect the psychological contract between parties, leading to potential interpersonal difficulties. These problems, along with the presumption that formalising processes is either unnecessary and/or costly, may be why small firms seek to avoid it until a critical incident (such as skills shortage or performance issues) presents itself (Marlow & Thompson, 2008; Bacon, Ackers, Storey, & Coates, 1996). Relating this to the research question, it appears that if formality increased over time and with size, formality itself could be considered as an alternative measure of growth.

Having considered the characteristics of HRM in small business, this review will now move to look at the specific area of recruitment and selection as these decisions are the ones faced by business owners looking to support growth via employment.

### 2.10. Selection in small businesses

Within the small business and HRM literature, it is acknowledged that small business owner managers usually adopt informal selection practices (Cardon & Stevens, 2004). This is often due to prohibitive costs associated with using HR professionals. These informal practices include word-of-mouth, referrals and recruitment from the owner-managers network (Carroll, Marchington, Earnshaw, & Taylor, 1999).
2.10.1 The decision to recruit

The literature suggests that the majority of business owners do not see becoming an employer as an explicit business objective (Carter and Jones-Evans, 2000). However, owner managers cannot do everything in a business if they wish to grow. A recent Department for Business Innovation & Skills report (BIS, 2012b) states that 74% of UK small to medium enterprises aim to grow their business. The literature highlights some fundamental difficulties faced by owner managers that may deter them from considering recruiting. These include cash-flow uncertainty (Carter and Jones-Evans, 2000), individualism and a reluctance to delegate (Jack et al., 2006) and a fear of legislation associated with becoming an employer (Blackburn et al., 2008).

In an exploratory study, David and Watts (2008) found that owner managers were influenced to recruit either by necessity (to meet business needs in order to survive) or aspiration (recruiting as a strategic growth step). Although no explicit claims are made, the authors posit a conceptual framework with employment as a learning experience, suggesting that reflection on past experiences and heuristics play an important part in the decision making process. This active stance towards becoming an employer is also noted in the work of David and Watts (2008). Additionally, Hambrick and Crozier (1989) argue that businesses that survive and grow are those who recruit ahead of need. This involves envisioning success and anticipating future demand by building a team.

Forbes et al. (2006) suggest that, in addition to internal resource or aspirational influences, there may be time dependent, external influences. The temporal entrainment view put forward by the authors suggests that entrepreneurial teams or small businesses become “enmeshed with other systems” (p. 241) and align the internal capabilities to match the external requirements. These systems are time dependent and often cyclical. They may include funding patterns, venture capital networks, and research and development deadlines. A second external trigger that may affect the decision to recruit described by Forbes et al. (2006) is that of interruptive events. These are unforced, external, disruptive events that will cause the firm to reassess their
internal capabilities. These external influences may not be able to be predicted by the owner manager, leading to unplanned recruitment needs.

In keeping with this line of argument, literature relating to recruitment strategies within small firms describes it as being sporadic and *ad hoc* (Cardon and Stevens, 2004). There is an implicit suggestion that this is a bad thing. However, small business literature often cites flexibility as a core aspect of a small firm’s competitive advantage as it enables them to best respond to environmental changes (Mayson and Barrett, 2006). If we consider the argument put forward by Forbes et al. (2006), an inability to react to internal and external triggers may be to the detriment of smaller firms. It seems clear that an exploration of these external triggers that prompt recruitment decisions (Bacon et al., 1996; Marlow & Thompson, 2008) may assist in understanding the employment relationships adopted by small businesses.

### 2.10.2 Fit and Networks

Nadler and Tushman (1980) define congruence or ‘fit’ as "the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, objectives and/or structure of another component," (p. 40, cited in Wright and Snell, 1998). In a study of 18 small businesses, Barrett & Mayson (2008) found that the notion of ‘fit’ underpinned many of the informal recruitment processes observed. Formal recruitment practices are eschewed in favour of more informal methods, such as referrals, in order to assess candidates’ potential fit with the firm (Barrett & Mayson, 2008).

One problem with researching the area of HR in growing businesses is that managers may apply a retrospective rationalisation of recruiting one individual over another. Since research is likely to be focused on people who *had been* recruited (or engaged in labour relationships via less formal means), matched values may have been an easier post hoc justification for the decision than relaying multiple, complex and possible subconscious variables. If the relationship proved successful, the owner manager’s positive feelings towards the individual are reinforced. If it is unsuccessful, blame can be
attributed to a friction between own and others’ values. In order to assess if this is the case, a deeper understanding of what values are seen as desirable, prior to the recruitment decision, would be a useful addition to our understanding.

A further study that considers factors associated with recruiting is that of Baron et al., (1996). This longitudinal study (followed by a further study conducted by Baron & Hannan, 2002) analysed the development of nearly 200 technology start-ups with the aim of understanding how founders dealt with the challenge of recruiting employees in order to grow their companies and the basic premises behind their employment decisions. The outcome according to the authors was dependent on the organisational blueprint or mental model of how the founders believed their company should operate and its “ideal organisational form” (p.9). This was organised along 3 dimensions – attachment, control and selection.

Table 3. Dimensions of recruitment decisions Source: (Baron et al., 1996)

<table>
<thead>
<tr>
<th>Basis of Attachment &amp; Retention</th>
<th>Compensation – ‘money’</th>
<th>Qualities of the work – ‘work’</th>
<th>Work group as a community – ‘love’</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criterion for Selection</td>
<td>Skills</td>
<td>Exceptional talent/potential</td>
<td>Fit with the team or organisation</td>
</tr>
<tr>
<td>Means of control &amp; Coordination</td>
<td>Direct monitoring</td>
<td>Peer and/or cultural control</td>
<td>Reliance on professional standards</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Formal processes and procedures</td>
</tr>
</tbody>
</table>

These dimensions combined provide four blueprints for employment relationships in small businesses (as seen in table 4). These were Star, Engineering, Commitment and Factory.

Table 4. Four Pure-Type Employment Models (Baron et al., 1996)

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Dimensions</th>
<th>Coordination/Control</th>
<th>Employment Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work</td>
<td>Potential</td>
<td>Professional</td>
<td>STAR</td>
</tr>
<tr>
<td>Work</td>
<td>Task</td>
<td>Peer</td>
<td>ENGINEERING</td>
</tr>
<tr>
<td>Love</td>
<td>Values</td>
<td>Peer</td>
<td>COMMITMENT</td>
</tr>
<tr>
<td>Money</td>
<td>Task</td>
<td>Managerial</td>
<td>FACTORY</td>
</tr>
</tbody>
</table>
Baron et al. (1996; 2002) argue that the blueprints followed by founders strongly inform latter employment relationships in businesses. For example, businesses that were founded with high levels of involvement from family members were much more likely to have a Commitment employment model. This research was conducted by retrospective data about employment decisions. Whilst the authors acknowledge the potential their research has in suffering from survivor and retrospective bias, they argue that exploration of these three dimensions is a useful way of analysing a firm’s approach to recruitment (and future human resource approaches). An exploration of these dimensions prior to employment decisions may provide a useful contribution to the debate. Whilst the model and coding are subjective and require interpretation of data by the researcher, the criteria used do provide a method of analysing recruitment and employment decisions within start-up businesses.

A further dimension to the discussion of fit and values is that of homophily. This is the principal that “similarity begets friendship” (Plato in Phaedrus, cited in McPherson et al., 2001) or, “birds of a feather flock together” (Lazarsfield and Merton, 1954). In essence, it is the tendency for individuals to bond with people who are similar to them. Lazarsfield and Merton (1954) identify two types of homophily; status (relating to socio-demographic characteristics) and value (attitudes and beliefs). The former frequently informs the later (McPherson et al., 2001). Bird (1989) asserts that homophily is especially noticeable within founding teams (cited in Ruef et al., 2003). Although this may have benefits such as shared values and a “common ground” (Timmermans, 2007), it could be argued that it decreases the potential heterogeneity of the firm, as espoused as a source of competitive advantage by the rational, resource based perspective (Barney, 1991) and social capital theory.

In the extant small business HRM literature it is generally agreed that the majority of small business recruits come from the personal networks of the owner manager (e.g. Kotey and Slade, 2005; Cardon and Stevens, 2004; Matlay 1999). Indeed, Atkinson and Meager (1994) suggest that being part of the owner manager’s network is almost a prerequisite for employment. Social capital theory suggests that “networks of relationships
constitute a valuable resource” (Nahapiet and Ghoshal, 1998). The embeddedness (Granovetter, 1973) of small firms in their networks means that these relationships play an even greater part than they may do than for managers in larger organisations. It is often via these networks that recruitment takes place. In this sense, the recruitment practices are ‘exclusive’ in nature (Carroll et al., 1999).

Although there may be benefits such as shared values and a “common ground” (Timmermans, 2007) it may decrease the potential heterogeneity of the business, as espoused as a source of competitive advantage by the rational, resource based perspective (Barney, 1991). Heneman et al. (2000) suggests that research to date into small firm employment decisions has been too heavily influenced by a rational search view. They highlight that the network, values and motivations of the owner manager play a pivotal role in recruitment decisions and call for further research into this under-theorised area.

2.10.3 Alternatives to Recruitment

Many small firms do not have the resources to recruit specialists into the businesses (Culkin and Smith, 2000). An alternative option is the use of contingent labour to fill immediate requirements and provide specialist expertise without increasing overheads (Cardon, 2003).

Alongside the notion of ‘fit’, flexibility is important in small business recruitment. With limited resources, business owners need be flexible and respond to changes in the environment by adapting internal resources ahead of competition (Wright & Snell, 1998). Atkinson (1984) put forward the notion that firms can be functionally flexible by engaging a periphery of staff alongside core employees. This would enable them to engage the ‘periphery’, as and when business demanded, without the cost burden of full-time employees. Other studies of small business recruitment (e.g. Carroll et al., 1999; Holliday, 1995) have found that there are often core/periphery or core/transient models of employment in small businesses.
One problem with periphery or transient workers is that a lack of permanent contract may make these individuals more likely to leave at short-notice (Cardon, 2003). Unless their specific knowledge has been transferred, the human capital gained may be lost. Cardon (2003) suggests that due to the flexibility offered by contingent workers, they provide benefits to emerging companies.

Cardon (2003) argues that in start-up firms demand is highly uncertain yet the labour goals are for specific skills. In these instances, highly skilled ‘boundaryless’ contingent workers are useful as they represent variable rather than fixed costs in uncertain financial situations (Cardon, 2003). ‘Boundaryless’ workers are those with high levels of specific skills who choose to work in temporary roles to increase their own skill levels then move on to new assignments (Cardon, 2003).

Cardon (2003) argues that intentional and purposeful decisions about the type and timing of contingent staff use can help small and emerging businesses overcome challenges, particularly those associated with growth. It could be argued, however, that this rather prescriptive approach may be useful in principal but harder to implement in an uncertain context when exact labour needs are hard to identify. It is useful, however, in examining the importance of approaches to flexibility. Along with ‘fit’ this is a key theme that runs through the literature relating to recruitment decisions in small businesses. Heneman et al., (2000) suggest this further exploration of how the notions of fit and flexibility interrelate in small businesses would be a useful area for research.

2.10.4 Family
Another alternative to recruiting staff is to engage family or friends to support business activities in either a formal or ad hoc way. Atkinson and Meager (1994) found that there was a tendency to recruit family members or other well-known members of an owner manager’s network when entering the labour market. Equally, Carroll et al. (1999) suggest that family members – or family members of current employees – are often a preferred pool of employees. Atkinson and Meager (1994) suggest that this may be due to the reluctance owner-managers have in becoming employers. Baines and Wheelock
argue that at the micro level, firms are inextricably linked with the family and rely on it for support as well as labour. Culkin and Smith (2000) argue that the small business subsists between the business and the personal life. Family members, particularly partners or spouses, can provide vital resources for businesses through trust and reciprocity. (Baines & Wheelock, 1998). Familial ties and close kinship offers a level of absolute trust seldom found in other employment relationships (Werbner, 1984). Families, therefore, may offer flexible, reliable workers and at a lower cost that otherwise possible (Ram & Holliday, 1993). In this sense, it may seem a rational solution to immediate resource needs in small businesses.

However, is not without difficulty and is often costly in terms of the impact it has on the working relationship, the family and the business (Baines & Wheelock, 1998). Case studies such as Ram (1994) and Holliday (1995) explored these family relationships and the impact they had on employee relations, noting that with flexibility came negotiation of work and roles. This can lead to a lack of managerial control over ‘employees’ (Ram & Holliday, 1993). Additionally, recruiting family members because they are ‘cheap’ is neither effective nor rational if they do not have the necessary competencies for the job. A further issue is that the use of family members can have an impact on the perceived legitimacy of the firm (Williamson, 2000).

The scope of this review is unable to take in the considerable area of family businesses. However, this specific area of businesses using family members as an alternative to formal employment relationships appears to be an area with limited research (with the notable exceptions of Ram (1994), Holliday (1995), Baines & Wheelock (1998)) and is, therefore, worthy of further investigation.

2.10.5 Summary of HRM literature

The key themes that have been drawn from this section are that; HRM in small businesses is considered informal and ad hoc (Barrett et al., 2008; Cardon, 2003; Matlay, 1999; Mayson & Barrett, 2006); influenced by liabilities of smallness and newness (Carroll et al., 1999; Hannan & Freeman, 1983; Stinchcombe, 1965; Williamson, 2000);
lack of legitimacy (Williamson, 2000); and resource and competency poverty (Mayson & Barrett, 2006; Welsh & White, 1981). However, the majority of research in this area still focuses on larger or more established SMEs rather than startups. As such, there is a gap in our understanding of employment decisions in very small businesses. Regarding recruitment itself, David and Watts (2008) offer one study that suggests decisions are driven by either ‘push’ or ‘pull’ factors. However, this remains an under researched area and requires further theoretical development. The network of the owner manager (including family) has been highlighted as a source of social capital and a potential ‘pool’ of informal or formal recruits (Atkinson & Meager, 1994; Cardon & Stevens, 2004; Heneman et al., 2000; Kotey & Slade, 2005; Nahapiet & Ghoshal, 1998). Whilst these studies have predominantly focused on larger SMEs, start-ups also depend on these networks to support growth. However, the extent to which these are used because of necessity (caused by constraints of capital, smallness, newness and legitimacy) or choice is an unexplored area and gap in our knowledge.

The third area that may add to our understanding of business growth through employment decisions is decision making itself. Growth via employment is neither a spontaneous nor a random phenomenon, nor a smooth, continuous process (Smallbone & Massey, 2012). It is the consequence of a decision; the decision to hire and/or not to fire, the decision to increase output in response to an increase in demand or the decision to stimulate demand (Gilbert et al., 2006). Therefore, this chapter now turns its attention to the second research question;

- How do business owners make employment decisions about growing their business?

2.11. Decision Making in a Small Business Context

The following sections will first explore normative approaches to decision making before attention is turned to bounded approaches that have found increasing focus in the small business literature. Finally, the emerging entrepreneurial decision making theory of effectuation is discussed.
2.12.1 Normative Decision Making

Much of the literature relating to decision making in small businesses and entrepreneurial firms was founded on the Schumpeterian notion of economic rationality (Jayasinghe, Thomas, & Wickramasinghe, 2008). This characterises business owners as rational decision makers, acting almost exclusively in the pursuit of profit and/or material gain (Pittaway, 2005). This resulted in normative models of decision-making. A normative approach in this sense follows the Weberian notion of an ”abstract system that attempts to capture how ideal people might behave” (Bell, Raiffa, & Tversky, 1988 p17). The influence of these approaches may be because of small business research’s early roots in economics, or the turn towards positivist management science of the early half of the 20th century (Simon, 1979). However, as early as the 1960s there has been evidence that decision making processes appear less than rational by normative standards (e.g. Cyert & March, 1963; Tversky & Kahneman, 1974). This is because individuals do not always have at their disposal all possible information about a certain decision.

Appreciation of this led academics to suggest that decisions are bound in their context. Purely rational decision making is prevented due to a number of factors such as the gathering of sufficient data for decision making to be complete, the information processing limits of individuals and the differences in values and processes of individuals (Busenitz & Barney, 1997). This is termed ‘bounded rationality’ and is defined as “rational choice that takes into account the cognitive limitations of the decision maker” (Simon, 1997 p 291). This theory acknowledges that individuals have incomplete information when making decisions. However, it remains functionalist in its approach in that it seeks to identify and reify an objective ‘best’ way (Burrell & Morgan, 1979).

The start-up or entrepreneurship environment is characterised by true uncertainty (Knight, 1921) and complexity (Busenitz & Barney, 1997). Without the policies and practices often found within large businesses, decision making is more complex and thus
the reliance on a functionalist/normative understanding is likely to be insufficient (Busenitz & Barney, 1997).

It is perhaps worth noting that within much of the normative decision making literature there is a conflation between firm level (strategic) and individual decision making. Within a small business context, work subsists between the business and the personal life (Culkin & Smith, 2000; Goffee & Scase, 1995; P Greenbank, 2001) and decisions made by the individual about the business are likely to be strongly affected by their personal situation (Gilbert et al., 2006; Korunka et al., 2011). In light of this, the review now moves to consider the behavioural approaches to decision making that considers the individual to a greater extent.

### 2.12.2 Behavioural Decision Making

If normative decision making is what we *ought* to do, the field of behavioural decision making is concerned with what we *actually* do (Bell et al., 1988). An important strand of this in the entrepreneurship literature is that of biases and heuristics (Busenitz & Barney, 1997; Covin & Slevin, 1989; Tversky & Kahneman, 1974). Biases and heuristics (‘rules of thumb’) are simplifying strategies that individuals use to help in making decisions (Blackburn, 2006; Busenitz, 1999). In entrepreneurial or business start-up, when the environment is both uncertain and novel, and resources to support decision making are at their lowest, it is argued that biases and heuristics will be more frequently employed (Baron, 2004; Busenitz & Barney, 1997; Simon & Houghton, 2002; Tversky & Kahneman, 1974). These cognitive ‘rules’ guide decision making in that they provide a frame of reference based on previous experiences and outcomes.

If we consider this, in regards to the research topic, it presents somewhat of a contradiction. Within the specific area of recruitment decisions, it is widely accepted that a rational approach should be used (Armstrong, 2001; Torrington, Hall, & Taylor, 2002). But within a small business context, when uncertainty is high, decisions must be made quickly and resources to support a rational approach are limited, biases are seen as having high utility (Baron, 2004; Busenitz & Barney, 1997; Simon et al., 1999).
According to the influential work of Penrose (1959), growth (including via employment) is dependent on envisioning new opportunities and restructuring existing practices using available resources. However, whilst the recruitment and restructuring of resources may be a rational, intentional act, subjective judgment, biases and heuristics will be used (Macpherson, 2005). This suggests that further research into the heuristics that affect early recruitment decisions may be beneficial to understanding both selection and growth. This requires a longitudinal research approach in order to explore the effect of heuristics on future decisions.

2.12.3 Effectuation

Within the entrepreneurship and small business literature, decision making has traditionally rested on the notion of causation – i.e. it is goal driven and deliberate (Perry, Chandler, & Markova, 2012). However, a contrasting approach has more recently been explored that suggests that individuals also employ effectuation processes (Sarasvathy, 2001). Effectuation is described as a thinking framework for solving problems in spaces where predictability, pre-existent goals and an independent environment are not available (Sarasvathy, 2008; Wiltbank & Sarasvathy, 2010), such as a business start-up context.

With effectuation processes “entrepreneurs start with a generalised aspiration and then attempt to satisfy that aspiration using the resources they have at their immediate disposal (i.e., who they are, what they know, and who they know)” (Perry et al., 2012 p837). It is argued that those using effectuation processes remain flexible, take advantage of environmental contingencies as they arise, and learn as they go (Perry et al., 2012) but without assuming a particular effect as a given (Sarasvathy, 2001). Where causation offers “many-to-one mappings, effectuations models involve one-to-many mappings.” (Sarasvathy, 2001 p245).

Sarasvathy (2001) argues that effectual logic is likely to be more effective in settings characterised by greater levels of uncertainty and a lack of a priori knowledge, e.g. new products, new markets or new ventures. When an individual uses causal logic, he or she
will begin with a given goal, focus on expected returns, emphasise competitive analyses, exploit pre-existing knowledge and try to predict an uncertain future. This is the normative, rational approach often cited in the literature and discussed earlier. However, when an individual uses effectual logic, he or she will begin with a given set of means, focus on affordable loss, emphasise strategic partnerships or alliances, exploit contingencies, and seek to control an unpredictable future (Perry et al., 2012; Sarasvathy, 2001; Wiltbank & Sarasvathy, 2010). These are the five key premises of effectuation. These premises are described further in the table below, in comparison with causal reasoning, summarised from Sarasvathy (2001).

Table 5. Differences between effectual and causal logics

<table>
<thead>
<tr>
<th>Issue</th>
<th>Effectual logic</th>
<th>Causal logic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basis for action</td>
<td>Driven by means. Goals emerge by imagining actions based on a given set of means. What can be created given those means?</td>
<td>Driven by ends – goal orientated. Means are accumulated based on what is required to meet the goals.</td>
</tr>
<tr>
<td>Predisposition towards risk</td>
<td>Affordable loss principal. Risk is limited by understanding what can affordably be lost to lose at each step, instead of seeking large all-or-nothing opportunities.</td>
<td>Expected return. Causal reasoning first targets a return, then works to minimize associated risk.</td>
</tr>
<tr>
<td>Attitude towards unexpected events</td>
<td>Leverage. Rather than avoid unexpected events, they are seen as opportunities for novelty creation.</td>
<td>Avoid. Causal reasoning works to minimize the probability of unexpected outcomes.</td>
</tr>
<tr>
<td>Attitude to outsiders</td>
<td>Emphasise strategic partnerships. Development of relationships with self-selecting stakeholders.</td>
<td>Competitive analysis. Causal reasoning presumes that competitors are rivals to contend with.</td>
</tr>
<tr>
<td>View of the future</td>
<td>Control rather than predict. The future is (at least partially) created by willful agents and therefore prediction is neither easy nor useful.</td>
<td>Predictability means controllability. Causal reasoning frames the future as a continuation of the past. Therefore prediction is necessary and useful.</td>
</tr>
</tbody>
</table>

Sarasvathy (and others who have researched in this area) do not suggest that effectuation is superior to causation; but that it offers an alternative explanation of decision making that is particularly useful in situations of uncertainty, where general
aspirations rather than specific goals are known, as per a start-up context. In the context of this research, effectual logic would be likely to result in the use of contingent labour or outsource using strategic partnerships rather than adopt hierarchical structures and full-time employees (Perry et al., 2012).

Effectuation seems to be particularly appropriate in a start-up context because it may better describe how products and services come into existence in the absence of current markets (Perry et al., 2012). Rather than begin with certainties it enables individuals to consider “Who am I? What do I know? Whom do I know?” and using the answers to these questions to then respond to the question “What can I do?” (Sarasvathy & Dew, 2005 p 543). However, despite apparent face validity and the opportunity it may provide for understanding decision making in a business start-up context, it has seen relatively little development in the academic literature. A comprehensive review of the limited conceptual and empirical studies conducted in this field to date can be found in Perry et al. (2012) and shows only 29 articles in which effectuation was the main topic. This suggests that further research into the theory and its application in a small business context is needed to develop the discussion around decision making. Specifically, there have been no studies employing effectuation as a theoretical framework for investigating employment decision making.

Bricolage is a second, and even more recent, emerging theory of decision making in an entrepreneurial context that has been put forward by Baker and Nelson (2005). Drawing from the work of Lévi-Strauss (1967) and Denzin & Lincoln (2000) the authors suggest that entrepreneurs often work with the resources they have at hand – like a “bricoleur” or handyman (Fisher, 2012). Baker and Nelson (2005) argue that when faced with challenges in an uncertain environment, business owners have three options: (1) to seek resources from domains external to the firm; (2) to avoid new challenges by remaining inert, downsizing, or disbanding; or (3) to enact bricolage by making do by applying combinations of the resources at hand to new problems and opportunities. Hence, “bricolage is creating something from nothing by making do with what is at hand to solve problems and uncover opportunities.” (Fisher, 2012 p1026). Decision making is
driven by improvisation and means (Baker & Nelson, 2005) and in this sense the theory holds similarities to the theory of effectuation.

Central to this approach is the notion that opportunities for growth are created and not discovered (Alvarez & Barney, 2007) and thus rests on the concept of the social construction of resources. The authors suggest that when faced with resource scarcity, firms engaged in bricolage (making do, using resources at hand and using resources for new processes) are able to create something from nothing “by rendering novel services that arise from their ability and willingness to refuse to enact commonly accepted limitations.” (Baker & Nelson, 2005 p354). This notion of creating value and novelty by utilising a combination of resources links very strongly with the resource based view (Barney, 1991). As with effectuation, this approach to decision making is relatively new and as a result there are few empirical studies that consider how this works in practice.

In offering their theories, neither Sarasvathy (2001) nor Baker and Nelson (2005) suggest that there is no place for causation in decision making, but argue that in particularly uncertain environments such as business start-up, alternative approaches may have greater utility. Despite the relative newness of these theories, they offer a new perspective through which decision making in a small business can be examined (Fisher, 2012). Relating back to the second research question, how do business owners make decision about growing their business? Further exploration of the adoption of effectual or causative decision making processes linked to growth would be a useful contribution to the extant literature. Additionally, examining how decisions affect future decisions (via heuristics) may assist in understanding the types of decisions made during the process of growth.

2.12. Summary of what is known

At the start of this chapter, it was suggested that this research sits at the nexus of three bodies of literature, namely business growth, HRM and decision making. This is because of the nature of the problem under investigation. The research seeks to better understand the complexities of employment (human resource) decisions in a start-up
business context in order to further understand business growth. The literature review was driven by two initial research questions. The responses to these will now be summarised, before establishing how the literature review shaped the subsequent design of the research.

I. What do we know about small business growth and what are the approaches dominant in this understanding?

As the review of the literature has shown, firm growth is “the result of a rich array of factors as well as an unavoidable step in order to increase firm profitability and business success” (Wright & Stigliani, 2013 p4). A combination of organisational, individual and environmental dimensions provide a more comprehensive prediction of venture development and growth than any one dimension in isolation (Covin & Slevin, 1989; Hornsby & Kuratko, 1990; Lumpkin & Dess, 1996; Baum, Locke, & Smith, 2001). However, these complex dimensions and contexts in which growth occurs have been largely neglected in favour of fully rational, linear, causal models of growth (Clarysse, Bruneel, & Wright, 2011; Levie & Lichtenstein, 2010; O’Farrell & Hitchens, 1988; Phelps et al., 2007; Wright & Stigliani, 2013). Additionally, studies into small business growth largely focus on established SMEs. The specific context of growth in micro or start-up businesses is an under-researched area (Korunka et al., 2011; Leitch et al., 2010). In order to support the “vital 95%” (Young, 2013) of microbusinesses in the UK, there needs to be a more nuanced understanding of the complex choices and decisions that support or constrain their processes of growth.

The enterprise rhetoric in the UK focuses on ‘high growth’ and ‘Gazelles’ and the policy expectation is that increasing employees represents growth. Academic study equally focuses on measures that are easiest to observe and/or operationalise (Achtenhagen, Naldi, & Melin, 2010). Whilst the growth motivation of the owner manager is an indicator of subsequent growth (Birley & Westhead, 1990; David & Watts, 2008; Korunka et al., 2011; Stanworth & Curran, 1976; Storey, 2004), this is poorly conceptualised from the perspective of owner managers themselves (Achtenhagen et al., 2010; Wright & Stigliani, 2013). It is possible that growth in policy and business support terms is not wholly congruent with business owners’ expectations or desires.
This raises two questions; i) are enterprise policies and initiatives supporting microbusinesses effective, given a potential mismatch in growth expectations?; and ii) do these policies and initiatives in themselves influence the growth decisions made by microbusiness owners?

When considering growth outputs, the predominant measures used in studies are turnover and employment (Brown & Mawson, 2013; McKelvie & Wiklund, 2010). Again, this is in the context in studies of larger SMEs where turnover is more stable and employment can be measured in a formal manner (e.g. PAYE figures). In a start-up context turnover is unlikely to be stable and, therefore, is a poor measure of growth (or no growth). Further, employment is informal and ad hoc (Barrett et al., 2008; Cardon, 2003; Matlay, 1999; Mayson & Barrett, 2006) and the network of the owner manager (including family) act as significant social capital resources (Atkinson & Meager, 1994; Cardon & Stevens, 2004; Heneman et al., 2000; Kotev & Slade, 2005; Nahapiet & Ghoshal, 1998). This suggests that a simple employment measure of growth is likely to be overly simplistic. Startup business owners may use multiple key relationships to support growth. However, these are currently under-researched and poorly understood. If formal relationships are not adopted, how are business owners supporting growth aspirations and what key relationships support this?

II. How do business owners make employment decisions about growing their business?

The literature review has highlighted that whilst normative decision making remains the dominant approach within much of the business literature, this is less likely to apply in a microbusiness context. This is because a microbusiness is the epitome of a simple structure (Kelliher & Reinl, 2009) and decision making is intrinsically entwined with the owner manager and the context of their life decisions (Culkin & Smith, 2000; Goffee & Scase, 1995; Greenbank, 2001; Gilbert et al., 2006). Decision making is, therefore, likely to be less formal and heavily reliant on intuition and heuristics (Baron, 2004; Busenitz & Barney, 1997; Simon & Houghton, 2002; Tversky & Kahneman, 1974). Whilst this proposition fits with what we already know about recruitment and HRM in small businesses (ad hoc, informal etc.), the effects of this on the process of growth have not
been explored in a microbusiness context. Are owner managers able to effectively use hindsight to reflect on early growth decisions and then develop heuristics that positively shape future decisions? Exploring both what types of decisions made (to employ or not employ) as well as the effect of those decisions (on future growth and future employment decisions) in the specific context of early growth is likely to extend our understanding of both growth and decision making.

Growth decisions are likely to be moderated by liabilities of smallness and newness (Carroll et al., 1999; Hannan & Freeman, 1983; Stinchcombe, 1965; Williamson, 2000), lack of legitimacy (Williamson, 2000) and resource poverty (Mayson & Barrett, 2006; Welsh & White, 1981). However, the majority of research in this area still focuses on larger or more established SMEs rather than start-ups. It would logically follow that a microbusiness start-up is smaller, newer and, therefore, likely to have to contend with even greater constraints and resource poverty. However, do microbusiness owners recognise these constraints and, if so, how do they effectively overcome them in any processes of growth? It is suspected that the use of the network and informal relationships will help overcome the barriers, however, this will be further investigated in the study.

In the limited literature relating to the specific decisions about recruitment and growth in microbusinesses, the attitude and perceptions of the owner manager are identified as being key. David and Watts (2008) suggest growth motivation is influenced by either push (necessity) or pull (desire) factors. Additionally, Korunka et al. (2011) suggest that the more ‘serious’ an owner manager about growth, the more likely growth will occur, with ‘seriousness’ reflected in terms of a larger size at start-up (assets, investment etc.) and ambitions for growth. These notions of push and pull and ‘seriousness’ are underdeveloped in the research and the question of how (and to what extent) they may influence decisions of growth remains unanswered. It could be suggested that where there is increased desire (pull) and ‘seriousness’, business owners are more likely to take a planned approach to growth. Conversely, where push factors dominate, owner managers may be more inclined to use means-ends, effectuation in decision making (Sarasvathy, 2008) in order to control risk. Gaining a deeper understanding of owner
managers’ perception of push/pull factors may assist in our understanding of the theoretically developed but under empirically investigated area of effectuation.

2.13. What is not known

By evaluating what is currently known about growth and HRM in small businesses, alongside an evaluation of key decision making theories, insights into the problem have been developed. These have been discussed in the sections above and are summarised in Table 6. The key theme that runs through the three literature areas of growth, HRM in small businesses and decision making is that, with the exception of effectuation, studies predominantly focus on larger and/or more established organisations. In the start-up context, when uncertainty is high and resources are at their lowest, human resource decisions are largely ignored. There is an implicit assumption that start-up businesses are simply “little big business” (Welsh & White, 1981) and that rational planning and decision making is appropriate. However, the research into HRM in small businesses suggests that this is not what happens in practice. Framed against normative notions of HR ‘best practice’, human resourcing is considered ad hoc, informal and heavily reliant on the network of the owner manager. It is suggested that that effectuation is most useful in complex and uncertain contexts (Fisher, 2012; Sarasvathy, 2001; Wiltbank & Sarasvathy, 2010). The effectuation perspective therefore offers a useful lens through which to consider employment decision making in a start-up business context. The implications for this research therefore are to employ an effectual lens to reconsider the complexities of employment decisions in a start-up business context in order to evaluate if (and how) practices espoused in extant growth and HRM literature are evident or even appropriate.

The review of the literature raised a number of unanswered questions, which have shaped both the research objectives and the subsequent propositions that guided data collection. These are not linked to single literature areas, but span across the areas of decision making, growth and human resources. These relate to the key findings from the literature review but indicate what is not known, because of the under-researched
area of employment decisions in a start-up business context and are presented in Table 6, below.

Table 6. Summary of what is known and not known about employment decisions to support growth in a start-up business context

<table>
<thead>
<tr>
<th>What is known</th>
<th>Examples of Literature</th>
<th>What is not known</th>
<th>Key Area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth is dependent on aspirations for growth or 'seriousness'.</td>
<td>David &amp; Watts, 2008; Korunka et al., 2011; Stanworth &amp; Curran, 1976; Birley &amp; Westhead, 1990; Storey, 1994.</td>
<td>Do 'seriousness' and push or pull factors influence the employment decisions made in a start-up context?</td>
<td>Decision Drivers</td>
</tr>
<tr>
<td>Measures of growth are likely to be too simplistic in start-up context.</td>
<td>Brown &amp; Mawson, 2013; Leitch et al., 2010; McKelvie &amp; Wiklund, 2010</td>
<td>How do start-up owner managers conceive of or measure growth/success?</td>
<td>Decision Drivers</td>
</tr>
<tr>
<td>Key relationships in start-ups are important but HRM literature is insufficient in aiding our understanding of how they support growth due to larger SME focus.</td>
<td>Barrett et al., 2008; Cardon, 2003; Matlay, 1999; Mayson &amp; Barrett, 2006.</td>
<td>How do start-up owner managers resource growth if formal recruitment methods are not used? What key relationships support this?</td>
<td>Key relationships</td>
</tr>
<tr>
<td>Business support and enterprise rhetoric is focussed on 'Gazelles' and broad definitions of microbusiness and SMEs. A discourse of the growth imperative.</td>
<td>Jennings &amp; Beaver, 1995; Huggins &amp; Williams 2009; Young, 2013</td>
<td>Do small business support and growth initiatives influence/drive employment decisions in start-ups?</td>
<td>Policy and support</td>
</tr>
<tr>
<td>Decision making is owner manager owned, controlled and strongly influenced by heuristics.</td>
<td>Greenbank, 2001; Gilbert et al., 2006; Baron, 2004; Busenitz &amp; Barney, 1997; Simon &amp; Houghton, 2002; Tversky &amp; Kahneman, 1974</td>
<td>How do heuristics influence the process of growth in a start-up context?</td>
<td>Effectual logic</td>
</tr>
<tr>
<td>Decisions are likely to be moderated by limitations of smallness, newness and resource constraint and lack of legitimacy.</td>
<td>Hannan &amp; Freeman, 1993; Stinchcombe, 1983; Williamson, 2000.</td>
<td>Are start-up business owners aware of these constraints and, if so, how do they attempt to overcome these liabilities and resource constraints?</td>
<td>Effectual logic</td>
</tr>
<tr>
<td>Effectuation as a means of decision making is under empirically investigated but may be highly appropriate in a start-up context.</td>
<td>Perry et al., 2012; Sarasvathy, 2008.</td>
<td>How, when and why is effectual logic used in decision making relating to growth?</td>
<td>Effectual Logic</td>
</tr>
</tbody>
</table>
In summary, in the specific context of business start-ups, we lack an understanding of the **drivers** of employment growth, how **key relationships** influence decisions regarding employment growth, the role that **effectual logic** has on these decisions and the role that **policy and business support** plays in influencing these decisions. It is these gaps in our understanding that the research seeks to address and is therefore the basis of the research objectives presented at the start of the Methodology chapter.

### 2.14. Effectuation as the Conceptual Framework

As discussed in section 2.12.3, effectuation can be described as method for solving problems in a dynamic, ambiguous and unpredictable environment (Fisher, 2012; Sarasvathy, 2001; Wiltbank & Sarasvathy, 2010). It has been described by Wiltbank and Sarasvathy (2010) as an “apt theoretical framework for empirical studies of entrepreneurial decision making” (p4), where problems are characterised by uncertainty and goal ambiguity. In a start-up business context, uncertainty is high because of launching a new product or service into a new and untested market (Sarasvathy & Dew, 2005). Goals may be existent, but they are unlikely to be specific or based on predictive rationality as there is no historical information from which to infer (Wiltbank & Sarasvathy, 2010). Effectuation therefore offers a viable alternative to explore the complexities of employment decision making in a start-up business context.

This is the first (known) empirical study to employ effectuation theory as a conceptual framework to make sense of the complexities of employment decision making in a start-up business context. The study therefore advances our understanding of both start-up business employment decisions and the theory of effectuation.

### 2.15. Chapter Summary

The purpose of this chapter was to present a critical analysis of the literature relating to the phenomenon under investigation in this study. The research has been presented as at the nexus of business growth, decision making and HRM literature and thus, these three areas formed the pillars of the literature search. Whilst each of the three areas
have something to say about the topic that informs the study, gaps in our understanding have been highlighted and have been summarised above. However, as has been shown, the complex process of very early stage growth decisions remains under-researched and there is much more to be investigated. An effectual lens appears to offer a novel and useful lens through which to consider these complexities. The synthesis of the literature prompted further questions, as yet unanswered by the extant literature. These led to the areas of drivers of employment decisions, key relationships, effectual logic and policy and business support being identified as the key areas for further investigation and thus shaped the research objective and research methodology, which will now be presented in Chapter Three.
Chapter 3 Methodology

3.1. Introduction

Having discussed the context of the research and reviewed the relevant literature pertaining to the topic, this chapter will now present the specific research approach adopted in the study. The chapter begins by presenting the research aim and objectives. What follows is a brief discussion of the philosophy underpinning the research before presenting the components of the research design. The research propositions developed from the review of the extant literature informed the design of the study. The research adopted a longitudinal, case study approach, utilising sense mapping as a visual elicitation technique and an assessment and justification of this approach is provided. The chapter then discusses how data was analysed, both within and across cases. It concludes with a critical consideration of how the data may be evaluated in, a discussion of the researcher’s experience and research limitations.

3.2. Research Objectives

The aim of this research is to critically investigate the complexities of employment decision making in a start-up business context in order to further understand start-up business growth.

As was shown in section 2.13 (p 68), the literature review provided some insights into the problem under investigation. However, the lack of research into the specific context of business start-up employment decisions reflects an emphasis upon studies of larger organisations. Additionally, this topic has not been considered at all using an effectual lens. The literature review revealed a number of limitations to our understanding (as presented in Table 6, p 69), which led to the development of the following objectives.
The objectives for the study are:

I. To compare and analyse business growth drivers identified by start-up owner managers with those discussed in the extant literature.

II. To understand how key relationships influence start-up business employment decisions.

III. To explore the use of effectual logic in start-up employment decisions.

IV. To evaluate the role of policy and business support for growth at the start-up point.

3.3. Research Traditions

Since the publication of the 1971 Bolton Report there has been an ever increasing number of studies and publications into small businesses (Curran and Blackburn, 2001). Early research was often linked to specific disciplines (such as sociology, psychology and economics) and the philosophical approaches were, therefore, often embedded within these ‘traditional’ areas (Hill and McGowan, 1999; Blackburn and Smallbone, 2008). This, according to Leitch et al. (2009) has led to a tendency towards a positivist approach to the field of study.

During the 1970’s and 80’s the small business and entrepreneurship research field significantly diversified, with areas such as small business and gender, family firms, entrepreneurial teams etc., being studied under its broad umbrella. Due, perhaps, to the newness of the field much of this research was empirically based and “a theoretical”- assuming a managerialist and/or functionalist view of the field (Blackburn and Smallbone, 2008). As new themes emerged in the field, new data was required and thus more empirical studies undertaken (Curran & Blackburn, 2001). This has led to a broadening of perspectives in the field of entrepreneurship and small business research (Mole & Ram, 2012; Spedale & Watson, 2013).

Historically, there has also been a heavy focus on policy implications (Blackburn and Smallbone, 2008) which has been dominated by the “quantitative-positivist paradigm” (Curran & Blackburn, 2001). The majority of papers published in top ranking journals use quantitative methods and the prime instrument is
questionnaires (see Bygrave, 2007 for a summary of this). This is perhaps because of the relative ease of statistical data assessment by policy makers (Hill and McGowan, 1999) and because of the ‘traditional’ fields influence. Researchers have been more interested in the object of study and the methods of data collection than the underlying philosophical assumptions (Leitch et al., 2009). This has led some scholars to argue that the small business and entrepreneurship research field is “pre-paradigmatic” - meaning that there is no uniform philosophical assumption upon which research is based (Blackburn and Smallbone, 2008).

Research into small business growth has mainly followed these traditional approaches, using cross-sectional, variance studies to identify causal links between input factors (or conditions) and growth (e.g. Bhide, 2000; Storey, 1994). This has led to the dominance of teleological models of entrepreneurship and business start-up (Jennings, Perren, & Carter, 2005; Wiltbank & Sarasvathy, 2010). However, a review of such studies found “a myriad of often asymmetrical relationships” which highlighted the complex and idiosyncratic nature of small firm growth (Macpherson & Holt, 2007 p186). This has resulted in calls for qualitative, empirical studies into small business growth (Gilbert et al., 2006; Kelliher & Reinl, 2009; Korunka et al., 2011; Leitch et al., 2010). In order to understand the subtleties of emergent business growth and not bury such nuances under normative assumptions of linear and rational growth, qualitative approaches that develop theories grounded in empirical observation are required (Achtenhagen et al., 2010; Leitch et al., 2010). In summary: there are multiple issues here. Firstly, the lack of clear theoretical underpinning, secondly an over emphasis upon methodologies that favour particular positivist philosophical underpinnings, thirdly the predominance of research into larger organizations with more formally established decision making routines.

3.4. Philosophical Approach

Despite the broadening of perspectives in small business and entrepreneurship research that has taken place over the past 20 years (Jennings et al., 2005; Mole & Ram, 2012), there remains conflicting approaches to its study. Broadly speaking,
studies fall into two ‘camps’, rooted in ontological and epistemological differences. More traditionally are those approaches rooted in economics, rational choice and ontological notions of realism. These approaches continue to be dominated by positivist methods, where quantitative approaches and statistical analysis is the norm (Dimov, 2007; Shane & Venkataraman, 2000; Storey & Greene, 2010). The alternative perspective is not concerned with objective ‘truth’ but in understanding the socially constructed meaning and interpretations of individuals. These approaches (generally) employ qualitative methods for their studies, such as interviews, observation and case studies (Audretsch & Keilbach, 2004; Eisenhardt, 2007; Holliday, 1995; Perren & Ram, 2004).

This distinction – between macro and micro – creates methodological individualism in mainstream approaches to small business and entrepreneurship (Spedale & Watson, 2013; Watson, 2012), giving “ontological priority to the individual instead of how action is formed within a culturally-embedded context” (Steyaert, 2007, p 460). Pragmatism is a philosophical approach that attempts to overcome this distinction between the macro and micro perspectives (Watson, 2012) in favour of “the situatedness of actors in multiple temporally evolving relational contexts.” (Emirbayer & Mische, 1998 p 169).

Pragmatism, with the classical philosophers of Peirce (1839-1914), James (1842-1910) and Dewey (1859-1914), asserts that reality is complex, contradictory and ambiguous. It has clear foundations in empiricism, however it seeks to move beyond mere observation (what is) to meaningful possibilities (what might be) (Dewey, 1931). In epistemological terms, the guiding principal for pragmatism is not concerned with gaining “a correct representation of reality in cognition”, (Joas, 1993, p 21) rather, knowledge should be evaluated by how well it can inform human actions (Watson, 2012).

Pragmatism, in its quest for utility, is fundamentally action oriented. That is, although individuals are influenced by their context (situatedness), the ends are not predetermined but continually redefined by human action and interaction (Sarasvathy, 2004; Spedale & Watson, 2013). This eschews traditional teleological
thinking predominant in small business and entrepreneurship literature, in favour of the Jamesian “worlds-in-the-making”. In terms of this research, a pragmatic philosophical approach moves beyond the notion of individual start-up business owners as distinct from a notion of context, instead considering entrepreneurial action (in the case of this research, employment decisions) “emerging at the intersection between society and the individual” (Spedale & Watson, p 5).

This pragmatic notion of emergence and action has been formalised by Joas (1996), placing the creativity of individuals centre-stage and rejecting the means-ends schema that continues to dominate research into entrepreneurship and small business research. According to Kraaijenbrink (2012), pragmatism offers a counter-balance to the overly rational view that dominates small business and entrepreneurship research. It is on these foundations that Sarasvathy’s (2001, 2008) theory of effectuation rests, adding to the merits of adopting a pragmatist philosophical position for this research, in line with the conceptual framework.

It is the spirit of pragmatism therefore that this research seeks to explore the possibilities of individual start-up owner managers and the actions (decision making) they make, within the constraints (or opportunities) of their environment. The implications for the research design of this approach will be highlighted throughout this chapter; however, there is a general point worthy of note here.

As pragmatism values knowledge on the basis of its utility for future action, it similarly considers methods that have the greatest utility for the problem under investigation, i.e. it uses what works (Johnson & Onwuegbuzie, 2004) This means that there is no single ‘best’ methodological design aligned to pragmatism. However, research questions and research design should be rooted in human inquiry (i.e., what we do in our day-to-day lives as we interact with our environments) (Johnson & Onwuegbuzie, 2004). The research objectives for this study have been developed from the literature review and relate to the process of decision making. To consider this as a single event would be unlikely to advance our understanding. It is in the flow of ongoing actions (i.e. the processual act of decision making), reflections and interactions with the environment that generate a “horizon
of possibilities” (Joas, 1996, p 133) for future action. It is about what people do in the social world rather than what they are like (Spedale & Watson, 2013; Watson, 2012).

Whilst this focus on action is a strong feature of pragmatism, it is also the root of one of its main criticisms. In focusing on action and what people do, there is a risk that research becomes little more than descriptive empirics. However, it is not simply the case of describing what people do, but also why and, crucially, what ‘works’ and what does not (Patton, 1990), which requires interpretation on the part of social actors and researchers. Indeed, pragmatism shares many concerns with anti-positivistic, interpretive and social constructivist research (Creswell & Plano Clark, 2011) and there is a clear thread from pragmatic philosophy to particular interpretive and constructivist traditions (Creswell & Plano Clark, 2011; Joas, 1997; Shalin, 1991), such as symbolic interactionism (Blumer, 1969). However, pragmatism seeks to overcome the emphasis on purely subjective interpretations, asserting that not every interpretation (or description) is as good as any other (Goldkuhl, 2008). This pragmatic realism accepts the importance of processes of social construction, researcher interpretation, conceptual development and theorizing “without denying that there are realities which exist in the social world, independently of the way they are observed or interpreted.” (Watson, 2011, p 208).

It is this spirit of pragmatism therefore that this research seeks to explore the ‘how things work’ in the context of a business start-up. Given that much of what we already know in relation to this topic is from a normative, teleological approach, adopting a pragmatist philosophy of seeking ‘truth’ that is useful

3.5. Research Strategy

Dependent on the field of investigation quantitative research has significant merits. It is able to provide large-scale snapshots, benchmarks and - in some cases - causality within the field of small business research. However, it is less appropriate when exploring the underlying complex reasons why and how events or experiences
occur (Curran and Blackburn, 2001). It is these questions that this research is seeking to address. As such, the research is not seeking universally generalisable nor replicable findings, but ones that offer utility to those starting a business and also those studying in the field. It is seeking a greater understanding of ‘how things work’ (Watson, 2011). Decision-making in small firms is usually personality driven. The owner manager, to all intents and purposes, owns the decisions. Thus, understanding the context and motivations of the individual small business owner is just as important as understanding the business itself (Culkin and Smith, 2000). This suggests that whilst a quantitative approach may be useful in examining growth patterns in growing small firms, it would not provide sufficient depth in understanding the process of decision making.

Although there is a wealth of literature relating to small firm growth, employment relationships and recruitment decisions remain under theorized. This also suggests a qualitative approach is appropriate (Bryman and Bell, 2007). This is because qualitative methods can be more flexible than quantitative methods, allowing concepts and ideas to evolve throughout the research project, which assists in theory building (Blaikie, 2000). This is not to suggest that quantitative sources will be ignored from the study. However, these will be secondary sources and form part of the overall case based approach.

As discussed in the literature review, the process of growth is often overlooked in favour of measuring growth as output only (Achtenhagen et al., 2010; Leitch et al., 2010). However, as this research seeks to investigate decisions made in the process of growth, a longitudinal study is considered essential. Pettigrew (1997 p338) defines a process as “a sequence of individual and collective events, actions, and activities unfolding over time in context.” In terms of approaches to research, process research is concerned with “understanding how things evolve over time and why they evolve in this way” (Langley, 1999). This is in contrast to variance studies that seek to provide an explanation of the “input factors (independent variables) that statistically explain variations in some outcome criteria (dependent variables)” (Van de Ven & Huber, 1990 p213). In terms of research objectives and in line with
the philosophical position of pragmatism, this research seeks to understand the *how and why* of processes rather than simply the *what*. This makes longitudinal process research particularly useful (Langley, 1999; Van De Ven & Poole, 1995; Yin, 2003).

Within the academic and UK government literature, there is no specific timeframe given as the start-up period, despite much discussion of it. The focus is on the *phases* of start-up or the start-up *process* (Greiner, 1972; Korunka, Frank, Lueger, & Mugler, 2003; Stanworth & Curran, 1976). However, it is the received wisdom amongst many enterprise support practitioners that three years from initial trading is taken as the start-up period. This is reflected in the number of support initiatives that offer three-year start-up support schemes (e.g. Princes Trust, Winning Pitch, British Council). The start-up period may vary for every business, however, this study length was selected as it was envisaged that each business was likely to be faced with multiple growth decisions over this time and, therefore, the process of growth (or no growth) could be adequately investigated.

### 3.4.1 Case Study Design

This research adopted a case study research method. Although pragmatic philosophy does not promote use of a specific method, it does require the focus of a study to be on action in context (Watson, 2011). This makes a case study an appropriate research design as it can be described as an empirical inquiry which:

- investigates a contemporary phenomenon within its real-life context:
- when the boundaries between phenomenon and context are not clearly evident;
- and in which multiple sources of evidence are used.

(Yin, 1994 p23).

In small but growing businesses employment relationships are enmeshed within the fabric of the business. Decisions about staffing take place alongside (and often in response to) other aspects of business strategy and will also be influenced by the environment (Joas, 1996). The process of growth and decisions relating to it are bound in both the broader business environment and inextricably linked to the
personal life decisions of the owner manager (Greenbank, 2000; Kelliher & Reinl, 2009; Watson, 2012). The boundaries of the phenomenon and context are unclear and require investigation within its real life context (i.e. through the process of growth), thus making a case study design appropriate (Yin, 1994). A case study is particularly appropriate when questions of process (how) or motivation (why) are being posed (Yin, 1994), such as in this study.

Additionally, in order to consider the inherent complexity surrounding the phenomenon, multiple sources will need to be considered as this “supports the deconstruction and the subsequent reconstruction” of a what is a complex phenomenon (Baxter & Jack, 2008 p 544). A further justification of a case study approach is the continued calls from academics for an increase in case studies as a way of developing further the employment relationships in small firms (Blackburn, 2005; Leitch et al., 2010).

Although pragmatism does not advocate any particular research design over another, this does not suggest that research can simply adopt an ‘anything goes’ approach to research design. In order to demonstrate rigour in research and ensure reliability of findings, sound and logical research design is imperative (Miles & Huberman, 1994; Yin, 1994). Yin (1994) argues that the following five components of research design are especially important in order to demonstrate rigour and reliability:

1. a study’s questions
2. its propositions, if any;
3. its unit(s) of analysis;
4. the logic linking data to the propositions (data analysis); and
5. the criteria for interpreting the findings.

Whilst there are other approaches to case studies (notably Eisenhardt, 2007 and Stake, 1978), the Yin (1994) approach offers a clear protocol under which a case approach can be conceived and practiced. With the spirit of pragmatism, this offers
utility to the researcher in being able to demonstrate research rigour and has therefore been adopted in this study. Having presented the study’s questions the following sections will explicate the remaining proponents in turn, with the addition of data collection, in order to demonstrate the soundness of the research design.

3.4.2 Research Propositions

Research propositions are the translation of research questions into speculation of what the research will find out, based on the literature and researcher experience. These are necessary in case studies to place limits on the scope of the study and guide the research design (Yin, 1994). Subsequent data collection and analysis can then be directed and structured in order to support or refute the initial propositions. This is not to suggest that the study is seeking to ‘test’ the propositions in a hypothetico-deductive, positivist sense. It has already been discussed that the complexity of the research problem and the boundaries between phenomenon and context cannot be identified, meaning there would be too many ‘variables’ to account for. Research propositions are possible; partial answers to the research questions that provide clarity of purpose to the study (Yin, 1994). The research propositions emanate from both the unanswered questions resulting from the literature search, the research objectives and the researchers own previous experience of working with a number of small businesses (as discussed in 1.3, p 16). Table 7 shows these research propositions and how they relate to what is know, not known and the research objectives.
Table 7. Research Propositions related to Research Objectives

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>Examples of Literature</th>
<th>Literature Gaps</th>
<th>Key area</th>
<th>Research Objectives</th>
<th>Propositions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth is dependent on aspirations for growth or seriousness.</td>
<td>David &amp; Watts, 2006; Konvukka et al., 2011; Stanworth &amp; Curran, 1976; Birley &amp; Westhead, 1990; Storey, 1994.</td>
<td>Do ‘seriousness’ and push or pull factors influence the employment decisions made in a start-up context?</td>
<td>Decision drivers</td>
<td>1. Positive owner-manager aspirations for growth will result in more growth employment decisions</td>
<td></td>
</tr>
<tr>
<td>Measures of growth are likely to be too simplistic in start-up context.</td>
<td>Brown &amp; Meanam, 2013; Leitch et al., 2010; McKelvey &amp; Wilkunid, 2010</td>
<td>How do start-up owner managers conceive of or measure growth/success?</td>
<td>Decision drivers</td>
<td>2. Multiple, informal relationships are adopted to support growth.</td>
<td></td>
</tr>
<tr>
<td>Key relationships in start-ups are important but HRM literature is insufficient in aiding our understanding of how they support growth due to larger SME focus.</td>
<td>Barrett et al., 2008; Cardin, 2003; McIvor, 1999; Mayson &amp; Barrett, 2006.</td>
<td>How do start-up owner managers resource growth if formal recruitment methods are not used? What key relationships support this?</td>
<td>Key relationships</td>
<td>3. Positive owner-manager aspirations for growth will result in higher engagement with support initiatives.</td>
<td></td>
</tr>
<tr>
<td>Business support and enterprise rhetoric is focused on Gazelle’s and broad definitions of microbusiness and SMEs. A discourse of the growth imperative.</td>
<td>Jennings &amp; Beaver, 1993; Muggins &amp; Williams, 2009; Young, 2013</td>
<td>Do small business support and growth initiatives influence/drive employment decisions in start-ups?</td>
<td>Policy and support</td>
<td>4. Owner-manager decision will be influenced by outcomes of previous decisions.</td>
<td></td>
</tr>
<tr>
<td>Decision making is owner manager owned, controlled and strongly influenced by heuristics.</td>
<td>Greenshank, 2001; Gilbert et al., 2006; Banor, 2004; Busenitz &amp; Barney, 1997; Simon &amp; Houghton, 2002; Tversky &amp; Kahneman, 1974.</td>
<td>How do heuristics influence the process of growth in a microbusiness context?</td>
<td>Effectual logic</td>
<td>5. The type of growth driver (push/pull) will influence the decision making process (effectual/cause)</td>
<td></td>
</tr>
<tr>
<td>Decisions are likely to be moderated by limitations of smallness, meanness and resource constraint and lack of legitimacy.</td>
<td>Mannion &amp; Freeman, 1993; Sainsbury, 1993; Williamson, 2000.</td>
<td>Are microbusiness owners aware of these constraints and, if so, how do they attempt to overcome these liabilities and resource constraints?</td>
<td>Effectual logic</td>
<td>6. Effectuation as a means of decision making is under empirically investigated but may be highly appropriate in a start-up context.</td>
<td></td>
</tr>
<tr>
<td>Effectuation as a means of decision making is under empirically investigated but may be highly appropriate in a start-up context.</td>
<td>Perry et al., 2012; Sarason, 2008.</td>
<td>How, when and why is effectuation logic used in decision making relating to growth?</td>
<td>Effectual logic</td>
<td>7. Effectuation as a means of decision making is under empirically investigated but may be highly appropriate in a start-up context.</td>
<td></td>
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</tbody>
</table>
These propositions will be returned to throughout the chapter to demonstrate how they directly relate to the selection of cases, data sources, data collection and subsequent analysis.

3.4.3 Units of Analysis and Sample

When conducting a case study, it is necessary to define the boundaries of the case (Baxter & Jack, 2008). The figure below (Perren & Ram, 2004) maps the paradigmatic approaches adopted by small business and entrepreneurship researchers, using the subjective/objective dimension and the case boundaries. The authors suggest this is a useful way of exploring the territory of case study design in the field of small business and entrepreneurship research.

![Paradigms Adopted by Small Business Case-study Researchers (Perren & Ram, 2004)]

It was initially assumed that the study would take the form of an ‘Entrepreneurial Personal Story Exploration’ (Perren & Ram, 2004), as subjective data would be collected from individual owner managers. However, decision making in microbusinesses is owner manager owned and controlled (Greenbank, 2001; Gilbert et al., 2006; Baron, 2004; Busenitz & Barney, 1997), factors that affect those
decisions might emanate from other areas of the business or from other individuals. Miles and Huberman (1994) suggest that researchers should “think intuitively, think of the focus, or “heart” and build outward [and] define the case as early as you can during the study” (p 27). Taking this approach and after careful reflection on the issues raised from the literature review, the unit of analysis for this research became the business rather than the individual owner/s. A boundary was placed around a “milieu of social actors” (Perren & Ram, 2004 p 85), identified as a business. The key informants in the research were the business owners/managers, however, other views (such as those of employees) were also considered when appropriate and are documented in the interview schedules found in Appendix I. However, it should be noted that in the main, the individual business owners and businesses were inseparable, given the very early stage of business development.

Perren and Ram (2004) argue that this approach allows the complexity and multiple realities of the social world to be explored. Additionally, Yin (1994) advocates the use of multiple data sources to increase study ‘validity’ (or credibility if using more qualitative research terms (Denzin & Lincoln, 2000). A potential pitfall, however, is that readers of the research can become overly confused with multiple themes emanating from different perspectives (Perren & Ram, 2004). To guard against this, the cases presented will focus on the words of the owner manager, whilst the stories of other actors will be used within data analysis. It is acknowledged that by placing emphasis on the owner managers in this way there is potentially a lionisation of this group of individuals within the accounts (Perren & Ram, 2004). This study does not seek to celebrate the view of the business owner over other social actors, but does use this as a focal point for the investigation since it is the decision making of the owner managers under investigation.

A multiple case design using replication logic (Leonard-Barton, 1990; Yin, 1994) was adopted for the following reasons; firstly, as many small businesses fail in the first three years of trading, there was a very strong risk that selecting only one case may mean a premature end to the study, should the business fail. Secondly, in order to
demonstrate theoretical development, a multiple case approach allows for the literal and theoretical replication required to address the study propositions.

The sampling strategy was to seek information-rich cases (Patton, 1990) that would; i) manifest the phenomenon to be researched; ii) allow for literal replication because the similarity of characteristics and context could reasonably predict similar results, and; iii) allow for theoretical replication because the difference in context and characteristics would yield contrasting results, but for predictable reasons (Yin, 1994). Table 8 below shows the case requirements for both literal and theoretical replication based on the study propositions.

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Requirements for Literal Replication</th>
<th>Requirements for Theoretical Replication</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Two cases with owner managers displaying high aspirations for growth via employment of others</td>
<td>Case with owner manager displaying low aspirations for growth via employment of others</td>
</tr>
<tr>
<td>2</td>
<td>Two cases with similar network characteristics and no formally recruited members of staff</td>
<td>Case with formally recruited member of staff from start of study</td>
</tr>
<tr>
<td>3</td>
<td>Two cases with owner managers displaying high aspirations for growth via employment of others</td>
<td>Case with owner manager displaying low aspirations for growth via employment of others</td>
</tr>
<tr>
<td>4</td>
<td>Longitudinal exposure to owner managers (access issue)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Two cases apparently driven by 'pull' factors</td>
<td>Case with owner manager apparently driven by 'push' factors</td>
</tr>
</tbody>
</table>

Proposition four requires cases that are willing and able to offer researcher access over a three year potential study period and this influenced the selection of cases (and site of collection) as a rapport had to be built in order to gain this level of commitment. Proposition five is difficult to account for from the outset of the study.
because it involved significant assumptions about the motivations of the business owners before thorough investigation. However, it was considered likely that both push and pull factors would be evident across the cases over the three-year period, thus allowing for both literal and theoretical replication.

The identification of the characteristics required identified that a minimum of three cases would be needed (A, B, C – see Table 9 below). However, the addition of a fourth case would enable further literal replication, as depicted in Figure 3 below;

Table 9. Sample Characteristic Requirements

<table>
<thead>
<tr>
<th></th>
<th>Propositions 1 and 3</th>
<th>Proposition 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case A</td>
<td>High employment growth aspirations</td>
<td>Formally recruited member of staff from start of case</td>
</tr>
<tr>
<td>Case B</td>
<td>High employment growth aspirations</td>
<td>No formally recruited members of staff</td>
</tr>
<tr>
<td>Case C</td>
<td>Low employment growth aspirations</td>
<td>No formally recruited members of staff</td>
</tr>
</tbody>
</table>

Figure 3. Study Replication Logic

Given the propositions and sample characteristics the starting point for sampling was to identify individuals who had already vocalised their desire to grow. For this reason, sample selection was based in a specific site; the Manchester business incubator, Innospace. Tenants of Innospace are all sole traders or micro-businesses. In order to become a tenant of the incubator individuals needed to demonstrate a desire to grow their enterprise either in terms of turnover or employment as part of
the application process, via business plans. This meant that family and so-called ‘lifestyle’ businesses were likely to be avoided in sample selection.

It is suggested that a “realistic site is where (a) entry is possible; (b) there is high probability that a rich mix of the processes, people, programs, interactions and structures of interest are present; (c) the researcher is likely to be able to build trusting relations with the participants in the study; and (d) data quality and credibility of the study are reasonably assured.” (Marshall & Rossman, 1999, p69). *Innospace* met these requirements as the researcher had already been based in the incubator (firstly as a staff member, then as a fellow start-up business owner) before commencing this research, thus entry and access were already negotiated.

The businesses contained within *Innospace* are diverse but have all shown a desire for sustainability or growth via the tenancy application process. Trusting relationships and on-going rapport had been built between potential participants and researcher over a number of months, which assisted in gaining credible data throughout the study. The added benefit of utilising *Innospace* was access to data about the businesses (from applications) and knowing the business owners well enough to identify those who met the criteria for the study. As such, the following businesses were identified, consulted and recruited to the study, each agreeing to be involved for the full three years (trading permitting). A full description of each case at start-up can be found within the narrative accounts (Chapter Four).
To a large extent, the sample is access driven in that all are either current or past tenants of *Innospace*. Participants were selected for their likelihood to provide rich insights into the research problem and because of the relationship already built between participants and researcher. Three key issues with conducting qualitative research are those of access, trust and efficiency of data gathering (Marshall and Rossman, 1999). In this light, the researcher decided to turn the already co-constructed elements of earlier informal data gathering into an explicit advantage and feature of the study. Attempting to maintain a strict researcher/subject boundary in these circumstances would be neither appropriate, nor maximize the full potential of deep, frank, mutually reflexive discussions already held.

The following sections will discuss in detail the research procedures followed in the study. This study was longitudinal, engaging a small cohort of businesses over three years. The longitudinal, multiple case approach was selected as this would enable the researcher to consider the contextual issues over the process of growth and decision making (Perry, Chandler, & Markova, 2012; Pettigrew, 1990). The longitudinal approach would enable the concept, measures and processes of growth

<table>
<thead>
<tr>
<th>Table 10. Overview of research participants</th>
</tr>
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<tbody>
<tr>
<td>Propositions 1 and 2</td>
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<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Case A</td>
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<td>Case B</td>
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<tr>
<td>Case C</td>
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<td>Case D</td>
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to be investigated from the perspective of individual business owners over time, acknowledging that owner-manager motives, or primary goals, may change (Baum & Locke, 2004; Delmar & Wiklund, 2008; Wright & Stigliani, 2013). Additionally, the selection of four cases with both theoretically similar and contrasting characteristics allows for both literal and theoretical replication (Yin, 1994).

3.4.4 Research Procedures
Having established the rationale for adopting a case study design and providing details of the theoretical sampling undertaken, the chapter will now focus on the specific research procedures undertaken in the study.

Although interviews were the predominant source of data, these created physical artifacts by way of maps and diagrams. In addition to data collected in the interviews (or mapping sessions), other notable data sources were; researchers notes (from direct observation, informal conversations with participants, phone calls, emails), informal interviews with employees, business plans or material from business support meetings and documentation for business support providers and policy makers. Yin (1994) identifies six primary data sources for case studies; documentation, archival records, interviews, direct observation, participant observation and physical artifacts. No one source of data has a complete advantage over another, rather they can be used in tandem to corroborate (or contradict) data collected from different sources, in line with pragmatist principals (Creswell & Plano Clark, 2011).

3.4.5 Primary Data Collection
A semi-structured approach to primary data collection was selected because it would enable a broader and deeper exploration of the participants’ views, than a structured or survey approach which limits the extent to which themes can be probed (Marshall and Rossman, 1999). In addition to the semi-structured interviews, a number of visual elicitation techniques were used to address specific propositions and to assist both participants and researcher in making sense of the
complexities of their decisions and choices. Interviews were held on average at six monthly intervals for each micro-firm over the three-year period. An interview/data collection schedule for each company can be found in Appendix I. This details the dates of in-depth interviews with owner managers along with interactions with other participants relating to each case.

In order to gain the most benefit from the already established relationships and to gather deep knowledge about a range of concepts relating to staffing choices, a conversational, face-to-face interview approach was used. This is not to suggest that the interviews were completely unstructured; participants were contacted formally in advance of an interview and informed of the general themes to be discussed. This approach is both courteous and assisted in focusing the thoughts of the participants on key areas (Curran and Blackburn, 2001). Interviews varied in length, but were limited to around an hour and a half per session. The imposed time limit was due to in-depth interviewing being potentially tiring for interviewees (Curran and Blackburn, 2001). Longer sessions may also make participants less inclined to agree to future interviews if they feel they are overly time consuming (Marshall and Rossman, 1999).

There are, of course, limitations to conducting interviews. Marshall and Rossman (1999) highlight the need for cooperation of key individuals. There is a requirement for openness and honesty, without which data will be next to useless. Due to the close and on-going frank relationship held by researcher and participants it was hoped this specific limitation would be avoided. A further issue relating to interviews is that "data is open to multiple interpretations due to cultural differences" (Marshall and Rossman, 1999, p 135). This issue of interpretation is one that permeates social science research generally. An attempt to lessen this issue was to conduct initial analysis within the interviewing sessions and to provide transcripts of the interviews to participants for their review and clarification. This provides both researcher and participants the opportunity for reciprocal challenges to meaning and context, which is likely to assist in the analysis of the data (Strauss and Corbin, 1994). This can be seen as a sense making approach which will now be
explored in greater detail, along with the specific visual data collection tools employed.

### 3.4.6 Sense making as an approach to data collection

The purpose of using visual maps and diagrams within the data collection was to enhance the act of sense making for both participant and researcher. The early stages of business growth is characterised by ambiguity, flux and the potential for action - start-up business owners (or entrepreneurs) are often “operating at the edge of what they do not know” (Hill & Levenhagen, 1995 p 1057). This is a context in which the properties of sense making are considered particularly useful (Weick et al., 2005; Gioia & Chittipeddi, 1991). Sense making is a ‘way of knowing’, an on-going process of making sense of the situations in which people find themselves. Whilst some of the mapping could be considered to follow the cognitive approach, this research followed Eden’s (1992) view that mapping changes present and future cognition via its elicitation. Therefore, it is not claimed that these maps are representative of cognition, but that “(1) they may represent subjective data more meaningfully than other models and so have utility for researchers interested in subjective knowledge, and (2) they may act as a tool to facilitate decision-making, problem-solving and negotiation within the context of organisational intervention.” (Eden, 1992 p 262).

Proponents of mapping techniques have frequently advocated their problem solving attributes (Ackermann et al. 1990; Eden and Spender, 1998). In this study, although problem solving was not the main focus nor desired outcome of the process, it was expected that participants would benefit from the reflective nature of the mapping. The mapping of a problem may prompt issues to be seen from a different perspective and increase understanding of where the “nub” of the issues lie (Ackermann et al., 1990). This active approach to the research problem and the co-construction of a visual output may assist the businesses in understanding their current situation and help future strategic decision-making, thus linking closely with Proposition Four - *Owner manager decision will be influenced by outcomes of*
previous decisions. Of course, this could conversely be seen as a criticism of the approach, since the researcher’s involvement is affecting the phenomenon. However, the view taken was that whilst there are less obtrusive ways of data gathering, the richness of the data gathered using this approach would be difficult to gain in other ways.

Although Weick (1995) refers to the philosophical underpinning of sense making to be Symbolic Interactionism, the notion of sense making also has strong pragmatic links (Joas, 1993, 1997; Shalin, 1991). Weick (1995) suggests that there are seven properties of sense making that set it apart from other explanatory ‘ways of knowing’. These are that it is:

1. Grounded in identity construction
2. Retrospective
3. Enactive of sensible environments
4. Social
5. On going
6. Focused on and by extracted cues
7. Driven by plausibility rather than accuracy

Consideration will be given to each of these in turn in relation to the specific context of the study. Doing so highlights how and why multiple visual data collection techniques – a ‘sense mapping’ approach - were particularly appropriate and useful tools in gaining knowledge in the case study design.

Grounded in identity construction - Sense making involves the on-going establishment and maintenance of self-identity (Weick, 1995). Over the course of the study, multiple changes in role and accompanied changes in self-identity were likely to be displayed. For example moving from being a sole trader to an employer, or from being a friend or partner to being an employee. In a start-up business context there is often no line between work and life outside work (Beaver & Prince, 2004; Culkin & Smith, 2000) yet there are multiple ‘selves’ that an owner manager will be. Visually mapping (drawing) the network of participants provided an
opportunity to make sense of these different ‘selves’ and clarify their own identity in relation to others. An example of a network map created can be found at Appendix II.

Retrospective – this relates directly to Weick’s (1995) much cited aphorism “how can I know what I think until I hear what I’ve said?” Visual images and maps assist in this as they provide a reference point for discussion and a retrospective record (Weick, 1995). In longitudinal research, illustrated where there are gaps between data collection points, this is particularly useful as the visual output from previous sessions can be used to initiate new discussions. In doing so it gives participants the opportunity to reflect on what has changed. This retrospection prompts further sense making and the previous map “becomes obsolete but only because it has the means to create a better map” (Weick, 1995 p 5). In seeking to understand how growth decisions influence future decision making (Proposition Four) the ability to capture artifacts (the visual maps, examples of which can be found in Appendices II, III and IV), which could be later used to reflect on decisions, was considered valuable. This links to Joas’ pragmatist view of creative action where “goal setting does not take place by an act of the intellect prior to the actual action, but is instead the result of a reflection” (Joas, 1996, p 158, emphasis in original).

Enactive of sensible environments – Weick (1995) argues that action is a precondition of sense making. Individuals must do in order to see what they think. Within research where understanding of process is a key objective (such as in this study) the aim is not to simply understand the outcomes of an activity but the ongoing enactments that relate to that process. In other words, a simple cause and effect, linear explanation of events is unlikely to yield sufficient depth of understanding into the process itself. This links clearly to the theory of effectuation, where the emphasis is on enactment of possibilities given means, rather than a teleological end driven approach (Sarasvathy, 2001, 2008). Indeed, Sarasvathy cites Weickian enactment as a key foundation of effectuation (Sarasvathy, 2004). If we consider the visual mapping of a business’s network (example provided in Appendix II), the participants are making sense of the relationships they have. In doing so,
they are to some extent creating (or at least reinforcing) that network and will act according to this new sense they have of their network (a clear example of this is in Porac et al's 1989 study of knit-wear manufacturers in Hawick). Visual techniques such as those employed in this study enable participants and the researcher to track and reflect upon actions taken or not taken and how these shape future decisions (Proposition Four). In terms of understanding whether decisions are driven by causation or effectuation, analysis of these decisions over time is required (Proposition Five) (Perry et al., 2012)

Social – Sense making is a social process. Even an internal monologue presumes an audience and “the monologue changes dependent on the audience” (Weick, 1989, p 40). In a small business environment decisions are not made in a vacuum. They will be shaped and formed in relation to others. The mapping of the business, its structure and processes was seen as assisting in gaining a deeper insight into the other social actors (other than the individual owner manager) that may shape those decisions (Proposition Two). Visual mapping may also provide insights into the social context in which decisions were being made.

On-going – just as people are constantly in the middle of various flows of activity, sense making has no clearly defined start or end points (Weick, 1995). The research participants are in the flow of multiple, ongoing activities in running their business but also in their personal lives. Given the gaps between data collection points, the mapping of the business context and then returning to various maps enabled the researcher to make sense of what had happened in the intervening periods.

Focused on and by extracted cues – “Extracted cues are simple, familiar structures that are the seeds from which people develop a larger sense of what may be occurring” (Weick, 1995 p 50). Visual artifacts created in the interview sessions (such as those in Appendices II, III and IV) acted as extracted cues – a sustained reference point in time that was familiar to both researcher and participant. There was no need for the maps to be consistent in their elicitation, or content across
participants, so long as they were used consistently as a referent for each individual business.

*Driven by plausibility rather than accuracy* – Weick (1995) argues that whilst accuracy is nice, it is not necessary in sense making and that socially acceptable and credible accounts of a phenomenon are more useful and effective than attempts at objective accuracy. The subjective perceptions of the individuals in the research may accurately reflect the ‘truth’, it may not be the case. This links clearly with the pragmatic philosophy, where truth is considered relative dependent on its utility (Watson, 2011). During the interview sessions, perceptions of the individuals were captured both in word (via recording) but also via visual techniques that were generally selected by the participants as they resonated with them. The results were plausible accounts of the context in which things had happened, what had happened and what might happen next. They became the visual stories of decision making in process. However, these did not always concur with research observation. The contradictions between the sense made accounts given in interview and the researchers own observations became a valuable asset in triangulation during the data analysis.

In adopting a sense making approach to data collection, participants selected the tools they needed in order to convey their story and make sense of the complex, changing environment in which they were making decisions. For the researcher, they assisted in making sense of the complex, interrelated factors and processes relating to staffing decisions. The visual artifacts, such as those in Appendices II, III and IV, became maps in the cartographical sense; they presented the sense made terrain as it was at the time. They became both a starting point and reference point for later discussion, reflection and data collection.

**3.4.6.1 Data Collection Stages**

The following section details the data collection and analysis stages that were completed for each business, a full account of which can be found in Appendix I, however a summary of the primary data collection is provided in Table 11.
Table 11. Summary of Interview Sessions with Owner Managers

<table>
<thead>
<tr>
<th>Session</th>
<th>Aims</th>
<th>Data Gathered</th>
<th>Artefacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre Interview Meeting</td>
<td>Outlining the research and methods (i.e. drawing)</td>
<td>Background to the owner manager, contextual information about the business.</td>
<td>Recorded interview, researcher notes.</td>
</tr>
<tr>
<td>Initial Mapping Session</td>
<td>To identify the key relationships supporting the business and record future growth plans.</td>
<td>Current status of the business in terms of key relationships, attitude towards growth via employment, plans for future growth.</td>
<td>Visual network map, recorded interview, researcher notes.</td>
</tr>
<tr>
<td></td>
<td>i) Who works ‘in’ the business?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ii) Who supports the business?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process Mapping Session</td>
<td>To identify how the owner managers explained the decisions and processes undertaken in making employment choices.</td>
<td>The description by the owner managers of how they 'recruited' people into the business, how they developed key relationships.</td>
<td>Visual process map, recorded interview, researcher notes.</td>
</tr>
<tr>
<td></td>
<td>i) How do you assess need?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ii) How do you go about recruiting?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>iii) How do you select?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Update meetings (x3)*</td>
<td>To use previous network and process maps to explore what had changed in the business.</td>
<td>Data relating to whether plans made had been followed, changes in planning, justifications for decisions made.</td>
<td>Timeline of activities (since previous meeting), hierarchical map, updated network, and process maps, recorded interview, researchers notes.</td>
</tr>
<tr>
<td></td>
<td>i) Looking at the last ‘map’ – what’s changed?</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>ii) What are the next plans?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review, Update and Conclude</td>
<td>To review all visual maps to aid a discussion about what employment decisions had been made, how and why.</td>
<td>Owner manager reflections on current business situation and previous employment decisions made.</td>
<td>Recorded interview, researcher notes.</td>
</tr>
</tbody>
</table>

*Where possible. For TRU, only 1 meeting was possible as the business folded, and only 2 for MOVE

Total Owner Manager Interviews: 23
Research Stage 1 – Pre-interview meetings

After participants had been identified and given their consent to be part of the study, an initial meeting with the owner managers was arranged. This was in order to understand the position of the business and the context in which decisions were made. It had the added benefit of building a working relationship increasing the rapport between participants and researcher, which is necessary for all qualitative interviewing techniques (Miles & Huberman, 1994). These meetings and subsequent emails enabled the researcher to place some boundaries around the subjects that would be discussed in the mapping sessions and elicit anchors (dates, events, people etc.) which would help facilitate the sessions. During these meetings various mapping and visual data collection techniques were explained to participants in order to enable them to raise questions and queries about the research process. This is an important aspect of visual data collection as some people may be reluctant to provide non-verbal data and it is important to put them at ease (Stiles, 1998).

Research Stage 2 – Interviewing & Mapping Session

After receiving consent, mapping sessions were audio recorded. Participants were advised that the session would contain two initial activities: 1. Show their business network; and 2. Show the process they followed in any recruitment/additional labour decisions. It was explained to participants that the visual data they produced was additional to the voice recording that was being taken and they were welcome to copies of both immediately after the session. Although mapping and visual data collection techniques had been discussed in the previous meeting, participants were not given explicit instruction on what type of visual output to create in response to various questions or activities. All participants were provided with large sheets of paper, coloured pens, adhesive notes etc.

Showing the network

Networks are considered to be very important to the success of small businesses (Aldrich & Zimmer, 1986; Sarah Jack, Dodd, & Anderson, 2008). Entrepreneurs with good cultural and social networks are more likely to be successful than those with
limited networks (Shaw, 1999; Smith & Lohrke, 2008). Understanding a micro-firm’s network was seen as critical to understanding how the business was resourced. Network maps provide a graphical representation of the “relationships, interactions and interdependencies and, therefore, constitutes an important component of their individual decision-making processes” (Henneberg et al., 2004 p 409). Thus, network maps were selected as an appropriate technique. In order to understand why (or why not) owner managers took the decision to engage additional labour it was necessary to understand their subjective sense of how they were currently supporting business activities and how that may change in the future.

Firstly, participants were asked to identify everyone currently working ‘in’ the business. This resulted in creating a hierarchical (or categorical) map. Participants identified either individuals and gave them roles or vice versa. In the majority of cases, these people were not directly employed by the business in a traditional manner but were family members, associates or freelance staff. In creating these hierarchical maps the participants explained and explored why and how certain people were in certain positions. These maps were reflected on in later sessions to see what changes had occurred and became reflective tools for the employment decisions that had been taken.

The second activity was for participants to identify other individuals or groups who directly supported their business but were not considered part of it. These two stages represent the “strong” and “weak” ties in the owner manager’s network (Granovetter, 1973). Probing questions and laddering techniques (Bryman and Bell, 2007) were used throughout the session to gain as much depth of information about all relationships as possible; e.g. “and how was xx brought into the business”; “and how does that person help you achieve xyz”.

The process of creating the maps enabled the owner managers to make sense of their business network (and their own position/identity within it). By categorising people who worked in the business and those who supported the business, participants made explicit the extent to which non-employed others were integral to
the work they did. These network maps conveyed a moment in time but also enabled managers to cast forward their ideas of growth by considering who may or may not be in the network picture in coming months. The researcher used the maps as the starting point for subsequent data collection sessions, asking participants “what has changed?”

**Understanding processes**

In order to understand the process by which owner managers engaged additional labour, participants were asked to provide a diagram or map of the process they undertook. The diagrams were created in the semi-structured interview sessions that were themed around a number of anchor themes or incidents. These *a priori* topics had been elicited through earlier meetings with participants and from theoretical concerns in the extant literature. Thus, the research approach was purposeful. Examples of the anchor topics include the recruitment of a new team member and the winning of a new client. This guided the sense making of the participants as it provided cues (Weick, 1995) from which reflection of action could take place.

Maps were co-created during the interview sessions, using post-it notes for anchor topics, key concepts and dates. Probing questions and ‘laddering’ techniques were then used to build up the maps (Eden and Ackermann, 1998) and to elicit possible variables and relationships (Hodgkinson et al., 2004). In addition to the network and process maps, participants created other visual artifacts such as doodling, charts and metaphorical pictures.

In adopting a sense making approach to data collection, the researcher was able to utilise a number of complementary artifacts to guide the study and address each theoretical proposition. These artifacts, collected in semi-structured interview sessions, combined with other data sources (as discussed in the following section) to constitute the data collected for each case. The links between propositions, data sources and data collection techniques can be found in Table 12.
<table>
<thead>
<tr>
<th>Proposition</th>
<th>Requirements for Literal Replication</th>
<th>Requirements for Theoretical Replication</th>
<th>Method</th>
<th>Data Source/s</th>
<th>Additional Data Collection Techniques and Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Positive owner manager aspirations for growth will result in more growth employment decisions</td>
<td>Two cases with owner managers displaying high aspirations for growth via employment of others</td>
<td>Case with owner manager displaying low aspirations for growth via employment of others</td>
<td>Owner manager interviews; Innospace application documents; business plans (formal and/or verbal)</td>
<td>Time line: Identified the points in time at which decisions regarding employment were made. Used a reference point for future discussions.</td>
</tr>
<tr>
<td>2</td>
<td>Multiple, informal relationships are adopted to support growth.</td>
<td>Two cases with similar network characteristics and no formally recruited members of staff</td>
<td>Case with formally recruited member of staff from start of study</td>
<td>Owner manager interviews; observation of businesses at Innospace; owner manager created maps and diagrams</td>
<td>Network diagram: Identified broader ‘support network’ for the business – and categorised individuals according to their activities that supported the business.</td>
</tr>
<tr>
<td>3</td>
<td>Positive owner manager aspirations for growth will result in higher engagement with support initiatives.</td>
<td>Two cases with owner managers displaying high aspirations for growth via employment of others</td>
<td>Case with owner manager displaying low aspirations for growth via employment of others</td>
<td>Owner manager interviews; data from support initiatives; policy documents; observation of business mentoring; owner manager created maps and diagrams</td>
<td>Network map: Identified broader ‘support network’ for the business – and categorised individuals according to their activities that supported the business.</td>
</tr>
<tr>
<td>4</td>
<td>Owner manager decision will be influenced by outcomes of previous decisions.</td>
<td>Longitudinal exposure to owner managers (access issue)</td>
<td></td>
<td>Owner manager interviews; owner manager created maps and diagrams; employer interviews; observation of businesses</td>
<td>Time line: Identified the points in time at which decisions regarding employment were made. Used a reference point for future discussions.</td>
</tr>
<tr>
<td>5</td>
<td>The type of growth driver (push/pull) will influence the decision making process (effectual/causative)</td>
<td>Two cases apparently driven by ‘pull’ factors</td>
<td>Case with owner manager apparently driven by ‘push’ factors</td>
<td>Owner manager interviews; owner manager created maps and diagrams; employer interviews; business plans (formal and/or verbal); business documents</td>
<td>Process flow: Detailed the recruitment process followed by the business.</td>
</tr>
</tbody>
</table>

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3.4.7 Additional Data Sources

In addition to the in-depth interview sessions with owner managers, additional data were collected throughout the research period, as summarised in Table 13 below and detailed in Appendix 1. These were predominantly purposive unstructured interviews that provided additional insights into the cases.

Table 13. Summary of additional primary data sources

<table>
<thead>
<tr>
<th>Session</th>
<th>Aims</th>
<th>Data Gathered</th>
<th>Artefacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview with Innospace manager</td>
<td>To understand what business support was on offer to tenants.</td>
<td>Information relating to the business support on offer, the applications of the case businesses to Innospace</td>
<td>Researcher interview notes.</td>
</tr>
<tr>
<td>Interview with business support provider</td>
<td>To understand what business support was on offer to tenants.</td>
<td>Details of the measures of success for advisor interactions along with an understanding of the support initiatives available.</td>
<td>Researcher interview notes, business support tools used by advisors.</td>
</tr>
<tr>
<td>Interviews with employees</td>
<td>To gain an alternative perspective of their relationship with the case businesses.</td>
<td>Opinions of the relationship between ‘employees’ and the business, to compare with owner manager accounts.</td>
<td>Researcher interview notes.</td>
</tr>
<tr>
<td>Non-participative observation of businesses</td>
<td>To observe owner managers interacting with employees and other stakeholders in order to compare it with owner manager accounts.</td>
<td>Observation of key relationships and processes of ‘recruitment’</td>
<td>Field notes.</td>
</tr>
</tbody>
</table>

3.4.8 Data Management

The nature of the study inherently meant that large amounts of data were collected. In order to manage this data, three devices were employed. Firstly, Nvivo software was used to store (and later retrieve and analyse) transcribed interviews and researcher memos (examples of which can be found in Appendices VIII and IX). In order to store
and organise the network, hierarchy and process maps, photographs were taken on
them after each mapping session. These were then dated so that later editions could be
compared to them. Finally, research notebooks were used to collect additional data
from impromptu meetings, discussions with owner managers and researcher
reflections. These were not added to the Nvivo database but were reviewed as part of
the early analysis to support the generation of researcher narratives.

3.4.9 Data Analysis

The method of analysis chosen for this study was a modified approach to the thematic
analysis as articulated by Braun and Clarke (2006). It incorporated both the data-driven
inductive approach of Boyatzis (1998) and a more deductive, a priori approach driven by
the research propositions. This approach complemented the pragmatic research
philosophy by allowing the propositions and lens of effectuation to be integral to the
process of deductive thematic analysis while allowing for themes to emerge direct from
the data using inductive coding.

This approach seeks emergent themes, linkages, correlations and contradictions within
and across the data, a form of pattern matching in order to build explanations.
Although thematic analysis is a widely used and flexible approach within qualitative
analysis, however, it is often poorly demarcated or explained when presenting findings
(Boyatzis, 1998). In a bid to avoid this, the researcher adopted the six-phase guide
suggested by Braun and Clarke (2006). A full description of each phase will now follow,
after which a summary is provided in tabular form (Table 14).

Phase one

Initial analysis within-case began with the reading and re-reading of data to enable the
researcher to regain familiarity with the cases (Braun and Clarke, 2006). Having been in
regular contact with the businesses for over 30 months the researcher knew each case
and individual well. These interactions had been built on mutual trust and rapport. In
essence, the researcher had built friendships with participants. Therefore, extended
case ‘stories’ were written for each business as a means of capturing the many thoughts
and ideas of the researcher. The data used to compile these were the researcher field
notes, informal interviews (with business advisors, Innospace representatives, employees) and the owner manager created network, process and hierarchy maps. This phase was essential in being able to step back from the cases and review all data with reflexivity and a researchers gaze, rather than through the eyes of a friend of the business. Thus enabling systematic analysis to provide an etic account (Barley, 1990). This step was concurrent with a reassessment of the literature in order to consider emerging theoretical development alongside rival theories identified in the extant literature.

*Phase two*

After familiarisation, initial coding took place. This was done by placing codes (or labels) onto themes or issues within the data that the researcher identified was important to the understanding of the research questions (King, 1998). This took two forms, firstly a classification of ‘employment’ decisions, using the researcher case ‘stories’ as the raw data and secondly open coding using the interview transcripts (Braun and Clarke, 2006).

The classifications used were linked to the theoretical propositions developed, as these had guided both research design and data collection (Yin, 1994). Yin (1994) argues this is the preferred strategy in case study research. Data were examined and employment decisions were identified then categorised using the a number of descriptors; (i) employment decision; (ii) relationship type; (iii) decision driver; (iv) formality; (v) stage in the research; (vi) direct business support involvement in the employment decision; and (vii) whether the decision making process was causative or effectual. Appendix Xi provides the detail of each classification. These descriptors were pragmatically selected as they provide insights into each proposition and allowed this data to be tabulated and compared across cases with the theoretical propositions. In line with pragmatism principals, the descriptors were useful in empirically describing ‘how things worked’ (Watson, 2011) in the business, but were in sufficient in explaining why. In order to move from empirical description, further open coding was required.

The open coding involved “recognising (seeing) an important moment and encoding it (seeing it as something) prior to a process of interpretation (Boyatzis, 1998)” (Fereday & Muir-cochrane, 2006 p4). This used the interview transcripts from the owner managers
as the raw data initially. Sections of data were coded where they revealed something ‘interesting’ about the phenomenon, be that manifest or latent (Braun & Clarke, 2006). These were either driven by a priori knowledge ((e.g. linked to the theoretical framework of effectuation) or inductive and interpretative (Boyatzis, 1998).

As discussed, the software NVivo was used as case database to store the data and then used as a tool to in the analysis (Yin, 1994). Each section of data could be parallel coded (i.e. more than one code per section was permitted (King, 1998) by ‘tagging’ the sections of data with codes. This meant that a greater detail and cross referencing of coding could be completed without losing the context of the data (Braun & Clarke, 2006). This has the additional benefit of enabling other researchers to view the material, an essential element of research trustworthiness (Guba & Lincoln, 1994) and reliability (Yin, 1994).

Phase three

The next phase of analysis was that codes were then clustered and organised hierarchically to produce more general, higher order codes or meaningful themes (Braun & Clarke, 2006). These themes were generated by considering how codes may combine to form overarching themes that linked to the theoretical propositions (Braun & Clarke, 2006). This process was completed using visual representation after extracting the 130 codes from NVivo to a mind mapping (Buzan, 2006) software programme, XMind. Codes were manually sorted and grouped according to their similarity into different higher order themes. Using the XMind software had advantage of being visual (which supports the researchers own approach to making sense of data) and easy to manipulate so themes and codes could be moved (Braun & Clarke, 2006). This was an iterative process of considering code similarities, re-reading data extracts to establish context of coding and reworking of codes and themes. This resulted in 130 initial codes being reduced to 124 higher level codes, comprising of 16 themes (Appendix VII). However, these required further refinement – phases four and five of Braun and Clarke’s (2006) process.
Phase Four

This phase required the refinement and reassessment of the themes, first in relation to the coded data extracts and then to the data set as a whole (Braun & Clarke, 2006). This was approached in two steps; firstly all the extracts relating to a single theme were reread and judged on whether they provided a coherent pattern matching that theme. If they did not the theme was re-labelled to fit the extracts, broken into separate themes to better reflect different patterns or collapsed into another theme. The process was searching for internal homogeneity and external heterogeneity of themes (Patton, 1990). Within the theme, data needed to form a coherent pattern within the theme, but there needed to be clear distinctions between the themes (Braun & Clarke, 2006).

The second stage to phase four is to consider the themes in relation to the entire data set (Braun & Clarke, 2006). All data relating to a single case was reread to consider whether the themes represented the case – did they ‘work’ in relation to the case as a whole (Braun & Clarke, 2006). This process involved some re-working of codes and further refinement of themes. In particular, a number of themes were removed from the conceptual map because, although they were evident at one stage of interviewing and were interesting, they added little to the overall understanding of the research questions. Of course, the process involved considerable researcher interpretation. As such, the data were scrutinized closely and notes of changes and omissions were kept via NVivo memos (an example of which can be found in Appendix VIII). These served as tools to enhance reflexivity and memos of the iterative process of coding, theming and refining for each case.

Phase 5

Braun and Clarke (2006) argue that the penultimate phase in thematic data analysis is the definition and naming of themes. All themes were reviewed and defined in an attempt to capture the essence of the data contained within them. Where the contents of themes (i.e. the data extracts) showed high levels of similarity (a pattern), the same definition was used. This was not an attempt to overly reduce the number of themes, but was to analyse where thematic (and theoretical) similarities and differences lie. In
doing so, it also considered plausible and rival explanations in order to further analyse the data (Yin, 1994). These definitions are provided within the cross-case analysis in Chapter 5.

**Phase six**

The final phase in thematic analysis is to produce a report which provides a “concise, coherent, logical, non-repetitive and interesting account of the story the data tells – within and across themes” in order to demonstrate the validity of the analysis (Braun & Clarke, 2006 p93). The preceding sections will hopefully have provided the reader with the rationale and phases of analysis that led to this final stage, the following chapter presents each case and then Chapter Five delivers the cross case analysis.

The approach adopted in presenting the cases has been referred to by Langley (1999) as a temporal bracketing strategy. This means that each case has been broken down into successive periods of time. This is an appropriate strategy for process research as it “enables the explicit examination of how actions of one period lead to changes in the context that will affect action in subsequent periods” (Langley, 1999 p703). Temporal bracketing allows for analysis and comparison across successive periods separated by changes in context (Bailey, 2005). This approach allows for eclectic data to be transformed into a series of discrete blocks which assists in literal replication (i.e. looking for discontinuities within the case) as well as theoretical replication (differences between cases but within the same temporal bracket) (Langley, 1999; Leonard-Barton, 1990, Yin, 1994). However, these temporal ‘blocks’ are not identical across the cases. They do not represent objective, clock based time (chronos) but rather a more context specific, temporal phases (Orlikowski & Yates, 2002)
Table 14. Phases of Thematic Analysis

<table>
<thead>
<tr>
<th>Phase (Braun &amp; Clarke, 2006)</th>
<th>Description of the process</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Familiarising yourself with your data:</td>
<td>i) Re-reading of all data on a single case basis. ii) Compilation of four case 'stories' to incorporate field notes, additional interviews and descriptions of the owner manager created maps. iii) Generation of descriptive categories of employment decisions, based on the review of all case data.</td>
<td>Four researcher 'stories’ – extended narratives covering the whole research period. Employment classification codes (Appendix XI).</td>
</tr>
<tr>
<td>2. Generating initial codes:</td>
<td>i) Descriptive coding of the case 'stories' for 'employment' categories to make sense of the data. ii) Open coding of the owner manager transcripts (23 interviews) and four case narratives, identifying 'interesting' features of the data.</td>
<td>Employment decision classifications to be used in evaluation of propositions (Table 22, p 183) 1279 open codes (Appendix VI)</td>
</tr>
<tr>
<td>3. Searching for themes:</td>
<td>Extraction of 130 open codes from NVivo to XMind to manipulate and evaluate codes as to their similarity in order to form higher level codes and group these codes into meaningful themes.</td>
<td>Generation of 131 higher level codes and an initial 15 themes (Appendix VII)</td>
</tr>
<tr>
<td>4. Reviewing themes:</td>
<td>Themes were reviewed and refined but returning to the raw data (case 'stories' and interview transcripts) to evaluate their internal homogeneity and external heterogeneity (Patton, 1990). Researcher memos relating to this process were stored in NVivo (an example is provided in Appendix VIII).</td>
<td>Refinement to seven key themes and creation of thematic map (Figure 14, p 199)</td>
</tr>
<tr>
<td>5. Defining and naming themes:</td>
<td>Themes were defined and refined, capturing the ‘essence’ of the theme contents and providing a definition for use in the reporting of the themes (Chapter 5).</td>
<td>Definitions of the seven key themes is presented within the analysis, Chapter 5.</td>
</tr>
<tr>
<td>6. Producing the report:</td>
<td>Chapter Five presents each key theme, selecting compelling extracts to support the explication of each theme.</td>
<td>Chapter 5.</td>
</tr>
</tbody>
</table>
3.4.10 Secondary Data Sources

In addition to the semi-structured interviews utilising various elicitation techniques, secondary data were also collected and considered. Government policy documents and employment/self-employment statistics were used to understand the broader ‘enterprise culture.’ There are also a number of Government initiatives that aim to help small businesses to become employers (e.g. National Insurance tax break) and these initiatives were monitored and their impact on the participants assessed.

Other forms of small business support have also been reviewed in relation to the participants. For example, where universities or business support agencies offer related services these have been explored. On occasions, these provide insights into alternative recruitment options (such as work experience or placement students).

Finally, research relating to small businesses and broader academic literature was continually reviewed throughout the research project, particularly in light of data analysis.

3.6. Criteria for Evaluating the Data

The quality of social research design is often judged upon the validity and reliability of the data (Yin, 1994). However, these concepts were developed in the positivist tradition, where quantitative methods dominate. To address the disconnect between positivist notions of validity and the more interpretive nature of qualitative research, Lincoln and Guba (1985) identified four major concepts of validity within a positivist tradition whose fundamental concern applies to both positivist and interpretive inquiry and reframes them for use in interpretive methodologies. These alternative measures are collectively referred to as the ‘trustworthiness’ of the data (Guba & Lincoln, 1985).

As this research adopted the case study approach of Yin (1994) but from a qualitative perspective it is useful to consider both sets of criteria to evaluate the value of the research. The next four sections therefore discuss each of Lincoln and Guba’s (1985) ‘trustworthiness’ concepts, linking each with Yin’s (1994) notions of notions of validity.
and the comparable interpretivist concept. A summary of these criteria can be found in Table 15.

3.6.1 ‘Truth’ Value

Lincoln and Guba (1985) outlined several methods that would increase the probability that credible findings would be produced, arguing that the ‘truth’ value relates to the credibility of the findings. These methods included prolonged engagement or persistent observation with participants, triangulation of data sources, efforts to build trust with participants, peer debriefing after data gathering and presenting findings to participants for confirmation and revision of understanding. In terms of Yin’s (1994) concepts, credibility relates to construct and internal validity. The aim is to ensure there is a match between observations and the theoretical ideas they develop (Bryman and Bell, 2007). The process of considering data, coding and developing themes discussed earlier in this chapter was an iterative one. This ensured that theoretical ideas that evolved did so out of the data alongside consideration of rival and alternative plausible theories.

A further aspect of internal validity or credibility is that the enquiry must be credible to the participants themselves (Marshall and Rossman 1999). The use of visual data collection allowed participants to see how their ‘journey’ was being documented throughout the data collection, which enhanced their sense of enjoinment in the research. Further, participants reviewed drafts of the case narratives developed (Chapter Four) and findings of the overall research were discussed with them at the end of the study. Whilst specific quotations and incidents may not have been remembered by participants, the findings themselves did ‘ring true’. There is a further discussion and reflection on the notion of credibility within Chapter 7 (7.1, p274).

3.6.2 Applicability

This relates to the positivist notion of external validity and the interpretivist notion of transferability. This evaluates the value of findings on the basis that findings will be useful to others in similar situations (Marshall and Rossman, 1999). In this study, the sample size and selection means it is not possible to suggest statistical generalisation to a larger population, which was not the intention of the study. However, theoretical
generalisation is possible given the multiple cases and sampling strategy adopted (Van de Ven and Huber, 1990; Yin, 1994). The notion of transferability is particularly important when considering the underpinning philosophy of pragmatism, since the ‘truth’ value is dependent on its utility. A criticism of pragmatism is that it fails to address the question of ‘useful to whom?’ This research sought practical utility for the business owners involved, did the research process itself help them to understand the decisions they were making in their business. It sought broader utility by offering academic, policy makers and business support practitioners new ways of looking at employment decision making in a start-up business context. These implications are presented in the concluding chapter of the thesis.

3.6.3 Consistency
This relates to the positivist notion of reliability and the interpretivist concept of dependability. The details of the research approach taken, as presented in this chapter, constitute the research protocol. Combined with the research database stored in NVivo (data and researchers narratives, notes and documents), another researcher would, in principle, be able to review the evidence directly thus increasing the reliability of the study (Yin, 1994). That is not to claim that this reliability creates the possibility of exact study replication, since the social world is changing and thus a replication of the study would not be possible (Bryman and Bell 2007). However, tracking its processes and procedures can enhance the credibility and dependability of the study (Guba and Lincoln, 1985). Of course, there is a high level of interpretation within data analysis and that is researcher biased. A different set of propositions would produce different analysis but so far as the process is concerned, the rigour with which this study was conducted would allow for replication and the completed thesis demonstrates a clear chain of evidence (Yin, 1994).

3.6.4 Neutrality
This relates to the positivist notion of objectivity, which this research makes no claims to, recognising the researchers role as the instrument of data collection (Marshall and Rossman 1999). However, using Lincoln and Guba’s (1985) measures, neutrality is not referred to as a property of the researcher but is a property of the data. The quality of
research does depend upon careful consideration of the subjectivity of the researcher. It is acknowledged that the researcher has a high degree of empathy with the research participants. It is therefore important to discuss how reflexivity was employed in this study.

3.6.5 Reflexivity

In qualitative research, the researcher is the research instrument so a consideration of their background is important (Marshall & Rossman, 1999). As previously noted, I had previously been a tenant of the research site, *Innospace*. This was on the basis of being a fellow micro-firm owner manager. The research problem has stemmed from personal experience, observations of the issues facing micro-firms and a long-standing interest in entrepreneurship, small firm performance and interpersonal relationships in business.

This offered multiple benefits to the study; empathy with the participants’ business difficulties and successes; access; rapport with current and potential participants; and an understanding of the complexities (personal and professional) of running a small business. However, there are also potential issues that should be noted. Over familiarity with both participants and subject matter can lead to *projection* (Boyatzis, 1998). This is “‘reading into” or “attributing to” another person something that is your own characteristic, emotion, value, attitude or such” (Boyatzis, 1998, p 13). During thematic analysis this can lead to themes being identified that are based on presumptions. To obviate against this, I remained close to the data and sought participants’ views regularly throughout the analysis.

Early discussions with participants showed that there was a desire to discuss other strategic issues and a keen interest in the progress of the study with participants wanting to ‘see themselves’ in the research. It was my view that ignoring this may have been detrimental to the project. Instead, and in a bid to acknowledge the reciprocity that is required for qualitative research projects (Marshall and Rossman, 1999), I shared ideas, initial analysis and findings with participants. The gathering of these thoughts also acted as a research diary, providing a space for consideration of my role in the project.
Reflexivity is a notion that has become central to qualitative social research. It acknowledges the intersubjectivity of researcher and participants (Easterby-Smith et al., 1996). Throughout the research I hoped to understand the timings and rationales of decisions made by participants by observing how they made sense of choices. The interview process itself was a tool in their sense making. Throughout the research, I engaged in reflexive analysis in order to question my own emotions and experience and the role had on the unfolding research. These reflexive accounts took various forms. Particularly in the early days of research design, I wrote journal style notes on my thoughts as they developed.

During the interviewing phase, I recorded my thoughts both before and after each session. I found it useful to question my feelings and assumptions before the sessions. I was aware that my own mood would influence how I conducted the interview and, therefore, how participants responded. After each session, I endeavoured to speak to someone (a colleague, fellow researcher, family member) in order to debrief and make sense of the session. I also captured my thoughts at the time via field notes, an example of which can be found in Appendix VIII.

During the analysis, I turned myself into a critical friend, asking questions about the emerging findings: Would you be coming to this conclusion if one of the other participants had said it? Would they have answered this question in a different way if someone else had asked it? Did your questions (or responses) shape the outcomes? I rarely had concrete answers to these questions but they did result in a number of memos that shaped the ensuing analysis (see appendix VII for examples of memos and reflective notes).

These reflexive accounts challenged my own thinking by forcing me to consider alternative interpretations. I believe this self-conscious examining added greater integrity to the analysis. I was not attempting to eliminate bias, nor indulge in self-referential navel gazing. In voicing and recording the unspoken, I was challenging myself to explore new perspectives in order to deepen my insights.
**Table 15. Validity and Trustworthiness Issues**

<table>
<thead>
<tr>
<th>Trustworthiness Concept</th>
<th>Positivist Concepts</th>
<th>Interpretivist Concepts</th>
<th>Tests</th>
<th>Phase</th>
<th>Evidence/Artefacts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Truth Value</strong></td>
<td>Internal validity</td>
<td>Credibility</td>
<td>Use multiple sources of evidence</td>
<td>Data Collection</td>
<td>Observations, interviews, documentation, maps/diagrams, (see summary in table 7)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Establish chain of evidence</td>
<td></td>
<td>Case database (Nvivo) containing all data with details of collection time, date, context.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Have key informants review draft</td>
<td>Composition</td>
<td>Reviews of maps and notes throughout research. Review of case narratives.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Do explanation building</td>
<td>Analysis</td>
<td>Phases 3-6 of analysis</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Address plausible or rival explanations</td>
<td></td>
<td>Phase 5 of analysis</td>
</tr>
<tr>
<td><strong>Applicability</strong></td>
<td>External validity</td>
<td>Transferability</td>
<td>Use replication logic in multiple-case studies</td>
<td>Research design</td>
<td>Case selection (see table 7 and section 3.4.3)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Thick description of context and implications for practice and policy</td>
<td>Research report</td>
<td>Chapters 5 and 6</td>
</tr>
<tr>
<td><strong>Consistency</strong></td>
<td>Reliability</td>
<td>Dependability</td>
<td>Use case study protocol</td>
<td>Data Collection</td>
<td>As presented in this chapter</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Develop case study database</td>
<td></td>
<td>Case database (Nvivo) containing all data with details of collection time, date, context.</td>
</tr>
<tr>
<td><strong>Neutrality</strong></td>
<td>Objectivity</td>
<td>Confirmability</td>
<td>Practice reflexivity</td>
<td>Throughout study</td>
<td>Audit trail and audit process</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Ensure audit trail using case database</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.7. Limitations

It was acknowledged above that this thesis does not assume to provide a representative sample of what is a heterogeneous sector. However, the constitution of the sample must also be considered as it is; exclusively male; young (>35); and situated in one geographic and type of location (a business incubator in Manchester). In addition, the companies are all broadly in a service industry, there is no ethnic diversity and, in terms of educational attainment, the socio-demographics are similar across the sample. It is acknowledged that each of these variables could, in its own way, influence an individual’s expectations, experiences and motivations. Attention is drawn to this to highlight an awareness that whilst the approach of following a few individuals in great depth and over time may yield interesting possibilities and emergent typologies, it is beyond the scope of this study to address fully the potential influence of factors such as demography, geography, age, gender and ethnicity.

It is acknowledged that there are multiple barriers to business growth, not least the market. This study has focused predominantly on business owners and their perception of growth, set within a backdrop of high business support and a political growth rhetoric. However, it must also be noted that the study was conducted at a time of increasing economic pressure. Market forces and opportunity recognition are likely to also have influenced the potential growth of these businesses. This study does not seek to downplay the importance of market forces, but instead seeks to look at the problem of growth in start-up businesses from a fresh angle.

This research focuses on small businesses that have an explicit desire to grow. It is acknowledged that many individuals do not have growth as a prime objective. Lifestyle businesses and family businesses may have very different strategies relating to staffing and recruitment. However, they were excluded from the study on the basis that they were unlikely to provide insights into the research objectives.
3.8. Ethics

Due to the collaborative, longitudinal approach of the data collection there was inherent incentive towards open and honest relationships with participants. Deception of purpose or intent would hinder the research process itself (Guba and Lincoln, 1994). However, there remain some material and methodological ethical issues that need to be given consideration.

Within research there is often an assumption of anonymity (Bryman and Bell, 2007). However, complete anonymity is difficult due to the cases potentially being identified because of their geographical location. Also, the close personal interactions with participants make anonymity very difficult (Guba and Lincoln, 1994) since many participants want to ‘see’ themselves in the research findings. Although this might point to disregarding the assumption of anonymity, there are wider implications. For example, consideration must be given to employees, non-participating members of the social network, freelance staff etc. who have not given consent to participate in the research. For this reason, all names (company and individual) have been changed in this thesis.

However, names can be seen on the network and process maps. A selection of these have been included in the appendices to assist the reader in understanding the data collection processes. Consent has been given by the businesses for the maps to be used in this format and this context only. Further anonymisation will be undertaken before this material is published elsewhere.

It has been argued that research interviews can elicit normative performances from the participants (Alldred and Gillies, 2002). A specific danger in terms of the normative pressure might be to force employment growth ahead of its necessity, damaging business stability and prospects in order to comply with assumed expectations. I made clear from the outset that I was interested in all employment relationships and not just formal employment growth. Whilst it cannot be guaranteed that participants did not feel under pressure to provide normative responses, it is hoped that this risk was
significantly reduced because of the close relationship between researcher and participants.

The notion of accuracy within qualitative research is a difficult one. It could be argued that the findings should accurately portray participants’ views and options and they must not be misrepresented. This would suggest that the findings should be referred to participants so that they may confirm its accuracy. However, there were multiple occasions when what participants said was not what was observed or later recorded as an action. Indeed, often participants contradicted themselves in answers at different data collection points. The way this issue was overcome was to give all participants sight of both the maps they created and transcripts, should they want them, so that at the point of data analysis what was said could be confirmed as accurate. After analysis, the researcher has discussed the research findings with participants. Whilst not every aspect struck a chord with everyone, the overall findings rang true for all.

As an engaged researcher, it is important to enjoin participants throughout the research process, to ensure that the findings have utility as well as theoretical value (Van De Ven, 2007). This means that whilst the participants may not have shaped this final document, they have been active throughout and will continue to be as the research is communicated in the hope that it can make a contribution to practice.

### 3.9. Chapter Summary

This chapter has provided a detailed account of the research methods adopted in this study. The research design was informed by the propositions, in turn generated from the literature review. Adopting this approach provides a coherent research protocol (Yin, 1994). The study was longitudinal, following four businesses over a 30 month period, and used sense making, mapping techniques to support data collection. This approach enabled the qualities of sense making to be used to elicit a wealth of data that was then thematically analysed.
The full research framework linking the initial research questions, through the propositions to sample selection, data collection, mapping and subsequent data analysis is provided in Table 16, overleaf.

The proceeding chapters have laid the foundation for the research study, providing the context, theoretical underpinning and methodological approach. What follows is the empirical contribution of the thesis. Chapter four presents the four business case studies, to provide the reader with an understanding of each case and a narrative to support them within case analysis. Chapter five then delivers the cross case analysis.
<table>
<thead>
<tr>
<th>Research Aim</th>
<th>Key Issues</th>
<th>Examples of Literature</th>
<th>Literature Gaps</th>
<th>Key Area</th>
<th>Research Objectives</th>
<th>Propositions</th>
<th>Requirements for Literate Realization</th>
<th>Requirements for Theoretical Realization</th>
<th>Method</th>
<th>Data Source(s)</th>
<th>Additional Data Collection Techniques and Use</th>
<th>Analytical Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>To critically investigate the complexity of employment decision making in a start-up business context in order to further understand start-up business growth.</td>
<td><strong>Growth is dependent on the combination of start-up owners’ and managers’ commitment to the business</strong></td>
<td>Gline, 2006;</td>
<td>Non-traditional start-up characteristics</td>
<td></td>
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<tr>
<td><strong>Measures of growth are likely to be non-traditional in small start-up businesses</strong></td>
<td>Wu &amp; Glick, 2004;</td>
<td></td>
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<tr>
<td><strong>What does this mean in terms of start-up business growth?</strong></td>
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</table>
Chapter 4 Empirical Case Studies

This chapter is a presentation of the four cases. The case selection was proposition driven, as discussed in the previous chapter. The four businesses were selected in order to meet criteria for logical and theoretical replication. Each of the four businesses were based in the business incubator, Innospace and the owner managers had expressed desires to grow their business, but not necessarily via employment. Two of the businesses (Meet:Eat and MOVE) considered employment a necessary element of growth plans. Whereas TRU and Kildo were reluctant to formally recruit, instead considering the use of freelancers and automation as means of growth. All four businesses saw growth in terms of employment numbers and sales over the course of the research. However, TRU did not trade for the duration of the data collection period, going out of business in 2011.

Each case begins with a short summary in tabular form before a descriptive account of activities and decisions over the research period. This, for practical reasons, is acknowledged as somewhat a simplification of a complex narration of events and decisions, emerging from interacting with the sense making of the participants. The cases conclude with a timeline of activities, highlighting employment decisions and discussion of these in a tabular format. The accounts act as a summary of the data collected for each case and has been presented in this way to provide the reader with an understanding of each business prior to the cross case analysis presented in Chapter Five.
### 4.1. Kildo

<table>
<thead>
<tr>
<th><strong>Owner/s</strong></th>
<th>C &amp; H</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sector</strong></td>
<td>Digital/Creative</td>
</tr>
<tr>
<td><strong>Business</strong></td>
<td>Website design and management software.</td>
</tr>
</tbody>
</table>

#### Employment relationships evident (over course of research)
- Two owner managers (part-time)
- One full-time employee
- Multiple quasi-partnership and collaborative relationships
- Engaging freelancers from within close network

#### Strategy for business sustainability/growth
- Collaboration and partnerships

#### Overarching strategy for recruitment
- Hire when it hurts from the circle of trust

---

**Figure 4.** Kildo – timeline summary
Greater than the sum of the parts

C met H in late 2007. Both had been working for themselves for around 12 months in complementary areas of the digital and creative sector. C’s background was marketing and PR but his business focused on branding and brand management. H was a web developer. Innospace’s collaborative culture meant that the pair began to pass each other contacts and work opportunities. Their complementary skills saw them start to work on projects together - C designing the brand and H building the website. After a number of months, they recognised the opportunity to develop a longer-term business solution to these one-off projects.

C: “The idea for the business came first - why bill separately for a project when we could bill together? We recognised that in creating a business together it could be greater than the sum of its parts.”

The pair began to work together for one day a week developing software as service product SmartStart, under the company name Kildo. The pre-launch, planning phases lasted several months. During which time the pair mapped out the specification of the SmartStart clearly. In order to make the business work there had to be significant time dedicated to developing the product. This had to be by H and evening and weekends were not going to provide sufficient time to develop the product. It was decided by the pair that whilst C would continue to work elsewhere, H would work full-time on the business for a wage. This required investment into the business before it had been launched. Initial investment was sourced from a family member.

“We had to get some money in ... H’s mum - but treated absolutely like an external investor.”

This investment allowed H to work on developing the product full-time. Once complete, the pair sought to bring in a freelancer to work on the ‘back office’ development so that H could free up time to work on other projects that would “pay
the bills”. This would be the model of working for the pair for some time - both working fractionally on the business and its growth whilst earning a living on other projects.

M1 was recruited via adverts placed within the students’ unions at two city universities (C had graduated from one and had connections via Innospace at the other). M1 had been through an interview process with C and H and had also completed a web design/coding task. He was still a full-time student with limited experience but was seen as being keen to learn and having the prerequisite skills that would enable him to develop the operational systems Kildo saw as being key to the business.

_H: “It was important from the outset that we automated as much as possible. Sometimes that means using software from somewhere else, but a lot of the operational stuff is process for us – so it was better that we built it ourselves.”_

M1 worked under the supervision of H, following plans and specific guidelines but he was given significant freedom in terms of how and when he worked best. He built much of the secure systems within the ‘back-office’ of Kildo - the processes that would manage invoicing, customer service and other administrative functions. He was very much involved in the business from a creation and development point of view but was kept at arm’s length at the same time.

_H: “There is nothing particularly unique about the actual code. So, in effect, anyone could create SmartStart if they had access to all the code.”_

As a developer, H was very protective of the SmartStart code and didn’t want to give too much freedom to M1. M1 could work on areas of the system as directed by H but was never given “the keys to the Kingdom”, as H put it.
Hire When It Hurts

Whilst M1 worked on the back-office development, C and H recognised there was a need for more focus to be given to the front-end design work and customer contact. This realisation was attributed to an exercise C and H underwent on suggestion by their mutually trusted business mentor to document each role in the business and then complete job descriptions for each. In the early days, C and H completed all roles (i.e. each had multiple roles). As the business gets busier and you become too stretched to do all the roles for which you are responsible, you seek to replace roles with another person, starting from the bottom and working up the hierarchy. Central to this approach is being specific about the roles in the business and how they are accomplished. Additionally, only bringing people into the business when people cannot manage the workload that they have.

“You don’t bring someone in to do just one role - you bring someone in to do several roles, a cluster of roles. And you only hire when it hurts - if it’s actually damaging to your business not to hire someone.”

C and H went through this process when they launched SmartStart and that had identified the need to bring M1 into the business. However, there was increasing need for someone to work on a cluster of roles associated with client servicing. Financial pressures meant that C and H’s time was often more effectively spent working on projects external to the business. The business model was such that, without high volumes, the margins would not support full-time salaries. However, increasing sales meant increased activity and they were too busy to fulfill all the roles needed to service clients. It was seen as starting to “hurt” the business. M1, who was just finishing his degree, could have taken on more days, however, there was an apparent lack of trust in the relationship.

1 ‘Hire When it Hurts’ is an essay contained in the 37 Signals book REWORK and is a phrase frequently used by Kildo in early interviews, who read the book.
2 This exercise is also documented in E Myth by Michael E Gerber. Both C and H read this book on recommendation of their mentor.
“He’s doing a lot of other stuff on the side. We just, he’s not grounded enough, we just don’t trust him enough.”

Rather than give the cluster of client servicing roles to M1, they looked elsewhere, advertising the role again in the two city universities. Shortlisted applicants were interviewed, given a work related task to complete and then met again - this time for a more informal chat about the role and the Kildo culture. The final pair were then given an extended trial period. The second of the pair was M2 who they considered to have excellent website design skills alongside the customer contact skills required to fulfill a number of roles. M2 started off working for Kildo one day a week. As the business got busier it became impossible for him to complete everything in that one day. Again it was seen as starting to hurt the business. So he started working two days per week. He worked another two days per week for the software company Kildo shared their office space with. His fifth weekday was spent developing his own portfolio of work. Clearly defined and specified roles, matched with operating manuals for activities and processes meant M2 was able to embark on the role fully from the start and within a couple of months clients could be managed without the owner managers’ input.

“A website can go through all the touch-points from the initial customer enquiry email, through design all the way to going live without C or I even knowing about it.”

M2’s addition to the business meant that H could focus his time on technical aspects - business and product improvement, whilst C alternated between strategic level planning and operations and administrative level tasks. M1 continued to do some small pieces of work on the back-office but this was phased out over time. M2 had become the key member of staff for Kildo, yet he remained a freelancer with no contract in place. This became a source of worry for C and H - how could they incentivise and keep a freelancer, whilst retaining the benefits of the less formal relationship? The pair described him as being fully engaged and in essence the third member of the partnership but with this came the fear that he could leave.
“Oh it’s a constant worry - we know he landed on his feet because he’s learning so much but we know we’re really fortunate to have found him.”

**Formality & The Circle of Trust**

By early 2011, M2 was employed on a full-time contact. The business had been continuing to grow in terms of sales, however, the margins remained small and it was acknowledged that there needed to be a twin focus of activity for Kildo: business-as-usual and development. The development activity would involve the scoping, specification and building of new products for Kildo - C and H would work on this. M2 would manage the business-as-usual - the servicing of current and new SmartStart clients. According to C and H, what M2 had managed to achieve was threefold; he understood customers and was a champion of their needs; he understood the business vision and what Kildo was trying to develop; whilst also actually getting on with the day to day activities.

“That really adds to and creates value for the business - and that’s why we want to clone him! That would solve any future recruitment needs!”

The pair continued to formalise job roles in the business using teachings in various books as starting points for development – primarily the ‘hire when it hurts’ premise and clearly delineated roles. Each role was clearly specified and a process to completing the roles was documented in an Operations Manual.

“So, all the work in the business is broken up into job roles, you cherry pick the things that interest you and then there is a process, a system for you to follow. So M1, for example, comes in and the queue for his accounts role is the first to be completed followed by the advocate role queue. And that’s all documented in the Ops Manuals. There is no point where you shouldn’t know what to do next.”

The perceived benefit of this approach to C and H is clarity. It doesn’t matter who is currently fulfilling the role of, for example, accounts assistant. So long as they have
access to the Operations Manual and shared back-office systems - along with threshold skills in communication, problem solving and understanding the business - they can simply walk in, open up the appropriate queue for the role they are fulfilling and work through it. Action and tasks are allocated to job roles rather than specific people.

“There are only certain actions that can be taken in relation to tasks - and they’re all documented in the Operations Manual. It quickly becomes clear where there are bottlenecks or problems and we can then work to resolve them or use additional resource.”

For Kildo this provided a number of benefits; it ensures that queries and issues are processed in order of business importance; issues are centrally logged so any member of the team can access them; resolutions are also centrally logged which means learning can take place; the business does not over rely on certain individuals and could scale quickly if needed without significant training costs. C also considered a major benefit of this system to be clarity of expectation for individuals. Rather than attempt to control or police activities, individuals are left to their own devices to a large extent but within very clearly defined parameters.

“There is - I believe - a real danger in a business attempting to inspire and expect without any clear sense of priorities or process at all. In this environment, I believe and have experience of a situation in which, team members can experience anxiety because they want to deliver, but the landscape is ever-shifting.”

From the early days working together at Innospace, C and H developed a close group of trusted individuals with whom they would regularly work. These people supported the business either by working in it or being a supplier of other services that supported the main Kildo offering. C suggested that by developing very close working relationships with a few trusted individuals, Kildo was able to develop a sustainable business model with limited start-up costs.
C: “There are others who help Kildo to fulfill its business objectives on a day to day basis in a way which much more closely resembles a partnership than a supplier relationship.”

The acknowledgement of a close trusted group was evident in very early discussions with C and H, however, in 2011 it became specifically referred to as The Circle of Trust.

C “The central notion is of a unit that you have to enter, in order to become part of the circle. Entry is not permitted to just anyone, there is a sense of in-group and out-group. There are some essential uncodified tests that new members of the circle of trust must pass in order to gain admittance. Once within, members experience a level of trust and belonging which they require in order to carry out their role.”

Membership to the Circle over the course of the research was limited almost entirely to people who had family relationships or close connections with either H or C. For example; C’s partner; H’s partner; H’s school friend (who also shared offices); C’s sister; H’s mother; another of H’s school friends (who later became a freelancer). The one clear exception to this is M2. A stranger to C and H before starting work as a freelancer, he managed to penetrate the circle soon after starting. Yet M1, who worked for Kildo as a freelancer for over 14 months, had never been permitted admittance into the Circle. He remained at arm’s length throughout his time with the business.

Another example of a lack of admission into the Circle - and indeed the business - was a freelancer who was bought in to help relieve some of the workload of M2. He was recruited via the same process as M1 and M2 - advert, CV screen, interview,

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3 This is a term taken from the film, Meet the Fockers, and by the pairs’ admission, has a sense of cult or club to it. They describe it as referring to individuals who have almost familial ties and whom C and H trust implicitly when it comes to the business. If you are not in the circle, you simply cannot get close to the business.

4 As a business graduate, it is likely that C was aware of this borrowing of terms from social identity theory (Tajfel, 1974).
test - and then taken on for a week long, paid trial. At the end of this week he was given the ‘job’ (throughout the research period, C and H referred to freelancers as though they were employed) but during the meeting with C he asked for more money. The meeting was in an open plan office so this exchange was audible to other members of the business and people who worked for other businesses in the office. C saw this as ‘a cheek’ and insisted it was a good rate for what he was doing. Discussions later that day with C and H suggested they were already a little wary of the new recruit.

H: “He can do the job fine - but I’m not sure he’s quite right. He’s certainly not an M1.”

C: “At one point someone made a joke and he didn’t get it for ages. Erm, nope! Pull the handle on the trap door!”

Kildo turned to their own trusted circle in order to find people who can support the business either for short periods of increased workload or on a longer-term basis. One area where support was needed was assistance with the accounts (i.e. Chasing payments, reconciling accounts etc.). Starting as one of C’s roles, this required regular attention but in short bursts - C was struggling to find the time alongside his consultancy commitments to give it the time it needed and would fall behind. So in accordance with the ‘hire when it hurts’ principal, the pair sought to recruit someone to fulfill this role. Over the research period, various people have filled this role - C’s sister, H’s wife, C’s partner, H’s wife’s school friend.

Collaborate to grow
In 2010 C and H hoped to be working for Kildo full-time within the next six months. However, by 2012 both were still engaged in consultancy activity in order to support their income. Kildo looked to people they know to supply the business but also to sell the product (on a commission basis) and as a means of developing new products.
C: “There is something about wanting to give work to people who are close to you - you want them to do well. Why pay someone outside your circle to do it. Share the love.”

Whilst M2 manages the business-as-usual aspects of Kildo, C and H were free to develop new products for the business and new collaborations outside. The successor product to SmartStart had been developed over months from a specification developed by the pair in response to customer need. J, a school friend of H’s, had completed some freelance development work and was looking to increase his skills and knowledge.

“J is mainly doing things for me that he can do and I can make some money on - things where it doesn’t really matter how long it takes.”

Whilst it was not time sensitive, the new product had the potential of broadening their offering significantly. There was an implicit expectation that he would work as quickly as he could but an understanding from C and H that, as he was learning, this would not be at a speed others may have been able to do. The relationship appeared to work equally for all parties. The boundaries of work expectation were clearly defined via a project specification alongside implicit assumptions of loyalty, trust and support.

Long term, strategic collaborations have grown from the Kildo in-group. In 2012, Street Ltd was created – an equal partnership of C, H, J and three other start-up business owners who have been long term suppliers to Kildo. The business is being worked on alongside all the other businesses and freelance work in a shared office.

At the end of the research period, there were still only three core members - C, H and M2. There are also a number of part-time freelancers who fulfil various roles plus resellers (such as C’s partner). Only M2 is in the office nine-to-five, five days a week. However, there is a regular flow of new ideas and potential developments.
“It's like a skunk works - where no one ever expects ideas to be big but often they are - it's a bit like that. But we've probably been a bit more organised than that.”

Clear specification of roles and products from inception to launch has become the Kildo approach to business development. The aim for C and H was never to build a vast empire but to “build an interesting, sustainable business that delivered excellent products”.
Figure 5. Kildo – detailed timeline
<table>
<thead>
<tr>
<th>Employment Decision</th>
<th>Description</th>
<th>Decision Drivers</th>
<th>Process</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-ED1</td>
<td>Engagement in quasi-partnership arrangements with suppliers.</td>
<td>Need for certain services matched with a reticence to trust strangers.</td>
<td>All members of C or H’s personal network, these were friendship and trust-led partnerships that have endured the length of the research process.</td>
<td>Long-term collaborative relationships.</td>
</tr>
<tr>
<td>K-ED2</td>
<td>M1 employed as a freelancer to work on the development of the ‘back-office’ of SmartStart</td>
<td>After product has been developed, C and H choose to engage a freelancer to develop ‘back-office’ functionality in order to work on non-Kildo activities that provide greater income.</td>
<td>Semi-formal recruitment process; adverts in local universities followed by interview and competency test. Recruit is from outside the owner managers’ network.</td>
<td>M1 works on specific tasks but is kept at ‘arm’s length’. Over time, a lack of trust results in him being phased out of the business.</td>
</tr>
<tr>
<td>K-ED3</td>
<td>M2 employed on freelance basis for Kildo</td>
<td>Following ‘hire when it hurts’ principals, C and H recognised that business sustainability was not possible without additional resource. Unwilling to give work to M1, they sought a new recruit.</td>
<td>Following suggestions about formalising roles (from mentor) C and H sought a person to fulfill a ‘cluster’ of roles. Again, a semi-formal recruitment process; adverts in local universities followed by interview and competency test. Recruit is from outside the owner</td>
<td>M2 engaged as a freelancer and quickly becomes integral part of the business. Initially engaged for two days on freelance basis.</td>
</tr>
<tr>
<td>K-ED4</td>
<td>Additional freelance &amp; resale support engaged by Kildo.</td>
<td>Hire when it hurts principals - C and H recognise that M2 is becoming swamped with work.</td>
<td>C and H look to their own network to fulfill roles. Each role is heavily specified and processes documented. The overriding requirement is that they can trust the individual.</td>
<td>L – Cs partner becomes reseller of SmartStart to a specific industry J – engaged on freelance basis to provide admin support (then H’s wife followed by H’s wife’s school friend) J – engaged on freelance basis to develop new products for Kildo</td>
</tr>
<tr>
<td>-------</td>
<td>--------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>K-ED5</td>
<td>M2 becomes full-time employee</td>
<td>Driven dually by M2 seeking greater commitment from Kildo and an increasing desire for formalisation as the business becomes VAT registered.</td>
<td>Agreement of contract with M2.</td>
<td>M2 becomes the sole full-time employee of Kildo.</td>
</tr>
<tr>
<td>K-ED6</td>
<td>Establishment of Street Ltd</td>
<td>Recognition by H and C that there are extra-Kilda opportunities that can be best exploited by working in collaboration with others.</td>
<td>Formal agreements with members of the trusted network for equal ownership/responsibility.</td>
<td>Development of new business (initial contracts won late in the research timeframe).</td>
</tr>
</tbody>
</table>
4.2. TRU

<table>
<thead>
<tr>
<th>Owner/s</th>
<th>J &amp; B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Product design</td>
</tr>
<tr>
<td>Business</td>
<td>Initially a creative product design consultancy, later became supplier of glass and metal awards</td>
</tr>
<tr>
<td>Employment relationships</td>
<td>- Two owner managers</td>
</tr>
<tr>
<td></td>
<td>- One freelancer who then became permanent</td>
</tr>
<tr>
<td></td>
<td>- Three interns who became permanent</td>
</tr>
<tr>
<td></td>
<td>- Two interns (six weeks only)</td>
</tr>
<tr>
<td>Strategy for business sustainability/growth</td>
<td>Hire in order to grow.</td>
</tr>
<tr>
<td>Overarching strategy for recruitment</td>
<td>Use support schemes to employ ‘like-minded’ skilled people and fit them into roles.</td>
</tr>
</tbody>
</table>

Figure 6. TRU – timeline summary
Creative Hub

J & B had known each other since they were young. Their first project working together was building a tree house in the back garden. After leaving university with degrees in product design, they formed a partnership and joined Innospace in 2009. Their vision for the business was to create a creative product design ‘hub’, with freelancers working in collaboration with them. They did not want to build a traditional agency as they had seen how creativity could be stifled in such environments.

B: “It can become like a production line. People work on their own projects, the ones that pay the bills rather than designing or developing anything new.”

In order to fund the fledgling business, the pair sought some initial investment from a Welsh start-up fund (both owner managers’ parents still live in Wales and they consider it home). TRU also entered and won a couple of small design awards. This gave them sufficient capital to pay themselves a modest wage that allowed them to work full-time on the business.

In a bid to raise awareness of the company, they decided to put considerable time and energy into a design competition. This was supported by the university which J had graduated from (and was associated with Innospace) and would benefit a local charity. It was a weeklong challenge for product designers. The aim was threefold; firstly to generate some PR about the business; secondly to seek potential recruits or freelancers for the business. J himself had won a university design award and saw this as an opportunity to find other talent. Finally; it was to give something back to the design community.

B “We want to build a brand that has values and morals at its heart. A good way of starting that is to work alongside, sort of in collaborative partnerships, that develops talent.”

Very prominent in the network of TRU in the early days was the number of advisors and mentors consulted on a regular basis. These ranged from family friends (B’s
girlfriend’s uncle who was ‘a self-made millionaire’) through allocated mentors (NWDA, Welsh assembly, university) and to peers and friends. J and B saw these contacts as critical to the development of their creative hub business, acting like a sounding board for their ideas and strategy.

Additionally, clients and suppliers were considered as part of the TRU network. The pair explored how suppliers could act as “strategic partners”, taking a key role in the development of products from briefs to delivery. The pair spoke in emotive language when discussing their network relationship and strategy to create a hub; trust, integrity, honesty all played a large part in business relationships in their view.

**Boom**

Despite some interest following the business design competition, paid projects were few and far between. J was awarded a place on a High Growth business programme\(^5\) and the input of both the programme and the allocated mentor signalled a change in approach from J and B. They reassessed where the business could make money and decided to focus on one key industry. Rather than seeking a bespoke product design project, they would focus on designing and delivering trophies. This was an area they had already had some success.

J “We’ve come to accept that the corporate awards market is where we can actually make some money, the margins are higher and we are good at it, so it’s a real opportunity.”

They immediately started to see results with orders increasing from a couple of key clients. The roles of the owner managers became more defined. J focused on the strategic direction of the business, sales, marketing and finance whilst B focused on

\(^5\) This programme used some of the business model tools and techniques set out in Osterwalder and Pigneur’s (2010) book *Business model generation: a handbook for visionaries, game changers, and challengers*. The business model canvas became an almost permanent and ever-changing feature in the TRU office.
the design and delivery side. There was a marked change in the way J perceived both
the company and its future potential after engagement with the small business
growth programme.

B “He’s got the bit between his teeth and is now really driving sales and
development.”

The increased activity led J and B to consider taking on staff. The first recruit was S
who had been a friend of J’s since university. TRU was able to meet current demand,
but considered that additional resource would enable them to exploit the niche they
had discovered more effectively. S was initially engaged as a freelancer, working
three days per week for TRU. However, TRU then formalised this relationship after
finding out about a paid internship scheme that supported businesses in paying the
first £1000 to recent graduates.

B “You’re supposed to go through this big process, interviewing and everything, but
we knew S and sort of managed to fudge the paperwork!”

Shortly after recruiting S, J and B opted to recruit a further designer; again using the
graduate internship initiative to support initial costs. Their view was that now they
had identified a niche market, they needed additional resources in order to exploit
it. The new recruit, C, had been identified via the design challenge. Both S and C
were managed by owner B but in a rather hands-off manner, allowing them to work
on areas that interested them.

B “S accepts that it’s ‘jam tomorrow’ and is happy doing the more basic stuff but C
wants to work on all the interesting stuff right now, he’s less of a team player I
suppose.”

After the end of the paid internship project both C and S were formally employed by
TRU. This was despite the costs associated with formalising the relationship
(including setting up PAYE systems and generating contracts etc.). TRU was now
used to the additional resource and cutting back was considered to risk a negative impact on current delivery. Business activity had increased as a result of recruiting and the pair felt that further recruitment would help the business scale even quicker.

J “We need to push for quality yes, but also internal delivery and lead generation. Anyone has the potential to add value to the business if we bring them in.”

In mid-2010, TRU used the paid internship support project to support recruitment once again. However, on this occasion, they followed the formal process set out by the support agency. The pair, however, developed a job advert, screened CVs, shortlisted and then held interviews. What they were looking for was someone who could work on the business development side, alongside J. As they were recruiting from graduates, experience was less important than ‘spirit’.

J “We wanted someone who would be happy to come in, right at the beginning, and help us grow it. Someone personable, yes, but who is happy to take some risks.”

Along with the obvious financial benefits the support scheme offered, it also ensured applicants were likely to be around the same age or younger than J and B.

B “It’s difficult when you’re younger cos people don’t like that ‘you’re my boss’ when you’re younger than them. You have to make sure you’re not undermining them, but then I guess that’s the same with all management, to get respect.”

The result of this recruitment process was A who was brought in on a six week paid internship, with a view to going permanent at the end of that period. However, in addition to A, two designers were also recruited through the same process. J and B hadn’t actively sought these recruits but they had been suggested by the support agency.
J “We were only looking for one and somehow we turned around and had three! Good opportunity though to really push for growth because we’ve got capacity.”

Within 12 months, TRU had grown from being a partnership with aspirations of a cultural hub and freelance relationships, to employing five members of staff, three of which on formal, long term contracts. Although this had increased capacity significantly, it was also a drain on finances and time. B now spent most of his time managing the staff and details of projects rather than the more lucrative (and creative) bespoke design projects. By his own admission this was not where his skills lay. Keen to develop his skills, he became a delegate on a leadership development programme, part funded by the university.

B “J is exceptional at juggling loads of little things. I’m better with the bigger balls!”

J and A were now working together on business development and the business saw a significant upturn in business. However, this was mainly in the form of repeat orders from two key customers. It involved very little actual design work but it was enabling them to pay the wages of the designers – some of who could then focus on more interesting and creative longer-term projects. Rather than having specific roles, each individual was given the freedom to manage their own workload, within reason. This was in an attempt to foster a creative culture and enable the individuals to develop in the areas that most interested them. However, it did lead to a number of performance issues.

J “Some of them are just picking and choosing the things they want to work on and it can’t work like that. There are four designers, well five if you include B, and they can’t all do the interesting stuff – someone has to do the bread and butter.”

Bust
In the latter half of 2010, the two key customers who provided the majority of the income for TRU both went out of business. The business development undertaken by J and A had focused on new customers but this was not producing sufficient
results to hinder the financial blow. The initial result was that the two new designers’ contracts were not renewed following the paid intern positions. Although there was never a guaranteed position at the end of the internship, the two individuals selected in the last round of recruitment were considered part of the business and both J and B were emotionally affected at the prospect of having to ‘let them go’.

J “We just can’t sustain it, there isn’t enough business to cover their costs. X isn’t really performing and we have done a lot to try and manage that but that doesn’t really help, but the money just isn’t there.”

The loss of the two key clients roughly coincided with changes in both J and B’s personal lives. They had been sharing a flat which their modest salaries had covered. However, they had since both moved into homes with their respective girlfriends and B was planning a wedding.

B “Managing on a shoestring just isn’t really an option anymore. We’ve got to the point where we either need to give it up or give it all we’ve got.”

For a few months J and B chose the latter, focusing much of their time on business development and increasing new leads. However, the work that they were winning was standard trophy production and a long way from the design-led creative hub they had envisaged.

J “It got to a point where our hearts just weren’t in it. We were getting some orders in but the margins were low and it wasn’t the work we wanted to be doing.”

By early 2011, TRU were down to the last of their savings and decided to close the business.

Life after Tru
After the decision had been made to close the business, both J and B looked for work. They sought advice from a fellow Innospace tenant and ex-recruitment consultant D (owner manager of Meet:Eat and research participant) in developing their CVs. They were both keen to exploit the learning they had gained whilst running the company to its best advantage.

J “On paper I’m a product designer who is not long out of uni but has hardly any actual product design experience – but actually I know I’ve been running TRU and know operations, marketing, sales, payroll, loads of stuff and I need to show that.”

Towards the end of the research project, J was working as a business development manager in an entrepreneurial firm and was instrumental in setting up the North West arm of the business.

J “It’s great because in a way it’s like my own business, own team, but I’ve got proper managers that I can learn loads from and develop.”

B was working in a communications role, again, for a small and entrepreneurial business where he was exploiting the opportunities to learn. Both consider TRU to be their first but not last venture and plan on starting another business (not necessarily together, however) in the future;

J “When I’ve learnt more and I can spot a really good opportunity, that was the problem – we thought there was an opportunity there, but it wasn’t big enough.”
Figure 7. TRU – detailed timeline
<table>
<thead>
<tr>
<th>Employment Decision</th>
<th>Description</th>
<th>Decision Drivers</th>
<th>Process</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-ED1</td>
<td>S recruited as product designer</td>
<td>After reassessing the business model, TRU began selling to a niche industry and almost immediately saw an increase in sales. Additional resource was required to meet demand.</td>
<td>S was a university friend of B’s. He initially worked freelance on a few of the bespoke design projects.</td>
<td>S became a fixture of TRU from the very early days. He was seen as ‘getting it’ and was happy to accept lower reward/time commitment (he worked 3 days) initially with a view to reaping later benefits of growth.</td>
</tr>
<tr>
<td>T-ED2</td>
<td>S formally recruited into the business</td>
<td>Exploitation of a business/graduate support initiative that paid £1000 towards the cost of hiring.</td>
<td>Although recruits should not be previously identified, good relationships with the support agency staff enabled these to be overlooked.</td>
<td>Increased formality within TRU including setting up of payroll, holiday, contracts etc.</td>
</tr>
<tr>
<td>T-ED3</td>
<td>C recruited as designer</td>
<td>Recruiting S had given additional capacity and that was seen as being a driver for growth.</td>
<td>C had been identified as a good candidate through the design challenge organised by TRU. Utilised the graduate internship to support first six weeks of employment.</td>
<td>C became formal member of staff after six week internship. He was nominally managed by B but sought to work on bespoke projects.</td>
</tr>
<tr>
<td>T-ED4</td>
<td>A recruited into sales/business</td>
<td>The role was created to work</td>
<td>Formal process, utilising the</td>
<td>A worked with J on business</td>
</tr>
<tr>
<td>Development role (intern)</td>
<td>alongside J in business development to increase trophy sales.</td>
<td>graduate intern programme and support agency. Job advert, cv sift, formal interview.</td>
<td>development until the business ceased trading in 2011.</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Two designers recruited (intern)</td>
<td>These recruits were not actively sought, but employing them in interns positions was seen as adding beneficial additional capacity.</td>
<td>CVs put forward by support agency.</td>
<td>The pair were ‘recruited’ but underperformed (possibly due to lack of management). The loss of two major clients meant TRU could not afford to employ them at the end of the internship.</td>
<td></td>
</tr>
</tbody>
</table>
4.3. MOVE

<table>
<thead>
<tr>
<th>Owner/s</th>
<th>T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sector</td>
<td>Real estate services</td>
</tr>
<tr>
<td>Business</td>
<td>Online home lettings and property management.</td>
</tr>
</tbody>
</table>

**Employment relationships evident (over course of research)**

- Owner manager – varies time on the business from full to part and then limited time.
- Three key permanent members of staff (formal contracts but less formal roles)
- Multiple short term interns
- Seven permanent call centre staff (for short time period)
- ‘Strategic partnerships’ with suppliers

**Strategy for business sustainability/growth**

Develop technology to enable scalability with limited overheads

**Overarching strategy for recruitment**

Attitude is more important than ability. Hands off management approach.

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**Figure 8. MOVE – timeline summary**

![Timeline Diagram](image-url)
Early formality

T became a tenant of Innospace in 2009 in order to provide a Manchester city centre base and address for his fledgling online business. T came from a corporate work background. He had been part of a national telecoms company and had swiftly risen through the ranks before a number of internal changes meant he no longer saw the rewards or future potential as equitable with the workload. He moved to a new company that promised him fast development and self-management but again, internal churn of management that led to politics regarding roles and T left.

After being in corporate environments all his working life, T was looking to utilise his years of management experience by setting up his own enterprise. In order to develop his skills and network, he joined an MBA programme. After one term he felt he had gained enough from it and subsequently quit.

“The best thing I could see I’d get out of it was the contacts and I’d already made them so I didn’t see the point in carrying on. It was all models and planning and I was more interested in getting on with it.”

T started MOVE, an online letting business, after exploring a number of web based business opportunities. His view was that direct experience in a particular industry was not a pre-requisite of business success, however, he did have some experience as a landlord himself. By his own admission, he focused little time on initial strategy and planning, instead throwing himself into the start-up phase.

“Planning is for banks and investors – you’ve just got to get on with it.”

Although T did not create a formal business plan in the early days, he was still very strategic in his approach to starting-up. He was quick to seek strategic partnerships with businesses that could alleviate some of the initial pain of start-up by providing ‘bolt-on’ services to his. From very early on, T saw automation as key to the business. The more that could be done with the use of technology, the lower the overheads and fewer members of staff he would need to support growth. That said,
T recognised that he wouldn’t be able to get the business up and running on his own and recruited at a very early stage. The first of these people was A. The wife of a previous colleague, A was taking a career break after having children but was looking for part-time work. T brought her into MOVE to work on administrative tasks and the business operations. She was involved in setting up a number of the processes of the business from day one. Because of childcare commitments and travelling time A worked mostly at home, coming into the Innospace office for regular meetings.

Between T and A, they set up the internal processes that would enable transactions to happen. Initially, A was paid on a contract basis, as and when required, but T made the relationship more official in Spring 2009 by offering her a permanent position. Despite seeking to formalise the pay side of the relationship (T had outsourced the payroll function to a third-party company), A did not have a contract nor job description. For T it was more important to have the right type of person – one who took responsibility and initiative - than an exact idea about the role.

“It’s important to understand how a small business works and be thinking for the business – you don’t often get that – people who can clearly link their personal performance to the performance of the business.”

This consideration was highlighted when T brought in one of his previous MBA colleagues to work in the business on an ad-hoc basis. Despite having a wealth of business knowledge, T didn’t feel she was able to act independently and didn’t show any real commitment to the role or MOVE – “a classic example of lack of responsibility”. The relationship never really took root and ended after a few weeks.

Throughout this start-up phase, T engaged with a number of business support initiatives that either provided part funding for his activities or offered free mentoring and growth support. However, his view of these initiatives was often sceptical, especially when he considered the benefit of business advisors

“They’re usually useless – if they can run a business then why aren’t they running businesses rather than being so-called advisors? Unless they can offer
something tangible — like access to funding or contacts — they’re a waste of
time.”

From very early on T had sought to create strategic partnerships with other organisations. In some instances, this was simply to reduce the administrative burden on T (for example, bookkeeping and payroll). In others, the relationship was created so that MOVE could benefit from technology or processes other companies offered without them having to develop them in-house. In T’s opinion, these relationships enabled the business to offer a broader range of products to their customers in a considerably shorter space of time. T personally managed all these relationships, many of which had been developed through his own networks. Although they could be considered simply suppliers, T described them as more than this.

“They’re really relationships of reciprocity — they’re multidimensional not just
transactional. I only work with people who I feel are right for the business.”

As the business was online, the development of the website was crucial in both design and functionality. Designers in the UK initially created the look and feel of the site, whilst developers in India (contacts from T’s previous corporate roles) created the ‘back-end’. This decision had been partly driven by cost as the Indian developers could offer significantly more for the money than UK counterparts. However, this was not without complication. Without face-to-face meetings, and with time differences adding to the communication issues, the process became protracted. After investing significant time and energy into developing this relationship, T decided he would rather work with developers closer to home. What replaced this was what has become a long-standing relationship with a fellow Innospace business. T once again took advantage of a business support initiative, called Innovation Vouchers, to match-fund site development. He selected the business on their understanding of the brief and ability to commit long-term. Far from simply being suppliers (or employees), the owners of the web development company are now shareholders and technical directors of MOVE.
Many hands make light work?

Although MOVE was growing reasonably rapidly in its first year of trading, much of the growth was in terms of number of users on the site. The model T had developed of using multiple partners for ‘bolt-on’ services and outsourcing other activities (which increased overheads) meant that the growth was not converting into significant revenue. This presented T with a problem; in order to grow the business, the website needed investing in to increase functionality that would be owned by the business. This would decrease overheads and increase revenue. However, the business was not generating enough to pay T a full-time salary, let alone fund further web development. The first step to rectify this was to seek outside investors. T approached members of his own network – previous colleagues, friends and Innospace contacts – and asked them to consider becoming investors in MOVE. He successfully raised enough funding from these sources for some significant technology investment. One of the investors was a former colleague, D, who had recently become self-employed himself and was building his own portfolio of properties. T and D came to a share agreement where D would take on the responsibility of the local house viewings and local tenant/landlord registration.

“It’s worked out in the timing – he’s just come back to Manchester and was looking for something so it’s convenient for both of us because all the time I am doing the local running around, I’m not working on the business.”

As a result of D’s involvement, T managed to free up much of his day. However, there remained the issue of cash flow as the investment had predominantly been for technology. T decided that in order to maintain an income for himself he would take a full-time job and work on MOVE in the evenings and at weekends. An opportunity arose for him to work within the university on a project supporting growing businesses. Because of this focus, his employers were relatively understanding about his need to deal with urgent business issues. The position would also be
based within the same building as Innospace, which meant T could still meet A on a regular basis and deal with tenant or landlord issues if they arose.

A continued to work on setting up the processes and increasing landlord sign-up and T managed the local viewings and sign-ups. However, as inbound traffic to the website increased, T found that work was building up during the day. The result was that he was finding it difficult with the day-to-day queries and to find time for the more strategic management issues. He had envisioned D dealing with these problems, with a view to him becoming a business partner in MOVE, but unfortunately this wasn’t the case.

“We’ve had a few minor fall outs, erm, I won’t go into detail but it’s not worked out quite the way I’d hoped. His time keeping was bad, he more or less did what he wanted and it wasn’t a good example, it’s just better if he sticks to the viewings and things.”

Around the same time, one of A’s children fell ill, which meant she couldn’t increase the hours she was working on the business. T’s solution was a new recruit. A2 had been working in Innospace on his own business ideas after graduating from the University but was struggling to make an income from it. T had made it known through the Innospace network that he was looking for someone to work part-time for MOVE doing administrative tasks and, after fairly informal discussions, A2 began working for T in this capacity. This started on a contract basis but after a short time, T became aware of a business support initiative that meant that businesses that employed recent graduates could be supported with £1,000 towards their first two months’ pay. In order to benefit from this, A was required to formally go through an application process – CV sift, interview and presentation. The initiative was intended to help graduates find suitable positions and lessen the employment burden for small businesses. It was not the intention that suitable graduates would already have been identified by the business – as in the case of A2 – but this did not seem to hinder the actions of T.
“He’s good – proactive and that’s what I like. He also picks things up quickly so I don’t have to waste time showing him things over and over again. And [with the graduate scheme] it made sense to keep him.”

Despite T wanting to automate much of the business and negate the need for many staff members within months, another team member was required alongside A and A2. T looked again to the graduate support scheme partly because this had the benefit of the £1,000 support but also because he felt graduates had more to offer.

“Because you wouldn’t get the proactive approach with people older and that’s worth more than experience”

The process was driven once again by the programme and involved a CV sift, interview and presentation. T was looking for someone with the right attitude, who would be comfortable doing ‘the boring, admin stuff’ but was also able to adapt and grow with the business. The graduate recruited from this process was S. The idea was that as A had been there longer, he would move away from some of the more menial tasks (as A had) and the new person would fill this gap.

“The strategy is always to fill from the bottom, up. You move from the data inputting and more menial tasks then as you get more experienced or there is more to take on. So A did and A2 is now doing more lettings and landlord stuff, S will do more of the admin tasks.... I want people to develop as the business grows.”

After A2’s recruitment T exploited a number of initiatives that enabled the company to recruit short-term staff at very little cost6. This would enable the permanent

6 The majority of these were interns who were foreign students, seeking work experience in order to improve their English language skills. They were usually given tasks that were not reliant on good English language skills, such as data inputting. Utilisation of these schemes diminished as they proved to be more and more counter-productive because of the amount of management they required.
members of MOVE to focus on management activities. What occurred was somewhat of a conveyor belt of short-term workers; interns working on a free or accommodation paid basis.

“It's easy to bring people in really -- you can get them in loads of ways. The problem is they’re probably worth about 20-30% of A2 or S and you have to put in time to make it worth your while - it’s just a bit of a lottery on what you get.”

By the end of 2010, MOVE had settled into a new office within the Innospace building. T was still involved in some work for the university, but it was no longer a full-time position. Both A2 and S were full-time office based. A continued to work from home but also often came into the office on Saturdays for team meetings or to train A and S.

Although the employment relationships were contractual, there were no job descriptions. Through A’s efforts in documenting processes from early on, there were attempts to create clear boundaries between people’s jobs but developments in the technology and associated processes meant this was not always the case. From T’s point of view it was less important how things got done, so long as they got done.

“I know A gets frustrated because they’re doing it differently in the office and maybe not logging it all, but they’re getting it done. I expect results but I don’t really care how you go about it.”

Scale by Numbers

Over the next six months MOVE continued to grow in terms of site users and listings. The technology development also continued apace after a second round of mezzanine funding was raised. The technological advances meant that the website
was delivering more, the volume of work was increasing but the complexity of that work was decreasing. Much of the time consuming activities in the business no longer required the skills of A, A2 or S.

“The problem we’ve got is that we’re too busy to grow – we’re focusing so much on the reactive stuff that we can’t focus on the activities that will increase margin.”

T decided that in order to focus attention on activities with increased margin, he would need to remove the reactive call-handling from the day-to-day activities. A’s key responsibilities had always been the operations and processes and to some extent she had managed A and S in this regard. T thought she should be the one to manage any call handlers. However, she continued to work nearer to her home in Southport.

“Well the issue was, if I’m recruiting people here I have to manage them ’cos she can’t manage them from Southport. So the conclusion was ultimately the only way to do this was recruit people and get an office there so she could manage those people, otherwise I can’t ever get beyond that.”

The solution was a 160ft² office in Southport, manned by three full-time and two part-time members of staff, seven days a week. All set up and managed by A. Initial staffing had been set at three (to replicate A, A2 and S) however A recruited more on the basis of now offering longer opening hours.

After the office had been found, T had nothing to do with the recruitment of the staff members (including the number of employees). A exploited a recruitment service that was offered free by the local government. Through this service, adverts were placed on online job board, job centers and via local universities. A received over 130 applications and interviewed 32 people for the roles. Each role had a thorough job specification and contract. On joining, the employees were given an employee handbook, advised of their targets, training plans, their appraisal process and health and safety; “the whole HR shebang,” as A described it.
“We weren’t even allowed anywhere near them – I didn’t actually meet any of them until they’d been there over a week. It’s her thing and she wants to do it in her way and she doesn’t want them to get bad habits. She’s taken complete ownership of it.”

In order to bring the new recruits up to standard, A was working seven days a week herself. T recognised the commitment she continued to make to the business but recognised that the step was far from risk free. In setting up the Southport office there had been a significant financial outlay. All the members of staff there were working under A’s management and following her training. T’s view was that although there was a risk that A could leave or not deliver results in Southport, the benefits significantly outweighed this.

“If she doesn’t deliver or changes her mind then that’ll cause me massive problems. But you’ve got to take risks. If it works I’m in a great situation where someone else is managing the business pretty much.”

Moving all the call-handling and email enquiries to Southport meant T, A2 and S were free to concentrate on sales. For A2, this represented a steep learning curve. When asked about training, T said he would sit down with A2 regularly, work with him and perhaps get other people into the office for him to ‘bounce ideas off’ but that he didn’t intend to give him any specific training.

“I expect people to take responsibility for their own development as well – because that’s their responsibility, you manage yourself.”

Whilst A2 was keen to stay within the changing and growing MOVE, S was not. Although he had fleetingly thought about moving to London to develop the business there, he had always told T that he wanted to be a teacher. As much of his role became automated, then moved to Southport, he made the decision to leave MOVE. T saw this as somewhat of a blessing.

“It’s about pushing people to make decisions, the business gets into a position and they have to make a decision about if it’s then right for them. As much as
possible you give people opportunities – but if the opportunities aren’t there
you give them the opportunity to leave. Better for him to make the decision –
and we’ve saved the cost.”

T was of the view that the more responsibility given to his employees, the more he
got back from them. Equally, if someone were either not capable or not interested,
he would find out more quickly if he gave them more responsibility.

“It’s counter intuitive but the more you step back, the more you get a feel for
what’s going on.”

In MOVE, this handing over of responsibility had often been clearly evident from the
time T spent away from the business. T had spent a lot of time working in another
role and since the set-up of Southport he was spending more time in London. This
was partly to explore business opportunities there, but also because of a new
personal relationship. T’s aim had always been to build the business in such a way
that it would not matter if any one person left – including him.

“I don’t want to end up being the one who has to manage everything critical
all the time because you can’t really scale up that.”

In terms of retention of staff, T felt that A and A2 had a real commitment to the
business because they had been there almost from the start. They also had shares in
the company and would be set to financially benefit from any long-term success.
However, he was even unsure if either of the employees had proper contracts. He
recognised that should either of them leave it would a “ball-ache” but was equally
sure that it would not severely damage the business. In his view, the business had
gone through so many changes and technological advances there would be very little
that could break it.

“The thing is that when you’re starting out people are often working a lot based on
good will but as you get bigger it would be easier to replace people. I can actually
offer a decent salary – I could advertise it to people and I’d get a high level of interest.”

Retrench and Re-evaluate

Within the space of a few weeks, MOVE had switched the bulk of its activities to Southport and A2 was focusing on sales. T helped A2 with the sales activity whilst also writing a business plan and exploring franchise options. T’s view was that the next few months would be crucial in determining the future of MOVE.

“If we can’t grow the business over the next few months with intensive sales and technology then we need to be able to be in a position to pull back or look at other options.”

He saw there being three options; 1) to take more investment and go for a much quicker rate of growth and a bigger business; 2) to carry on as they are because it’s working; and 3) If it isn’t working and growing quickly enough, scale it back and just let it grow more slowly. T’s view of the future at this time was that;

“Simple – in six months I’ll be out of a job. I don’t want to be out totally but I want what I do to be an enhancement – I’d keep going for a while but then I don’t know.”

The overheads being accrued by the Southport office meant that it was not long before additional funding was required. The investment in technology had not had a sufficient impact on revenue to satisfy the earlier investors and the decision was made to take the third option – scale back the operation. This resulted in the closure of the Southport office and subsequent resignation by A. T continued to explore development opportunities in London (where he was now living permanently), which left only A2 as the sole member of staff working full-time on MOVE operationally. In mid-2012, A2 became the Managing Director of MOVE and all operations moved from Manchester to his home town elsewhere in the North West. With significantly reduced overheads (one member of staff and smoother operations
due to the technology developed) the company began to see profits and financial growth for the first time.
Figure 9. MOVE – detailed timeline
<table>
<thead>
<tr>
<th>Employment Decision</th>
<th>Description</th>
<th>Decision Drivers</th>
<th>Process</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>M-ED1</td>
<td>Recruits A on part-time, formal (contractual) basis - but without clear job description</td>
<td>Additional support required setting up the business. Could not envisage growth (or traction) without it.</td>
<td>A was the wife of a friend. Informally recruited initially but then became ‘official’ employee (with contract) on part-time basis.</td>
<td>A was instrumental in setting up early systems and processes for MOVE. She remained with the company in a managerial capacity until 2012. Much of the operations were designed and managed by A. She was instrumental in the Southport expansion strategy.</td>
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<tr>
<td>M-ED2</td>
<td>Trial of second employee</td>
<td>An opportunity based decision – a contact through the MBA course was looking for work and T thought they may assist in business development.</td>
<td>Informal trial on a freelance basis.</td>
<td>T did not consider there to be a ‘fit’ – although capable, the individual was seen as not having sufficient commitment.</td>
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<tr>
<td>M-ED3</td>
<td>Establishment of strategic partnerships</td>
<td>As a means of overcoming resource limitations, T developed strategic partnerships with other businesses rather than recruit.</td>
<td>T described these as being based on trust and reciprocity, however, a number of these relationships failed to deliver expectations (e.g. web development).</td>
<td>Over the duration of the research, these relationships became increasingly transactional (with the exception of the web designers).</td>
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<tr>
<td>M-ED4</td>
<td>Engagement with web developers as shareholders</td>
<td>After being 'let down' by the original developers, T wanted to engage a company who were geographically closer, easier to manage and had greater commitment to the business.</td>
<td>Using Innovation Vouchers, T secured the services of an Innospace company. After this funding had been used, the pair were given equity in the business to continue the work.</td>
<td>Although a separate business, the pair worked almost exclusively on MOVE development and shared an office with them.</td>
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<tr>
<td>M-ED5</td>
<td>Former colleague D becomes shareholder</td>
<td>In order to continue with technology development, funding was sought from T's network. Former colleague D was currently looking for both investment opportunities and work. T saw this as an opportunity for additional resource and further funding.</td>
<td>Formal contractual arrangement but a lack of clarity about role boundaries and expectations.</td>
<td>T became frustrated with an apparent lack of commitment from D (e.g. poor timekeeping). The role did not develop in the way T envisaged.</td>
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<tr>
<td>M-ED6</td>
<td>T takes full-time position outside MOVE</td>
<td>Increasing financial pressures meant that T needed to work elsewhere to supplement his income.</td>
<td>Job gained through connections with the University where Innospace was housed.</td>
<td>T spent less time working on the business. A ran day-to-day operations with T taking a more fire-fighting approach due to limited time.</td>
</tr>
<tr>
<td>M-ED7</td>
<td>A2 recruited informally then made permanent staff member</td>
<td>T's lack of time because of other work commitments</td>
<td>Used the Innospace network to identify A2.</td>
<td>A2 became full-time, permanent employee working</td>
</tr>
</tbody>
</table>
with graduate support initiative meant he was unable to spend time of business development. He sought an employee who could deal with day-to-day issues alongside A.

He sought an employee who could deal with day-to-day issues alongside A. However, through T's full-time job he was aware of a graduate recruitment scheme and used this to employ A2 on a permanent basis.

M-ED8 S recruited via graduate scheme Increasing awareness of the business led to increased enquiries that A and A2 were unable to deal with. T sought another recruit to deal with 'menial' admin tasks to enable A to focus on operations.

S was recruited via graduate scheme. Increasing awareness of the business led to increased enquiries that A and A2 were unable to deal with. T sought another recruit to deal with 'menial' admin tasks to enable A to focus on operations. Formal recruitment process of advertisement, CV sift, interview. S was selected because of his attitude as much as aptitude.

S was ‘brought in at the bottom’ and continued to work for MOVE until the Southport office was opened.

M-ED9 Trial and error with various intern positions In order to complete menial tasks, T looked to find low, skilled cheap labour.

Used interns – especially foreign students. A steady churn of individuals were used for tasks such as data inputting, however, they cost time in management and were ultimately seen as inefficient.

M-ED10 Opening of Southport office A further round of investment All completed by A. Various A call centre was set up, staffed
<table>
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<th>M-ED11</th>
<th>A2 made MD of MOVE</th>
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<td>gave T the opportunity to push for growth. The view was that growth depended on greater focus on high margin sales activities which would mean the reactive call handling need not be completed by A, A2 and S.</td>
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<td>local government initiatives were employed (inc apprenticeships and back-to-work schemes). The focus was on committed people with some call centre experience. Short interviews followed a cv sift. Full training, job specification, inductions etc. were completed.</td>
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<td>and managed by A. T had very little input other than wanting to see a positive impact on income. Recruitment and training cost time and effort and positive impacts were slow to be seen and did not have sufficient impact on revenue/margins.</td>
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<tr>
<td>T had become increasingly detached from business operations following his permanent post and then the Southport call centre opening. The development of a personal relationship in London also saw him geographically distance himself.</td>
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<tr>
<td>On the closure of the Southport office and T’s full-time move to London, all operations were handed back to A2.</td>
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<tr>
<td>The business was significantly scaled back, overheads reduced and business model reassessed. A2 began to ‘regrow’ MOVE using the resources at hand.</td>
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4.4. Meet: Eat

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<tr>
<th>Owner/s</th>
<th>D</th>
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<tr>
<td>Sector</td>
<td>Hospitality</td>
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<tr>
<td>Business</td>
<td>Food and drink ‘experiences’ retailer.</td>
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</tbody>
</table>

**Employment relationships evident (over course of research)**

- Owner manager – considers his time best spent on business development
- Mum – administrative and accounting support.
- Dad – event logistics assistance and general support when required.
- Marketing role – various people fulfilled this role throughout the research period
- Operations manager – towards the end of the research period, a full-time ops manager was employed (D’s girlfriend)

**Strategy for business sustainability/growth**

Build the marketing and the sales function. Ensure you have the capacity for growth by employing people.

**Overarching strategy for recruitment**

Formal approach to search and selection given, but choices often led by emotion or ‘gut feeling’.
Big Ambitions

In 2009 D had a successful full-time job but had a desire to start a business. The business idea was to sell cooking packs that enabled you to create authentic dishes from around the world in your own home. D was accepted as an Innospace tenant in Spring 2009 whilst still working full-time in the recruitment industry but worked on his new business, Meet:Eat, in the mornings, evenings and at weekends. His vision was to create a world-leading lifestyle brand, with multiple products and services that connect people to their passions – food, languages, hobbies and sports. The food packs were just stage one of this plan.

In this period at Innospace, some distinct group formations were observed by the researcher and similarly commented on by D in early interviews. The ‘first batch’ that had joined when the space opened had businesses that were either floundering or growing. They were gradually moving out of the space – either because the business wasn’t working or to new, bigger spaces. The second group were those who just needed a town centre base. Their engagement with the business incubator was ad-hoc and transactional. The third group comprised of highly ambitious individuals, keen to network and extract all possible advantages from the shared space. D considered himself to fall into this group. He involved himself in action learning groups, meeting with fellow tenants to discuss similar business issues. He also was one of the many in this third group who took advantage of a
High Growth business support programme that offered one-to-one mentoring. D also started attending public speaking group. Although he was confident in sales environments, he wanted to increase his public speaking abilities. It was at one of these events that he met C. C was (and remains) an IT Director of a large retail group. D and C discussed the business and quickly agreed to work together.

“We just clicked straight away. He really got what Meet:Eat is about and I knew we'd work well together.”

C became a Meet:Eat shareholder and the director of IT. His expertise meant that the website build would be overseen by him, allowing D to focus on marketing and business operations. Although D was the driving force behind the business, his various contacts acted as a sounding board for the business. The High Growth Programme mentoring was enabling him to start strategically planning the business.

“It’s really useful because it forces you to do stuff – I get on well with [advisor] but she scares me a bit and I know I have to get things done for the meetings.”

After being an Innospace tenant for a few months, juggling a full-time job and trying to launch the business, D was made redundant from his recruitment position. D saw this as the ideal opportunity to focus solely on Meet:Eat. He made the decision to move back to his family home in order to save money. Activity on the business increased, packs started selling, Meet:Eat had a presence at food markets and PR increased. Along with living at home, D involved his parents in the fledgling company. His mum helped with the businesses administration and his dad put together and posted the food packs;

“It’s like a production line at home – I’m buying the stuff, Dad’s putting it together and posting it out! And Dad is running around getting stuff to the markets and everything.”
By July 2009 D was looking for a marketing assistant, a role he saw as the first member of staff. The role was to be non-paid initially with the possibility of a full paid position if the candidate was right and if the business continued to grow. He advertised the position via online job noticeboards and followed a traditional selection process of CV screening, shortlisting and interviewing. Prior to the final selection, D felt clear about the type of person he wanted;

“I want someone like me! Someone with real passion who believes in the company.”

D was a self-confessed ‘big ideas man’ whose attention to detail and planning was considered by him to be his weak point. The final two candidates provided a clear contrast to each other. One had big marketing ideas, an outgoing personality and appeared gregarious in nature (rather similar to D). The other was quieter, appeared more methodical in their approach to marketing ideas and – although very confident – was drier in their demeanor. Despite D wanting “someone like me” he selected the second candidate, J. This was due in part to advice from C, his IT director and now trusted mentor. C saw advantage in having complementary skills in the business, rather than more of the same.

Throughout this recruitment phase, much attention was paid to the culture of the business and how any new employee must fit in with the values of Meet:Eat. In discussions with both D and C it became clear that virtues of honesty, trust, passion and excellence were what they wanted to see in others and foster in the business.

**Fractured Stability**

J started as marketing assistant at Meet:Eat on a part-time, unpaid basis. Despite this, D was adamant that it was a fantastic opportunity to be “in at the beginning.” He wanted to encourage him to try new things in the business but also to consider other ways he could develop, such as furthering his education or taking language classes. D considered the role as an opportunity to learn.
“I’d rather he’s scared of not doing something than doing something and getting it wrong – sometimes you can get it wrong with flair!”

Having never previously managed anyone, D approached the role of managing J tentatively. In a desire to let J learn and develop, D initially tried only showing him important tasks then allowing him to manage them himself. They had regular meetings to check on progress but D did not feel things were being done quickly enough;

“I know I’ve never managed anyone before - it’s annoying cos I just want him to get on with it – I know it’s new to him but I know I can do it quicker.”

After around two months D was becoming increasingly frustrated with J. He thought other work commitments seemed to be taking priority and his progress on the tasks set by D was not considered quick enough. The effort it was taking to bring J up to speed on a number of the marketing activities had ended up giving him less time rather than more. J left Meet:Eat within a couple of months of starting. The reasons given by D were that:

“It just wasn’t right for the business – [he] didn’t have the same passion, didn’t want it enough. And anyway, it’s been a good learn because I know what I need now.”

What followed was a significant rethink about the staffing. From discussing specific people in the business, D started to talk in terms of roles. The business mentoring he was receiving was encouraging him to give structure to the business. He saw J’s departure as a learning experience. In order to grow Meet:Eat he needed to be clear about who was needed and exactly what they needed to do. He began writing job specifications for future positions and thinking about operational strategies that would increase profit margins and decrease unnecessary overheads. Alongside the food packs, D had launched a number of food related events. By working with
partner restaurants he was able to offer a cooking experience that didn’t require significant outlays in terms of ingredients, packaging and postage. Whilst his parents continued to work on a part-time basis, D now looked to other people he knew to fulfill other roles in Meet:Eat.

D had volunteered to mentor a group of students in a Young Enterprise scheme at the university attached to Innospace, further evidence in his involvement of things on offer as part of his Innospace tenancy. In doing this he had met T (for clarification, this is not the same individual from the previous case). T was the managing director of the Young Enterprise company and had quickly stood out for D as a hard-working individual with great interpersonal skills. D had been nurturing a pool of flexible workers who acted as ‘hosts’ at events and asked both T and his girlfriend if they would consider working for Meet:Eat in this capacity. T quickly became a staple and trusted member of the team, hosting many of the events thus taking some of the time pressure off D;

"He’s [T] great - people [event attendees] love him. He’s a much better host than me - and it means I don’t have to do so many events at weekends and stuff."

After some time D looked to formalise the working relationship further. Through Innospace, he was aware of a graduate internship programme that enabled eligible small business to claim up to £1000 towards paying for a recent graduate. In May 2010, T was offered at full-time internship as a marketing assistant under this scheme. D could see real potential in T, who was just about to graduate from an event management degree and the working relationship flourished. However, T was planning a move with his girlfriend to London and was applying for graduate training schemes with large, blue chip companies. In the summer of 2010, T was offered a London based position with his favoured organisation. Although unsurprised, D wanted to keep T and put together an offer package that he thought might tempt him to stay. Although still adamant that working for Meet:Eat was a fabulous
opportunity, D was realistic about needing to offer T more than just a basic salary so also included incentives such as future share options. The salary offer was also as much as the business could stretch to. Despite this, T took the position in London.

"I'm gutted really because he is really good and I thought he might have stayed to be honest because the way he speaks about the business, he really gets it, the culture and everything. It's only a 12 month position and he says he wants to come back after that and he'll do whatever it takes to earn his place back, but, well, we'll see."

T's departure prompted another rethink about positions in business. The events were proving to be the moneymakers for the business so activities were becoming focused on selling these and developing the website to create a smoother booking and customer relationship system. Whilst D's focus returned to sales and event management, C worked on the website and 'back office' systems. He had bought in two people from his team in the other organisation to work for him on the Meet:Eat systems on a freelance basis.

"Yeah, they're good guys. C [one of the freelancers] is one of the most talented IT guys I know - and he's got the right values."

Despite this, and the added planning now taking place, D seemed unclear about who and what it was that he wanted after T left. He advertised the marketing position but also looked to his own network of hosts to see if someone could fill T's shoes. The advert generated over 100 applications. Perhaps because of the economic climate of the day, there were many applications from senior marketing professionals who had become recently unemployed. D conducted an initial CV sift and decided that there was no point looking just at applicants with little marketing experience. His involvement with J had shown him that he didn't have the time or management experience to train someone up. T had been different, according to D, because he just "got it." D made the decision that he would look to employ a more
senior sales and marketing manager, alongside someone with less experience in an assistant position. This would mean D would be free to work on the operations of the business without any of the time-consuming management issues. After telephone, informal and then formal interviews, D selected K after she had presented her marketing ideas to both D and C.

"She's an ex-marketing and sales manager [at large electronics company], managed a proper sales team and everything. My gut just says it's right. She can probably teach me a lot!"

D did not select any of the less experienced applicants from the advert but selected from his network of hosts. A had been a friend of T's and was completing a marketing management degree. This meant that D was able to benefit again from the graduate internship programme, providing him £1000 worth of support towards employing A.

"It just made sense to offer it to him because he at least knows the business... but I do think there are going to be some growing pains."

In discussions with D, it was clear that he was not particularly excited by either of these appointments. They were being described as a means to an end to fit in with a larger plan rather than because they were the perfect people for the job. He described how the roles fitted in with the strategic direction of the business rather than the culture and values he had previously focused much attention on. D now spoke with increased clarity on what roles were needed and why, but not on who should be filling them and how each would be managed. A month later, and K and A were out of Meet:Eat. These departures made way for R and M, who would become Meet:Eat’s longest serving staff members, besides D’s mum and dad.

Both R and M joined Meet:Eat following a traditional search and selection. Interviews followed an advert and both applicants were selected for their perceived
ability and cultural ‘fit’. R joined first in the marketing role and was soon followed by M who, although would be involved in the marketing, had more of a sales and event management focus. Both people had come into the business on a two month funded initiative. In this time, the business began to grow and stabilise. Meet:Eat started to offer more food events and began to get increased interest from corporate customers. The increase in inbound enquiries meant increased administration and phone calls to follow up. Changes to the website and its back-end functionality were automating much of the sales and operational processes, however, these processes needed documenting. With the addition of two full-time staff members, Meet:Eat now also needed more space. Innospace offered hot-desking facilities but a lack of phone system or the guarantee of being able to sit together meant D took the decision to move into a dedicated office.

“All decisions were made just by me, like that, off the cuff [clicks his fingers], I just winged it, without any kind of planning involved or anything. Erm, so no processes or procedures or systems - but that was all fine when it was just me but then to take the business to the next level obviously we needed people. But when the people come in, all that infrastructure then had to be put in place.”

When they were both interviewed D felt he made it clear that sales would be an important part of their jobs and had included it in both job descriptions. However, within the first two months, the increased activity and amount of changes subsequently meant very little focus had been given to sales. Most of R and M’s activities were reactive (either dealing with inbound queries) or administrative (setting up infrastructure and processes). D saw these activities as integral to any business growth and at the end of their two-month internship offered both a further three-month contract with a view to offering a permanent contract after that.

By his own admission, D had never focused on the small details in the business. He had outsourced the bookkeeping and finance functions and paid more attention to
turnover and potential growth. However, increased sales activity and formalising of processes had given D more time to work on the business, rather than in it. By having R and M in the office each day, he gave himself one day a week working from home, purely on strategic issues—his “MD Day.” D had planned before, but it was all ‘big-picture’, future scoping and now he was paying closer attention on the daily realities of business income and expenditure. This coincided with Meet:Eat’s first official board meeting. The board consists of; D (Managing Director and main shareholder); C (Appointed board member, IT Director, shareholder and friend); Acting Financial Director (the director of Meet:Eat’s accountants) and; D’s mentor, P. D was introduced to P via a mutual contact and became his mentee after telling him about Meet:Eat and his plans for the future of the brand. The relationship is not a financial one but was based on P’s interest in the company. D initially met with P every four to six weeks and provided him with an update on the overall strategy and direction of the business. After the High Growth support initiative had ended, D had missed having someone external from the business to talk to in this way. After a few meetings, P expressed his concerns with D’s apparent lack of knowledge of the financial side of the business. In a previous meeting, D had described this as ‘the detail stuff’ that he outsourced and paid little attention to:

“P was like, ‘this is so fluffy, you don’t have a grasp on it’ - he sort of quietly threatened me and said ‘I can’t continue to see you unless you get on top of the financial nitty gritty’. So that was it.”

D began to spend his ‘MD Day’ getting acquainted with the business figures and his focus on the business changed from ‘big picture’ to ‘nitty gritty’. As a result of this new understanding, D could see clearly the business outgoings. Much of the overheads in the business were in salaries yet R and M’s time was being spent on non-revenue generating activities. D sought to change this;

“I’ve sat down and explained to them – bit, by bit, by bit – it’s getting more salesy so they understand. I’ve made them realise that I pay them a certain
salary as a cost, so they need to realise that they need to be bringing in x amount of money to cover them being here.”

This change of focus in the business seemed to play a part in bubbling tensions at Meet:Eat. D had tried to create a working environment where each person had their own say and their opinions were listened to. He had stressed to R and M that he was on the same salary as them and wanted there to be a team atmosphere and culture. However, the change in business approach, prompted by the first board meeting and discussions with P, meant that the focus of business actions had switched from set-up to sales and from team to manager.

“I’ve tried to create a culture where I’ll listen to their opinions – we’re a small business – I want their input because I can’t think of everything myself. But then it gets to a point where they’re questioning things and I just want them to do it...and it drains my energy.”

D’s more formal approach to managing the sales aspect of activities included specific targets and weekly update meetings. Calls that had previously been about customer care were very much focused on sales. Major tensions appeared to emerge. In previous months, when they were setting up the new office and new processes, to some extent they were either left to their own devices or actively engaged in decision-making. But when focus switched to sales, D became much more involved in their detail of their work.

“I can’t be too direct because they don’t like that – it’s like walking on eggshells. But I’ve got so much experience – I know what I’m doing and they don’t respect that.”

Over a period of a month or so, D could recall frequent incidents when M answered back or rolled her eyes at him. Incidents he considered to show a lack of respect. Whereas R seemed to be increasingly upset by the changes – once resulting in
crying. The actions (or reactions) of both staff members were causing D concern but M particularly upset him. After an outburst between the pair following what D considered to be a poorly handled sales call, D told M he could no longer see how they could work together.

“I think what’s best for the business is to get rid of her. Because it’s not good for R to have her here, it’s not…”

D acknowledged that his own lack of management experience had probably exacerbated the situation but that now he had a clearer idea on the direction of the business he could not justify having someone in the team who showed him no respect. His decision had not been taken without council. In discussions with his mentor, girlfriend, mum and other business owners he had reflected on the need for M and the pros and cons of keeping her in the role. R’s role was also under consideration. This was despite also offering her an extension to her contract and £2,000 pay rise.

“Like someone said to me, even if these two are not right and they go, what you need to see them as is, in a way they kind of have been guinea pigs for you. To come in for you, to put processes in place, to put infrastructure in place.”

D had just increased the number of days his mother was working on the business, which meant that she could pick up some of the administrative tasks being undertaken by R and M. In June 2011, R too left Meet:Eat after handing in her notice. Her reasons were twofold; firstly, she felt that the job she had applied for and wanted to do had changed beyond recognition and secondly, that she didn’t feel valued in the business – a suggestion D baulked at. D considered the departure to be right for the business in light of the changing business plan.
“The next person I bring in will then come into a much more professional business with systems and that.... Everything’s there now, we’ve got systems, processes regular meetings, sales meetings, I’ll be a different manager, it’ll be a different culture even.”

Keeping it in the family
Within two years D had worked with a number of people in the office. The turnover of hosts had been fairly high, but was expected considering the type of job they were doing (often students, part-time, hospitality). The consistent areas within the business had been IT (C and his team), administration (his mum) and event coordination (his dad). However, the 'other' position/s had been filled by J, T, K, A, R and M and was variously administration, marketing, sales and operations support.

“I’m loving it at the moment but it’s just the people! There’s been a lot of in and outs. The reason for it - and I’m all fine with this - is because, it’s my personal learning, the businesses development... So, for example, where the business was a year ago and the overall strategy, the priority of role was like, right I need a marketeer whatever, recruit them and they come in. Six months later the plan changes and then I realise priority of roles changes. That’s hindsight.”

Focus now was on building up the corporate events side of the business as this was generating the most income for the business with the highest profit margins. Focus in this area should mean increased growth and the ability to put money back into the business and brand development. The aim was to get the corporate offering right in Manchester and then replicate it in a second city, then follow this with the other products the business offered. He saw a recruitment need for someone to help with the event co-ordination in Manchester and had already identified L for the job. Previously a children’s entertainer, L had the personality and attributes that made him a great host and “people love him”. He had recently been the face of a new
Meet:Eat marketing video and was keen to become more involved in the company. D’s description of L was reminiscent of that of T some months ago - an enthusiastic, dynamic individual who could be a real asset to the Meet:Eat team – rather like himself, in his own opinion. D was planning to offer L a part-time, 12-month contract that would guarantee him a certain amount of hours per month. The first 150 hours would be paid for under the Unite for Business initiative.

D explained how he would be focusing on sales and business development, primarily on the corporate side of the business. His parents would continue too in their roles in administration and operations coordination and L would be lead host and part-time, all-round support. In the newly envisaged structure, this left an operations manager role to fill. D provided details about the boundaries of the role and the specifics of the job description. This was to be more of a process role, with some emphasis on conversion of sales rather than out-and-out selling. When asked about what kind of person he would be looking for (he had frequently cited the 'someone like me' aspiration when discussing new people), he tentatively said he had already filled the position.

“Erm, well, actually, I’ve already, erm, well – I’ve recruited. [Pause. Researcher: OK?] Erm, well this is the thing, this’ll keep you smiling. Erm, it’s my girlfriend.”

At this point D had been with his girlfriend, L2, for 18 months and they had moved into together three months earlier. She had been showing an interest in working for Meet:Eat for some time but D had been reluctant to take that step as he felt it may put potential strain on the business, the relationship or both. However, R’s departure meant that there was a role to be filled immediately.

“I’ve had to think long and hard and I’ve gone with what I feel is right. As a candidate she ticks all the boxes – she’s got the experience, events, sales driven - But there’s a lot of learning – it’s the first person I’ve lived with and
ideally it wouldn’t be now in terms of timing because we’re just learning about how to live together.”

D described L2 as a very organised, process driven and structured person. At home this was something D was having to learn to live with (“It does my head in!”) but something he recognised would be an asset to his business, as it would complement his own skills. D was keen to reflect on the errors he had made with previous employees and was at pains to describe the detail with which he had planned the role – creating a full job specification, training plan and operations manual. He also wanted to make sure that in bringing in L2, they maintained some distance between home and work life and so planned for them only to be in the office together on a Monday and a Friday. He would work from the home office on a Tuesday and Wednesday and L2 would work there on a Thursday. D acknowledged the risks but considered the benefits of employing his girlfriend to outweigh them.

“The biggest thing now is I needed someone I can rely on, who I can trust and who I know will put MEET:EAT first. Someone who is in it for their future, which she is. This whole thing will create our future. My mum and dad – even though they are both part-time – I completely rely and trust in them. And I know it’s, well, it’s like a family business now isn’t it? But now everyone, mum, dad and now L2 will be all for MEET:EAT – that’s the big thing. They’ll work 110% - I know she will. “

D was nervous about his board’s reaction to L2 becoming part of the team. At the previous meeting, they had pushed D to instill some stability in the company after M’s departure. He had also seen high turnover in his pool of hosts and the board had raised concerns about the dependence D was placing on certain lead hosts. D was planning to ‘sell’ the decision of recruiting L2 by highlighting that the changes in role would provide greater stability in the long-term and enable him to focus on the profit generating corporate market. Additionally, bringing L into the company on a
part-time contract meant he was less likely to leave. D recognised the importance of stability moving forwards.

“I’ve got the concept, I’m getting there with the process and I know it’s going to be a success – always have. It’s just the people – bring in this person, they’re not right, bring in the next person and it’s like, God – I need this person to be stable, someone I can trust and rely on to be there. Being my girlfriend makes it a bit of a gamble – but I like gambling!”

Getting Strategic

Three months later and Meet:Eat was going from strength to strength. By focusing on corporate events, the business was seeing increased revenue from a smaller number of events. L2 had settled into the business and, despite a few teething problems of the couple bringing home issues to work or vice versa, the decision was considered to be a good one.

“She’s the best employee I’ve ever had – she’s basically my right hand person who’ll do anything I ask and do it properly. It’s less pressure and stress for me – I don’t have to be the person who knows everything, who’s a great manager and inspirational leader, all that – I don’t have to be that person all the time.”

L2’s skills across all aspects of the business had meant D had been focusing on business development as planned. The marketing and sales had also been significantly ramped up. The business was about to engage a tele-canvasing company to conduct a large-scale sales campaign. The result of the increased push on the corporate market meant that Meet:Eat were beginning to struggle with availability of both venues and hosts – a problem that was likely to be exacerbated over the coming months.

The Meet:Eat hosts had always been recruited fairly informally. Adverts were placed with university job boards and Gumtree or individuals were introduced by word of
mouth. The process was for D to sift through applications, meet those short-listed and then recruit based on gut feeling. The job was always sold to individuals as a flexible, part-time role that would fit in with other commitments. There was a small group of hosts who all knew D and each other. Although the turnover was high, the commitment had always been excellent. However, as the pool of hosts grew and D’s personal involvement in the recruitment had diminished, the commitment from the new hosts was worsening. Hosts were pulling out at the last minute and too much time was being spent on chasing them for their commitment. D also felt let down by L who ended up not accepting the contract offered to him, instead opting for a more lucrative contract with a department store. D’s answer to this was to increase the formality of the host recruitment process. While L2 would continue to manage the hosts and conduct the initial recruitment phase, D would be brought in to the final interview to stress the importance of commitment and reliability.

“We’re sort of going to play it good cop/bad cop... she’ll be their manager and friend but I’ll be the boss – well, you know what I mean – so they won’t want to let her down as their friend but won’t want to let me down as the boss.”

L2 had become an integral part of the business very quickly and was now managing all day-to-day operations of all the non-corporate parts of the business. She was also managing the hosts, administration and operations support (still being done by D’s Mum and Dad). The role had considerably more responsibility than any previous roles in the business but she was paid less than R or M had been. She was happy to receive the same income as in her previous role, describing herself as “in it for the long haul.” D recognised that because she was so capable in a number of different areas, there was a very real risk that she would be pulled in too many directions.

“She’s so capable but it’s getting to the point where she has so much to do. I need to take some pressure off her. Technically, she’s running the business. All I’m doing is business development, sales and marketing – I’m developing it and moving it forward and leaving her to run it.”
D could see the need to bring someone else into the business was imminent but that in itself had problems. As he had stepped away from operations, L2 would need to be the person to train someone up and then manage them, adding another pressure to her work. He was aware of the need for someone but couldn’t see what he could take away from L2 as she was so good at and understood everything.

“We need someone else to protect her and take the pressure off her – cos it’s not fair. But it’s going to have to be fluid – I don’t know yet. I can rely on her, I trust her and she’s got the knowledge. And if I map it out like this, she’s running the business.”

In 2012, L2, the operations manager was effectively running the day-to-day, enabling D to act as strategic director. He had been under pressure by his board to create a more stable core to the business, increase revenue and decrease overheads. In bringing in L2 and focusing on the corporate market, Meet:Eat was making good progress. At the end of the research process, the company was in early discussions with an investor who was keen to talk more about the figures, process and potential growth of the company. The view of D was investment was required in order to speed up growth.

“When I reflect on when we first started talking, it feels a bit like I’m starting again but much clearer this time about how to actually grow it. I’ve been going on a journey to try and create a business. But I know it will work.”
Figure 11. Meet: Eat – detailed timeline

Growth - employment numbers

Formality of employment relationships

Phases

Time

Activities

* denotes employment decisions

- D becomes Innospace tenant
- ED1 - Relationship established with mentor, C. C becomes shareholder.
- D made redundant and works full time on MeetEat
- ED2 - Parents involved in fledgling company
- ED3 - J recruited (unpaid) in marketing post
- Launch of MeetEat events
- ED4 - Recruitment of flexible event hosts
- ED5 - Recruitment of T into marketing position
- ED6 - IT developers brought in to develop website (one freelance, one shareholder)
- ED7 & 8 - K and A recruited into senior and assistant marketing positions
- ED9 & 10 - R and M recruited into Marketing positions
- ED11 - L2 recruited as operations manager
- Investment gained for business growth
Table 20. **Meet:Eat – Analysis of employment decisions**

<table>
<thead>
<tr>
<th>Employment Decision</th>
<th>Description</th>
<th>Decision Drivers</th>
<th>Process</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>ME-ED1</td>
<td>Relationship established with mentor, C.</td>
<td>A simpatico relationship developed via a chance meeting. C was seen as being able to offer technical knowledge and experience.</td>
<td>D met C at a public speaking event. After hearing D speak about the business C approached him to get involved.</td>
<td>C became a shareholder in the business for the very early stages. He worked full-time elsewhere but remained a key part of the business throughout the life of the research.</td>
</tr>
<tr>
<td>ME-ED2</td>
<td>Parents involved in fledgling company</td>
<td>After launching, Meet:Eat needed additional resource to meet customer demand.</td>
<td>D had moved back to his family home with his parents to save money after being made redundant. Both his parents initially ‘pitched in’ with admin support or packing of menu packs.</td>
<td>Intended as a short-term resourcing solution, D’s parents continued to work in the business throughout the research period their roles became more formalised with job descriptions and contracts. Towards the end of the research period, D’s mother was handling the majority of the administration.</td>
</tr>
<tr>
<td>ME-ED3</td>
<td>J recruited in marketing post</td>
<td>After an initial jump in sales attributed to SEO, D decided</td>
<td>Traditional recruitment process (involving advert, cv sift,</td>
<td>J only stayed in the business for a couple of months. D felt he</td>
</tr>
</tbody>
</table>
greater time and focus needed
to be spent on online marketing
activities. interviews). J was recruited
because of a perceived values
fit and (on recommendation of
C) because his attention to
detail would complement D.
This was an unpaid post with a
view to becoming paid if the
business continued to grow.

| ME-ED4 | Recruitment of flexible event hosts | Meet:Eat developed a food experiences offering which required event hosts. D initially performed this role but as business took off, he needed more flexible, part-time staff to meet demand. | Adverts were placed on university job boards and D’s link with one university (via Innospace) gave him access to a number of students. He then worked on a referral basis (i.e. friends of hosts became hosts). D recruited these hosts based on personality and ‘gut feeling’ – they often had acting or event backgrounds or training. | The turnover of hosts over the research period was high – perhaps because they were students. However, commitment was described as being high in the first two years. D perceived this as diminishing when he was no longer involved in the recruitment. |
| ME-ED5 | Recruitment of T into marketing position | Replacement for J to undertake marketing activities. T had been a host and was seen as being proactive and a ‘great fit’ for the business. Initially helping out on an informal | T did not accept the full-time internship with Meet:Eat, instead accepting a blue chip graduate scheme offer. D was |
| ME-ED6 | IT developers brought in to develop website | In order to increase the website functionality (and make bookings and customer service smoother) two IT developers were brought in to work part-time on the site. | Both worked for and with C. One worked in a freelance capacity but the other (after some time) was offered shares in the company (sweat equity) to support ongoing development. | D left the management of these ‘staff’ to C. The freelancer worked on an ad hoc basis but the other developed much of the back office systems that led to customer service |
| ME-ED7 | K recruited into senior marketing positions | After losing T, D advertised for a replacement marketing person. However, the applicants fell into two groups, highly experienced and no experience. D felt that in employing someone with more experience, they would be able to develop the marketing and drive sales – plus he wouldn’t need to train and manage them. | Traditional recruitment process (advert, cv sift, interviews) but D also asked final two candidates to present marketing ideas to him and C. K was selected based on ability and experience rather than cultural fit. | K started with the business but only remained for a few weeks. Although she had lots of experience, it was considered that she didn’t really ‘get’ the company.
<table>
<thead>
<tr>
<th>ME-ED8</th>
<th>A recruited into assistant marketing position</th>
<th>At the same time as recruiting K, A was offered a position as a marketing assistant.</th>
<th>A had been a host for Meet:Eat and his understanding of the business was seen as being an advantage. D took advantage of the graduate employment scheme for initial £1000 support.</th>
<th>A left the business after a few weeks. D did not provide much detail about this departure other than to say that the commitment wasn’t really there. From the outset, D had not been enthusiastic about the recruitment of K or A, seeing them as a means to an end.</th>
</tr>
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<tbody>
<tr>
<td>ME-ED9</td>
<td>R recruited into marketing positions</td>
<td>D sought to fulfill the marketing position again, this time opting for applicants with some but limited experience.</td>
<td>Formal recruitment process.</td>
<td>R became the longest serving member of Meet:Eat (other than D and C). The initial role of marketing morphed over her employment. Much of the work she completed in the early months was developing process and infrastructure. However, as this was completed, this developed into more of a sales focus.</td>
</tr>
<tr>
<td>ME-ED10</td>
<td>M recruited into sales and events position</td>
<td>After losing K and A, D had looked again at the structure of the business and saw an</td>
<td>Formal recruitment process – however, D selected M because of her confidence and attitude.</td>
<td>As with R, the role was initially much more about setting up systems than sales. When the</td>
</tr>
</tbody>
</table>
increasing need for someone who could generate sales but also manage some of the events.

Something that reminded him of himself.

role changed, the relationship between M and D broke down. Both R and M were seen as ‘guinea pigs’ who had served their purpose in terms of getting the systems and processes set up.

<table>
<thead>
<tr>
<th>ME-ED11</th>
<th>L2 recruited as operations manager</th>
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<tbody>
<tr>
<td></td>
<td>As R and M had set up many of the internal processes, D expressed a need for an operations manager. This coincided with his girlfriend wanting to leave her job.</td>
</tr>
<tr>
<td></td>
<td>Formalised process in terms of paperwork, job description etc.</td>
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<tr>
<td></td>
<td>L2 became the day to day manager of Meet:Eat, enabling D to focus on business development.</td>
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</table>
Chapter 5 Cross Case Analysis & Discussion

This chapter presents the cross case analysis having presented the empirical case studies to provide the reader with an understanding of each.

Data analysis consists of “examining, categorising, tabulating, or otherwise recombining the evidence to address the initial propositions of a study” (Yin, 1994 p 109). The research propositions were derived from a review of the extant literature (what is already known) combined with researcher experience and knowledge of the problem. These drove the design of the study, including providing a clear rationale for the sample, the data sources and supported the use of different data elicitation techniques. It, therefore, follows that the general analytic strategy was to follow these theoretical propositions.

As discussed in Chapter Three, there were two main analysis stages; (i) classification of the data using pattern matching to seek literal and theoretical replication and (ii) thematic analysis to develop explanations to deepen our understanding of the phenomenon. Whilst the initial classification and analysis of employment decisions provides insights into the cases, the thematic analysis allowed for rival explanations to be examined, leading to the development of more robust theoretical explanations. A summary of these research stages is presented in Figure 12.
This chapter begins by synthesizing the findings from the four cases according the research propositions. In doing so, it highlights where similarities and differences between cases (and employment decisions) were present. This is followed by the presentation of the thematic maps developed from the cross case analysis. These meta themes are then discussed in detail, using extracts from the data sources to highlight points and to provide a clear chain of evidence (Yin, 1993).

5.1. Findings Relating to Propositions

As discussed in Chapter Three, the research participants were selected on the basis of their characteristics at start-up in order to meet the requirements for literal and theoretical replication in the analysis. This allowed for a process of pattern matching and explanation building. A summary of the case characteristics was presented in Chapter Three and is provided as a recap again overleaf.
Table 21. Summary of research participants

<table>
<thead>
<tr>
<th>Case</th>
<th>Propositions 1 and 3</th>
<th>Proposition 2</th>
<th>Overview</th>
<th>Employment Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Meet:Eat</td>
<td>High employment growth aspirations</td>
<td>Formally recruited member of staff from start of case</td>
<td>Food and drink training and ‘experiences’ retailer. One part-time member of staff and one position about to be advertised. One informal part-time member of staff. Considering more formal recruitment in coming months.</td>
</tr>
<tr>
<td>B</td>
<td>MOVE</td>
<td>High employment growth aspirations</td>
<td>No formally recruited members of staff</td>
<td>Home letting and services company.</td>
</tr>
<tr>
<td>C</td>
<td>TRU</td>
<td>Low employment growth aspirations</td>
<td>No formally recruited members of staff</td>
<td>Product design and development company, partnership. No full-time members of staff but utilises freelancers.</td>
</tr>
<tr>
<td>D</td>
<td>Kildo</td>
<td>Low employment growth aspirations</td>
<td>No formally recruited members of staff</td>
<td>Create a range ‘software as service’ solutions for b2b and b2c markets. Utilise freelancers on a semi-formal basis.</td>
</tr>
</tbody>
</table>

In order to address the research propositions, each employment decision was identified within each case and classified according to relationship type, driver, formality and the phase in which the decision was made. An explanation of the derivation of these classifications was presented in section 3.4.9, p 102.

As discussed, researcher interpretation was required in order to develop these classifications but in order to improve construct validity (Yin, 1993) they were reviewed by participants throughout data collection and analysis. The table below details all employment decisions made during the study, along with their classifications.
Table 22. Employment decision classification

<table>
<thead>
<tr>
<th>Employment Decision</th>
<th>Description</th>
<th>Relationship Type</th>
<th>Driver</th>
<th>Formality</th>
<th>Stage/Phase</th>
<th>Business Support Involvement</th>
<th>Causation/Effectuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-ED1</td>
<td>Engagement in quasi-partnership arrangements with suppliers.</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>K-ED2</td>
<td>M1 employed as a freelancer to work on the development of the 'back-office' of SmartStart</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>K-ED3</td>
<td>M2 employed on freelance basis for Kildo</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>K-ED4</td>
<td>H wife recruited as admin support</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>K-ED4</td>
<td>J engaged on freelance basis</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>K-ED4</td>
<td>Additional freelance &amp; resale support engaged by Kildo.</td>
<td>8</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>K-ED5</td>
<td>M2 becomes full-time employee</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>K-ED6</td>
<td>Establishment of Street Ltd</td>
<td>11</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>M-ED1</td>
<td>Recruits A on part-time, formal (contractual) basis - but without clear job description</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>M-ED10</td>
<td>Opening of Southport office with 5 then 7 staff</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>M-ED11</td>
<td>A2 made MD of MOVE</td>
<td>9</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>M-ED2</td>
<td>Trial of second employee</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>M-ED3</td>
<td>Establishment of strategic partnerships</td>
<td>11</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>M-ED4</td>
<td>Engagement with web developers as shareholders</td>
<td>11</td>
<td>1</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>M-ED5</td>
<td>Former colleague D becomes shareholder</td>
<td>5</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>M-ED6</td>
<td>T takes full-time position outside MOVE</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>M-ED7</td>
<td>A2 recruited informally then made permanent staff member with graduate support initiative</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>M-ED8</td>
<td>S recruited via graduate scheme</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>M-ED9</td>
<td>Trial and error with various intern positions</td>
<td>10</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED1</td>
<td>Relationship established with mentor, C.</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>ME-ED10</td>
<td>M recruited into sales and events position</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED11</td>
<td>L2 recruited as operations manager</td>
<td>8</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>ME-ED2</td>
<td>Parents involved in fledgling company</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>ME-ED3</td>
<td>J recruited in marketing post</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED4</td>
<td>Recruitment of flexible event hosts</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED5</td>
<td>Recruitment of T into marketing position</td>
<td>10</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED6</td>
<td>IT developers brought in to develop website</td>
<td>3</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED7</td>
<td>K recruited into senior marketing positions</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>ME-ED8</td>
<td>A recruited into assistant marketing position</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>ME-ED9</td>
<td>R recruited into marketing positions</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>T-ED1</td>
<td>S recruited as product designer</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>T-ED2</td>
<td>S formally recruited into the business</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>T-ED3</td>
<td>C recruited as designer</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>T-ED4</td>
<td>A recruited into sales/business development role (intern)</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>T-ED5</td>
<td>Two designers recruited (intern)</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**Coding Key**

1 Employee 2 Apprenticeship 3 Freelance 4 Family 5 Friendship 6 Mentor 7 Board 8 Partner 9 Manager 10 Internship 11 Partnership

1 Need driven (push) 2 Opportunity driven (pull)

1 Informal 2 Formal role, informal contract 3 Formal contract, unstructured role 4 Formal

1 Direct business support initiative involvement 2 No direct business support initiative involvement 3 Effectual 4 Unplanned
The following sections now return to each of the research propositions, presenting the cross case findings.

**5.1.1 Proposition One**

Positive owner manager aspirations for growth will result in more growth employment decisions.

The literature review, researcher knowledge and early observation led to the proposition that owner managers who displayed high intention to grow via employment would also display more employment decisions (i.e. recruits) over the course of the study. Although there was an implicit assumption from each business owner that, in order to grow, additional resources would be required, this was not always communicated in terms of employing people. At the start of the research, TRU and Kildo considered the use of technology and freelancers to be key in terms of growing. MOVE and Meet:Eat explicitly considered formal recruitment necessary to resource growth.

<table>
<thead>
<tr>
<th>Case</th>
<th>Number of Employment Decisions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRU</td>
<td>Low employment growth aspirations</td>
</tr>
<tr>
<td>Kildo</td>
<td>Low employment growth aspirations</td>
</tr>
<tr>
<td>MOVE</td>
<td>High employment growth aspirations</td>
</tr>
<tr>
<td>Meet:Eat</td>
<td>High employment growth aspirations</td>
</tr>
</tbody>
</table>

Table 23. Employment decisions by case

As the table above shows, the study’s replication logic (literal and theoretical replication) demonstrated that the empirical based pattern matches the predicted one in the study proposition. Where employment aspirations were higher, more employment decisions were made.
5.1.2 Proposition Two

Multiple, informal relationships are adopted to support growth.

The range of employment types present across the cases supports the proposition that multiple relationships are used to support growth, as shown in Table 24. These relationship descriptors were developed in conjunction with participants during the data collection and used by participants as identifiers in their network maps.

Table 24. Relationship types across all cases

<table>
<thead>
<tr>
<th>Relationship Type</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee</td>
<td>10</td>
</tr>
<tr>
<td>Apprenticeship</td>
<td>1</td>
</tr>
<tr>
<td>Freelance</td>
<td>5</td>
</tr>
<tr>
<td>Family</td>
<td>3</td>
</tr>
<tr>
<td>Friendship</td>
<td>2</td>
</tr>
<tr>
<td>Mentor</td>
<td>1</td>
</tr>
<tr>
<td>Partner</td>
<td>2</td>
</tr>
<tr>
<td>Manager</td>
<td>1</td>
</tr>
<tr>
<td>Internship</td>
<td>5</td>
</tr>
<tr>
<td>Partnership</td>
<td>4</td>
</tr>
</tbody>
</table>

| Total             | 34 |

In a review of the literature relating to HRM in small firms, it can be surmised that it is characterised by informality (Barrett et al., 2008; Cardon, 2003; Matlay, 1999; Mayson & Barrett, 2006). This study found that despite a number of relationships being informal, there remained evidence of formalised processes and practices across all four cases. This led to the development of a typology of both formality and engagement, as can be seen in Figure 13 below.
This findings from this study suggests that the simple formal/informal categorisation often presented in the extant literature is insufficient when considering micro-business growth.

5.1.3 Proposition Three

P3: Positive owner manager aspirations for growth will result in higher engagement with support initiatives.

All four businesses had aspirations for growth, however, it was proposed that those who considered employment as a requirement of growth would be more likely to engage with support initiatives. They would seek out assistance (via either knowledge or funding) to support the recruitment process. In order to evaluate this proposition, each recruit that had directly been supported by a business support initiative was identified. This is presented below in Table 25.
Table 25. Frequency of employment decisions directly supported by business support initiatives

<table>
<thead>
<tr>
<th></th>
<th>Employment Decision (ED) n.</th>
<th>ED directly supported by initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>TRU</td>
<td>Low employment growth aspirations</td>
<td>5</td>
</tr>
<tr>
<td>Kildo</td>
<td>Low employment growth aspirations</td>
<td>6</td>
</tr>
<tr>
<td>MOVE</td>
<td>High employment growth aspirations</td>
<td>11</td>
</tr>
<tr>
<td>Meet:Eat</td>
<td>High employment growth aspirations</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

As the table shows, there is limited link between growth aspirations via employment and the number of employment decisions supported directly by support initiatives (these included graduate internship funding and ‘back to work’ support schemes). Kildo did not engage in any of the schemes on offer. However, all four businesses did engage in business support during the study. All four became recruits of a High Growth scheme and engaged regularly with mentoring. The extent to which the other decisions (21 in total) were influenced by this support cannot be demonstrated using a simple classification and instead have been explored via the thematic analysis.

5.1.4 Proposition Four

Owner manager decisions will be influenced by outcomes of previous decisions.

The development of this proposition was based on the extant knowledge that employment decisions within small businesses are owner manager owned and controlled and, therefore, likely to be influenced by heuristics (Greenbank, 2001; Gilbert et al., 2006; Baron, 2004; Busenitz & Barney, 1997; Simon & Houghton, 2002; Tversky & Kahneman, 1974). It was assumed that direct links between decisions would be observable and straightforward to classify. Examples might include a negative experience with one employee leading to refinement of recruitment practices for the next. There were a few of these directly observable instances and they are highlighted in the flow charts presented in Appendix I and summarised in Table 26.
However, the owner manager decisions were less influenced by the specific outcomes of previous decisions than their *perceptions* of the current context. The influence of previous decisions on employment choices and decisions lacked rational clarity. The development of this proposition helped inform both the classification and structuring of the data and highlighted a need to evaluate the role of perception in decision making. This became a dominant theme within the thematic analysis and is, therefore, discussed in detail in section 5.9.

**Table 26. Directly influenced employment decisions**

<table>
<thead>
<tr>
<th>Decisions</th>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tru</strong></td>
<td>ED1-ED2</td>
</tr>
<tr>
<td><strong>Kildo</strong></td>
<td>ED1-ED3-ED5</td>
</tr>
<tr>
<td><strong>Meet:Eat</strong></td>
<td>ED3-ED5-ED9&amp;10</td>
</tr>
<tr>
<td></td>
<td>ED7&amp;8-ED11</td>
</tr>
<tr>
<td><strong>Move</strong></td>
<td>ED1-ED11</td>
</tr>
</tbody>
</table>

**5.1.5 Proposition Five**

The type of growth driver *(push/pull)* will influence the decision making process *(effectual/causative)*.

As discussed within the methodology chapter, this proposition was difficult to account for in the sampling strategy study because it would have involved significant assumptions about the motivations of the business owners before thorough investigation. However, it was considered likely that both push (need) and pull (opportunity) factors would be evident across the cases over the three-year period.

In order to qualify as a causative decision making process, there needed to be evidence of explicit planning regarding the decision. To be classified as effectual, the process had to involve one or more of the following attributes of effectuation; control versus
prediction, means led, leveraging contingencies, co-creation partnership, affordable loss principals (Sarasvathy, 2001).

As Table 27 below shows, a total of 21 employment decisions were classified as being driven by causal decision making processes. There was clear evidence that the employment decision had been planned by the owner manager and considered necessary for growth. However, there is no correlation between the causal process and whether the decision was driven by perceived need (push) or perceived opportunity (pull), with a 52:48% split. Where the decision making process was classified as being effectual (10), the influence of the driver is equally inconclusive, with a 60:40 split of push versus pull.

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Need (n)</th>
<th>Need %</th>
<th>Opportunity (n)</th>
<th>Opportunity %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causal</td>
<td>21</td>
<td>11</td>
<td>52</td>
<td>10</td>
<td>48</td>
</tr>
<tr>
<td>Causal/Effectual</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Effectual</td>
<td>10</td>
<td>6</td>
<td>60</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td>Unplanned</td>
<td>2</td>
<td>2</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

The findings suggest that the extent to which the decision was driven by perceived opportunity or perceived need has limited influence on whether causal or effectual logic is employed in the decision making processes. However, analysing the data in this way did highlight the need to explore the concepts within the proposition in more depth. The opportunity (or pull) versus need (or pull) required further explication. Through the thematic analysis these classifications have been explored in detail and are, therefore, discussed within section 5.2, specifically under the headings of Capacity and Contingencies.

Despite no link between decision making process and driver, the pattern matching classification did highlight a link between role formality and decision making processes. As Table 28 shows, where a causal decision making process was adopted, the employment outcome was likely to be more formal (16 decisions, 76%). Conversely, where effectual decision making processes were evident, the role was likely to be less
formal or informal (7 decisions, 70%). This is consistent with the theory of effectuation, where contingencies are leveraged in order to meet immediate demands (Sarasvathy, 2001).

Table 28. Causal/effectual influence on formality of employment decisions

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Informal or Formal role, informal contract</th>
<th>Formal or Formal contract, unstructured role</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>Causal</td>
<td>21</td>
<td>5</td>
<td>24</td>
</tr>
<tr>
<td>Effectual</td>
<td>10</td>
<td>7</td>
<td>3</td>
</tr>
</tbody>
</table>

5.5.1 Summary

The research propositions were developed as a result of a review of the extant literature and guided the sample selection, data collection and analysis. The classification of data has enabled cross case analysis of each employment decision. Using the research propositions for the general analytic strategy, pattern matching and replication logic was used to drive the first stage of analysis. However, as the above sections demonstrate, this presents a number of areas requiring further investigation. In order to build explanations about the employment decisions made in the four cases, further analysis of the data was required. Therefore, this chapter now moves to the presentation and discussion of the key or meta themes developed through the subsequent cross-case thematic analysis.
5.2. **Cross Case Themes**

The analytic process adopted followed Braun and Clarke’s (2006) thematic analysis, as discuss in Chapter Three and summarised in the table below.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Description of the process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Familiarising yourself with your data:</td>
<td>Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.</td>
</tr>
<tr>
<td>2. Generating initial codes:</td>
<td>Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.</td>
</tr>
<tr>
<td>3. Searching for themes:</td>
<td>Collating codes into potential themes, gathering all data relevant to each potential theme.</td>
</tr>
<tr>
<td>4. Reviewing themes:</td>
<td>Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic ‘map’ of the analysis.</td>
</tr>
<tr>
<td>5. Defining and naming themes:</td>
<td>Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.</td>
</tr>
<tr>
<td>6. Producing the report:</td>
<td>The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.</td>
</tr>
</tbody>
</table>

All data from all sources was used in the thematic analysis. This was an iterative process, guided by the research propositions, but involving constant comparison with literature in order to challenge findings with rival interpretations (Yin, 1993). This process of explanation building focuses attention on the most significant aspects of the case study, namely the employment decisions in start-up businesses.

The initial coding (phase 2) generated 1279 codes. These were condensed into 131 distinct higher order codes. This involved moving from simple classification of data to conceptual development, as discussed in detail in Chapter Three. The occurrence of these codes can be found in Appendix VI. These codes were then mapped into overarching themes (phases 4, 5 and 6). This was an iterative process, considering
patterns in the data, reviewing literature to search for rival interpretations, naming and renaming the codes. What resulted were seven overarching themes, with multiple sub layers and codes. Overleaf (Figure 14) is the thematic map created. Although a number of the higher order codes have been collapsed in order for the map to be readable, the complete coding hierarchy can be found in Appendix VII. The theme of *Classification* is not included, as the data contained within this theme was used for the classification analysis presented earlier in this chapter.

The remaining key themes (excluding ‘Classification’) that emerged from the analysis were;

1. Capacity
2. Contingencies
3. Formalisation
4. Attachment
5. Control
6. Perception

The inherent messiness of the social world makes categorisation a difficult task and these concepts interlink and overlap in a number of ways. However, in order to make sense of the data, the concepts have been presented as distinct from each other. Each theme is explored in detail, discussing each in relation to the extant literature and providing direct quotes and/or examples from across the data to provide a chain of evidence and clear narrative.
Figure 14. Thematic map of key concepts
5.3. Capacity

Throughout the research project multiple employment decisions were made by each business, totalling 34 decisions and representing around 80 relationships. Each employment decision was dependent on the owner managers’ perception of business capacity. The Chambers Dictionary (2013) defines capacity as both a noun and adjective:

**capacity** noun *(capacities)* 1 a the amount that something can hold b • as adj • a capacity crowd. 2 the amount that a factory, etc. can produce.

These two uses of the word help to explain the different approaches to capacity identified across the range of decisions. These were;

- Increase capacity in order to meet demand
  Capacity as the perceived ex-ante maximum amount that the business could achieve without additional resource. Decisions relating to additional employment were framed against imminent need.

- Increase capacity in order to drive demand
  Capacity as the perceived ex-ante maximum amount that the business might achieve with additional resource. Decisions relating to additional employment were framed against potential opportunities.

In three of the four cases, the first employment decision was driven by need – a perception that the business was at maximum capacity and activities would be harmed (or business lost) if additional resource were not engaged. This was referred by Kildo as the ‘hire when it hurts’ principal;

_H (Kildo) “...they say hire when it hurts. You only hire a new person if it’s actually damaging your business to not hire a new person. So at the point_..._
where they literally cannot take on anymore work and it’s starting to pile up it’s hurting your business, you get a new person in.”

Where capacity was perceived as the ability to meet demand, there was greater formality in terms of the structure of the role. The businesses were able to internally identify where the ‘pinch points’ were in the business and sought to backfill. On the whole these were unskilled, functional activities that needed to be completed in order for the business to meet demand. In these instances growth via increased demand is a precursor to employment growth, which is then transformed into growth in turnover. Although it should be noted that this did not necessarily translate into revenue growth, as the costs associated with the additional labour often outweighed any initial increase in revenue.

For Kildo this principal was retained through the duration of the research engagement in regards to engaging additional labour, be it employees, freelancers or family members. The only exception was when developing new strategic relationships outside the normal business activities (e.g. development of new products).

In the other three cases, owners employed both definitions of capacity at various stages but were generally more inclined to consider capacity as something that could be built and increased in order to drive growth. The view was that increased resources would free up time in order to focus on business development.

J “Good opportunity though to really push for growth because we’ve got capacity.”
D “So, we need someone to come and do the stuff I was doing, adminy, so that I can focus on business development and exploring other opportunities that give bigger margins.”

These goal driven and deliberate decisions can be considered as resting on causation logic (Perry et al., 2012). They rested on the confidence and optimism of the owner manager that increased capacity would lead to increased activity and, therefore,
growth would follow. In some instances this was the case (e.g. for the first opportunity recruit for TRU, A). However, it was frequently the case that opportunity recruits failed to deliver the assumed upturn in revenue or growth. Meet: Eat and MOVE were forced to scale back their operations following surges in recruitment that did not result in increased growth. TRU folded completely.

There are a myriad of potential influencing factors for this, which vary between cases and instances. These include, inter alia, the economic climate, the ineffectiveness of new staff, the inability of the business owner to manage employees and time lag between outlay of costs for employment and the return from increased sales activity. In specific relation to this final point, there was optimism across the three cases about the anticipated return on employment, as can be seen in this quote from MOVE:

   “I think growth is going to be huge over the next few months, I think it is going to be a lot bigger than anticipated, I think there will be an initial costs outlay that will be quite big but once that is outweighed and we have got the right people in, we have the right offices, the right software, the right phone lines, the growth can be overnight.”

A large proportion (50%) of ‘opportunity’ recruits came as a direct result of various support initiatives (graduate internships, back to work schemes etc.). This significantly lowered the initial costs of recruitment from the outset, which was beneficial to the business and had the desired effect of removing barriers to becoming an employer. However, it also generated problems across the cases. The additional resource was financially supported for a limited period. According to Parkinson’s Law (1955), work expands so as to fill the time available for its completion. That is to say that if you have additional resources, work and activity will expand to match that availability. That work may be beneficial to the business, but it may also be superfluous. However, once it is being done there is an assumption that it is needed.
An illustrative example; TRU recruited two new designers ahead of any demonstrable need using a graduate recruitment scheme which funded the first £1000 of their salaries. The perceived opportunity was that they could reduce the workload of the other designers, freeing them up to work on higher revenue generating activities. At the end of the paid period, all four designers were engaged in activities that were potentially revenue generating. All four positions were seen as business critical. However, there was no additional work coming in. The workload had been spread amongst the four with each also taking on some additional (non-revenue generating) administrative responsibilities. The work had expanded to fill the time available. The result was that TRU were now paying for two members of staff on the basis that losing them would be detrimental to the business. Ultimately, this proved crippling for the businesses cash flow.

This is one of the more extreme examples, however, it was evident across all cases that owner managers became almost immediately reliant on the capacity offered by new recruits, even if there appeared to be no explicit need for them. Further detailed consideration of the potential negative impact of promoting ‘opportunity’ driven recruitment via support initiatives will be provided later in this chapter.

This notion of employment decisions being driven by either need or opportunity was identified by David and Watts (2008) in their study of five small businesses, however, it appears to be under-conceptualised within the literature more broadly. Additionally, the notion of ‘seriousness’ at start-up is suggested by Korunka et al., (2011) as an indicator of growth. There is an implicit assumption in the literature that owner managers have the ability to recognise when they need to increase capacity in order to grow - yet this was not borne out in the study. Their employment decisions were driven by perceived need or perceived opportunity and retrospective judgments based on this perception shaped future decisions. The business owners created a narrative that was both rational and meaningful and then acted as if that is what actually happened.
In summary, the notion of capacity related to the owner managers’ perception of growth and thus affects the decisions they make relating to engaging additional labour. The table below summarises this, providing a definition and the characteristics of the opposing views evidenced in the study.

**Table 30. Summary of the opposing definitions of capacity**

<table>
<thead>
<tr>
<th>Capacity as...</th>
<th>Driven by...</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>..the maximum amount that the business could achieve without additional resource.</td>
<td>Perceived need, evaluation of ‘pinch points’ and effectual decisions</td>
<td>Internally influenced risk avoidance strategy. Offers efficiencies but less able to take advantages of opportunities.</td>
</tr>
<tr>
<td>..the maximum amount that the business might achieve with additional resource.</td>
<td>Perceived opportunity and causative planning</td>
<td>Externally influenced growth focused strategy. Risks Parkinson’s Law, leading to inefficiencies and cash flow drain.</td>
</tr>
</tbody>
</table>

**5.4. Contingencies**

Linked to, but distinctly separate from, the concept of capacity is Contingencies. Contingencies are defined in this study as *provisions for future events or circumstances that will impact on growth and are liable, but not certain, to occur*. Throughout the research, employment decisions were enabled or constrained by the extent to which these provisions could be enacted.

Each case engaged in multiple relationships in order to run their business; what the small business HRM literature may refer to as informal, ad hoc relationships (e.g. Barrett & Mayson, 2008; Cardon & Stevens, 2004). They included the use of friends and family members as additional resource, developing strategic partnerships and using contingent workers. The ability of the businesses to leverage this cluster of resources when required links closely to the concept of effectuation (Sarasvathy, 2001). Particularly pertinent in needs based decisions, the owner managers looked to the means (people) available to them in order to negotiate situations and
immediate resource needs. This contingent and dynamic approach is in contrast to the causation approach found in opportunity decisions and which is espoused in normative HRM theories of search and selection (Taylor, 2006). Williamson (2000) refers to this as a tendency to ‘muddle through’ and certainly there were instances when (in hindsight) this was described as what had happened:

D “It was all hands on deck I suppose, it didn’t matter so much who did what so long as it got done.”

T “We were all just winging it really!”

However, there was evidence of some deliberate consideration of the resources at hand. In line with effectual decision making, there were occasions when the business owner seemed to ask “who am I, what do I know and who have I got?” (Sarasvathy & Dew, 2008), before making a decision as to what they should do. This fits with the “pick and mix” approach identified by (Cassell et al. 2002 p687) in relation to HR practices.

There were frequent examples of non-traditional employment relationships acting as contingencies for resource needs. This is congruent with Cardon's (2003) assertion that contingent labour can act as an enabler of growth in emerging organisations by offering flexibility and cost savings. Cardon (2003) suggests that different forms of contingent labour are required at different development stages. In start-up, specific expertise are required and these are likely to come from consultants or contractors who can offer partnering arrangements (Cardon, 2003). These types of relationships were dominant in all businesses from a very early stage. These ‘strategic partnerships’ were often self-selecting stakeholders from the owner managers’ personal network. In addition to offering the required skills for short periods of time (Cardon, 2003) they were engaged in the business from the outset and often had personal interests in its success. This is in line with the notion of effectuation, these experts offered pre-commitment and reduced uncertainty/lowered costs (Sarasvathy, 2001). These relationships also acted as resource buffers, enabling the
businesses to engage in activity at a lower cost than recruiting experts. Examples of these early strategic partnerships are tabled below.

Table 31. Examples of strategic partnerships

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kildo</td>
<td>Web host</td>
</tr>
<tr>
<td></td>
<td>H’s school friend</td>
</tr>
<tr>
<td>TRU</td>
<td>Competition sponsor</td>
</tr>
<tr>
<td></td>
<td>Former tutor</td>
</tr>
<tr>
<td>MOVE</td>
<td>Web designers</td>
</tr>
<tr>
<td></td>
<td>Innospace tenants</td>
</tr>
<tr>
<td>Meet:Eat</td>
<td>Partner/web developer</td>
</tr>
<tr>
<td></td>
<td>Network contact</td>
</tr>
</tbody>
</table>

In Cardon’s (2003) model of contingent labour she suggests that, on expansion, small businesses would benefit flexible and low skilled workers who can be easily integrated into the business to meet increased demand. Again, this was evident in most of the businesses. There were frequent examples of family members or friends ‘helping out’. For example, when Meet:Eat first launched, D was unable to fulfill orders and manage the paperwork. He enlisted the help of his parents, negating the need to employ someone.

D “It’s like a production line! I’ve got Dad doing the packs while mum’s doing the admin and I’m out buying all the stuff, trying to sort the website and everything.”

Where family or friends were not used to meet these imminent resource needs, short-term, unskilled workers were utilised. In the case of MOVE, this was via English language exchange students and at Meet:Eat, university students looking for part-time work.

An additional strand to the notion of contingencies is the ability to deploy current resources in new or additional ways in order to negate the need to employ additional resources. Throughout the research, the employment relationships that endured were those that offered future flexibility – i.e. they were able to offer more to the business (time and capabilities) as and when required. The stand-out example
is M in Kildo who initially joined the business on a freelance basis, two days per week, but ended as a full-time permanent employee.

H “We were lucky to find somebody who came in working a certain amount of time and then that time built as our requirements grew. I mean that’s the ideal, isn’t it? As far as other businesses I think a lot of the time freelancers are your only hope but I suppose it depends on your market.

In the case of Kildo, this future flexibility was put down to luck, however, in MOVE it was an explicit requirement when considering new employees for the major growth phase;

T “So my thinking is that maybe we need to go with people who are not committed to anything else because the growth of the business might call for them to do more days or maybe grow into a full-time position themselves and that would be easier. “

In both Meet: Eat and TRU, the notion of future flexibility was considered but poorly conceived. There was an implicit assumption that employees would want to ‘grow’ with the business but there was limited scope or opportunity in which to do so. When these businesses recruited ahead of need, there was an assumption of growth that did not materialise. Whilst there was flexibility for growth, there was no contingency for no growth. By utilising contingent labour with an eye on future flexibility, Kildo and MOVE\textsuperscript{7} managed to keep overheads to a minimum whilst having a consistent buffer of additional resources.

Decisions regarding employment were also affected by contingencies regarding scale. All four businesses had growth aspirations, however, this was often not in terms of employment numbers. For MOVE, Kildo and Meet: Eat, developing technology that increased automation was a long-term plan that would negate the need for high staffing levels. From early phases of business development, the three

\textsuperscript{7} This was until the change in strategy that resulted in the move to Southport and 100% increase in employees.
companies saw technology as the means to make a scalable business without significant headcount.

*T:* “The idea is we’ll automate as much as possible, and that’s starting to happen already, and then there won’t be a need for loads of people. Even me, really.”

*H:* “I don’t think we will ever need more than five, six maybe and it will always be... The only thing we have to grow for is customer service. Everything else stays within itself intentionally. We’ve written it in that way so that it can cope with any kind of numbers of people as long as we can deal with any customer service.”

However, only Kildo succeeded in this aim over the course of the research. For MOVE and Meet: Eat, the ongoing development of technology and processes and a lack of clarity about what was required from the outset, actually increased headcount in the short term. This raises an issue relating to how growth is measured with both academic studies and policy literature. Often the key measurements for growth are increase in sales and increase in employment. However, this research shows that it is quite possible to have an increase in employment figures and sales, yet still not be growing in the eyes of the business owner. For D of Meet: Eat, although sales had increased and his headcount had reached 10, he felt he was starting again.

*D:* “It’s a bit back to the drawing board, again, it feels like a new company to some extent, but I’ve got the systems all there now, the site and stuff, so we can start over.”

In summary, **Contingencies** relate to the ongoing effectual development of resources, be it human resource, technology or external business relationships, that enable a business to meet immediate demand and offer opportunities for future scaling of the business. They require ongoing consideration, reflection and forward planning in order to be deployed as and when required. When used sophisticatedly,
these contingencies negated the need to employ additional resources in a formal manner, thus contributed to the decision making processes regarding employment. Poor consideration and use of contingencies (as in the case of TRU and the latter days of MOVE) led to increased costs associated with buying in and managing additional skills and labour.

In could be argued that this notion of contingencies maps directly to dynamic capabilities found in the resource based view (RBV) literature. Dynamic capabilities are the routines that enable reconfigurations of resource bundles in order to match or create market change (Eisenhardt & Martin, 2000; Wright et al., 2001). Indeed, scholars attuned to RBV may argue that contingencies (as defined ‘as provisions for future events or circumstances that will impact on growth and are liable, but not certain, to occur’ from late Latin contingentia, in its medieval Latin sense, ‘circumstance’) could be considered a neologism for dynamic capabilities. However, it is this similarity that demands a different term be used in order to avoid conflation of theoretical concepts.

A criticism of RBV is that it despite its usefulness in describing the conditions of strategic sustainable competitive advantage (i.e. utilisation of valuable, rare, inimitable and non-substitutable resources), it offers little practical guidance to business owners of how to create it (Priem & Butler, 2001). Equally, the notion of dynamic capabilities provides a useful theoretical concept but is difficult to empirically pin down. Eisenhardt and Martin (2000) argue that competitive advantage can be gained by “using dynamic capabilities sooner, more astutely, or more fortuitously than the competition to create resource configurations that have that advantage.” (p 1117). A fair and logical point perhaps but again, of little use to business owners in the dynamic and complex context of business start-up. Contingencies, however, (as defined and discussed in this chapter) are observable tactics that offer sustained competitive advantage rather than the nebulous hunt for sustained competitive advantage RBV seeks. The notion of contingencies speaks the language of the business owners themselves, in doing so it moves away from purely theoretical into an empirically grounded conceptualisation. Prior to submission, the
researcher sought the views of the research participants on the research outcomes. The following feedback was received from one:

C: “Reassuring to see that what I might have described as ‘pragmatic’ or ‘instinctive’ has actually been considered - and perhaps understood - from an academic perspective.”

5.5. Formalisation

The variety of roles found in this research suggests that the formal/informal dualism often found within the literature is insufficient, as discussed earlier in this chapter; in relation to proposition two (section 5.1.2). This corresponds with research from Harney and Dundon (2006) which found that small businesses use a complex mix of informal and formal practices, dependent on internal and external drivers.

5.5.1 Drivers of contract formality

There were multiple factors that appeared to drive contract formalisation. Whilst none of these were predominant across all cases, they each played a part in owner decisions. The first cluster of drivers relate to the business owner’s perception of the legitimacy of the business. In two of the cases, there was a sense that in order to be a ‘proper’ business, you needed to have employees. There was a sense of pride at being an employer;

D: “Yup, it’s all official, they’re on contracts and everything so there’s like five people working for Meet: Eat now, a real business!”

T: “It’s all been done officially from the start, contracts and tax and all that. I considered freelance but you can’t do that for long with the Inland Revenue and everything once you are a proper business.”

This notion of being a ‘proper’ business suggests a desire to appear legitimate. Legitimacy is defined by Suchman (1995) “a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some
socially constructed system of norms, values, beliefs and definitions.” (p 574). Legitimacy affects the credibility of an organisation, affecting how people understand a business and how they act towards them (Suchman, 1995). As discussed in chapter two, there is a pervasive rhetoric in the UK that suggests ‘proper’ businesses are only those who employ people under formal contracts. This is despite the large number of freelance and sole traders who may consider themselves a business. In seeking to establish formal contracts with employees, MOVE and Meet:Eat attempted to assert purposive control over the legitimation process (Suchman, 1995). By adopting HR practices of larger organisations, the businesses were seeking to conform to their perception of societal norms and thus increase legitimacy (Williamson, 2000). Interestingly, these two business owners came from corporate backgrounds. It could be argued that behaving differently may have challenged their perception of a legitimate business.

By Suchman’s (1995) definition, societal norms relating the legitimacy of a business are socially constructed and as such will vary across industries, locations and time. This variance was shown in the research in the different approaches taken by the businesses to formalisation. Kildo and TRU were located (broadly) within the creative industries sector, where freelance employment and collaborative partnership working is the norm. Neither of these businesses felt an early desire or need to adopt formal processes. In fact, they considered formal relationships may have a negative effect on the business:

H: “Freelance is sort of what we’re used to, I’ve done it. I mean it’s the norm really for the industry. In terms of I mean, when I say freelancers I mean people working away from your office.”

B: “The problem with traditional agencies is it can become like a production line. People work on their own projects, the ones that pay the bills rather than designing or developing anything new.”
However, both businesses did adopt formal contract relationships during the life of the research. For Kildo, this was articulated as resulting from pressure from the employee for greater security.

C: “M came to us and asked us for a full-time job after working with us as a freelancer for a short amount of time and was finishing uni, or finishing ... yes finishing uni, wanted a job, wanted to get a flat you know all that kind of stuff.”

For TRU, it was in order to take advantage of external support initiatives – the freelancer they were employing was eligible for a graduate internship scheme. By formalising the process of recruiting him, they would be awarded £1000 towards his salary. Although initially, legitimacy had not been a driver for formalisation, it became so via the criteria laid out in support schemes.

Various support initiatives loomed large throughout the research period, and can be considered a second external cluster of drivers towards formalisation. All four businesses were engaged in a High Growth programme. This programme aimed to help growth aspirational companies overcome obstacles to growth via mentoring and business planning activities. The programme itself was measured in terms of employment outcomes. Via mentors, the initiative encouraged formal business planning by ensuring the owner managers spent time “working on the business rather than in it”. Whilst it may not have been explicitly stated, there was an expectation that all businesses involved in the programme would recruit. Since the initiative (and the mentors employed on it) were measured in terms of increased employees, there were implications should businesses fail to grow in terms of headcount. This raises some interesting moral and political questions about the nature of business support. Each business had engaged on the programme

8 The High Growth Initiative was funded by the North West Development Agency and delivered by Winning Pitch. It focused on identifying ‘Gazelle’ businesses that had the ambition and capacity to scale.
9 The aphorism was repeated on a number of occasions by participants and has also been heard multiple times by the researcher from business advisors.
voluntarily but may have felt under pressure to formally recruit in order to meet the outcomes of the programme. Not growing would in some way be failing. The reverence with which the business spoke about their mentors also suggests there may have been an implicit pressure to please them;

D: “It’s really good seeing [mentor], I mean it’s hard but it’s good, she’s really pushing me to get all my shit together, be more organised and understand what I’m doing and where we’re moving forwards as a business. I need that.”

H: “He’s worked in business for a very long time and knows his shit. He supposedly works with businesses in the technology sector but actually that’s not web. We introduced him to the ‘Getting Things Done’ book and he was very impressed by that and to impress [mentor] is actually something very special.”

In this sense, there is a risk that businesses feel a pressure to conform, to appear legitimate for the purposes of the support initiative and to please their mentors. There may be no problem with this if we assume that formalisation and recruitment are the best possible outcomes for all businesses. However, this study suggests that when the businesses recruited before any explicit need in order to build capacity for growth, they faced large challenges relating to cash flow and management that, in some instances, caused the business severe damage. The societal and political assumptions that underpin the High Growth Programme were that growth is good and high, fast growth is even better. However, this seemed to influence three of the businesses to push for growth ahead of time.

Along with legitimacy and a desire to conform (or please), there were also regulatory factors that drove formalisation across the businesses. Whilst all used freelance relationships, they were utilised in a formal way, with the individuals spending most of their time working solely for that business. According to UK employment law, this constitutes an employee relationship (HMRC, 2013). With experience, came the acceptance that contracts needed to be formalised in order to comply with the law.
C: “Actually what we were doing was you know verging on illegal. And in a way there are probably so many freelancers who work as full-time in places and it seems like it is a way for employers to get out of their obligations or to have greater flexibility. It was dodgy and it evolved organically and we knew we needed to sort it, which is why we have done it.”

In Kildo’s case this was not without significant frustration. The owner manager spoke about the need for there to be a ‘middle way’ between freelance and full employment that could offer commitment and flexibility from both parties.

C: “Why would you hamstring a small business to the point of almost failure because of ridiculous employment law? Not taking away from employment law but there should be more of a sensitivity to it, like I understand if you work for a business where there are like 10,000 employees, that you probably should have... the employer maybe should have some obligation to you, but if there are like three people and the two directors don’t even work full-time in the business or take a decent income out of it, there should be scope for somebody to work with the business on a semi full-time basis. If every small business starting with one or two people running it, has to go through what we went through, then there should be a better way, the problem is the people that make those decisions don’t run small business and don’t have to go through it themselves, so don’t understand it.”

Admittedly, this is one participant in a study of only four businesses. However, it does offer an insight into the struggles faced when trying to grow. The outcomes of early employment decisions have major cost and time implications for the business owners. Yet they are hurdles that must be overcome in order to scale the business.

Despite the time and financial costs involved in the formalisation of contracts, PAYE, employment regulations etc. the businesses did see some explicit benefits in terms of a perception of increased retention. Offering formal contracts, rights and benefits was seen as a way of locking employees into the business in a formal manner.
T: “If they’re on a contract as well they’re committed, less likely to just up and leave. You can incentivise with it as well – you know, if the business grows then you are part of it and will get the benefits.”

H: “As a freelancer they could walk out at the end of the day and not come back. Carrying all the knowledge in their head, taking it straight out of the door and not necessarily taking it to a competitor, but it takes time to get someone else up to the same level and ... it is a real big risk.”

In this sense, formalisation via regulation offered the businesses a structure and some level of security when engaging in employment relationships. For Meet:Eat, being in a position to offer formal contracts enhanced the perceived legitimacy of the business to potential recruits;

D: “I know we can’t offer the same sort of package as [blue chip company] but I want to put together a decent offer, formal, possibly with share option - make it all look as professional as I can and everything.”

There is an assumption amongst policy makers, the media and academics that regulation and ‘red tape’ can be crippling for small businesses (Kitching, Hart, & Wilson, 2013). However, this ignores the potential benefits that regulation can offer. Equally, support initiatives are assumed to solely benefit small businesses by affording them training and/or guidance required to grow. But, as this section suggests, it may also force growth ahead of time and negatively affect the business. When considering external factors affecting formalisation, this research corresponds with the work of Kitching et al. (2013) in arguing that the existence of regulation or support initiatives do not themselves determine effects (positive or negative). Drawing from critical realist ontology, both regulation and support initiatives can be seen as embedded social institutions (Hodgson, 2006). These can both enable and constrain the actions of social actors and thus organisational performance. The contradictory evidence presented above highlights the dynamic influence external factors such as embedded social institutions play in small business decisions regarding creating sustainable institutional credibility and legitimacy.
5.5.2 Drivers of role formality

During the study, the existence of formal contracts did not always correspond to the formality of the working relationships. Formalisation of roles in all four businesses did increase over time and this is in line with the extant literature (Heneman et al., 2000; Marlow & Thompson, 2008; Martin et al. 2008). A key driver of this, as is consistent with the literature, was to enable the owner manager to effectively delegate. This was seen from a very early stage with Kildo, where job descriptions and operations manuals were used to manage the work flow of the employee, enabling the owners to work on other projects.

For MOVE and Meet: Eat and TRU, formalisation of roles came at later stages. With hindsight, the owner managers recognised that a lack of structure had led to either inefficiencies or poor management. This links with the work of Marlow and Thompson (2008) that suggests a reluctance to delegate management responsibilities can often hinder formalisation, until a critical incident presents itself. For Meet: Eat the change occurred when there was a marked shift towards sales for his employees. For MOVE, despite there being formal contracts from very early on, formality of roles only occurred when T delegated management responsibility to A in the newly established call centre. With TRU, formalisation followed some performance issues with one employee combined with a need to increase efficiencies.

As suggested by the literature, the transition to formalisation was not always smooth (Martin et al., 2008). The work relationships had been built on certain social and economic assumptions. Some of these were explicit but in many cases, the roles of employees were bound by unwritten rules – a psychological contract (Rousseau, 1989). The most notable example was in Meet: Eat where D changed the focus of two employees’ roles from customer service to sales. One of the employees left after increasing conflict surrounding the role forced her exit. From an observer’s
perspective, there had been significant changes to both the role and the way in which she was managed, however, D failed to recognise the extent of this.

D: Well when they were interviewed and it’s in the job description the big sales part of it. So they’ve always known that but they’ve liked the fact there’s not been a focus on it, I’ve not been driving but obviously now I understand that’s what’s needed - so that’s where more and more of this is coming from.”

A full examination of the impact on psychological contracts is not possible in the scope of this thesis – neither would it be appropriate given that employees’ perspectives were not systematically gathered. However, the development and renegotiation of psychological contracts, as a means of creating sustainable credibility and legitimacy between actors, in early stage businesses is an area that would seem rich for further research.

5.5.3 Issues with formality

Most of the long-term relationships identified in the study became formal through necessity. However, this transition represented a steep learning curve and investment of time.

C: Well I really do think after being through all this employment stuff, that it is just crippling for small business... the reams and reams of documentation that I have had to read in the past week, to at least be aware of what we are letting ourselves in for.”

Formal recruitment also represented a financial burden to the cases. Firstly, in terms of initial outlay for payroll services, solicitors and accountancy fees but also as increased overheads. Once the transition had taken place, the businesses were less likely to look to informal relationships again as they had invested in the new, formal process. As discussed earlier in the chapter, the use of contingent workers can offer major benefits in terms of flexibility (Cardon, 2003), and this flexibility can be lost if purely formal relationships are adopted. Formalisation represented a shift from the
use of effectual logic in taking imminent resource needs to a more instrumental or causative approach, integrating some level of strategic planning into recruitment decisions.

**Summary**

Shifts towards formalisation were dependent on multiple factors; the background experience of the owner manager; their perception of legitimacy; support initiatives; legislation; an increasing need to delegate and detachment from day to day management. There was no single factor replicated in all cases and the formalisation itself was by no means comparable across cases. It was observed that often processes or relationships were formalised only in relation to *how they had been before*, rather than by a textbook notion of formality. Barriers to formalisation included cost (both in time and economic terms) and a reluctance of the owner manager to relinquish control (this will be discussed later in the chapter). However, despite all the differences, this theme permeated all the data. There was a sense throughout that formalisation was progress. It represented the organisation developing its own structure, identity and becoming a *legitimate* entity that was *separate* from the founder/s. This could be seen as a positive element of a move towards growth. As discussed in the literature review, stage models of growth frequently argue that increased formalisation is required in order to drive delegation and, therefore, growth. However, there perhaps needs to be a more critical discussion of the benefits of formality in small and growing businesses. One participating business had very high formality in terms of processes but only employed one person. They survived the full research period and are going from strength to strength (albeit in a small, sustainable way that would not be considered by policy makers as Gazelle-like). Others went down the high growth route and went bust. This research suggests that notion of formality requires more critical consideration and that a more nuanced approach to adopting formality should be considered.
5.6. Attachment

Throughout the data collection and across cases the recurrent theme of attachment was present. For the purposes of this thesis, attachment is defined as a deep connection between individual and business based fit, commitment, trust and often kinship. This sense of attachment influenced recruitment decisions in terms of the people selected (or not), the processes undertaken, the ongoing employment relationships and the business owners’ perception of future recruitment. Whilst fit, trust, commitment and kinship all constitute attachment, each will be considered in turn as they offer individual insights in relation to existing literature.

5.6.1 Fit

The limited literature relating to small firm selection and recruitment stresses that employee ‘fit’ is crucial (Heneman et al., 2000). This was echoed by this study. All participants judged potential or current employees on the level to which they ‘fitted in’. This was often ill-defined and relied on ‘gut feeling’ rather than rational evaluation. Although competencies and skills were important for narrowing down a field of applicants, there was a more emotional level at which individuals were ultimately judged.

*H:* “If you are going to start bringing practical strangers in, you need to filter them and check them or you need to imbibe them with the right values.”

*R:* “It’s less about skills than attitude really. S is pro-active, he’ll roll his sleeves up and get on with it.”

*C:* “Nah, he wasn’t right. Didn’t really fit in – we made this joke once and he didn’t get it and it was like “wah wah – trap door.”

Although the notion of fit was under-developed by the participants themselves, there was a frequent refrain of wanting to “find someone like me/us”. Indeed, there did appear to be clear similarities between business owners and recruits on a number of occasions. This may be explained by the theory of homophily. This is the principal that “similarity begets friendship” (Plato in Phaedrus, cited in McPherson et
al., 2001) or, “birds of a feather flock together” (Lazarsfield and Merton, 1954). In essence, it is the tendency for individuals to bond with people who are similar to them. Lazarsfield and Merton (1954) identify two types of homophily; status (relating to socio-demographic characteristics) and value (attitudes and beliefs). The former frequently informs the latter (McPherson et al., 2001).

The participants of the research were all male, university educated, in their twenties or early thirties. So too were the majority of their employees and peers. Certainly status homophily appeared to be taking place. The importance placed on finding people who ‘fitted in’ and matched the business brand points to value homophily. This concurs with Bird’s assertion that homophily is especially noticeable within founding teams (1989, cited in Ruef et al., 2003) Although this may have benefits such as shared values and a “common ground” (Timmermans, 2007), it could be argued that it decreases the potential heterogeneity of the firm, as espoused as a source of competitive advantage by the rational, resource based perspective (Barney, 1991b).

Within the strategic HRM literature, fit is frequently defined in terms of the match between person and either job (P-J fit) or organisation (P-O fit) (Kristof-Brown, 2000). The weight placed by owner managers in this study suggests that a P-O fit was more important in the selection of new recruits. This is typically operationalised as the congruence between an individual and the organisation’s values (Kristof-Brown, 2000). However, this explanation fails to take into account the multiple contingencies at play within the complex start-up environment.

In adopting a contingency theory approach, Leung, Zhang, Kam, & Foo (2006) argue that environmental, strategic and inter-personal considerations all influence recruitment decisions and notions of ‘fit’ within small businesses. Their key assertion is that start-up and growing businesses face multiple considerations of fit in their early developmental phases and, as a result, adopt different network recruitment strategies. During the start-up phase, strong ties from personal networks are engaged to overcome liabilities of newness and smallness (Leung et al.,
This research project was designed with the *a priori* assumption that the network of the owner manager would be an important aspect of employment relationships by offering a pool of resource that, by its very nature of being in the network, ‘fitted in’ to the business to some degree. Early observation showed that there were multiple relationships beyond immediate employees that supported business activities. This included mentors, friends, family members and university contacts. Additionally, throughout the study, a significant number of recruits came from the owner managers’ network.

The use of networks as a primary source of recruits is supported in much of the literature relating to small business HRM (Kotey and Slade, 2005, Matlay, 1999). Indeed, Atkinson and Meager (1994) suggest that being part of the owner manager’s network is almost a pre-requisite for employment. It would, therefore, follow that the owner manager’s network would be a major influencer on recruitment decisions. However, it could be argued that recruitment of any type is often heavily influenced by network relationships – whether in small businesses or not. Indeed, Jewson and Mason (1986) argue that organisational entry is conditioned on multiple means of discrimination including contacts, family ties and social indicators. Although normative HRM may be espoused in business, it is less often followed in practice. So whilst the findings correspond with Atkinson and Meager (1994) to some extent, the significance of the network requires further discussion in order to evaluate the potential benefits or drawbacks of the network influencing recruitment decisions.

Social capital theory suggests that “networks of relationships constitute a valuable resource” (Nahapiet and Ghoshal, 1998). The embeddedness (Granovetter, 1973) of small firms in their networks means that these relationships play an even greater part than they may do than for managers in larger organisations. Certainly, this research found that the network of the owner manager played a greater role than simply as a source of recruits. Business mentors were used as a source of advice, peers offered support, family or friends often doubled-up as suppliers or clients and links with universities enabled the businesses to access training and advice. To a
large extent ‘fitting in’ with the business was synonymous with ‘who you know’. The relational and cognitive dimensions of social capital (Nahapiet & Ghoshal, 1998) were exploited by the business owners to negate the need to ‘buy in’ additional resource from strangers, thus affecting current and subsequent recruitment decisions.

Additional analysis of the data showed that a large proportion of the early network ties came from the same source – Innospace. Through being part of the business incubator space, the case companies all gained access to a broader network of businesses, academics, mentors etc. Innospace had acted as a “broker” (Bird, 2000), enabling the businesses to create additional contingent, socially based ties (Larson & Starr, 1993) when there was demand and thus bridge “structural holes” (Granovetter, 1973). Whilst this thesis is not a study of networks, it is interesting to note how the businesses themselves overlapped during the course of the research. D gave J and B advice on new jobs. Tru-R was a customer of Kildo. MOVE worked for the university where all four businesses were housed.

The risk with ‘fitting in’ and ‘who you know’ is that the business becomes reliant on a finite number of connections, unless they look outside their immediate circle. However, the findings suggested that when ‘fitting in’ was a dominant influencer of employment decisions the perception of people outside the network was that they would not ‘get’ the business. This risks creating an inward looking clique of people that could potentially damage the business. ‘People like us’ has drawbacks as can be seen in the following research notes captured during researcher reflection:

D – Generally recruited young and inexperienced people then bemoaned their lack of experience. When he recruited people like him, he was frustrated at their inability to do the things he did not.

T – Recruited ‘dynamic’ people who did not need micro managing but who were then left to their own devices. This meant systems and process were sporadic and hard to manage.
C & H – Recruited interesting, skilled, technical people who also worked on other projects. This potentially limited growth and added to fears about them leaving.

J & B – Recruited recent graduates with no experience of being managed – in the same way J & B had no experience of being managers.

All four businesses engaged in formal recruitment processes at one time or another but eschewed many people under the premise that they would be unable to ‘fit in’ with the organisation or understand the values. In this sense, the organisation and owner manager became isomorphic, the values of the individual/s becoming the perceived values of the organisation. The reliance on networks became an enabler in that it offered a pool of resource and the opportunity to increase social capital. But it also acted to constrain the businesses by preventing novel recruits. There were no major leaps of faith – they kept making the same decisions. People like us and fitting in became a rationale for homophily. It could be argued that this is simply a retrospective rationalisation of recruiting one individual over another. If the relationship proved successful, the owner manager’s positive feelings towards the individual (and their network) are reinforced. If it is unsuccessful, blame can be attributed to a friction between own and others’ values – i.e. they didn’t ‘fit in’.

5.6.2 Commitment

At the very early stages of research (and start-up) the four businesses displayed a desire to recruit individuals who embodied the business values and could form part of a community of individuals, working together and managed via peer support. Explicitly, TRU wanted to develop a ‘creative hub’ of like-minded designers and Meet:Eat wanted to develop individuals who believed in the brand and were “in it for the long haul”. Commitment was envisioned as a two-way process; from employee to business by way of committing to the business ideals and values; and from business to employee as committing to them as a vital part of the emerging company. The four business owners each articulated the opportunity, a role in their fledgling company, offered to new recruits. For example;
H: To bring somebody into that I would say that they’re quite spoilt actually because there’s always knowledge, advice, help being given out. Rather than people trying to go freelance and not being able to deal with the problems that they come across that’s a fantastic environment to work in.

J: We want to identify other designers that can come and work with us; I mean it is a fantastic opportunity really, from the prize point of view but also the possibility of a job with us.

This shows strong correlation with Baron et al’s (1996) Commitment ideal type, as discussed in the review of the literature. This is where the basis of attachment and retention is founded on a premise of ‘love’, selection is reliant on the notion of ‘fitting in’ with business values and management and control is via peers or organisational culture.

However, the business owners’ perception of commitment changed through the start-up phase. As the businesses got busier and more formalised processes were employed, greater focus was placed on ability to complete tasks and co-ordination and control became managerial. Across all four cases, there was an expectation of the acquiescence of employees.

H: “It’s massively important that people will keep their head below the parapet – we need people like that, Just say yes!”

D: “I mean, I’m the boss, I need them to respect that. It’s just all this questioning all the time and it’s doing my head in when I know what I’m doing and I just need them to get on with it.”

This suggests a shift to the Factory ideal type (Baron et al., 1996). Despite this, there remained an assumption of commitment from the employee point of view, i.e. the basis of attachment presumed by the business owners remained one of love. The exception to this was Kildo who managed a transition with their first employee (M1) from a Commitment model to Engineering. According to the rules set out by Baron and colleagues (1996, 2002) this would still place the businesses within a Commitment ideal type. For the researcher, this contradiction represents a problem that was evident in the research. Business owners were operating on assumptions
that the employment model was one of Commitment, as this was the premise on which they had made their recruitment decisions. This was despite changes in their actions. When frictions occurred in the businesses, this was often due to a disconnect between employee and owner expectations of the relationship. Baron et al's (1996; 2002) model fails to take account of this contradiction between the business owner’s perception of operation and employees lived experiences – it is, perhaps, a rather naïve categorisation.

Whether or not the businesses fit with Baron et al's (1996; 2002) ideal types, all four cases discussed commitment to the business explicitly at some stage of the research process. This was in terms of a desire to find committed employees, recognition of the benefits or qualities of employees, or as a means of justifying why employees were no longer suitable. Taken on its own, commitment could be perceived as an additional feature of fit. However, the emotive way in which the business owners discussed it suggests that it is linked to a deeper sense of belonging or attachment. A second, connected element of this was trust, which will now be explored.

5.6.3 Trust

Throughout the research, trust was seen as a key dimension of employment relationships, particularly when no formal agreements of collaboration were in place. This concurs with Larson's (1992) study of entrepreneurial networks, which suggests that trust and reciprocity form vital social controls in the place of formal contracts. In correspondence with earlier research, he found there are two dimensions of trust; one in relation to social or emotional relations and the other with a more rational, economic focus. McAllister (1995) labels these ‘affective’ and ‘cognitive’ trust.

Affective trust resides at an interpersonal level and is developed when people invest emotions in a relationship, believe in its intrinsic value and believe that their trust will be reciprocated (McAllister, 1995; Smith & Lohrke, 2008). Cognitive trust is the
conscious decision of an individual to choose to trust based on the knowledge they have available about the other party (McAllister, 1995). As it is based on knowledge, it usually requires frequent interactions - testing and re-testing of boundaries. The two types of trust are neither mutually exclusive nor necessarily independent as one may inform the other. Leung et al. (2006) suggest that at early stages of business emergence, affective trust will play a more dominant role than cognitive trust. This is due to entrepreneurs utilising ‘strong ties’ in their networks, with who trust relations have already been developed (such as family and friends). As business exchanges move from personal to organisational, cognitive trust has a larger influence (Leung et al., 2006).

This research found that although both affective and cognitive trust was present in relationships throughout the research period, there was no evidence to support a shift from affective to cognitive trust. In fact, the opposite appeared to be true. When looking to build employment relationships or ‘strategic partnerships’, the businesses often used trial periods or tests as a means of gauging the level of trust they would subsequently place on the relationship. Initial interactions were often informal or of relatively little value so if the relationship failed, losses would be minimised. Trust development between business owners and other parties (employees or other organisations) became a recursive process of accretion – a looped rather than linear process.

Once sufficient cognitive trust had been developed, through testing and conscious judgment, a more affective approach to trust developed. Sufficient time and interactions enabled the business owners to use emotional judgment. Across all cases, there developed a sense of an inner network of trusted individuals. Those who had ‘passed’ the cognitive trust judgment were admitted into this network and were afforded a deeper level of trust. Those who failed to meet the business owner’s expectations of trust were either discarded from the network or kept at arm’s length. Kildo explicitly referred to this inner network as “The Circle of Trust”.

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The central notion is of a unit that you have to enter in order to become part of the circle. Entry is not permitted to just anyone, there is a sense of in-group and out-group. There are some essential uncodified tests that new members of the circle of trust must pass in order to gain admittance. Once within, members experience a level of trust and belonging which they require in order to carry out their role.

Extract of email from C of Kildo describing The Circle of Trust. The full version can be found in Appendix V.

Admission into this inner trusted circle occurred across the cases in the longer-term formal employment relationships. Examples of which are provided in the table below. Whilst these relationships took time to develop, there were others that were founded on the implicit assumption of trust. These were either family or “fictive kin” (Rose Ebaugh & Curry, 2000) relationships. They were based on a familial and unquestioning notion of trust more akin to love. This will be discussed further in the next section, however, it is worth noting that recruiting family or fictive kin offered a short cut to the establishment of affective trust.

Attachment was built by the slow development of trust that had been tried and tested over multiple interactions, using cognitive and affective judgments. Trust was, therefore, a dynamic and multidimensional relationship attribute that was both the sum of business owners’ decisions and shaped future decisions about individuals and recruitment. Without trust, they would not engage in the relationship and frequently a loss of trust was the reason articulated for a relationship terminating. The loss of trust then shaped the perception of future recruitment decisions.

D: “The biggest thing in a person is that I needed someone I can rely on and trust, who I know could make certain decisions and it would be Meet:Eat first.

H: “He still does occasional internal stuff. So he deals with that admin tool but he doesn’t deal with customers and he doesn’t deal with the product directly. We don’t trust him enough is...He’s not grounded enough to be given full access to everything. He also does development on the side, trying to build his own reputation up and his own name and for me that stinks of
Throughout the research the need to trust individuals was central to the business owners’ perception of recruitment decisions. Larson (1992) suggests that trust plays a particularly important role in business start-ups because of the inherent uncertainty. In this sense, it offers an instrumental benefit of risk reduction - in the words of one of the research participants, trust enables business owners to “inspire and expect rather than control and police.”

5.6.4 Kinship

As the previous two sections have discussed, attachment requires fit, commitment and trust and these factors influenced the decisions made about employment relationships in the cases studied. These are flexible, dynamic attributes that were subject to changes in perception throughout the research period. A third facet of attachment evident across the cases, but much more concrete in its form, was familial relationships or kinship. These were strong and enduring relationships that included blood relations, partners and close friends. The characteristics of these relationships were faith, support and love.

**Faith** – An unquestioning assumption of reciprocal trust.

*B: “Because we’ve known him for years and he’s sort of one of us really. I don’t have to manage him because I know how he works and know he’ll just get on with it.”*

**Support** – An expectation that individuals would step in or step back as businesses required. ‘Being there’ for the business owner as a sounding board or extra pair of hands.

*T: “Well she’s been here since the beginning and it’s as much her as me really. So, yeah, all hour’s god sends I suppose but then she’s happy to do that.”*
Love – An implicit assumption that they loved the business as an extension of the business owner. They would put its best interests first.

D: “This whole thing is going to create, hopefully, our future. She’s like that, I’m like that and my mum and dad, even though they’re part-time, I can trust them and I know it’s like a family business now isn’t it, at the core, but everyone and now L will be Meet:Eat. They will all work 110%.”

The familial relationships were not restricted just to direct family members. Some enduring friendships and also long term employment relationships also displayed the characteristics of faith, support and love as defined above. Rose Ebaugh & Curry (2000) label these relationships as fictive kin. They act as a web of interpersonal relationships that replicate many of the rights and obligations usually associated with family ties.

Exploiting kin and fictive kin relationships as a means of additional resource has multiple benefits, which have been documented in the extant literature. Firstly, engaging kin and fictive kin to meet immediate resource need is often a cheaper alternative than ‘buying in’ strangers (Ram & Holliday, 1993). This was certainly the case in Meet:Eat. The owner manager used his parents initially on a free basis in order to get the business up and running. It may also offer cost savings via limiting the need for management and supervision, as evidenced by C in his Circle of Trust explanation (see Appendix V) (Taylor, 2006). A further potential economic benefit is that employing kin and fictive kin keeps money in the ‘family’ (Taylor, 2006).

D: “She will make sure she’s on top of them because she knows the more sales we get in the better it is for both of us. The more sales we get in the closer it is for the role splitting, the more she’s taking off me, which then means we’ll have more money coming in for me and her to spend which will then mean we’re closer to our overall vision.”

C: “You’d rather pay someone within The Circle than outside wouldn’t you? If there’s an opportunity to give the money to my sister or H’s wife then I’d rather do that than pay some stranger.”
Benefits were also considered in more intangible terms of trust and reciprocity. This echoes the findings of Baines and Wheelock (1998) who suggest that family and family-like ties offer support to business owners as well as resource. There were multiple instances of the business owners using kin or fictive kin as a ‘sounding board’ for decisions (as per the two examples below). In doing so, they may have acted as a sense making tool (Weick, 1995).

D: “My mum’s always said she never thought R was good enough for the money.”

J: “P [uncle] who’s sort of our mentor he’s looked at our plans and thinks this is the way to go, better focus.”

The extent to which these relationships could be exploited depended in some part to simple geography – Kildo and Meet:Eat were Manchester based business owners. Their families and long-term friends lived close by and were part of their day-to-day network. Activating familial relationships as a means of additional resource was, therefore, simpler than for TRU and MOVE who were geographically further from home and familial ties. Kildo and Meet:Eat were able to exploit kin and fictive kin as a specific source of additional social capital and resource that negated the need to employ from outside their network in a way that the other two businesses were not.

This is not to suggest that there are not problems with the management of those relationships, certainly there were moments of doubt, conflict and role ambiguity. But employment of kin and fictive kin circumvented the need to seek out (or develop) the other aspects of attachment – commitment and trust. As such, the ability of the business owners to draw resource from their family ties influenced the decisions they made about recruitment. This links back to the notion of effectuation (Sarasvathy, 2001). A larger number of kin and fictive kin relationships gave the business owners more ‘means’ from which to quickly select resource using an affordable loss principal (i.e. no initial major financial outlay) (Sarasvathy, 2001). The relative availability of kin and fictive kin to the business manager, teamed with their
ability or desire to recognise the value it may offer, influenced the range of employment decisions taken. In some instances, it enabled less formal but more attached relationships to support business activities. In other instances, it acted as a barrier to developing more transactional relationships, as interactions were judged against the notion of a deep sense of attachment.

Despite the range of potential benefits to the business, there was a certain dismissiveness or embarrassment at the use of family members as a resource. Relations were described in formal terms, using first names rather than their family title of mum or uncle and the business owners were at pains to describe how the relationship was business-like or formal.

H: “Well K [H’s mum] is our investor. We put together a formal plan and presented that to her. That enabled me to work full-time on Kildo during the development.”

In one instance, one participant (D) even seemed to shy away from telling the researcher he had employed his girlfriend. After lengthy discussion about the structure of the new role, he was asked;

Researcher: So what does this person need to be like? You said you’d written the job spec?

D: Erm, I’ve recruited.

Researcher: OK

D: Erm, Well this will keep you smiling, er, it’s my girlfriend.

There is a suspicion that non-formal and familial employment relationships were perceived as somehow less legitimate than other relationships and, therefore, were presented in a way that increased their acceptability to social norms. Further discussion of the role that social norms play in the business owner’s perception of self and business will follow in section 5.8.
Summary

Attachment, as a theme running through the research findings, has been conceptualised as a dynamic, multifaceted mechanism that influenced employment decisions in the small businesses studied. It compromises the interconnected notions of fit, connection, trust and kinship. Connection and trust were considered vital for ongoing employment (or strategic partner) relationship and were constructed over time and on a recursive basis. Kinship afforded this process to be circumvented to some degree by offering attachment by assumed family like rights and assumptions. The ability (and desire) for business owners to draw on kinship relationships affected the extent to which they needed to seek employees from outside their immediate close network, and thus the extent to which commitment and trust influenced ongoing decisions.

The higher the level of attachment employees offered (based on perceived fit, commitment, trust and kinship), the greater the owner manager was able to delegate or detach from certain business activities, post hoc. As such, attachment both enabled and constrained the future decision because of its influence on business control. The concept of control and its influence on employment decisions will now be discussed.

5.7. Control

The penultimate theme that will be presented is that of control. Throughout the research period, the owner managers displayed varying desires to be ‘in control’ of the business and fears around delegating to staff influenced their recruitment decisions. This is not a new finding. The inability or reluctance of business owners to delegate is a well-rehearsed line in the extant literature (Culkin & Smith, 2000; Mazzarol, 2003; O’Farrell & Hitchens, 1988). As has been discussed in previous sections, there was evidence of multiple factors that influenced business owners’ perception of potential and current recruits and thus their confidence (or inclination)
to delegate. The complexity and contingency with which these factors influenced decisions does not allow for the description of a single, linear causal relationship. A combination of attachment, fit, contingencies and capacity all combined in various ways and either enabled the business owner to relinquish some control, or not.

It is, therefore, not this conceptualisation of control that this section will focus on. Instead, it conceptualises control as the ability of the business owner to control the organisational destiny. All four businesses were, to some extent, enmeshed with other systems that shaped the employment decisions they made. Prominent (and already discussed) was the nature of business support available to each business. Enterprise support can be considered a social structure that can influence employment decisions. As was seen in this research, all four businesses engaged in some level of support initiatives. However, the extent to which these influenced actual decisions made varied. Two of the four (TRU and MOVE) businesses became highly enmeshed with these systems – their level of control appeared to be diminished in a bid to fit with the expectations of the funding/support. TRU, for example, had not planned to recruit but their decisions became entangled with the current support initiatives;

J “We were only looking for one and somehow we turned around and had three! Good opportunity though to really push for growth because we’ve got capacity.”

This theme links closely with the notion that the businesses sought legitimacy. According to (Stinchcombe (1965), increasing legitimacy has the potential to counter the liability of newness often faced by start-up businesses. However, in a bid to conform to social norms, two of the business appeared to lose some level of control over recruitment decisions.

This was also the case when we consider the extent to which business owners’ recruitment decisions were driven by market or business imperatives. Linking to the concept of capacity (discussed earlier in this chapter) there were marked differences in business owners’ reactions to market forces. This research took place during a
time of significant economic pressure (2009-2012). All four businesses faced constraints in terms of gaining investment and opportunities in terms of an increasing pool of potential candidates (due to decreasing employment opportunities for graduates and redundancies). However, the extent to which these influenced the decisions varied both between cases and over time (as can be seen in the cases presented in Chapter Four).

The owner managers also displayed differences in their perception of personal control. At one end was a total belief in ability to control both the business destiny and the recruitment choices. This links to the notion of an inner locus of control often referred to as a characteristic of entrepreneurs (e.g. Brockhaus & Horwitz, 1986). This appeared to be based on little more rationality than a confidence in perceived ability. D for example, put his early recruitment decisions down to a quasi-spiritual ability;

D “I needed someone so I manifested him. It was the same with T. I can do that.”

At the opposite end of the spectrum, there were examples of the business owner perception of recruitment decisions as being totally out of their control, down to luck rather than any planning or judgment. The reason that this theme is important to highlight is that there seemed to be very little consistency between the owner managers’ perception of control and the decisions they made. Both the normative HRM and business growth literature espouses planned, strategic approaches. Yet, it seems that this is hard to achieve when the understanding of personal control cannot be easily understood.

5.8. Perception

The final and somewhat overarching theme to be presented in this chapter is the concept of perception. All other concepts presented in this chapter are in some way dependent on the perceptions of the owner managers. Perception in this sense is
about how business owners make sense of the things they have done (hindsight) in order to understand where they are (insights) and thus make plans for the future (foresight). Perceptions about self, the business, the role of the family/fictive kin, what being an employer was, the notion of business itself and innumerable others were evident throughout the course of the research. These perceptions formed the constructed reality of the research participants. As such, they provided insights into the individual decisions made on an instance-by-instance basis and shaped the cases presented in Chapter Four. These perceptions were then considered and analysed via the thematic coding and abstract conceptualisation that resulted in the themes presented in this chapter. Hence, this section is not looking at the individual occurrences of individual perception, but rather the sum of the parts.

6.7.1 Hindsight
There were multiple examples of participants reflecting on decisions they had made, often providing post-rationalisation via sense making. Sense making is an ongoing activity that examines past practices in search of the plausible in order to learn (and unlearn) things about the current context (Weick, 1995). It is the perception of things after they have occurred in order to develop better plans for the future. The key element of this is that explanations sought need to be plausible to individuals. Hindsight, according to a sense making approach, needs to be credible to the individual rather provide accuracy (Weick, 1995). There was an a priori assumption that because of the research design, participants would be afforded the opportunity to reflect on employment decisions made during the data collection meetings. There was a hope that this would provide dual benefits. Firstly, in offering the researcher insights into past decisions and how they shape future plans (foresight). Secondly, enable the participants to make sense of decisions already made and learn from those decisions. Whilst the first was certainly true the latter happened to a much lesser extent.

The participants used reflection and hindsight to develop plausible explanations. However, there were multiple contradictions, misremembered actions and what
seemed to be improbable explanations of the current context in light of decisions made. Far from being 20:20, hindsight was often short-sighted in that it was used to justify immediate decisions with little or no critical consideration of alternatives. This hindsight bias (Fischhoff, 1975) was evident across the cases. However, it could be suggested that this is an example of effectuation (Sarasvathy, 2001) being employed by business owners. Facing an unpredictable future, there is a focus on short-term experiments to identify business opportunities (Chandler et al, 2011). This is in contrast to causation, where future challenges are predicted with the use of up-front definition of the objectives. This, however, presents a problem with effectuation. Effectuation is considered useful if it enhances the decision maker’s ability to try multiple experiments in order to find a best way. Yet, rather than challenge perceptions, the sense making that took place during the research confirmed previously held biases. In short, whether good or bad, history often repeated itself, or at least rhymed.
6.7.2 Insight

If we consider hindsight as being the ability to reflect and learn from the past, insight as conceptualised in this research is the ability to interpret and respond to the present. Recruitment decisions throughout and across cases depended to a large degree on the business owners’ perception of what they had (contingencies) and what they needed (capacity). The perception of these two elements combined seemed to offer a decision making strategy either based on effectual reasoning or causation (or a combination).

Where; i) there was a perceived abundance of contingencies (e.g. kin and fictive kin as resource, scalable technology and multiple, flexible relationships) and; ii) capacity was perceived as the maximum amount that the business could achieve without additional resource, there was a tendency for decisions to be driven by effectual reasoning. Owner managers considered “who am I, what do I know and who have I got?” This approach to insight was particularly evident in the early stages of the research. This corresponds with the work of Sarasvathy (2001; 2008), who suggests that effectuation is most useful when uncertainty is high and resources are low. It involves the “exploitation of environmental contingencies by remaining flexible” and “an emphasis on pre-commitments and strategic alliances to control an unpredictable future” (Chandler et al, 2011 p377).

As the research progressed, there was a shift across all four businesses to a more strategic evaluation of their current position. This coincided with engagement in business support initiatives and increased formalisation of both practices and business relationships (employment, strategic partnerships etc.). In three of the four cases, the notion of capacity shifted from an emphasis on meeting need to an emphasis on building capacity in order to grow. This resulted in employment decisions being taken ahead of need. “Where are we now?” became “Where are we going?” The forward focus approach appeared to lessen the ability of the business owners to enact effectual reasoning – the end was becoming clearer and thus they sought to create the means.
6.7.3 Foresight

Foresight as conceptualised in this research relates to the ability to predict and prepare for the future – or more appropriately, the perception of that ability. All four businesses demonstrated forward planning and forecasting to some extent but approaches varied in terms of the relative development of contingencies and capacity. In the first instance, there was an acceptance that knowledge of the future was incomplete. Capabilities were developed that would enable the business to scale were it possible, but would not put undue strain on cash flow were it not. This represents effectual logic in that planning was founded on a principal of affordable loss (Sarasvathy, 2001). Business owners planned (and took decisions based on that planning) whilst acknowledging that future outcomes may not materialise (Sarasvathy, 2001). In developing contingencies they were ready for growth, but also safe should growth not come. As such, this approach to foresight represents a risk avoidance strategy.

The alternative approach to foresight represented more of a causative approach. This rests on an underlying assumption that “if we are able to predict the future, we are able to control it” (Chandler et al., 2011 p377). When adopting a more formal planning approach, the businesses focused on strategies that would deliver maximum expected returns. This often resulted in building capacity ahead of need and in anticipation of ‘planned’ growth. The championing of forward planning and rational decision making by support initiatives and mentors appeared to affect the extent to which business owners adopted this strategy. This espousal of this normative approach permeates enterprise support and entrepreneurship pedagogy (Chandler et al., 2011). It could be argued that this was a positive step – in adopting formal planning, the businesses would be better placed to deal with the future. However, this rests on the assumption that there can be complete knowledge. In the cases (and in small businesses more generally) knowledge was incomplete. Future plans were based on the confidence of the individuals to control external factors and their own optimism of growth. This represented a riskier strategy - if
growth does not occur, capacity rather than contingencies had been developed, often incurring costs in terms of time and overheads.

A related issue is that a micro- or start-up business is often inseparable from the owner manager (Baines & Wheelock, 1998; Culkin & Smith, 2000). Whilst it may have been possible to predict some business eventualities, this clairvoyance did not extend to the personal life. Of the six business owners (two business partnerships, two individuals), six all started co-habiting with their partners over the research period. As individuals in their twenties and thirties, this is perhaps unremarkable for an outside observer. However, it was pretty remarkable for the individuals involved. In some instances, it marked a change in the business owner’s perception of the business. There was now a responsibility beyond self that needed to be considered.

Foresight is contingent. It depends on enacting effective hindsight (where have we been?) and insights (where are we now?). A rational, formal and causative approach is dependent on clear and objective hindsight and insight. Yet in the cases observed this level of perception was rarely reached. This suggests that in highly dynamic, ambiguous and unpredictable contexts (such as in business start-up), the efficacy of causative approaches may be limited.

**Summary**

Perception has been defined as the process of becoming, and state of being, aware of something in a particular way. This chapter has presented hindsight, insight and foresight as the elements that constitute perception. This concept was dominant throughout the data collection and subsequent analysis. Despite the strong influence on other themes discussed in this chapter, each employment decision was largely dependent on the perceptions of the business owners.

**5.9. Chapter Summary**

This chapter has presented the conceptual analysis associated with the research study. In doing so, it has identified the key concepts that relate to the research
objectives and their influence on employment decision making in small businesses. Whilst the cases and associated findings presented in Chapter Four related to the cases specifically, the analysis and discussion in this chapter has drawn from other contextual data along with literature and contrasting theoretical frameworks. In doing so, it has moved from the concrete to the abstract (Tsoukas, 2005).

The key concepts presented in this chapter are:

Capacity – Business owners’ decisions were bound by their own notion of the businesses’ capacity. The chapter presents two definitions of capacity: (i) Capacity as the maximum amount that the business could achieve without additional resource and (ii) Capacity as the maximum amount that the business might achieve with additional resource. The perception of capacity influenced whether business owners recruited in order to meet or drive demand.

Contingencies - Contingencies are defined as provisions for future events or circumstances that will impact on growth and are liable, but not certain, to occur. This theme relates to the ongoing effectual development of things such as resources, technology or relationships. These enable a business to meet immediate demand and offer opportunities for future scaling of the business. When used sophisticatedly, these contingencies negated the need to employ additional resources in a formal manner, thus contributed to the decision making processes regarding employment. However, poor consideration and use of contingencies led to increased costs associated with buying in and managing additional skills and labour.

Formality – Much of the extant literature suggests that recruitment in small business is ad hoc and informal, however, formality increases with size. Broadly, the research study concurs with these earlier findings. Evident in all cases were formal relationships without formal contracts and vice versa, suggesting our understanding of formality would benefit from a more nuanced approach. Additionally, it is noted that increased formality is relative – it is often only formal in relation to how it had
been before, rather than formal in accordance with normative descriptions of HR practice. Drivers of formality are strongly linked to external influences, particularly a quest for legitimacy and to conform to norms perpetuated by business support initiatives. This chapter suggests that whilst formality may support business development, loss of flexibility may also limit it.

**Attachment** – This concept is defined as a deep connection between individual and business based fit, commitment, trust and often kinship. Attachment as a theme running through the research findings has been conceptualised as a dynamic, multifaceted mechanism that influenced employment decisions in the small businesses studied. Within the small business and HRM literature, the notion of fit and the importance of the owner manager networks are considered vital. Certainly, the reliance on networks became an enabler in that it offered a pool of resource and the opportunity to increase social capital. However, it also constrained the businesses by preventing novel recruits. Networks and the notion of fit prevented the enactment of objective consideration of prospective employees. Connection and trust were considered vital for ongoing employment (or strategic partner) relationship and were constructed over time and on a recursive basis. Kinship afforded this process to be circumvented, to some degree, by offering attachment by assumed familial rights and assumptions. The higher the level of attachment employees offered (based on perceived commitment, trust and kinship), the greater the owner manager was able to delegate or detach from certain business activities.

**Control** – Control is conceptualised as the ability of the business owner to control the organisational destiny. There seemed to be very little consistency between the owner managers’ perception of control and the decisions they made. Frequently, the business trajectory was shaped by external influences beyond the immediate control of the owner. Conversely, there were assumptions of control by the owner managers when it was patently impossible (such as ‘manifesting’ employees). This theme highlights the influence perception has on the decisions of the owner manager, and is the final theme in the chapter.
Perception - This chapter presented hindsight, insight and foresight as the elements that constitute perception. Each employment decision was largely dependent on the perceptions of the business owners. Whilst hindsight was evident via sense making, there were frequent examples of post-rationalisation that prevented changes or challenges to perception. The chapter draws insight as something evident in the early stages of the research – and linked to effectual reasoning. However, this became less evident as formalised planning processes took place. Again, the notion of foresight or forward planning aided a discussion of the differing decision making approaches of the businesses. Whilst a causative approach may be the espoused approach within business support and education, it relies on a notion of complete knowledge not evident in the businesses.

Each of these themes influenced employment decision making in the cases. Together, they highlight that decision making is complex, contingent and contextual. Whilst the perception of the owner manager will drive action, these have been shaped by multiple factors such as social norms and social structures. The following chapter draws together these themes in order to provide theoretical and methodological contributions and, critically, evaluate the implications of these findings on policy and practice.
Chapter 6 Conclusions, Contributions, Limitations & Further Work

The purpose of this chapter is to draw conclusions from the research. This research sought to critically investigate the complexities of employment decision making in a start-up business context. Employing the theoretical lens of effectuation, this study moves towards an expanded theory of human resource management in growth orientated start-up businesses and provides an empirically grounded conceptualisation of effectual logic in practice in a start-up business context. The various elements of this expanded understanding are presented in this chapter as the theoretical contributions of the study. Each of these will be considered in turn before attention is turned to the policy and practice implications of the study. The chapter then considers the methodological contributions offered by adopting a sense-making approach, limitations of the study and avenues for further research in this area.

6.1. The role of ‘hrm’ in growth orientated small businesses

This research offers an expanded understanding that “HRM’ as it is applied in larger organisations is not applicable in a start-up business context. Instead, we as researchers should be considering a form of contextualized “hrm” and the role it plays in growth orientated small businesses. It is for this reason I label it in lower case. Meaning is discussed further in this section.

This research has shown that business owners use multiple, complex quasi-employment practices to support growth. They are contingent and reflect the uncertainty associated with business development. Whilst they may be less formal in contractual terms than those found in larger businesses, they often mirror traditional employee/employer relationships. The most germane conclusion of this research is not that relationships adopted are often informal and are influenced by
the network as this has already been discussed in the extant literature (e.g. Barrett et al., 2008; Cardon, 2003; Matlay, 1999; Mayson & Barrett, 2006). Instead, the conclusion (and contribution) is that the notion of informality needs to be reconsidered.

If we take the literal meaning of HRM, it is clear that it *should* encompass the management of all human resources. However, too little focus is given to non-formal and non-traditional relationships in the extant literature. By continuing to focus attention on applying larger models of HRM to smaller businesses, academics risk being blinkered to the realities of small business personnel practice. The resultant exercises will undoubtedly continue to suggest that small business practices are *informal* and *ad hoc*, because these are the frames of reference in which the research is conducted.

It seems that the pursuit for understanding into small business human resources is stuck in a functionalist paradigm (Burrell & Morgan, 1979). This promulgates normative comparisons of practice against preconceived notions of what is deemed right. In adopting a pragmatic research perspective, this research has identified that kinship, trust, love all play vital roles in human resourcing decisions in a small business context, and should not be downplayed because they do not neatly fit with larger business HRM models.

Across the four case-study businesses, by far the most frequent employment decision was formally recruited employees. This suggests that there is a role understanding the functional aspects of HRM in growing businesses. However, the research shows that a wealth of human resource activity occurring outside the boundaries of traditional formal recruitment. This included kin and fictive kin, mentors, interns and strategic partnerships. The cases observed frequently used “off the books” employees to support growth in a contingent and effectual manner.
6.1.1 Kinship

Familial (kin and fictive kin) relationships support growth by acting as a resource-buffer. Additionally, they provide high levels of attachment (fit, commitment, trust and love) and act as a short cut to the establishment of affective trust. Their ready availability to the business owners meant that they supported effectual (means-end) (Sarasvathy, 2001) decision making. The larger the network of kin and fictive kin, the more able the businesses to adopt a means-ends approach to recruitment. Despite their usefulness in supporting business activity, there was dismissiveness on the part of the business owners in describing these relationships. These relationships were considered as less legitimate than recruiting strangers. Kin and fictive kin offer additional social and human capital to start-up businesses, but whilst formal relationships continue to be espoused as ‘best practice’ the benefits they offer may be ignored.

Of course, the use of kin and fictive kin may have negative effects on those ‘employed’. It was beyond the scope of the research to consider the impact this has on family relationships and friendships. However, this provides an interesting avenue for future research. With all relationships adopted, the notions of fitting in and who you know were identified as being critical. This adds weight to the already large body of literature that emphasises the importance of networks as a source of social capital for small businesses (e.g. Macpherson & Holt, 2007; Nahapiet & Ghoshal, 1998; Rose Ebaugh & Curry, 2000; Smith & Lohrke, 2008; Stam, Arzlanian, & Elfring, 2014). However, the embeddedness (Granovetter, 1973) of the businesses in their network meant that business owners were locked in certain assumptions about the people they hired, preventing potentially novel recruits.

6.1.2 Legitimacy

A further conclusion drawn from the research is that hrm decisions were driven by a need or desire for formality. The need for formality was driven by legal and practical reasons (e.g. legislation or delegation). However, the desire for formality appeared to be linked to the notion of business legitimacy. There was pervasive sense
amongst participants that in order to be a ‘proper’ business, you need to have people working for you. Recruitment (even in the loosest sense) represented a step towards legitimacy for the business owners. Increased formalisation of relationships cost the businesses in terms of time and money, yet were seen as inevitable; a necessary evil of growth. This raises the question of what we want our businesses to be. Whilst societal expectations focus on formality and traditional recruitment as a proxy for legitimacy in business, start-up business owners may be hoodwinked into recruitment decisions ahead of time.

In summary, this study provides an expanded understanding of hrm in a start-up business context. It is characterised by multiple quasi-employment relationships, frequently dependent on kinship, and notions of business legitimacy often drive formality. The implication of this for researchers is that comparing business start-up hrm with larger business HRM will undoubtedly result in dismissing start-up practices as informal and ad hoc. This misses the point. This study asserts that any attempt to align the two is futile and a more productive approach is to consider the relative merits of each, in their own contexts.

Having considered the role of hrm in a start-up business context, this chapter now turns to the role of effectuation in the hrm decision making process. In doing so, it relates back to the principals of effectuation (Sarasvathy, 2001, 2008), demonstrating how the theory has been expanded by this study.

6.2. Effectuation in hrm decision making

Despite increased interest in effectuation as a theory for understanding decision making in entrepreneurial contexts, it has seen relatively little development in terms of empirical studies. (Perry et al., 2012) This study was the first to employ effectuation as a lens for understanding employment decision making in a start-up context. In summary, effectuation is a decision making framework conceptualised by Sarasvathy (2001, 2008) as a non-teleological approach to decision making under uncertainty. When an individual uses effectual logic, he or she will begin with a
given set of means, focus on affordable loss, emphasise strategic partnerships or alliances, exploit contingencies, and seek to control an unpredictable future (Perry et al., 2012; Sarasvathy, 2001; Wiltbank & Sarasvathy, 2010).

Rather than begin with certainties it enables individuals to consider “Who am I? What do I know? Whom do I know?” and using the answers to these questions to then respond to the question “What can I do?” (Sarasvathy & Dew, 2005 p 543).

This study found multiple examples of effectual logic being employed. Most notably is the development of effectual contingencies such as the development of strategic partnerships from the owner managers network (see Table 31, p 209) and selecting future flexible employees (e.g. Kildo and MOVE, p 210).

6.2.1 Effectual Contingencies

Effectual contingencies are defined in this study as provisions for future events or circumstances that will impact on growth and are liable, but not certain, to occur. They relate to the ongoing effectual development of resources – be it human resource, technology or external business relationships - that enable a business to meet immediate demand and offer opportunities for future scaling of the business. When used sophisticatedly, these contingencies negated the need to employ additional resources in a formal manner. Poor consideration and use of contingencies led to increased costs associated with buying in and managing additional skills and labour.

The conceptualisation of effectual contingencies adds to our understanding of business growth by providing an explanation of the tactics adopted by business owners in response to resource needs. In doing so, it challenges the notion of dynamic capabilities found in RBV literature. Whilst a useful lens through which to view the conditions of growth post facto, dynamic capabilities (and more broadly the RBV quest for sustainable competitive advantage) offers limited prescriptive implications (Priem & Butler, 2001). Effectual contingencies, however, speak the language of the business owners themselves. They are the plans put in place that
support growth, but do not harm the business should growth not occur. In this sense, they aid our empirical understanding of the theory of effectuation (Sarasvathy, 2001). Successful, ongoing development of contingencies occurs when effectual reasoning is practiced. That is, they are means led, adopt an affordable loss principal and seek to control uncertainty rather than predict it. This challenges notions of rational, causative, planned approaches to growth and suggests that effectual logic may be a more appropriate way to develop growth in highly uncertain, dynamic environments. When contingencies are developed in an effectual manner, they offer both flexibility and stability. Evidence of this comes in the form of Kildo, which developed effectual contingencies throughout the study period, eschewing formal planning and recruitment. Growth by formal employee numbers was slower than in the other cases, but more stable. In TRU, MOVE and Meet:Eat, flexibility was lost when formal planning led to formal recruitment.

Kinship (kin and fictive kin) increased the opportunities for effectual contingencies to be developed by providing a greater number of means within an affordable loss principal (Sarasvathy, 2008). These relationships offered the additional benefits of increased attachment and a short cut to affective trust. This study found evidence of kinship offering immediate benefits to the business in the short term. Further study into the long term use and benefits of these relationships (including the influence of trust) may provide a deeper understanding of their role in contingency development for academics studying business growth.

This contribution offers researchers wishing to study the process of growth a new lens and language with which to evaluate the human resources that support it. Additionally, it contributes to the field of business growth by proposing that effectual, rather than causal logic, better supports the development of contingencies. This contribution can be seen as an empirical extension to the theory of effectuation.
6.2.2 Decision Righting

This term relates to the process of crafting a strategy to suit the decisions made, given an unfolding and complex situation. It is summarised by a phrase used by the researcher to describe the decision making strategy frequently observed in the study: When there’s no such thing as the right decision, just make a decision and then make it right. This axiom captures the efficacy of using effectual logic in a complex and uncertain environment. As such, it contributes to our empirical understanding of effectuation and the broader area of entrepreneurial decision making.

The evidence from the research was that when there was no clear right decision, due to an uncertain environment or unclear objectives, business owners frequently made a decision, then retrospectively justified this decision via a process of sense making. They also gave sense to the decision in the present by acting as if that was the best decision. The sense made justification then made the decision appear to have been inevitable. This calls into question the utility of effectuation theory for practitioners. Despite effectual logic being used, it was then retrospectively justified in causal terms.

This interplay between effectual logic and sense making is a novel contribution to effectuation theory as it enhances our understanding of the process of making decisions. Whilst causation (as formalisation and traditional business plans) may help drive more strategic decisions, it may hinder flexibility and fluidity in the very early stages of business development. However, this approach to making sense of decisions may mean individuals become locked in behaviours that are unhelpful or undesirable for the business, suggesting that some objective strategic analysis is still required to avoid hindsight bias. The extent to which provides an interesting avenue for further research. The concept of decision righting adds to the nascent field of effectuation by offering a data driven conceptualisation of what it looks like in practice.
6.2.3 Capacity as a indicator of effectual logic

Sarasvathy (and others who have researched in this area) do not suggest that effectuation is superior to causation; but that it offers an alternative explanation of decision making that is particularly useful in situations of uncertainty, where general aspirations rather than specific goals are known, as per a start-up context. This study found that the own managers’ notions of capacity influenced the extent to which effectual logic was employed in employment decision making. The two opposing conceptualisation of capacity have been referred to as ‘Hire when it Hurts’ (driven by perceived need) and ‘Build it and Business will Follow’ (driven by perceived opportunity).

‘Hire when it Hurts’\(^\text{10}\) conceives capacity as the total productivity the business can achieve without additional resource. It is dependent on careful evaluation of current operations to identify where there are ‘pinch points’ – i.e. where there is no longer any capacity and not hiring will actually damage the business. When ‘Hire when it hurts’ principals are adopted, business owners are more likely to adopt a risk avoidance strategy, using a means-ends (effectual) decision making approach to human resource issues. Recruitment is likely to be task based, with clarity and formality of role.

‘Build it and Business will Follow’ conceives capacity as the total potential productivity possible with additional resource. It is dependent on business owners considering there to be an opportunity for growth via increasing resources. In effect, it is hiring before need rather than in response to it. Decisions are made using causative (ends-means) logic and are often triggered by events external to the company. In this specific study, the most predominant of these was business support initiatives offering subsidised employees. The two contrasting views of capacity are summarised in Table 32..

\(^{10}\) A phrase used by Kildo during the research, which they had read in the 37 Signals book, *Rework* (Fried & Hansson, 2010) and has been used in this research because of how appropriately it describes this perception of capacity.
Table 32. Summary of the opposing definitions of capacity

<table>
<thead>
<tr>
<th>Capacity as...</th>
<th>Driven by...</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>..the maximum amount that the business could achieve without additional resource.</td>
<td>Perceived need, evaluation of ‘pinch points’ and effectual decisions.</td>
<td>Internally influenced risk avoidance strategy. Offers efficiencies but less able to take advantages of opportunities. Likely to result in task based recruitment.</td>
</tr>
<tr>
<td>..the maximum amount that the business might achieve with additional resource.</td>
<td>Perceived opportunity and causative planning</td>
<td>Externally influenced growth focused strategy. Risks Parkinson’s Law, leading to inefficiencies and cash flow drain. Likely to result in people based recruitment.</td>
</tr>
</tbody>
</table>

The evidence from this research suggests that when ‘Hire when it Hurts’ principals are employed alongside the affordable loss principals associated with effectual decision making, business stability and incremental growth is likely. With ‘Build it and Business will Follow’ principals and causative logic, faster growth (via employment) is an immediate outcome but is likely to risk inefficiencies and more unstable overall business development. This empirically grounded theory of capacity represents a contribution to our understanding of business growth. By conceptualising growth choices via business owners’ perception of capacity, we might begin to gain a deeper understanding of why some businesses are destined to grow fast but die young, whilst others show more stable, but slow development. Further, this extends the theory of effectuation by demonstrating that individual perceptions of capacity, rather than just the level of certainly about the external environment, is likely to influence the use of effectual logic.

In summary, this study has extended the theory of effectuation by evaluating how is enacted via employment decision making in a start-up business context. This has practical utility for researchers as it moves forward the discussion from predominantly conceptual to empirically grounded. These contributions challenge the normative approaches to decision making by demonstrating when, how and under what circumstances means-ends approaches are used in decision making in growth oriented start-up businesses.
In addition to the theoretical contributions, this research sought practical utility. From the philosophical underpinning and through the research objectives and design, there has been an appreciation that the businesses take action within a broader context. A key aspect of the research was to consider the implications business support had on the decisions being made. The following sections therefore offer contributions that implications for researcher and policy makers, that may effect change.

6.3. Redefining The Boundaries

At the start of the research, the participating companies would fall into the statistical definition of micro businesses as they had less than ten employees and a turnover of under £2m (EU, 2003). However, as identified in Chapter Two (Research Context) there is an abundance of categories and definitions in use within small business research and policy. These are neither static nor absolute. The research, therefore, initially adopted a pragmatic definition for considering the businesses in this research. This follows the tradition in small business research whereby definitions are adopted that are useable in relation to the aims of the project (Curran & Blackburn, 2001). The definition used was ‘individuals who start a business venture and have voiced aspirations for growth’. It was acknowledged by the researcher that this may seem an overly vague category, but was adopted because it described the current status of activity, rather than a more general statistical label that failed to take account of individual aspirations.

The research began with an a priori assumption that the term micro-business fails to take account of the multiplicity of enterprises found within the so-called ‘sector’. Certainly the literature review endorsed this notion. Much of the research into small business growth and human resourcing decisions considers larger or more established organisations. When micro-businesses are considered, this is after some level of growth. It was, therefore, (perhaps naively) thought that such definitions place undue labels on businesses that fail to capture the reality of businesses in their
infancy. However, the research process has shown that there are very real reasons why such categories are important. The businesses in this study were both enabled and constrained by such labels. The levels of business support they were able to access, the legislation to which they had to comply and their own notion of business legitimacy were all shaped by definitions of what they were.

The research suggests that it is not categorisation itself that presents a problem, but inaccurate categorisation. The businesses, in this research, fell somewhere between being a sole trader and a micro-business. The notion of a sole trader assumes no growth, but a micro-business assumes that there will be evidence of larger business practices and procedures. In the process of growth the businesses fell somewhere in between in terms of both size and shape. Over the course of the research, the businesses were all categorised (by support agencies) as high-growth businesses (the ‘Gazelles’ discussed in Chapter two). This was both flattering to the business owners and offered access to support such as mentors and interns. However, it also placed a level of expectation on the businesses about the kinds of businesses they should be. Formality of relationships and growth via employment became the measures against which they were judged.

The problem then is this; definitions and labels offer access to potential resources, but in the complex early days of growth they may also constrain the decisions made by business owners in a bid to appear larger and more legitimate. What was in evidence from the research is that during the process of very early growth, clusters of relationships are adopted to support the business to do what it does.

6.4.1 Amoebusiness

The businesses studied in this case (and many others that the researcher has encountered over the research period) fall into a sub-category of micro-businesses. By statistical measures, they are either sole traders or micro businesses. But in the fuzzy hinterland of growth they are somewhere in between; a cluster of relationships (family, friends, freelancers, mentors, partnerships, suppliers, funders)
all contributing to the burgeoning enterprise. Together these relationships become
greater than the sum of the parts. The boundaries of that group are distinct but
permeable and change in accordance with the environment and needs. This
description is reminiscent of one used by Henry Mintzberg (2003) when describing
the future of global corporations;

“Global corporations of the future will be rather like amoebas. The single celled
aquatic animal is among one of the most ancient life forms on earth. It gets all its
nourishment directly from its environment through its permeable outer walls. These
walls define the creature as distinct from its environment but allow much of what is
inside to flow out and much of what is outside to come in. The amoeba is always
changing shape, taking and giving with the surroundings yet it always retains its
integrity and identity as a unique creature.” (Mintzberg, 2003 pp 260-261 emphasis
added)

Whilst the context used by Mintzberg is very different, the metaphor translates.
Rather than small or even micro businesses, those researched in this study could be
described as amoeba businesses – or amoebusiness.

The word amoeba is derived from the Greek amoibe, meaning change and, following
Mintzberg’s (2003) metaphor, it suggests a flexible shape and sized entity,
responding to its environment. Amoebusinesses are multiple, small entities working
together in order to produce something greater than the sum of the parts. An
amoebusiness is not necessarily one singular enterprise. The informal/formal
distinction is surplus to requirements because it is the productive nature in which
these relationships work that is of interest. Amoebusinesses are small and complex
webs of relationships working together. It is the productive network of the business
owner and the people from within their network that they draw from to support
business activities. Individuals may be in more than one amoebusiness in that they
may act as a supplier for one and the manager for another. The boundaries of the
amoebusiness are what it does rather than who is formally recruited to it.
This term amoebusiness also speaks to the enterprises studied in this research and is empirically grounded in the research. Participants displayed aspirations to be more than they currently are, to ‘grow’ (a discussion of this will follow) but they did not have aspirations to grow predominantly via employing people. Nor did they have aspirations of being the next Amazon or Google. Multiple relationships adopted by business owners were observed to support business activity and sustainability. These individuals were more often than not defined by the business owners as being part of the business, despite not being engaged in a formal manner. These fluid, dynamic and contingent relationships were important to the sustainability and productivity of the businesses. But these ‘off the books’ relationships are largely ignored for their inability to fit into existing definitions.

In summary, an amoebusiness is a cluster of individuals working together to support business survival and growth. It represents a supportive, flexible and contingent web of people. This new category of amoebusinesses as a sub-category of micro-businesses contributes to our understanding of small business growth. It demarcates the fuzzy hinterland between being a sole trader and a formally structured micro-enterprise. The relevance of this contribution to academics is that it offers a new frame of reference with which to consider growth orientated small firms. In doing so, it may prompt a re-evaluation of kinship, network relationships, partnerships and their role in supporting growth.

6.4.2 Redefining Growth

Firm growth is predominantly depicted in the extant literature “as the result of a rich array of factors as well as an unavoidable step in order to increase firm profitability and business success” (Wright & Stigliani, 2013 p4). However, research surrounding decisions about whether to grow or not and the dimensions of the contexts in which growth occurs, have been neglected (Clarysse, Bruneel, & Wright, 2011; Wright & Stigliani, 2013). This research sought to contribute to both empirical and theoretical understanding of growth by considering the processes of growth from the perspective of the business owners.
In adopting a longitudinal approach, the study was able to capture business owners’ perceptions and attitudes towards growth over three years. All began the research period having voiced a desire to grow the business. However, this was not always communicated in terms of employing people. The measures of growth were considered in terms of market share, increased profits/revenue or product offering. At latter stages in the research process, growth was retrospectively perceived as what had been learnt, developed and delivered. In looking forwards, business owners continued to aspire to forwards momentum, but this was as much about survival as growth.

These findings concur with the work of Achtenhagen et al (2010) who argues that practitioners and researchers are frequently at cross purposes when describing business growth. The statistical definitions used in quantitative studies may provide utility for policy makers, but ignore the business owner realities. Whilst it may be desirable to put forward a catchall definition of growth from the perspective of business owners, this research suggests that one is not possible. The aspirations, perceptions and language associated with growth differed between businesses and across time.

This in itself is a useful contribution to the business growth literature. Despite significant attention to growth over the past 30 years, an adequate framework that analyses small owner-managed enterprise growth is yet to be developed (O’Farrell & Hitchens, 1988). This research concludes that we are often looking at the wrong thing. The business owners in this study wanted to grow their business ideas. They sought forwards momentum in developing their businesses. This may or may not result in growth in terms of revenue or employment. Yet it is revenue and employment by which growth is usually measured. If we are to understand the complex nature of business growth, we must begin by considering what it looks like to those hoping to grow. The researcher, therefore, joins Achtenhagen et al. (2010) and Leitch et al. (2010) in calling for a more nuanced approach to understanding
growth and asks if it is time to acknowledge that ‘winging it’ is just as acceptable a path to business development as a business plan.

In re-evaluating what growth means to business owners, the research contributes to the field of small business growth. Growth, from the perspective of the businesses studied, would be more accurately considered as *forwards momentum*. It may result in increased turnover and employment but learning, product development, market penetration or any number of subjective outcomes may be used to measure it. The theoretical contribution this makes is that it re-conceptualises the notion of growth as subjective. To understand growth in an amoebusiness context, researchers should first define whose definition or measures of growth they are adopting. In doing so, a more comprehensive discussion of what it means to succeed in growing may be achievable. Without this, the gap between practitioner and academic understanding of growth (as discussed by Achtenhagen et al. (2010) and Wright & Stigliani (2013) will continue.

### 6.4. Business Support

The research began with the assumption that UK business policy and support context would influence the decisions made by business owners in relation to growth. It is, therefore, no surprise that this thesis concludes in a similar vein.

The first conclusion supports the work of Kitching, Hart, & Wilson (2013) in arguing that UK employment regulations can offer businesses benefits by way of increased processes and structure, whilst also constraining them via the costs and administrative burdens associated with compliance. The assumption that regulation simply acts as a constraint is insufficient and requires more consideration by researchers. The businesses involved in this study all adhered to employment regulations *at some point*; however, they also frequently acted at the boundaries of legality when engaging freelancers or interns. Whilst employment law is there to support individuals, its lack of flexibility in regards to less traditional models of employment means that non-compliance is considered the only alternative. The
research found that ‘off the books’ employees were engaged at some point in order to meet immediate resource needs. A contribution to policy development, therefore, is to call for a ‘middle way’ of engaging human resources that provides security for both businesses and individuals.

Secondly, and perhaps even more pertinent to business growth, this study challenges the assumption that business support is always useful or helpful. Support initiatives peddle growth (and growth via employment either implicitly or explicitly) as the desired outcome for businesses. The societal and political assumptions that underpin support initiatives is that growth is good and high, fast growth is even better. This might be considered commonsense. We want businesses to grow because they will create jobs and enhance the UK economy. Except, when business growth is pushed before time it can create instability and ultimately lead to failure. In essence, businesses are growing to fail. This is when businesses, enmeshed in support initiatives and influenced by notions of legitimacy hire ahead of need, become reliant on new staff and ultimately fail when growth does not follow.

Think concept of growing to fail links closely to Parkinson's (1955) adage that work expands so as to fill the time available for its completion. And as with Parkinson’s (1955) Economist article, the notion of growing to fail is as much a political comment as it is theoretically driven. Cynically, if business churn is the objective of government policy then this presents little problem. However, it raises questions about the social justice of business support if businesses feel a pressure to conform in order to appear legitimate for the purposes of the support initiative and to ‘please’ their mentors. Rather than offering a contribution to a pre-determined field, the researcher hopes to pique the interest of fellow academics and policy makers and explore this notion in a wider context and greater depth.
6.5. Implications for Policy

Supporting business growth continues to be a mainstay of government policy. However, this research calls for a more critical review of what it is we are supporting and how it is measured. Whilst employment growth continues to be the mark against which funders evaluate support, support agencies and mentors will continue to push for employment growth even if this means some businesses are simply growing to fail.

Since the completion of data collection, the political landscape has changed. Many of the support initiatives set up under the Labour Government have come to an end. However, the Coalition Government (and one suspects future governments) continues to fund some business support and mentors are still widely used. Current initiatives include Business Start-up Loans that provide business owners with access to capital. In much the same way as providing ‘free’ interns, this may prove to push growth ahead of time and add an unnecessary financial constraint on businesses. It is not the intention of the researcher to conclude that business support is inherently bad; simply that it is not always good. Researchers, policy makers and businesses themselves would be wise to acknowledge this when considering how they are both delivered and measured.

Of course, policy must be applicable to the whole population and so a tailored approach based on individual aspirations would be impossible to develop or deliver. However, a reconsideration of measures of growth used in policy and business support may at least go some way to acknowledging that fast growth via employment is not always the best option or even desirable.

The new category of amoebusiness challenges the current statistical definitions of micro-businesses. In doing so it offers policy makers the opportunity to develop policies that support the complex relationships found in amoebusinesses. The ‘middle way’ between being a freelancer and employed is an area particularly disposed for policy development.
6.6. Implications for Practice

In terms of implications for practice (including enterprise support and education) greater emphasis should be placed on using effectual logic. This would involve developing the skills and attitudes to weigh up potential decisions and then create the conditions or contingencies for that decision to not be wrong (affordable loss principal). Although further theory testing is required, the theory of effectual contingencies advocates the promotion of using effectual logic to create contingent tactics, rather than pure traditional strategic business planning, in highly dynamic and complex environments such as business start-up.

The implications for practice are also directed towards the business support community. The research calls for a greater acknowledgement of the multiple, subjective measures of growth to be considered when developing and delivering support initiatives. Whilst funding continues to be driven by statistical measures of growth it is acknowledged that this is no easy task. But individuals engaged in supporting businesses (which includes the researcher herself) should question their actions before advising business to perceive successful growth only in these terms.

The conceptualisation of amoebusiness speaks directly to business owner and offers a label to which they may identify. This may overcome (or at least challenge) some of the issues associated with legitimacy. Being an amoebusiness, with complex, contingent and dynamic relationships supporting business activity, means that compliance with larger business notions of formality is not required. In line with principals of effectuation, ‘winging it’ is okay.

6.7. Methodological Contributions

In terms of the specific research method, a longitudinal process study was conducted. This was in order to observe decisions relating to human resources over time and in context. Many studies of growth suffer from success bias. That is, the studies are retrospective, looking at companies who are still in existence and are,
therefore, successful. The complexity of the decisions during the first steps of growth become masked. Adopting a longitudinal process approach enabled the complexities of decision making to be explored. Of course, in the diverse and buoyant field of small business research, longitudinal studies are nothing new. However, within the specific area of employment decision making, this study represents a methodological contribution. It has identified what happened during growth, rather than simply reporting the outputs of growth, thus answering calls from the likes of Leitch et al. (2010), McKelvie and Wiklund (2010) and Brown and Mawson (2013) for a reconceptualisation of growth as process.

The novel mapping approach to data collection utilised alongside semi-structured interviews also represents a contribution. Within qualitative approaches that seek to build theory, the aim is to ensure there is a match between observations and the theoretical ideas they develop (Bryman and Bell, 2007). Additionally, the enquiry must be credible to the participants themselves (Marshall and Rossman 1999). The co-creation of maps ensured these notions of trustworthiness. In adopting a sense making approach to data collection, participants selected the tools they needed in order to convey their story and make sense of the complex, changing environment in which they were making decisions. For the researcher, they assisted in making sense of the complex, interrelated factors and processes relating to staffing decisions. The visual artifacts became maps in the cartographical sense; they presented the terrain as it was at the time. They became both a starting point and reference point for later discussion, reflection and data collection.

Additionally, the maps became a very practical response to data analysis issues. There was initially an expectation that whilst all maps would be different, there would be some similarities, which would enable visual comparability between participants’ maps. This was not the case. The maps varied in style and content so much that only by eliciting underlying assumptions and links within the mapping sessions was analysis possible and, therefore, comparability after the event was impossible. This sense making approach to data collection enhanced the depth of the data collected, as the maps became cues for more detailed (recorded)
discussions. The drawings became totems for each business, etched as short cuts to the case. This had a pragmatic advantage in that it provided a shared frame of reference via which decisions and actions could be discussed. The shared visual metaphors also increased rapport and engagement with the participants. I acknowledge that this could be seen as an issue in terms of evidencing a clear research protocol, as the maps may mean little to anyone else. However, I would argue that over extended engagement with participants, any researcher would develop metaphors, cues or shortcuts discrete to themselves and the participants help make sense of the stories told.

It was assumed that participants may find the process cathartic to some extent (Argyris and Schon, 1974). This appeared to be the case for participants, as evidenced by their keenness to be involved in future sessions and comments received stating the usefulness of the sessions. In this sense, the sessions were exploiting the “action research qualities” (Bryman and Bell, 2007) of visual data collection. The close relationship with the research participants was seen as an explicit advantage of this research project. The researcher was perceived as an ‘expert’ to the participants, which meant they actively involved the researcher in discussions of employment relationships. Throughout the sessions, participants looked to the researcher for opinion and views. To offer specific guidance was seen as an unethical solution but saying nothing would have compromised the reciprocal nature of the data gathering. Instead, the researcher attempted to encourage participants to reflect on their own understanding. Thus, removing the ‘habits of the mind’ referred to by Hodgkinson and Clarke (2007) and engaging participants in the ‘active thinking’, which aids the decision-making process for participants. This sense making approach to data collection enhanced the depth of the data collected.

6.8. Limitations of the research

This research project was driven by a rigorous design and followed clear data collection and analysis protocols, details of which are in Chapter Three. However,
despite best efforts, no study is perfect and there are limitations that must be considered.

Firstly, the scale and scope of the study means that the theories developed cannot be generalised in a positivistic sense (i.e. to all business owners). However, it could be argued that such a desire would in itself be a rather fruitless quest considering the heterogeneity of small businesses. The contributions derived from the data and subsequent analysis represent incremental, empirically grounded contributions to our understanding of the phenomenon. The specific context of early human resource decisions was an under-researched area and this informed the approach. It is acknowledged that further testing of these theories in a wider variety of contexts is required in order to evaluate their applicability.

The constitution of the sample must also be considered. It was exclusively male, white, young (>35), university educated and was drawn from one geographic and type of location (a Manchester-based business incubator). In addition, the companies were all broadly in the service industry. It is acknowledged that each of these variables could, in their own way, influence the expectations, experiences and motivations towards growth. However, it was beyond the scope of this project to address the potential influence of factors such as demography, geography, age, gender and ethnicity. If the theoretical propositions provided in this research shape future quantitative enquiry, considering the impact of these variables may prove both useful and interesting.

A further limitation is that whilst the growth and employment decisions have been explored from the perspective of the business, the owner manager themselves have dominated this focus. As discussed within the contributions, an interesting avenue for further study would be to explore the employment relationships adopted purely from the perspective of the employed. This would be particularly useful when considering the notion of attachment and kinship relationships.
Finally, it has not been possible to explore every interesting avenue found throughout the data collection and analysis. The research could have been framed using a number of theoretical frameworks, each of which would have resulted in an alternative interpretation of the data. However, this could be considered a limitation of all qualitative research. The richness of this does mean that the researcher can return to it, adopting a different theoretical lens in the future, which may add further to our understanding of amoebusinesses and their growth decisions.

6.9. Further Research

The research presented in this thesis has contributed to the understanding of employment relationships in a newly defined group of businesses, amoebusinesses. However, in doing so it has also raised a number of further questions. There are several lines of research arising from this work that could be pursued and will now be discussed.

Firstly, and most broadly, the research findings have been empirically drawn from a small cohort of businesses. Further investigation with a larger sample would be required in order to confirm (or confute) the theoretical contributions presented in this chapter. A useful way to proceed may be to look at small businesses in different industries or geographic locations.

The definition or classification of amoebusiness is empirically grounded and can be used to describe very early start-ups with permeable business boundaries. Although the classification chimed with the study’s participants, further exploration of the extent to which business owner managers or entrepreneurs can relate to this classification, and the potential boundaries of such a definition, is required in order for its utility to be established.
This study has highlighted the use of kin and fictive kin to support employment growth. Of course, the use of kin and fictive kin may have negative effects on those ‘employed’, as the power relationships may be differently negotiated. Ram (1994) and Ram and Holliday (1993) use the term ‘negotiated paternalism’ to describe this in case studies of small manufacturing companies. It was beyond the scope of this study to consider in detail the impact kin and fictive kin had long term on family relationship and friendships. However, considering the employment relationship from the perspective of the friend, partner or family member provides an interesting avenue for further research.

This study found evidence of kinship offering immediate benefits to the business in the short term. Further study into the long term use and benefits of these relationships (including the influence of trust) may provide a deeper understanding of their role in contingency development for academics studying business growth.

The social world is not static and as such, the context and political landscape present at the start of the study has since changed and it would therefore be impossible to replicate the impact of the exactly the same type of business support on a larger sample. However, there is an opportunity to evaluate the role of ‘free’ labour on start-up businesses. There is an increasing trend for graduates to need work experience and an increase in unpaid internships. Although the ethical and legal statuses of these are under debate (see for example Alec Shelbrooke’s parliamentary motion for a prohibition of unpaid internships, May 2014), this is from the perspective of the students rather than the businesses. This research has shown that ‘free’ labour does not always benefit start-up businesses and yet this is an under-researched area and one that may be fruitful in terms of adding to the debate around both business support and internships.

6.10. Returning to the objectives

This study aimed to critically investigate the complexities of employment decision making in a start-up business context in order to further understand start-up
business growth. This chapter as a whole addresses this aim by highlighting the theoretical and practical contributions made. However, it is useful to briefly return to the objectives in order to review how each has been met as a result of the study.

I. To compare and analyse business growth drivers identified by start-up owner managers with those discussed in the extant literature. In employing the lens of effectuation, this research has shown that growth drivers are influenced by owner managers’ perceptions of capacity and effectual contingencies. The extant literature presents a variety of drivers that influence growth, not least the market. However, this research adds to our understanding by highlighting the importance of business owner’s perception of market opportunities (via capacity) and the development of effectual contingencies as means to respond to a changing market.

II. To understand how key relationships influence start-up business employment decisions. Owner managers use multiple, complex quasi-employment relationships in order to support business start-up. Partnerships with self-selecting stakeholders and the effectual use of kin and fictive kin reduce the need to develop formal employee-employer relationships. These key relationships supporting the business make the boundaries between owner, business and others amorphous. This has led to the development of the business category, amoebusiness, which is a supportive, flexible and contingent web of people.

III. To explore the use of effectual logic in start-up employment decisions. This study is the first to employ effectuation as the conceptual framework for exploring employment decision making in a start-up business context. As preceding sections of this chapter have shown (6.2, p 248) the study has contributed to effectuation theory with the concepts of effectual contingencies, decision righting and capacity.
IV. To evaluate the role of policy and business support for growth at the start-up point.

As discussed in detail in section 6.4 and 6.5, policy and business support both helped and hindered the development of the businesses researched in this study. Whilst business support offered guidance and ‘free’ labour this was not always in response to imminent need. The study has raised questions about the ways in which business support is both delivered and measured.

6.11. Chapter Summary

Employing the theoretical lens of effectuation, this study moves towards an expanded theory of human resource management in growth orientated start-up businesses and provides an empirically grounded conceptualisation of effectual logic in practice in a start-up business context. In summary, the theoretical contributions of this study are as follows;

- An expanded understanding of the practices of hrm in growth oriented start up businesses, strongly influenced by kinship and notions of legitimacy.
- An understanding of the role of effectuation in relation to hrm in growth oriented start-up businesses, principally via
  - The development and use of **effectual contingencies**
  - The process of **decision righting**
  - The influence of the **perception of capacity** as an indicator of the use of effectual logic

These contributions provide insights for academics in small business research broadly but specifically speak to the areas of effectuation and start-up business hrm.

In addition to these theoretical contributions, the chapter provided conclusions and contributions that have implications for policy and practice.

- The development of a category of businesses, **amoebusiness**
• Redefinition of growth in start-up businesses as ‘forward momentum’

The chapter has also provided practical implications for researchers, policy makers and practitioners. Methodological contributions of the study were then discussed and the chapter concluded with a consideration of the limitations of the research. The final chapter acts as a postscript to the thesis, providing reflections on the research process and providing the reader with an update of where the companies are now.
Chapter 7 Reflections & Reflexivity

Having presented the study’s conclusions and contributions, this final chapter acts as a postscript to the thesis. It was deemed appropriate to offer some reflections on the research process and provide an update on where the businesses are now. Therefore, this chapter is presented in the first person, providing personal insights into the study.

A quality measure of quantitative research is the extent to which the study can be replicated and if it would generate similar results. Within qualitative research this is often considered unobtainable, as the conditions can never be exactly replicated (Symon & Cassell, 1998). What emerges in an interview is contingent on the researcher’s approach and the interview context. However, researchers must still be held to account and display rigour in their research. Whilst the methodology chapter presents the steps taken, this chapter reflects on the personal experiences of getting from A to B. I do not presume that another researcher would generate the same results as the context and participants would be different. But whilst the map and terrain is different, the journey may look the same.

7.1. Commentary on the research process

This research was framed by my personal experience and observations. As a fellow tenant of Innospace, I saw first-hand the struggles many business owners faced as they took their first steps towards growth. A common refrain was that there was too much work, but not quite enough for another person and certainly not enough time, money nor energy to go through the rigmarole of recruiting a member of staff. Yet many of the businesses did begin to show early signs of growth. I wanted to understand how these individuals were supporting growth when recruitment didn’t seem to be an option for them.
Throughout this thesis I have commented on the normative, functionalist traditions that are pervasive in our field of study. In presenting this thesis I hope to challenge some of these views. However, at the beginning of the journey as an inexperienced and slightly overwhelmed researcher, I was conscious of trying to make sure I, or rather the study, fitted in. Therefore, in seeking to locate the study in an academic field, my first instincts were to turn to HRM literature, but this seemed to offer insufficient insights. On the whole, HRM in small businesses seemed to talk of what should be done and not what I was seeing. Thus I looked at the entrepreneurship and then small business growth studies. Again, there seemed to be gaps in our understanding. Most provided normative prescriptions of ideal types of relationships I did not particularly recognise. So, it was a critical eye to the literature that this research began. This is not to suggest I rejected the theories extant in the literature, simply that my early observations and personal experience contradicted much of the espoused wisdom.

7.1.2 Data Management

The benefits of using visual data can also be seen as their drawbacks. In creating totally subjective and very different looking maps, it was impossible to directly compare them across cases. I also had to be mindful of capturing comments made by participants as they made the maps during the interview sessions. What resulted was a great deal of scrawled notes, post-it notes and brain dumps following each interview session. By the end of data collection, my research notebooks totaled seven and A1 flipchart sheets covered my office floor, walls and desk. I had hours of interview recordings and a head full of diagrams, maps, stories, policies and ideas. Data management was not an easy task and one that, should I complete a project like this again, I will plan from the outset.

7.1.3 Personal relationships

As with all qualitative research, building trusting relationships and rapport with the research participants was very important to this project. I saw it as particularly critical considering the longitudinal nature of the study. Had I not built strong
relationships there was a risk participants would disengage, leaving me with insufficient data. As discussed, identification of the businesses occurred at Innospace. I’d got to know the individuals by working in the same shared space – ‘water cooler’ chats and Innospace socials meant that there was a level of familiarity between us before I approached them about the research. Indeed, when I first met all four businesses I had not even proposed my research. This could be seen as a criticism in that my sample informed the research. However, I would argue that this actually grounded the study in the reality of its participants. It was the problem as observed up close and personal that drove the research.

Over the course of the research I became quite close with each business owner. This was partly because of the research itself and the number of interviews and amount contact I had with them. I was genuinely interested in all aspects of their businesses and the challenges they faced. But also, I liked them. They were interesting and engaging people. By the end of the research I would call most of them friends. There was undoubtedly a blurring of lines at some stages of the interview process and I was mindful of the influence this had. Should my perception of them as people affect my analysis of the decisions they made? Throughout the research I kept extensive notes (as discussed) on my thoughts about the business, the individuals and my own perceptions. These fed into the extended case studies later used for analysis. When conducting the analysis, I was conscious of adopting a more objective approach, looking at what was said (in context) rather than who said it. I also critically reviewed the extended case studies and examined my own biases. I do not claim to have achieved total objectivity, as I do not think this is possible. But I do believe I achieved sufficient reflection, reflexivity and analytical detachment that was required to show research rigour.

Ethically, I felt it was important to remind the participants that, even when not in an interview session, I was still collecting data. I couldn’t ‘switch off’ my researcher’s head any more than they could ‘switch off’ their business owner’s head. Reminding them and myself of this when interacting was an attempt to make sure nothing was included in analysis that was intended to be “off the record”.
7.2. Credibility

Within qualitative research, the notions of validity and reliability are often replaced by alternative constructs of trustworthiness (Guba and Lincoln, 1994). An element of which is that the analysis and findings should be credible to the research participants – they should be able to see themselves in the findings. Because of the longitudinal nature of the research, I did not deem it appropriate to discuss theoretical development whilst data collection was ongoing. This was because it may have influenced participant responses. However, in reviewing the maps the participants often were surprised at the content. There were exclamations of “Oh, I’d totally forgotten that!” or “I don’t know what I was thinking then.” One specific incident saw it necessary for me to ask one participant to take a look at a transcript of one of our interviews for use in a data analysis exercise I was doing with students. I wanted his approval to use a short, anonymised section. His response;

“Of course you can. I’ve just read it and they’ll have a job getting anything from that Gobbledygook!! :)

In further discussion with the participant (D), he explained that he didn’t even recognise the transcript. He couldn’t remember saying what he had said. This raises some interesting questions about credibility and the nature of capturing ‘the truth’. D had said those things yet he didn’t even recognise it. I would argue that this makes it no less true. This raises the question of what it is we are seeking to be credible to participants. I would argue that it is the overall analysis and findings that need to ‘ring true’ for participants. Moreover, it needs to be relevant to them, perhaps even providing insights into their own actions they may not have considered.

In this vein I spoke with participants, after analysis, to discuss the findings and implications for business and policy. I was concerned with the new business category of amoebusiness. As previously discussed, the participants described themselves in
many ways. In defining a new category I was placing another label on them. The following feedback was received from C of Kildo:

“It makes sense and rings very true indeed. Are you actually coining the term "amoebusiness“? This is wonderful if so! Rather like every time we’re asked for our SIC\textsuperscript{11} – there is nothing on there which is relevant to ANY business I’ve worked in since the age of 18... clear examples of formal classification being behind the reality of enterprise.”

Although each business would clearly ‘see themselves’ in the case studies presented in the findings, would they recognise the abstracted concepts presented in the analysis and conclusions? On the whole, yes. Despite not all participants wishing to engage with this stage of the research, those who did, found the outcomes interesting and sensible. Of course, the participants could simply be humoring me. Time and further research will tell.

### 7.3. Depicting messiness

During the latter stages of this research, I had an ongoing battle with myself about how I would present the findings. I have already discussed, that part of the reason I used mapping techniques in the interviews was because I find them useful myself. Diagrammatic representations of things help me to understand them. For this reason I had always envisaged that I would develop a theoretical model that would be depicted in a diagram. I drafted many different versions, attempting to convey the interrelated concepts evidenced in the findings. I attempted to frame this as a process model, then as an open-systems conceptual diagram and even as a Venn diagram. None of these attempts proved successful. A two dimensional diagram was insufficient to show the complexity and contingency found by this research. 

\textsuperscript{11} “The United Kingdom Standard Industrial Classification of Economic Activities (SIC) is used to classify business establishments and other standard units by the type of economic activity in which they are engaged.” Companies House, 2013 online at companieshouse.gov.uk
fact, I came to the conclusions that most two-dimensional representations fail to convey the inherent messiness of the social world. As conceptual devices, they may have their uses but they also imply a lack of dynamism. Each draft model I created suggested some rational or linear causality that the researcher doesn’t believe to be in existence. The multiple variables inter-relate, enable and constrain. They are fluid and contingent. There may be ways of depicting multiple dimensions on paper, but if so, they were beyond my skills of design.

7.4. Choices & Inspiration

Researchers have to make many choices in the design and execution of their studies. This includes the philosophical approach, methods, analysis techniques, theoretical lenses and the phenomenon itself. Some of these choices I made in an objective and rational manner, weighing up practicality against the needs of the project. The selection of a longitudinal approach, sample selection and number of interviews are examples of this. However, other aspects relied much more on gut feeling. Weick (1989) argues that within qualitative research there is always an uncodifiable step that requires creativity and imagination. I have described the process I adopted and the rigour of analysis. However, there were ‘light bulb’ moments; long walks interrupted by scribbled notes, conversations that sparked something, middle of the night revelations. Langley (1999) refers to this stage as ‘inspiration’ – it was driven by the data, my own experiences, prior knowledge, common sense, contrasting interpretations and creativity.

Towards the end of the research, I noticed the similarities between taking an inductive approach to research and effectuation (Sarasvathy, 2001). I had the means (data, experience, assumptions) and the end was the output of a coherent, justifiable thesis. The journey between the two was not clear. I could have made other choices throughout that journey. This research could be ‘cut’ using alternative theoretical lenses such as learning, networking or identity. I could have adopted a grounded theory approach, institutional analysis, cognitive mapping. I could have developed an early theory and tested it with a larger sample. The variety of choices I
could have made is boundless and many of them were of great interest to me. However, research requires specificity and a level of pragmatism. It is beyond the scope of any thesis to consider everything. By focusing on growth and decision making, I have attempted to place boundaries around the research that give it specificity of contributions. I hope to have the opportunity to return to the data and evaluate it with fresh eyes, as this may provide further interesting and useful insights into how businesses (who choose to) might grow. Just as the research participants, when there was no such thing as the right decision, I made a decision and then made it right.

7.5. What have I learnt?

I make no claims to this thesis being my Magnus Opus but I do consider it as representing the start of my research career. With this in mind, I think it worth noting what I have personally learnt throughout the journey. Whilst grounded in this specific study, I suspect some aspects may be applicable for many nascent researchers.

Specifically relating to study itself, what would I have done differently? I would have included more data from other participants from the amoebusiness network. I focused largely on the business owners and, in doing so, I only got their perspective in the main. The role of kin and fictive kin emerged as an important aspect and I have discussed potential future research in this area within the last chapter. However, I would like to have explored these relationships from the other perspective within this study. I also mentioned that all business owners entered into marriage or cohabitation during the study. There is a suspicion that this strongly affected the business trajectory. There is something there – between kinship, romantic relationships, the intersection between business and love – quite what, I am not sure. But were I to conduct the research again, listening to the voices of others more may have helped me explore it.
With both reading and data collection, I found it difficult to know when enough was enough. The risk of remaining in a literature search for the whole of the research period is that you continually find new avenues to explore. Some of these avenues I became somewhat lost in, reading further and further to be met with a dead end. A paper that is interesting does not make it relevant to the study. My intellectual curiosity led me to remaining in the literature longer than was needed. I eventually had to take a pragmatic step to stop reading and start writing. Once the first draft was complete, there was time to return to the literature and look for new studies. Of course, there may be a study pertinent to this one published since submission of this thesis. However, all research is bounded temporarily and there has to be some mark in the sand or else no research would be published. It is my intention to scan widely for these prior to and after my viva voce.

With regards to the data collection, I found it difficult to extract myself from the businesses. I found the process interesting and rewarding. In fact, we kept in regular contact even when the supposed study end date had passed. It was only when I made a conscious decision to withdraw from the participants that I felt able to adopt a researchers gaze on the data. Since completion of the draft I have been in contact again. This reignited my enthusiasm for the cases and there was a temptation to conduct just one more interview for inclusion. I did not, for the same reason that I had to stop looking for literature. The social world keeps moving but as a researcher I had to stop and take stock or else this study would be never ending.

As I was interested in where the businesses were up to in the summer of 2013, I realised that the reader of this thesis would likely be too. What follows is a short summary of developments since the ending of the formal data collection.

7.6. Business Update - Where are they now?

Kildo
Kildo is the one business that has endured the entire research process and is still owned and managed by C and H. Kildo has grown steadily in terms of number of customers and number of products. Their one employee, M, is still working full-time within the business and continues to be referred to as an invaluable member of the team. They employ other people to work in or on the business. These people come from within their self-defined Circle of Trust.

Through working in partnership with other amoebusinesses, Kildo has worked on a number of other products (in a process they describe as ‘skunk works’). C and H are both founders and directors of another company, which has synergies with their own. They both also continue to take on work under the auspices of their own companies.

Their principal – only hire when it hurts – continues to form the foundation of future plans.

**Tru-R**

After Tru-R closed for business both owner managers sought new jobs that enabled them to use the skills they had developed in running the business. Both J and B seem to be progressing well, although there has been little contact with B. In a follow up meeting, J expressed his desire to start another business. Would he make the same choices?

> *On reflection, we made lots of mistakes. We didn't really know what we were selling and who our customers were."

**MOVE**

After the expansion to the Southport office, cash flow became very tight and immediate growth in revenue did not occur. The decision was made to significantly scale back the business in order to re-start the growth process with a skeleton staff. R moved to London in 2012 to live with his partner and in 2013. A2, who has been with MOVE since 2010 and had become managing director in 2012, moved back to his hometown and ran the business from home.
The business is now showing signs of stable growth. The overheads are very low and the early development of technology means that processes are much smoother and easy to manage than in previous years. Although R comes up to Manchester for regular meetings with A2, his involvement is more as a shareholder or investor. A, who had been instrumental in developing the business (and particularly the Southport expansion) has recently launched her own online business.

**Meet:Eat**

D successfully secured equity funding in 2012 and used the capital to increase marketing activity. Despite being a good sales person, D was unable to convert customers into repeat customers. Additionally, a number of the key partners he worked with effectively copied the idea. Despite the investment, the company was unable to show signs of growth.

In 2013, D left his position as Managing Director of Meet:Eat. The private investor is ‘taking the consumer strategy forwards’. D and his girlfriend embarked on a round the world trip.

### 7.7. Final Words

Enterprise and business start-up is fascinating, complex and important – for the economy certainly but also for individuals. This research has given me the opportunity to explore one small facet of it. The journey has been as rewarding as it has been frustrating. It has challenged some of my own preconceptions about business legitimacy and what it is we expect our businesses to look like. This will undoubtedly feed into the work I do with students in my role as an enterprise educator.

I have fought with this thesis from start to finish. Sometimes trying to shoehorn in knowledge gained from other areas or wrestling with ideas that arose throughout the data collection and analysis. Knowing when to stop looking was a lesson I learnt the hard way. Presenting and explaining the research in a coherent manner meant
taking several steps back and reviewing what I had and where I was going with fresh eyes. It is hoped that this thesis achieves clarity of insight into the decisions made by business owners in their quest for business sustainability and growth. It, therefore, represents a springboard to future studies where these other ideas might be explored and/or a larger population of businesses considered. A PhD represents more than just a piece of research. It is the battle with oneself about what to include or leave out, what theoretical paths to take, what it means to contribute and what kind of researcher you want to be. During these battles I experienced personal defeats as well as small victories. In the battle between thesis and me, in the end I think we both won.
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## Appendix I

### Interview Schedule

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Appendix II  Example of network map
Appendix III  Example of process maps
Appendix IV  Example of metaphorical diagram
Appendix V  ‘Circle of Trust’ explanation

C from Kildo emailed the following to the researcher on 12 September 2011. Names have been changed to initials and the company name has been changed.

THE CIRCLE OF TRUST

Originally taken from the comedy film Meet The Fokkers, the phrase ‘Circle of Trust’ refers to an almost familial group of people who can trust one another. In coining this phrase at Kildo, I believe we were defining our bonds in a similar way to those exhibited in the film.

The central notion is of a unit that you have to enter, in order to become part of the circle. Entry is not permitted to just anyone, there is a sense of in-group and out-group. There are some essential uncodified tests that new members of the circle of trust must pass in order to gain admittance. Once within, members experience a level of trust and belonging which they require in order to carry out their role.

Whilst this description may suggest something approximating a small cult, there is good reason for conceiving of the group in this way.

Within the circle of trust, the transactional costs of maintaining security are reduced. When there is a higher level of trust, there needs to be fewer checkpoints - there can be a certain looseness of organisation. Within defined parameters, people operating within the circle can be left to their own devices. The overall aims and principles are defined, but then with individual actors left to get on with what they have to do. We inspire and expect rather than controlling and policing. This carries obvious advantages in reducing management cost for an organisation which is too small to afford any excess. It's vital that those aspects for which there are required standards are explained clearly. There is - I believe - a real danger in a business attempting to inspire and expect without any clear sense of priorities or process at all. In this environment I believe, and have experience of a situation in which, team members can experience anxiety because they want to deliver, but the landscape is ever-shifting.
A tight definition of the circle of trust would suggest the members to be H, C and M - those who directly 'work for' Kildo. There are, however, a broader set of individuals and businesses who are intrinsically connected to Kildo and on whom a certain expectation of trust is placed. Whether in T at [company], or D & J at [company] - there are others who help Kildo to fulfil its business objectives on a day to day basis in a way which much more closely resembles a partnership than a supplier relationship.

It is only through these 'supply partnerships' that Kildo has been able to create a sustainable business model with almost no risk and negligible start-up capital. By trusting several key businesses and inviting them to trust us, we have created a miniature ecosystem around products such as [product,] – which to date have benefited those businesses more than even C and H, the founders of the business.

Can the circle of trust be broken? The very nature and definition of trust suggests that the truster must not be 100% certain that it will always be honoured/upheld by the trustee. That's what makes it so special. So, yes. The circle of trust can be broken. It is possible for the business to be 'let down' by any of the circle's members. This is why it is especially important that the risk of trust is balanced by the intrinsic security of the most valuable aspects of the business. These safeguards are in place. It is a benefit of the industry in which we operate - online software. We have assembled our infrastructure so that it is possible to grant trust and yet at the same time feel safeguarded.
## Appendix VI  Occurrence of Open Codes

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## Appendix VII  Coding Hierarchy

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Hindsight

- Decision to fire
- Going backwards
- Inexperienced employees
- Justification of decisions
- Justification of leave
- Lack of management experience
- Lack of structure
- Contradictions

- Contradiction
- Illogical use of resources
- Inefficiencies
- Reluctance to delegate
- Researcher input questioning

- Learning
- No planning
- Questioning decisions
- Reflection
- Role change
- Sense making
- Telepathy

Foresight

- Bricolage
- Change
- Decision
- Decisions
- Effectuation
Efficiencies
Growth plans
Investment
Lack of need for employees
Increase staff for perceived growth
Lack of role clarity
Lack of strategy
Optimism of change
Strategy
Sustainability
Technology
Training

Capacity
Creating value
Following the money
Glass ceiling
Hire when it hurts
Hiring ahead of perceived growth
Investment

Attachment
Fit
Dismissive of employees
Disparaging of employees
Dispensable employees
Getting on with each other
Homophily
Commitment
Kinship

Family
Friendship
Partner
Pseudo Ownership
Quasi partners

Love
Trust

Contingencies

Business development v day to day
Company exit
Crisis plans
e-myth
Financial pressure
Future flexibility
Risk avoidance
Spreading risk of losing staff

Control

Acquiescence employee
Best for the business
Delegation
Management style
OM retreat
Emotions

Bad attitude
Emotional intelligence
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Contradictions

Contradiction
Illogical use of resources
Inefficiencies
Reluctance to delegate
Researcher input questioning

Learning
No planning
Questioning decisions
Reflection
Role change
Sense making
Telepathy

Foresight

Bricolage
Change
Decision
Decisions
Effectuation
Efficiencies
Growth plans
Investment
Lack of need for employees
Increase staff for perceived growth
Lack of role clarity
Lack of strategy
Optimism of change
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| Fit                             |                                |
| Dismissive of employees         |                                |
| Disparaging of employees        |                                |
| Dispensable employees           |                                |
| Getting on with each other      |                                |
| Homophily                       |                                |

| Commitment                      | Love                            |
| Kinship                         |                                |
| Family                          |                                |
| Friendship                      |                                |
| Partner                         |                                |
| Pseudo Ownership                |                                |
| Quasi partners                  |                                |

Strategy
Sustainability
Technology
Training
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Appendix VIII  Example of NVivo memo & reflective notes

Example of an NVivo memo created in relation to Meet:Eat

Reflection/Contradictions
His view of L and her role changes throughout the interview. He begins by saying she’s important but new, then later that she basically runs the business. However, later in discussions about rewards, he says she’s basically helping out with admin. His view about her role in the business changes with the context of the discussion. This is similar to when T talked about A – when talking about ‘the strategy’ he downplayed importance but then when describing actual operations, A was ‘in charge’ of most of the activities.

There are differences in self-image and image of others – often throughout one interview. Within this interview – these contradictions are echoed in a discussion about experience - Talks about how his lack of experience in management is the problem with M & R but then talks at length about his experience and how that should be respected.

Roles & Boss/Staff line
Talks about how staff should respect him as the boss yet he then says about all being a team, pays them the same (see also researcher input memo)

D seems to be making sense of the relationships - but with multiple contradictions that he seems to be unaware of. Within each interview he orbits around issues offering various justifications for decisions, sometimes quoting others to support those arguments.

End of i/v says strategy is clear - but throughout interview is totally unclear

Note in research diary – April 2010

“Where am I situating this research? Entrepreneurship is the field I suppose I most identify with – but perhaps that’s just because of my degree. And it’s glossy, sexier than others? HRM? Motivation? Decision making? Is it in the rich mix which makes it a good grounding for theory building? I’m not trying to fit in with any particular ‘slot’ – trying to find my own niche. I seem to be finding more reasons to dislike areas than like them.”

Note in research diary following interview – February 2011
“D seemed upset about the relationship with “the girls” – he is clearly bothered about the apparent lack of respect. I found myself getting rather annoyed at his continual use of the term “the girls”. His lumping together of M and R seemed to show a greater level of disrespect than they of him. He doesn’t refer to any of the hosts as “the lads” – well, he may, I have just not heard him. It always puts my back up when I think there’s a whiff of sexism. His quandary is about what is right and what is easy. Keeping M now is easier but doesn’t feel right. His justification of this makes sense to him but I felt I needed to challenge it. His feelings about M have changed significantly since the last interview and he contradicted himself frequently during this interview. M has gone from being a “real star... just like me” to one of the “the girls”, a guinea pig. It’s a halo/horns situation. D was getting visibly wound up in the interview. He’s circled M’s name on the map and kept stabbing it. I could have pacified him by confirming that he’d made the right decision or handled it well – this is what he seemed to be looking for. Validation of his actions. But I was annoyed at his approach (and probably my perception of some sexism). On reflection, this prompted him to offer yet more justifications of why he was firing her. By the end of the interview he seemed more sure about the decision, probably due in part to his desire to convince me.”
Appendix IX  Sample interview transcript

Transcription of Interview with H. 27.4.10

HB  So you write down all the different roles in your business, which there might be 10 different roles and it may be that you’re doing half and Malcolm’s doing half, or whoever. You then write down who does which role at the moment and then you write out a job spec for each role and you replace from the bottom to the top. So the top being managing director, that goes last. At the bottom is your...

I  What do you mean goes last? Gets done last?

HB  No, you write your job specs for all of them but then slowly you replace the role that you’re doing with an actual person one by one from the ground up; so customer service advisor, developer...

I  Oh I see.

HB  ...until you end up replacing everybody except for the directors and that’s what’s left for you to do. So as you can’t keep up with the role... they say hire when it hurts. You only hire a new person if it’s actually damaging your business to not hire a new person. So at the point where they literally cannot take on anymore work and it’s starting to pile up it’s hurting your business, you get a new person in.

I  And are you doing it?

HB  Yeah, we’ve done it twice now. We’ve done that exercise twice and at the moment M....

I  So draw it out for me.

HB  So you can only have one at the top, by the way, you can’t share it.

I  Right.

HB  We decided it was C. just because he does the finance stuff, and that’s not any kind of judgment on anybody. So you have one and then you have two coming over here and then underneath each of these you might have two. Each of these roles gets less and less important and the wage would be less, responsibility would be
lower but you have to work out what the roles are. Now at the top is your director
and at the bottom is like your customer service advisor and your jobs worth and
your dog’s body, all the stuff that you do at the moment but you don’t want to do.

But yeah, who buys the teabags and who sorts the post out and…?

Who answers the phone, who replies to customer emails, who sets up meetings,
who deals with the diary, all that crap, that’s all at the bottom and you get
somebody in and all these different roles... so I think it worked out something like
this for me and C., right? So he was doing the left and I was doing the right.

And broadly speaking was it kind of split down a technical and a non-technical?

Yeah but with me and C. that’s sensible but with any other company it might be
two very similar people in partnership. There might be three people in
partnership. So then you do that and then you say, “Well actually the real
damaging here is that C. can’t deal with this and this” and that might be cold
calling and customer service, it’s really backing up. So then you don’t bring
somebody in to do one of these roles, you bring somebody in, you might go,
“Right, well I’m going to give them these four”...

This cluster.

...because at the moment we don’t have enough of any one of those for a whole
role but you still have four job specs because each of these is a different role that
that person’s expected to fulfil. Then you end up you might have this person do
four and then they can’t cope anymore so they do two.

They can’t cope with that so you field from the bottom again.

Or you might just put somebody in this one or you might trust this person more,
you might move up a step but you’re always looking to end up with you and your
partner, or you and your partners, taking up the top three or the top two roles. So
you’re doing much more work...

So what have you got now?

...much more focused. What do me and C. have now?

Yeah, what have you and C. got now? There’s you and C.. We’ll put you kind of
like that. Then M..

And then M., yeah.
And is it just...?

It might be.

Yeah.

It’s me; C. and M. are the only three people who are permanent. Well M.’s not permanent, he’s four days. He would be permanent if he didn’t work for T.. So I would say M. now does probably five out of the six bottom tier tasks. C. does sales, direct sales, and he does invoicing, accounts stuff. So he still has touch points with the customers.

Admin type stuff?

Yes. Now I don’t have any touch points with the customer. So I would say, if anything, I’ve been lifted off this bottom rung and been given one step away from that to get on with the other stuff. So it’s like this, yeah, but C.... I mean it’s very confusing if you were to draw it for me and C. and M. because C. is at the top as the Managing Director, has final...

But also...

He doesn’t have overall say but he does have a much better picture of the overall product. He also actually deals with the bottom stuff as well.

Deals with the stuff at the bottom.

So there’s some kind of curve going on there, whereas actually working on bottom stuff and top stuff and I just sit in the middle and I deal with him and I deal with M. but I never deal with the customers.

Okay and what happened to M1.?

He still does occasional internal stuff. So he deals with that admin tool called Toybox but he doesn’t deal with customers and he doesn’t deal with the product directly. We don’t trust him enough is...

Why don’t you trust him?

He’s not grounded enough to be given full access to everything.

Not what enough?

Not grounded enough but he also does development on the side, trying to build his own reputation up and his own name and for me that stinks of taking code and
reusing my own stuff, and that’s not an accusation, that’s just a fear, it’s possible. There’s nothing about Page Play’s code that’s unique, it’s the service and the way we’ve implemented it that’s unique. So me and C. have worries all the time but actually it always comes back to nobody does it. Nobody deals with the customers the way that we deal with the customers and nobody targets the people who we target. They either go for completely automated really cheap self-service websites or there’s bespoke you come to us, we charge you a fortune websites but we actually do both. We give you that content management system, which is you do it yourself, but we always deal with those with a bespoke website. I’ve not seen anybody else do that and even if they did we’ve got a head start on it, we’re starting it now.

I: Where did M. come from and how did M. come about?

HB: We did some recruiting by putting up lots of posters around universities, Manchester Met and Manchester Uni basically. We went round every computer department or business department and put a poster saying, “Can you code HTML and CSS? Well we’re looking for you” and we ended up interviewing quite a few people.

I: And that’s how you found M1., wasn’t it?

HB: Yes, the same route, the same lot of flyers. M. was after Mark. There was also another...

I: There was who we called?

HB: Geoff? I can’t remember what he’s called. It’s really bad.

I: Wasn’t he a M.?

HB: He might have been M. as well. Anyway, he wasn’t talented enough to do… he was very good at lots of different things and C. has always said, “I’d love to him in and have him as like a customer retention or customer service type guy” because he’s very intelligent but he’s too much of a jack of all trades I guess. He doesn’t know enough about one thing to be useful to us, whereas M. knew enough about the design of templates, the design of websites and he’s now going into doing actual development as well on customer service.

I: And I remember you saying to me before that in a funny sort of way M.’s better than both you and C. at certain things.
Oh yeah, massively, yeah. Websites can go from an email saying, “We’re looking for a website” all the way through to the website being live and the person having access to it without me or C. ever knowing it exists. The only point at which either of us have to deal with it is if something bespoke goes on there, so like a photo banner or a Twitter feed or something, and then I have to deal with it. Then C. always has to deal with the accounting stuff because although we trust M. we don’t want to give him the keys to the kingdom. So he can’t get on Cashflow, which is the accounting web stuff we use.

And is that about role or what’s that about? Is that just…?

I think it’s common sense. He can do pretty much anything on our system and we trust him a lot but I would never give him access to everything.

Never give someone your PIN number, yeah.

I’m quite happy that C. can always deal with the accounting stuff and I’ve got access to it if I need it or I want to go and have a nosey around to see what’s going on. There’s no need to give that job role away to somebody and I think that would be one of the last that you’d hand over.

So in terms of growth is he… okay, is M. on the books as it were?

No, he’s a freelancer.

Freelancer.

But now that we’re limited we may have to do that. It becomes much more difficult to deal with freelancers and actually it would probably be quite sensible to have him on the books, but then he would also still work for T. one day a week. So he would be an employee…

Part-time contract?

He would be an employee for us, yeah, and also a freelancer for T.. Now whether T. chose to take him on as an employee as well, it’s possible. Ideally we would clone M. because he’s really developing into a good developer, a good employee as well. He’s very good at everything you give him and you only have to tell him everything once and he won’t ask you again.

Why did you pick him?
Well it was a long time ago. I think we gave him a test. I think we emailed him and said, “This is an image. Turn it into a website. Send it us back” and that’s a very good test that shouldn’t take anybody more than a couple of hours where you say...

I Right. What, just a flat image?

HB Yeah, you say, “Right, this is a flat image. Turn it into HTML and CSS code and send it us back” and that’s part of what a template designer does for us. They...

I Did you have an interview or whatever with him first?

HB Yeah, he came and we had quite an informal chat about what he was doing because he was at uni at the time. He’s finished now. What he was doing at uni, what interests he had, what experience he had, what he was hoping for as well. At that point he was only working... he was doing... I think we said to T., “Look, he really wants to work for us.” I think he came on two days a week or a day a week split between two days and then he said, “If I’m going to keep working for you I need more” and we said, “Well we can’t afford to but T. has agreed to take you on two days and we’ll take you on two days.” Brilliant and he went, “Great, four days a week is enough” because he also works somewhere else for a day doing something un-web related. So he started off doing a day and then we took him for four days after he’d finished uni and he’s now on five days a week, four for us and one for T.. Now he was doing three and two and we commandeered him for another day in a slightly uncomfortable way. C. didn’t even consider it when he did it. He just kind of went... he spoke to M. and said, “Right M., you’re now working for us four days a week”, didn’t have a conversation with T. about it first. So there was a little bit of friction at the time and T.’s very, very sensitive to stuff like that.

I Now how does it work with T.? I mean would you consider him part of Kildo or do you just consider him a supplier?

HB No, no he’s the closest thing we have to a fourth person on the team. We’ve even considered giving him a portion of the business to give him more, what’s the word, impetus, to give him more responsibility to make him more proactive to any issues that we have if he’s actually got some investment in us and we don’t care about giving away 5%/10% of the business to him anyway because he already is...

I Because he’s already an integral part of... yeah, yeah.
HB  If he left and we had to deal with a bog standard host...

I  Yeah, you’d be knackered, yeah.

HB  So T.’s really important to us and I think we would like to show him that in some way but also get some benefit from that.

I  Okay, so how do you and C. work together now in terms of splitting your time out because... okay, you’ve both got different stuff going on, which pays bills, so how do you actually split your time and communicate about splitting your time?

HB  Okay, every three months, I would say, we have a discussion about who’s putting in more effort, more time, adding more value to the business and we literally sit in a room until we agree upon how we're going to deal with it. It’s gone up and down a lot but at the moment we both agree to put in two days a week, two full days, well I say full days, two eight hour chunks which I split into a full day on a Wednesday and then evenings and often sometime on a Saturday. He does different days depending on what he’s doing at Design Bridge and what he’s doing at Manchester Planner. We attempt to both do a full day Wednesday so that we’re actually in the same place and dealing with the same things. There are a ridiculous number of emails that fly about. We have lists of @H. and @C. that are dealt with by priority, we never reach the bottom of, but in a way I see that as a good thing. There’s a company called 37signals who...

I  Basecamp people?

HB  Basecamp people. They wrote... REWORK is a new book and they wrote one previously and they’re both about just getting a product to market as quickly as possible, dealing with your customers in a right way, making yourself profitable as soon as possible. So they investment or anything like that and they talk about meetings are toxic and launch as quickly as possible, even if it’s not finished, and then deal with the comeback from that, and always consult your customers before you do anything. The stuff about the meetings, I truly believe that you sit in a room and people are verbose, especially... well not always C. but C. has a very good talent of using three sentences instead of two words. So actually the limited number of meetings that we have is great because email for me is a much more palatable way of dealing with things. It gives you a chance to consider your reply. It also means that people have to limit the amount that they put in it because emails are expected to be as short as possible in most cases.
I: Do you think there’s a desire for you both to be working on the business full-time?

HB: Oh massive, yeah. I would love it if we both worked full-time. We do have a target. We have figures set out that allows us to do that. We know what will happen. Everything’s going very well. M. is our largest cost at the moment, which is obvious because he’s four days a week, and our rent’s just been almost halved by moving to where we have, which is great. I think we’ve got to hit 250 customers but that’s on basic, that’s on £19 a month, which is not the average package anymore. If we hit 250 then we can both work four days a week on something like £150 a day, which isn’t our day rate or anywhere near, but that’s not the point.

I: But it’s a swallowable…

HB: Straightaway it adds momentum to the product as well. So as soon as we…

I: How near are you to that?

HB: Time wise, numbers wise?

I: Numbers wise.

HB: Probably two thirds, between half and two thirds. We’re definitely more than halfway there now.

I: Time wise?

HB: If I’m not working four days a week for Page Play in six months’ time I will have the conversation with myself about whether it’s the right thing to be doing. I’m buying a house. I’m planning on having children at some point. So I’m 29. It needs to be dealt with. Money needs to start coming in. This is on record. Come and speak to it. Come and say hello.

I: Alright?

??: Hello.

I: Hi. Anything else to add.

HB: She’s interviewing me for my This is Your Life!

??: Is that shorthand?

I: No it’s not, it’s just scrawl. How are you, good?

??: I’m here for a job now.
Are you?

But you’re in here...

[Laughs]. I’m going to get a drink.

You get a drink. I’m going for a run and you might still be here.

Yeah, probably will.

Alright. I hope you enjoy your run. Good.

Okay.

In terms of how it would look in, I don’t know, a year’s time structure wise are you bothered about how it grows with bodies or is it more about the roles that people are doing or is it more about... okay, if you could go back to that, in six months’ time, if you can both work on it four days a week say, does that M. er anymore?

Yeah, that always M. ers. It’s just about how it’s dealt with. So we’re talking about bringing on somebody else anyway because it’s starting to hurt. M.’s got a list. M. has always been very uber productive to the point that you give him a list of 20 things and he comes back an hour later and says, “Right, done that” and it really scared me and C. to start with but actually then we started piling it on and he still managed to keep up day to day. Recently we both had to resend emails to him saying, “Have you got this?” and he said, “Yes, it’s in my list” and that’s like a week later. At that point you start to realise okay, how important are these things? They get slowly more and more important and as the more important ones get left for a week, a week and a half, that’s when you...

It affects the business, yeah.

C. said that he told M. the most important thing is dealing with new customers and customer support and that comes first before anything else he’s been asked to do. He actually said that in a way we’ve wrecked it because he thinks M. is now leaving the other stuff to deal with, maybe less important customer queries. I said, “What, he’s sitting there pressing refresh on the inbox?” and C. went, “No, not exactly but he might leave something for a day or two”, whereas now he’ll hit it straightaway when it comes to a customer query.

So stuff like, for example, that comes through from people like me?

Yeah, anything that goes to help@ is dealt by M..
Is dealt by M. immediately or is that the stuff that would fall?

HB No, that’s usually within an hour. He’s got a M.@ address which is his internal address, which is what we fire requests and requirements to. The help@ we all have access to and if C. and M. were both on holiday I’d deal with it. Luckily I just get to look at it and then go back to doing my other stuff. That’s just the way it is. So anyway, we need to bring somebody else in because the bottom portion of this diagram, potentially the bottom two out of maybe the bottom seven or six, need to be taken away from M.. So that’s customer service, some template stuff, because it then will allow M. to deal with training this new person, and he’ll be in charge of that, that will be the job role, or one of his new job roles, and then also doing more bespoke things like add-ons, bolt-ons to the product, making us some money. So we can another M. or a Geoff, or whatever, come in and do this stuff that M. is more than capable of doing and probably bores him.

And in terms of finding that person are you going to do the same route again?

HB Yes and we’re also going to involve T. in it as well because T. really needs somebody else. So it may be, again, two days and two days. It’s a good challenge. If you get somebody in who can do two days on one product, like Page Play, and then two days on different development that T. does, all sorts of different websites, and they can cope with that and they can learn from that. I mean our office is fantastic. There’s me, I’ve been coding for 10 years. T.’s been running a web hosting company for 10 years. C. has been working for Design Bridge and also doing sales and branding. Martin Hicks, who’s in there now, he’s been coding for five years.

Is he the guy that was in the corner?

HB Yeah. He’s been my mate since secondary school, first year in secondary school. I’ve worked with him in the past in agencies.

And is he working for anybody or is he just…?

HB He started his own business with a friend of his called Flynn and he’s doing development, including mobile phone development. So in that office there’s a huge amount of knowledge and none of us ever struggle on anything for very long because we can fire questions about. To bring somebody into that I would say that they’re quite spoilt actually because there’s always knowledge, advice, help being given out. Rather than people trying to go freelance and not being able to deal
with the problems that they come across that’s a fantastic environment to work in. For me as well because there is stuff, there’s still stuff now that I don’t know or I’m learning. I’ve just got this core that I know and then I’m always trying to learn new stuff.

Stretching it out a bit, yeah, and how do you do it in terms of if you’re all working on different stuff all the time is it, now I don’t know because I’m not in any vague way technical, but is it a case of you should know, you know there will be people that you know that you can ask stuff from? I mean, okay, to draw a parallel, a bit like being in Inner Space, you kind of just know who the person to go and ask about some PR or the kind of person that you would go and ask about doing an invoice. I mean 9 times out of 10, in my case, it was always C. about everything but is it kind of you just...?

HB I think it’s split down into... I mean they’re all quite geeky sections but HTML and CSS, which is the web design stuff; I’ve done that a hell of a lot. So I’ll sit there quietly unless somebody struggles and goes, “H., can you have a look at this?” but M.’s now getting to the point where I’ve taught him about all the little inconsistencies between the different browsers and the techniques and because you only tell him something once and he learns it I don’t have to tell him anymore. In fact he’s now the one that people ask first, which is fine by me, absolutely fine, I’ve got enough on my plate. If it comes to PHP coding development stuff that usually gets batted about between people first because M. knows a bit, J. knows a bit, T. knows, he’s been doing PHP, although he’s not an expert, Martin Hicks knows PHP, been doing it for five years. So PHP is like everybody knows a bit and then everybody has their specialities in it...

End of recording 25.57.8
Appendix X Flow of Employment Decisions

There were a number of employment decisions directly influenced by previous decisions as presented below.

MOVE

ED1 - Recruits A on part-time, formal (contractual) basis

ED2 - Trial of second employee

ED3 - Establishment of strategic partnerships

ED4 - Engagement with web developers as shareholders

ED5 - Former colleague D becomes shareholder ➔ ED6 - T takes full-time position outside MOVE

ED7 - A2 recruited informally then made permanent staff member with graduate support initiative ➔ ED11 - A2 made MD of MOVE

ED8 - S recruited via graduate scheme

ED9 - Trial and error with various intern positions
ED10 - Opening of Southport office with 5 then 7 staff

KILDO
ED1 - Engagement in quasi employment/partnership agreements

ED2 - M1 works on SmartStart

ED3 - M2 working for Kildo
ED5 - M2 full-time employee

ED4 - Additional freelance & resale support from network members

ED6 - Establishment of Street Ltd

TRU
ED1 - S recruited as product designer (freelance)

ED3 - C recruited as designer

ED4 - A recruited as 6 week intern

ED5 - D & H recruited as 6 week interns

ED2 - S formally recruited into the business
Meet: Eat

ED1 - Relationship established with mentor, C. C becomes shareholder.

ED2 - Parents involved in fledgling company

ED3 - J recruited (unpaid) in marketing post

ED4 - Recruitment of flexible event hosts

ED6 - IT developers brought in to develop website (one freelance, one shareholder)

ED7 & 8 - K and A recruited into senior and assistant marketing positions

ED5 - Recruitment of T into marketing position

ED9 & 10 - R and M recruited into Marketing positions

ED11 - L2 recruited as operations manager
### Appendix XI Classifications of Employment Decisions

<table>
<thead>
<tr>
<th>Employment decision</th>
<th>To signify when a discrete employment decision (recruitment) had been made.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Driver</td>
<td>To classify whether the employment decision was primarily driven by a perceived opportunity for growth or driven by an immediate resource need. This classification was based on owner manager’s perception of the current situation, rather than a post hoc interpretation by researcher. Need driven opportunities can be considered as push decisions, i.e. the owner manager is pushed or forced to make a decision. Opportunity driven can be considered as pull decisions, i.e. the owner manager is pulled towards making a choice through perceived potential gains.</td>
</tr>
<tr>
<td>Formality</td>
<td>To classify the relative formality of the employment or relationship type. The four classifications were developed post study.</td>
</tr>
<tr>
<td>Stage</td>
<td>To classify the stage of the study in which the employment decision occurred.</td>
</tr>
<tr>
<td>Business Support Involvement</td>
<td>To classify those decisions that were directly supported by business support initiatives such as funded internships or ‘back to work’ schemes. In order to be classed as having direct business support involvement (1), the employment decision had to involve some direct resource benefit (free labour or</td>
</tr>
</tbody>
</table>
To classify employment decision making process as being either causative (ends-means) or effectual (means-ends). In order to qualify as a causative decision making process, there needed to be evidence of explicit planning regarding the decision. To be classified as effectual, the process had to involve one or more of the following attributes of effectuation; control versus prediction, means led, leveraging contingencies, co-creation partnership, affordable loss principals (Sarasvathy, 2001).